

ASX Announcement | 26 February 2021
Appendix 4E and Commentary for FY20

OpenLearning sees strong growth in FY20, signs major agreements and partnerships to drive revenue in FY21 and beyond

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

- Increase of 48% YoY in gross sales to \$2.87m in FY20
- 18% YoY increase in revenue to \$1.89m (sales less revenue shared with education providers)
- 56% YoY increase in Platform SaaS revenue to \$1.13m making it the largest revenue stream in FY20
- 42% YoY increase in annual cash receipts from customers for FY20 to \$3.18m
- Increase of 42% YoY in annualised recurring revenue (ARR) to \$1.35m as at end FY20
- 169% YoY increase in Platform SaaS customers to 167 as at end FY20
- 2.73m registered users as at end FY20, an increase of 57% YoY
- 4.41m total enrolments as at end FY20, an increase of 74% YoY
- Strong cash balance of approximately \$8.6m as at 31st December 2020

Business highlights

- Signed transformative 5-year agreement to deliver the UNSW Transition Program Online for international students to gain entry into UNSW with the first intake commencing in March 2021
- Signed 5-year agreement with UNSW and The University of Queensland to be the technology and operating partner of the Biomedical Education and Skills Training Network
- Signed significant agreements with Open Universities Australia, the country's largest higher education marketplace to support the development of micro-credentials by Australian universities
- Entered strategic partnership and platform agreement with the Australian Catholic University
- Entered strategic partnership and platform agreement with High Resolves to deliver their award-winning learning experiences in schools across Australia and the United States
- Developed and launched OpenCreds, Australia's first cross-sector micro-credential framework
- Implemented significant enhancements to the OpenLearning platforms to speed up customer onboarding, self-service course design, analytics, learner engagement and portfolios
- Continued investment in revenue share opportunities to accelerate growth in FY21

Sydney, Australia, 26 February 2021: Global lifelong learning platform and technology company **OpenLearning Limited** ('OpenLearning' or 'the Company') is pleased to provide its Appendix 4E preliminary annual financial statements for the year ended 31 December 2020 (FY20), along with the following update. The Company's fiscal year coincides with the calendar year.

