

ASX Announcement | 28 February 2020
Appendix 4E and Commentary for FY 2019

Strong growth in key metrics as OpenLearning successfully transitions to SaaS business model

Financial Highlights (all financial amounts are in AUD unless otherwise stated)

- 90.5% year-on-year (YoY) increase in accrued SaaS revenue to \$723k
- 77% YoY increase in annualised recurring revenue (ARR)¹ to \$944k at the end of FY19
- 170% YoY increase in B2B SaaS clients to 62 at the end of FY19
- 2.8% YoY increase in gross sales to \$1.94m, while successfully transitioning to SaaS model
- 20.36% YoY increase in cash receipts to \$2.24m
- Strong cash position at end of FY19 of \$7.74m

Business Highlights:

- Completed transition to a SaaS business model, successfully restructured to invest in sales/marketing and listing on ASX in December 2019
- SaaS revenue is now the Company's largest revenue stream, accounting for 37% of gross sales
- Company's growth strategy as outlined in prospectus is fully funded
- Expansion of sales and marketing teams underway, strong pipeline of quality clients with a number of opportunities progressing through the sales process

Sydney, Australia, February 28, 2020: Higher education software as a service (SaaS) company **OpenLearning Limited** ('OpenLearning' or 'the Company') is pleased to provide its Appendix 4E preliminary annual financial statements for the year ended 31 December 2019 (FY19), along with the following update. The Company's fiscal year coincides with the calendar year.

As of the end of FY19, OpenLearning has had over 2.54 million enrolments from 1.74 million registered learners across 7,900 courses provided by 62 education providers, making it one of the world's largest online education platforms.

OpenLearning is pleased to report that it completed its transition to a SaaS business in FY19. As a result of a restructure carried out in Q3 19, the Company was able to reduce operational cash burn and operating costs in Q4 19. This provided a strong tailwind to the Company's FY19 results.

In FY19, the Company's sales increased by 2.8% YoY to \$1.94m with operating cash receipts increasing 20.36% to \$2.24m. A strong result considering the Company's change to a scalable plug and play SaaS business model and less on one-off transactional services. The Company achieved a 90.5% YoY increase in high margin SaaS fees, which accounted for 37% of gross sales. The Company's underlying loss after tax (excludes non-cash expenses and costs of the IPO) for FY19 increased 2.1% YoY to \$4.40m from \$4.31m. OpenLearning had cash at bank of \$7.74m at 31 December 2019.

¹ Annualised recurring SaaS revenue, calculated by utilising the generally accepted industry standard, which involves multiplying the monthly accrued SaaS revenue in the month at the end of the quarter by 12 (months). The ARR calculation does not take into account the future expiry of the term of any contract under which SaaS revenue is generated or any customer lost during the relevant month.

Sales from the Company’s online marketplace, which includes fees paid by learners through the OpenLearning platform, increased 108% YoY to \$586k, driven by an increase in utilisation of the platform by education providers to deliver professional development courses to fee-paying learners.