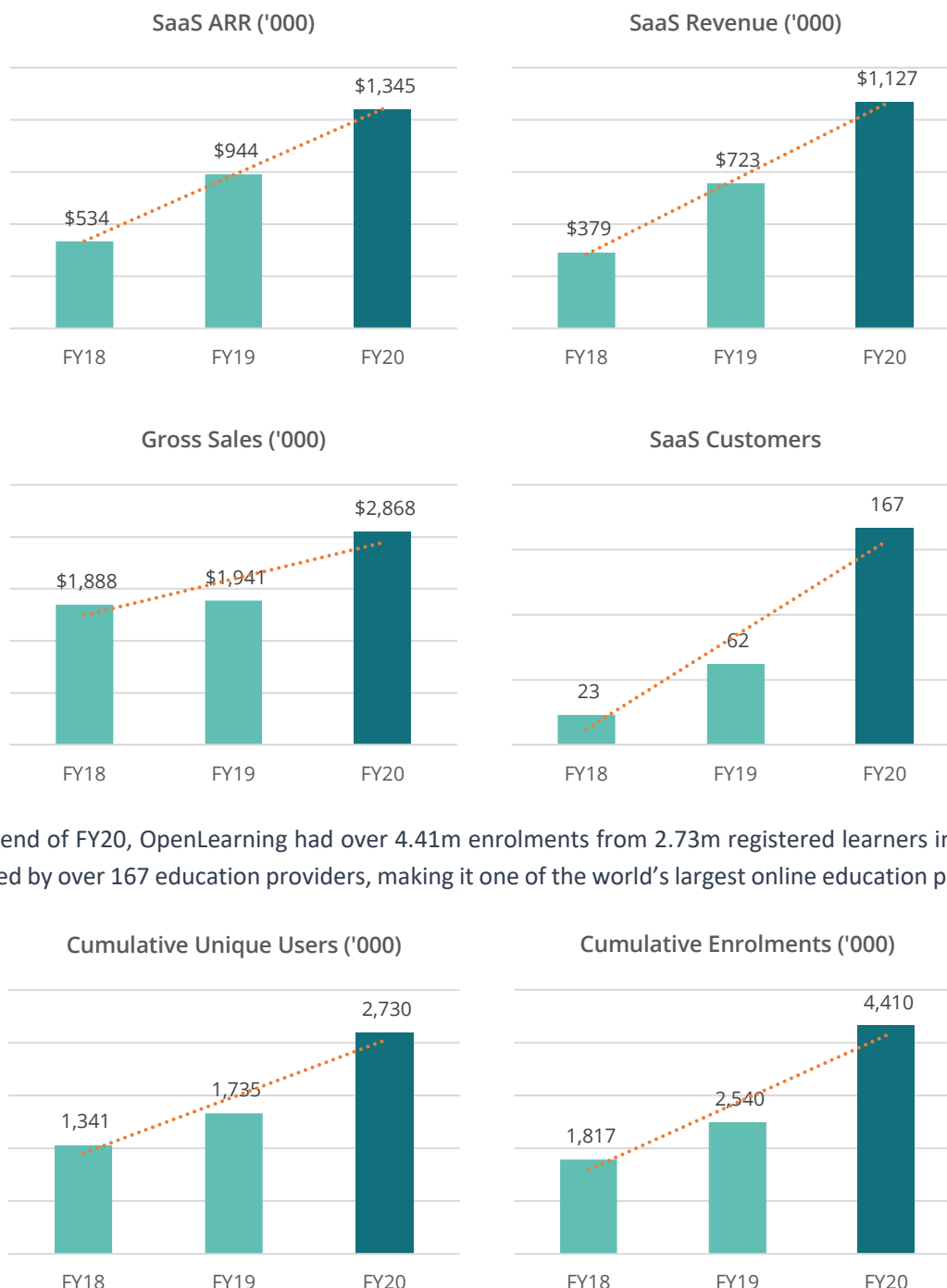
Strong growth in core business

OpenLearning delivered strong growth across its key metrics including SaaS annualised recurring revenue (ARR), SaaS customers, gross sales, unique users and enrolments in FY20.

OpenLearning's ARR grew to \$1.35m in FY20, an increase of 42% and with a 10% increase in the final quarter of the year, which was driven by a substantial 169% YoY rise in SaaS clients to 167 education providers. Gross sales also increased significantly, rising by 48% YoY to \$2.87m, with cash receipts from customers rising by 42% YoY to \$3.12m.

Following the Company's transition to a SaaS business in the previous fiscal year, SaaS revenue grew strongly during FY20, increasing by 56% YoY to \$1.13m, making it the Company largest revenue stream. Sales of online courses through OpenLearning's platform grew 91% YoY to \$1.12m, \$0.98m of which was paid to education providers, an increase of 190% YoY. This demonstrates that the Company's customers are generating new revenue from its platform in addition to delivering courses for their existing learners. After deducting revenue shared with education providers, the Company's revenue grew by 18% to \$1.89m. The Company ended the year with a strong cash balance of approximately \$8.6m as at 31st December 2020, enabling it to deliver on its key revenue growth objectives for FY21.

Images 1 - 6: SaaS ARR (includes the OpenLearning platform and BEST Network), SaaS Revenue (Accrual basis), Group Gross Sales, SaaS Customers (paying >\$500/year), Cumulative Unique Users, and Cumulative Enrolments by financial year.



At the end of FY20, OpenLearning had over 4.41m enrolments from 2.73m registered learners in courses provided by over 167 education providers, making it one of the world's largest online education platforms.

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Major partnerships to drive future growth

The past year saw an acceleration in the adoption of online learning and greater acceptance of online degrees, short courses and micro-credentials by both domestic and international students. OpenLearning has successfully positioned itself to capitalise on these tailwinds and signed a number of significant agreements with top tier organisations that are expected to drive future revenue growth.

In Q4, OpenLearning signed a five-year license agreement with the University of New South Wales Global (UNSW Global) to design and deliver a new online Transition Program for international students. The Company expects to receive net revenue of between \$6,000 and \$9,000 for each student in the program after fees paid to UNSW Global and based on the estimated enrolment fee per student. The program's first intake will commence in March 2021.