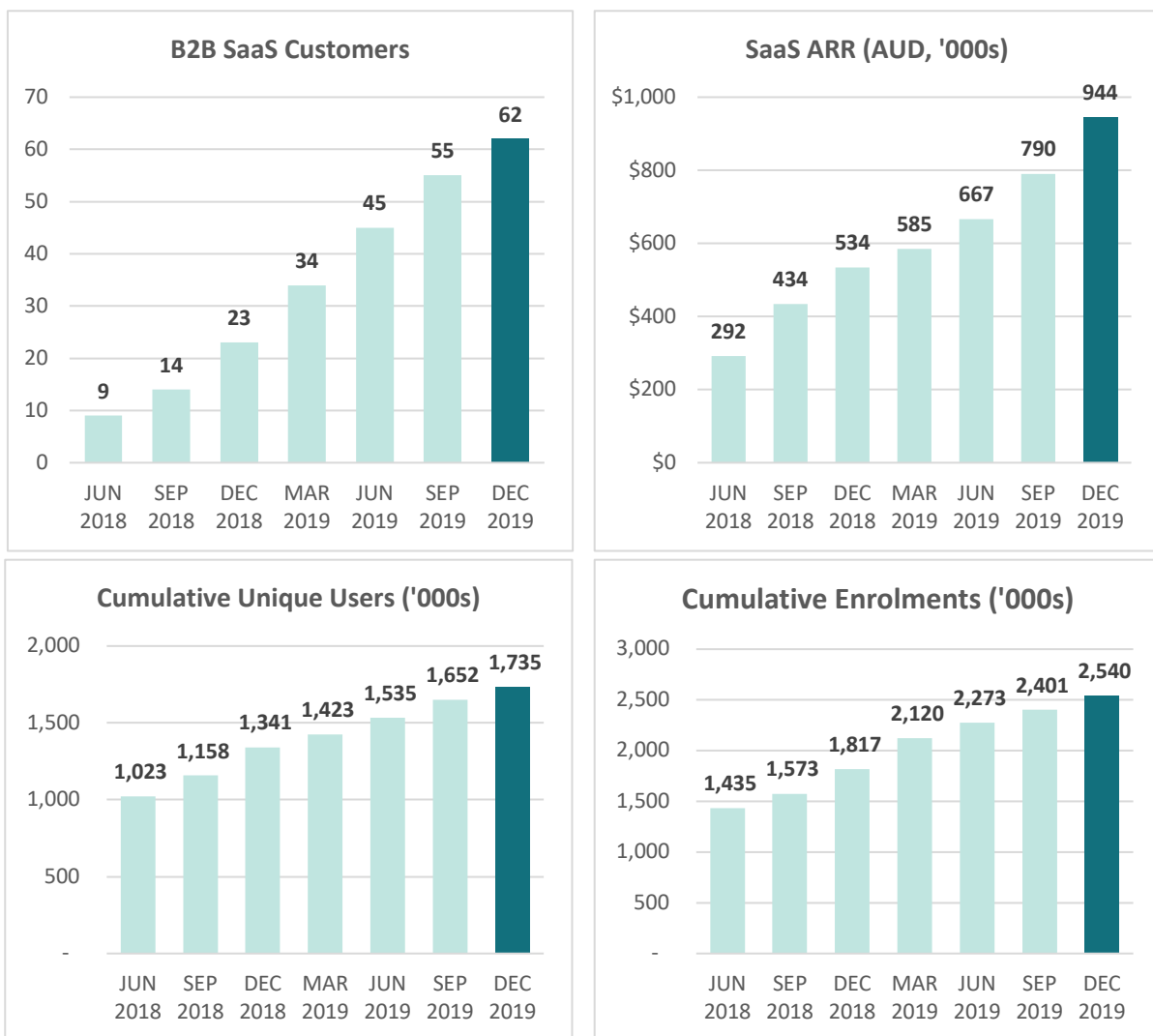
In line with the Company’s transition to a B2B SaaS model for education providers and its shift away from professional services in Southeast Asia, sales from the Company’s learning services division declined to \$632k.

Solid growth in annualised recurring revenue and customer acquisition

As previously announced, OpenLearning ended the year strongly, with ARR increasing by 77% YoY to \$944k as a result of new B2B SaaS clients being onboarded in the quarter and an increase in usage (learners taking courses on the platform) amongst existing clients.

The following charts show the growth in B2B SaaS Customers, SaaS annualised recurring revenue (ARR), cumulative unique users, and cumulative enrolments over the past seven quarters.

Images 1 - 4 : B2B SaaS Customers, SaaS ARR, Cumulative Unique Users, and Cumulative Enrolments Growth, June 2018 – December 2019



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OpenLearning has a strong and advanced pipeline of potential clients in Australia and Malaysia with a number of additional clients already secured and more expected in the near term.

Successful listing on the ASX

OpenLearning commenced trading on the Australian Securities Exchange (ASX) under the ticker code 'OLL' on December 12 following an oversubscribed Initial Public Offering (IPO).

The IPO attracted significant interest, receiving applications from investors well in excess of the maximum raise of \$8 million, including a strategic investment of \$1 million from the Australian Catholic University.

The funds raised from the IPO are being utilised to accelerate sales and marketing activities to universities and other higher education providers in Australia and Malaysia. In addition, the Company is investing in initiatives to increase brand awareness, ensuring that the OpenLearning platform remains cutting edge and is able to attract education providers from outside its target markets.

Strong sector tailwinds

The Company is seeing increased demand and is in discussions with a number of higher education providers to design and deliver both non-accredited and accredited courses online as a result of recent disruptions in the higher education sector that have prevented a substantial number of international students from entering Australia before the start of the 2020 academic year.

Additionally, the potential impact on higher education providers' revenue from a potential decline in international students has led to renewed interest in diversifying their sources of revenue by offering short courses and micro-credentials to working professionals.

OpenLearning is well placed to support higher education providers as they explore online learning as a means of delivering both accredited and non-accredited courses domestically in Australia, mainland China and around the world.

OpenLearning Group CEO & Managing Director Adam Brimo said: "FY19 was a transformative year for OpenLearning with fundamental changes to our business model, operations and corporate structure. I'm grateful for the support of our team and shareholders as we've executed our strategy, which positions the business very well for continued growth well into the future. The Company's growth strategy for FY20 is fully funded and we are seeing strong tailwinds in the higher education sector. We have a robust pipeline of potential clients in our target markets and are focused on growing SaaS revenue while managing costs appropriately to deliver a sustainable and scalable business."

Authorised by:

Adam Brimo

Group CEO & Managing Director

Ends.

Stay up to date with OpenLearning news as it happens:

Visit the Investor section of the OpenLearning website at: <https://solutions.openlearning.com/investor-home/>. There you can download the Company's Prospectus and see recent ASX Announcements and press coverage.

In addition to signing up for OpenLearning news directly from the Company, we also encourage shareholders to register to receive electronic communications from our share registry, Automic. To sign up for e-communications from Automic, please visit <https://www.automicgroup.com.au/>.

Thanks for your ongoing support. We look forward to sharing OpenLearning news with you.

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About OpenLearning

OpenLearning Limited is a software as a service company that provides a scalable online learning platform to education providers and a global marketplace of world-class courses for learners of all levels.

OpenLearning's platform enables the delivery of project-based, social learning to encourage interaction among users and foster a community of collaborative learners. The company's unique service provides a complete learning environment for all types of online education - from short courses through to micro-credentials and online degrees.

With more than 1.74 million learners worldwide across over 7,900 courses provided by 62 education providers, OpenLearning is at the forefront of a new wave of online education delivery.

To learn more, please visit: www.solutions.openlearning.com

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OpenLearning Limited ABN 18 635 890 390 and Controlled Entities

Financial report for the year ended 31 December 2019

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Results for Announcement to the Market

Key Information	2019 \$	2018 \$	Inc / (Dec) %
Revenue from ordinary activities	1,602,613	1,765,095	(9.2)
Revenue comprises of the following:			
Platform SaaS fees	722,525	379,259	90.5
Marketplace sales	585,928	282,139	>100.0
Services sales	632,309	1,227,101	(48.5)
Gross sales	1,940,762	1,888,499	2.8
Less: Sharing of revenue with course creators	(338,149)	(123,404)	>100.0
Revenue	1,602,613	1,765,095	(9.2)
Profit/(loss) after tax from ordinary activities attributable to owners	(7,719,951)	(4,391,627)	75.8
Net profit/(loss) attributable to owners	(7,719,951)	(4,391,627)	75.8

Earnings/(losses) per share

	2019 cents	2018 cents
Basic earnings/(losses) per share*	(5.53)	(13.83)
Diluted earnings/(losses) per share*	(5.53)	(13.83)

* the earnings/(losses) per share is calculated by dividing the profit/(loss) for the year attributable to owners by the weighted average number of ordinary shares outstanding during the financial year. The potential equity shares are deemed anti-dilutive and consequently, diluted EPS remained the same as basic EPS.

Dividends

No dividends have been paid during the year and the Company does not propose to pay any final dividends.

Commentary on the Results for the Period

Results for financial year 2019 ("FY2019"):

- gross sales of \$1,940,762, an increase of 2.8% year-on-year ("y-o-y");
- revenue of \$1,602,613, a decline of (9.2)% y-o-y;
- underlying loss after tax of \$(4,398,704), no significant change y-o-y;
- statutory loss after tax of \$(7,719,951), an increase in losses of 75.8% y-o-y.

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Revenue for FY2019 declined by (9.2)% compared to the comparative FY2018 to \$1,602,613 due to the decline in Services sales. In July 2019, the Company restructured its operations in Australia and Malaysia to focus on growing Platform SaaS revenue by expanding its sales, marketing and customer success teams, and significantly reducing the headcount of its Services division by no longer offering learning design services in Malaysia and reducing the scope of its Services division in Australia. This change in strategy resulted in a decline in Services revenue in FY 2019 as compared to FY 2018 but led to strong growth in Platform SaaS and Marketplace sales, which grew by 91% and 108% respectively y-o-y.

Gross sales for FY2019 increased by 2.8% y-o-y, despite the reduction in Services sales, due to strong growth in Platform SaaS and Marketplace sales.

Statutory net loss for FY2019 increased 75.8% y-o-y to \$(7,719,951) due to incurrance of the following major cost elements:

- operating costs to increase market share in the online education space;
- costs related to rationalisation exercise;
- costs related to pre-IPO and IPO expenses.

There was no significant change y-o-y in the underlying loss after tax for FY2019 at \$(4,398,704). A reconciliation of statutory loss to underlying loss is appended below.

	2019	2018
	\$	\$
Underlying loss after tax	(4,398,704)	(4,313,610)
Costs incurred on rationalisation exercise	(250,537)	(78,017)
Pre-IPO and related expenses	(180,829)	-
IPO and related expenses	(2,889,881)	-
Statutory loss after tax	(7,719,951)	(4,391,627)

Statement of Profit or Loss and Other Comprehensive Income with Notes to the Statement

Refer to the 31 December 2019 financial statements and accompanying notes for OpenLearning Limited.

Statement of Financial Position with Notes to the Statement

Refer to the 31 December 2019 financial statements and accompanying notes for OpenLearning Limited.

Statement of Cash Flows with Notes to the Statement

Refer to the 31 December 2019 financial statements and accompanying notes for OpenLearning Limited.

Statement of Retained Earnings Showing Movements

Refer to the 31 December 2019 financial statements and accompanying notes for OpenLearning Limited.

Net Tangible Assets per share

	2019	2018
	\$/share	\$/share
Net tangible assets per share	0.05	0.03

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Control Gained or Lost over Entities in the Year

The Group undertook the transactions described below in FY2019 as part of a corporate reorganisation to facilitate the listing of the Company on the ASX.

The Company acquired the entire issued and paid-up share capital of OLG Australia Investors Pte Ltd ("OLGAI") from all its shareholders ("OLGAI Shareholders") via the entry and execution of a share exchange agreement made between the OLGAI Shareholders and the Company ("OLGAI Share Exchange Agreement").

OLGAI together with a group of minority shareholders ("OLGSG Minority Shareholders") owns the entire issued and paid-up share capital of OpenLearning Global Pte Ltd ("OLGSG"). OLGSG in turn owns the entire issued and paid-up share capital in Open Learning Global Pty Ltd ("OLGAU") and OpenLearning Global (M) Sdn Bhd ("OLGMY"). OLGAU and OLGMY are the operating subsidiaries of the Group providing a cloud-based social learning platform, learning design services and sale of education courses through a global marketplace.

The Company, together with the execution of the OLGAI Share Exchange Agreement, also acquired the entire issued and paid-up share capital of OLGSG via the entry and execution of a share exchange agreement made between the OLGSG Minority Shareholders and the Company ("OLGSG Share Exchange Agreement").

Pursuant to the OLGAI Share Exchange Agreement and the OLGSG Share Exchange Agreement (collectively, the "Group Share Exchange Agreements"), both the OLGAI Shareholders and the OLGSG Minority Shareholders sold and transferred all their respective shares in OLGAI and OLGSG to the Company in exchange for the Company allotting to each of the OLGAI Shareholders and OLGSG Minority Shareholders new shares in the Company representing all the issued and paid-up shares of the Company.

Following the completion of the Group Share Exchange Agreements, the Company further issued shares (i) pursuant to conversion of convertible notes, (ii) to advisors and a director for services rendered and (iii) for the initial public offering of shares on the ASX.

Following the completion of the Group Share Exchange Agreements, the Company held the following subsidiaries as at 31 December 2019:

	2019
	%
Held by the Company	
OLG Australia Investors Pte Ltd	100
OpenLearning Global Pte Ltd	100 *
Held by OpenLearning Global Pte Ltd	
Open Learning Global Pty Ltd	100
OpenLearning Global (M) Sdn Bhd	100

* 63.89% held via OLG Australia Investors Pte Ltd

The consolidated financial statements have been prepared in accordance with the pooling of interest method as the Group is a continuation of the existing business of OpenLearning Global Pte Ltd and its subsidiaries. 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.

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Investment in Associates and Joint Ventures

The Group does not have investment in Associates and Joint Ventures.

Status of Audit

This report is based on accounts which are in the process of being audited. The Audited Annual Report is expected to be released by 31 March 2020.

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OpenLearning Limited and its Subsidiaries
Preliminary Final Report

Consolidated Income statement
For the financial year ended 31 December 2019

	Note	2019 \$	2018 \$
Revenue	3	1,602,613	1,765,095
Other income		18,638	65,560
Items of expense			
Web-hosting and other direct costs		(394,814)	(495,647)
Employee benefits expense	4	(4,602,273)	(4,260,979)
Depreciation and amortisation		(62,859)	(23,962)
Promotional and advertising		(121,114)	(236,744)
Professional services		(242,663)	(338,100)
General and administrative costs		(822,856)	(1,041,390)
Pre-IPO and IPO-related costs	5	(3,070,710)	–
		(7,696,038)	(4,566,167)
Finance income		7,131	29,963
Finance expenses		(31,044)	(11,686)
Loss before tax		(7,719,951)	(4,547,890)
Income tax benefit	6	–	156,263
Loss for the year		(7,719,951)	(4,391,627)
Profit for the year attributable to:			
Owners of the Company		(7,719,951)	(4,391,627)
Earnings per share attributable to owners of the Company			
Basic earnings/(losses) per share (cents)		(5.53)	(13.83)
Diluted earnings/(losses) per share (cents)*		(5.53)	(13.83)

* the earnings/(losses) per share is calculated by dividing the profit/(loss) for the year attributable to owners by the weighted average number of ordinary shares outstanding during the financial year. The potential equity shares are deemed anti-dilutive and consequently, diluted EPS remained the same as basic EPS.

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

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OpenLearning Limited and its Subsidiaries
Preliminary Final Report

Consolidated Statement of comprehensive income
For the financial year ended 31 December 2019

	2019	2018
	\$	\$
Loss for the year	(7,719,951)	(4,391,627)
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(4,122)	17,727
Total comprehensive loss for the year	<u>(7,724,073)</u>	<u>(4,373,900)</u>
Attributable to:		
Owners of the Company	<u>(7,724,073)</u>	<u>(4,373,900)</u>

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

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OpenLearning Limited and its Subsidiaries
Preliminary Final Report

Consolidated Balance sheet
As at 31 December 2019

	Note	2019 \$	2018 \$
ASSETS			
Current assets			
Trade and other receivables		551,580	566,698
Prepayments		226,576	130,708
Cash and cash equivalents	7	7,740,768	1,076,732
		8,518,924	1,774,138
Non-current assets			
Furniture, fittings and equipment		62,392	107,660
Intangible assets		453,341	301,412
Right-of-use assets		349,405	–
		865,138	409,072
Total assets		9,384,062	2,183,210
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	8	793,582	308,872
Provisions		143,650	193,468
Lease liability		132,191	–
Borrowing	9	17,727	–
Deferred revenue		572,737	421,271
		1,659,887	923,611
Net current assets		6,859,037	850,527
Non-current liability			
Lease liability		250,884	–
Other payable	8	199,927	–
Convertible preference shares		–	9
		450,811	9
Total liabilities		2,110,698	923,620
Net assets		7,273,364	1,259,590
Equity attributable to the owners of the Company			
Share capital		25,477,155	13,739,487
Share issue expenses		(2,243,961)	(802,249)
Accumulated losses		(19,413,440)	(11,693,489)
Other reserves	10	3,453,610	15,841
Total equity		7,273,364	1,259,590

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

OpenLearning Limited and its Subsidiaries
Preliminary Final Report

Consolidated Statement of changes in equity
For the financial year ended 31 December 2019

	Total \$	Share capital \$	Share issue expenses \$	Other reserves (Note 10) \$	Accumulated Losses \$
Opening balance at 1 January 2019	1,259,590	13,739,487	(802,249)	15,841	(11,693,489)
Loss for the year	(7,719,951)	–	–	–	(7,719,951)
Other comprehensive income					
Foreign currency translation, representing total other comprehensive income/(loss) for the year	(4,122)	–	–	(4,122)	–
Total comprehensive loss for the year	(7,724,073)	–	–	(4,122)	(7,719,951)
Conversion of convertible preference shares	9	9	–	–	–
Valuation of employee share plan	824,606	824,606	–	–	–
Exercise of employee share plan	96,863	96,863	–	–	–
Issuance of ordinary shares :					
- pursuant to conversion of convertible notes	3,700,000	3,700,000	–	–	–
- issuance to advisors and a director	766,667	766,667	–	–	–
- pursuant to initial public offering of shares	8,000,000	8,000,000	–	–	–
Equity issuance costs	(1,441,712)	–	(1,441,712)	–	–
Fair value adjustment on shares issued	–	(1,650,477)	–	1,650,477	–
Valuation of options issued	1,791,414	–	–	1,791,414	–
Closing balance at 31 December 2019	7,273,364	25,477,155	(2,243,961)	3,453,610	(19,413,440)

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

OpenLearning Limited and its Subsidiaries
Preliminary Final Report

Consolidated Statement of changes in equity
For the financial year ended 31 December 2019

	Total \$	Share capital \$	Share issue expenses \$	Other reserves (Note 10) \$	Accumulated Losses \$
Opening balance at 1 January 2018	885,739	8,189,487	–	(1,886)	(7,301,862)
Loss for the year	(4,391,627)	–	–	–	(4,391,627)
<u>Other comprehensive income</u>					
Foreign currency translation, representing total other comprehensive income/(loss) for the year	17,727	–	–	17,727	–
Total comprehensive loss for the year	(4,373,900)	–	–	17,727	(4,391,627)
Issuance of shares	5,550,000	5,550,000	–	–	–
Equity issuance costs	(802,249)	–	(802,249)	–	–
Closing balance at 31 December 2018	1,259,590	13,739,487	(802,249)	15,841	(11,693,489)

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

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OpenLearning Limited and its Subsidiaries
Preliminary Final Report

Consolidated Statement of cash flows
For the financial year ended 31 December 2019

	Note	2019 \$	2018 \$
Operating activities			
Loss before tax		(7,719,951)	(4,547,890)
Adjustments for:			
Depreciation and amortisation		62,859	23,962
Write-off / Loss on disposal of furniture, fittings and equipment		61,017	14,775
Unrealised exchange (gain) / loss		(10,113)	7,705
Pre-IPO and IPO Costs		3,070,710	–
Finance income		(7,131)	(29,963)
Finance expenses		31,044	11,686
Operating cash flows before changes in working capital		(4,511,565)	(4,519,725)
Changes in working capital:			
Increase in trade and other receivables		(80,750)	(408,615)
Increase in trade and other payables		742,106	10,130
Interest received		7,131	29,963
Interest paid		(31,044)	(11,686)
Income tax benefit received		–	355,385
Net cash flows used in operating activities		(3,874,122)	(4,544,548)
Investing activities			
Purchase of furniture, fittings and equipment, net of disposal		(45,589)	(74,201)
Purchase of intangible assets		(101,691)	(240,006)
Net cash flows used in investing activities		(147,280)	(314,207)
Financing activities			
Proceeds from issuance of equity shares		8,000,000	5,550,000
Proceeds from issuance of convertible notes		3,700,000	–
Proceeds from exercise of employee share options		96,863	–
Proceeds from issuance of convertible preference shares		–	8
Proceeds from borrowing, net of repayment		17,727	–
Payments for pre-IPO and IPO costs		(618,334)	–
Share issue expenses		(511,401)	(802,249)
Net cash flows generated from financing activities		10,684,855	4,747,759
Net increase / (decrease) in cash and cash equivalents		6,663,453	(110,996)
Effect of exchange rate changes on cash and cash equivalents		583	5,234
Cash and cash equivalents at beginning of the year		1,076,732	1,182,494
Cash and cash equivalents at 31 December	7	7,740,768	1,076,732

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

The consolidated financial statements and notes represent those of OpenLearning Limited (the “Company”) and its controlled entities (the “Group”). OpenLearning Limited is a listed public company, incorporated and domiciled in Australia.

1. Corporate Reorganisation

The Group undertook the transactions described below in FY2019 as part of a corporate reorganisation to facilitate the listing of the Company on the ASX.

The Company acquired the entire issued and paid-up share capital of OLG Australia Investors Pte Ltd (“OLGAI”) from all its shareholders (“OLGAI Shareholders”) via the entry and execution of a share exchange agreement made between the OLGAI Shareholders and the Company (“OLGAI Share Exchange Agreement”).

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Pursuant to the OLGAI Share Exchange Agreement and the OLGSG Share Exchange Agreement (collectively, the “Group Share Exchange Agreements”), both the OLGAI Shareholders and the OLGSG Minority Shareholders sold and transferred all their respective shares in OLGAI and OLGSG to the Company in exchange for the Company allotting to each of the OLGAI Shareholders and OLGSG Minority Shareholders new shares in the Company representing all the issued and paid-up shares of the Company.

Following the completion of the Group Share Exchange Agreements, the Company further issued shares (i) pursuant to conversion of convertible notes, (ii) to advisors and a director for services rendered and (iii) for the initial public offering of shares on the ASX.

2. Summary of significant accounting policies

2.1 Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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 successful listing of the Company on the ASX on 12 December 2019 raised total proceeds of \$8.0 million for the Group.

The Company believes that the proceeds raised from the IPO, together with the on-going sales collection, will enable the continuation of its business. Therefore, 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 Principles 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 have been prepared in accordance with the pooling of interest method as the Group is a continuation of the existing business of OpenLearning Global Pte Ltd and its subsidiaries. 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)

2.4 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 SaaS fees*

Revenue from platform SaaS fees 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 arrangements.

(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 SaaS fees 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.

2.5 New and Amended Accounting Policies Adopted by the Group

Initial application of AASB 16

The Group has adopted AASB 16: *Leases* retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 January 2019. In accordance with AASB 16, the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: *Leases* where the Group is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. The Group adopted a discount rate of 2.0% p.a. to discount the lease payments.

The right-of-use assets for the Group's leases were measured and recognised in the statement of financial position as at 1 January 2019 by taking into consideration the lease liability and prepaid and accrued lease payments previously recognised as at 1 January 2019 (that are related to the lease).

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Notes to the financial statements – 31 December 2019

3. Revenue

	Group	
	2019	2018
	\$	\$
Platform SaaS fees	722,525	379,259
Marketplace sales	247,779	158,735
Services sales	632,309	1,227,101
	<hr/>	<hr/>
	1,602,613	1,765,095
	<hr/>	<hr/>

4. Employees benefit expenses

	Group	
	2019	2018
	\$	\$
Payroll tax	122,526	112,242
Contribution to retirement funds	405,541	390,934
Staff allowances and amenities	74,505	100,189
Accrual/(writeback) of annual leave entitlements	(15,891)	8,126
Director fee	33,543	13,834
Wages and salaries, including severance pay	3,982,049	3,635,654
	<hr/>	<hr/>
	4,602,273	4,260,979
	<hr/>	<hr/>

5. Pre-IPO and IPO-related costs

The pre-IPO and IPO-related costs include the value of share-based payments related to options issued to employees, directors and holders of the notes that have converted to shares in the Company. The value of these share-based payments were calculated using the Black Scholes model and totalled \$2,452,376.

6. Income tax

There is no income tax expense for the current financial year as the Group does not have chargeable income. The Group recorded an income tax benefit of \$156,263 for the comparative FY2018 arising from approved research and development tax incentives.

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7. Cash and cash equivalents

	Group	
	2019	2018
	\$	\$
Cash at bank and on hand	1,641,000	828,173
Cash with online payment providers	1,618	1,105
Short-terms deposits placed with banks	6,098,150	247,454
	<u>7,740,768</u>	<u>1,076,732</u>

8. Trade and other payables

Included in Other Payables for 2019 is an amount of \$389,516 (2018: Nil) owing to the Australian Tax Office being an instalment plan payable over 23 monthly instalments arising from PAYG tax withheld.

9. Borrowing

Borrowing represents a working capital loan provided by Paypal which is secured over the funds transacted through the Paypal payment gateway.

10. Other reserves

	Group	
	2019	2018
	\$	\$
Foreign currency translation reserve	11,719	15,841
Common control reserve	1,650,477	–
Share option reserve	1,791,414	–
	<u>3,453,610</u>	<u>15,841</u>