The Company signed a five-year agreement with the UNSW and The University of Queensland (UQ), which saw it become the technology and operating partner of the Biomedical Education Skills and Training (BEST) Network. The BEST Network is a member-based collaboration of five Australian universities and five international universities in addition to UNSW Sydney and UQ, who pay an annual membership fee, a portion of which will go to the Company, to participate in the network.

In Q3, OpenLearning signed agreements with Open Universities Australia (OUA). The agreements established three key initiatives that are designed to provide universities with a low-risk entry into the micro-credential market by leveraging OUA's established marketplace and OpenLearning's platform and services. To accelerate adoption, OpenLearning and OUA also launched a jointly funded grant program to develop up to 30 OpenCreds courses on a revenue share basis.

In Q2, the Company expanded its partnership with Australian Catholic University (ACU) by signing a 3-year Platform SaaS agreement. The agreement built upon an existing partnership formed in late 2019 when ACU became a cornerstone investor in the Company's IPO with a \$1 million investment.

In Q2, the Company signed a platform and services agreement with Heriot-Watt University Malaysia, the Malaysian campus of Heriot-Watt University, one of the UK's leading universities with five campuses and over 29,000 students, to redesign the first semester of its Foundation Studies program. The program was designed and delivered on-time and on-budget, and was well received by students.

In Q1, OpenLearning signed a usage-based SaaS agreement with global not-for-profit High Resolves, representing the Company's first significant expansion into the K12 sector. During the year, High Resolves redesigned their most popular programs to be delivered via the OpenLearning platform and delivered them to thousands of students worldwide, receiving overwhelmingly positive feedback from students.

Development of OpenCreds and enhancements to OpenLearning's platforms

In FY20, the Company launched OpenCreds, Australia's first cross-sector micro-credentialing framework and subsequently launched a version for Malaysia later in the year. OpenCreds enables education providers to adapt to the fast-changing nature of work by providing a common structure through which they can deliver micro-credentials across higher education, vocational education, and industry.

In July, the Company launched the OpenCreds Investment Fund to fund the development of OpenCreds on a revenue-share basis, the initiative has signed up eight higher education providers to build 26 OpenCreds. The Company believes that OpenCreds has the potential to become an industry standard for the delivery of micro-credentials in Australia and will result in more education providers subscribing to its platform.

Throughout FY20, OpenLearning also implemented significant enhancements to the OpenLearning platforms to speed up customer onboarding, self-service course design, learning analytics, learner engagement and portfolios.

Corporate

OpenLearning ended FY20 with a strong cash position of \$8.60m, bolstered by successfully completing a \$5.94m institutional placement in Q4. The Company is currently using the proceeds of the funding to deliver on partnerships and near-term growth initiatives.

Specifically, proceeds from the placement are being directed towards:

- The setup and delivery of the UNSW Global Transition Program Online, which is expected to provide a significant new revenue stream to the Company
- The design and development of OpenCreds and qualifications on a revenue share basis
- Strategic acquisition opportunities
- Continued developments and enhancement of the OpenLearning platform
- Working capital requirements

The Company made substantial progress towards the end of FY20 towards these initiatives.

OpenLearning Group CEO & Managing Director Adam Brimo said: “2020 was a transformative year for OpenLearning that required our team to adapt to rapid changes in the education sector and economy at large, so I am pleased and grateful that we were able to deliver growth across key metrics and sign a number of transformative agreements. We entered 2021 well-funded and are working hard to execute multiple strategic growth initiatives and key partnerships. In the near-term, we are preparing for the first intake of the UNSW Transition Program Online, investing in sales and marketing, implementing enhancements to our platform, and expanding the number of OpenCreds with our partners. In the coming quarters, we hope to see our investments in recent partnerships lead to new revenue streams and the onboarding of more top tier organisations onto the OpenLearning platform. We look forward to the year ahead and we thank all our shareholders for their support in FY20.”

Ends.

Authorised by:

Adam Brimo

Group CEO & Managing Director

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.

For further information, please contact:

Company

Justyn Stedwell

Company Secretary

P: +61 3 8395 5446

E: investors@openlearning.com

Media relations

Julia Maguire

The Capital Network

M: +61 2 8999 3699

E: julia@thecapitalnetwork.com.au

About OpenLearning

OpenLearning Limited is a higher education technology 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 2.7 million learners worldwide across over thousands of courses provided by 167 education providers, OpenLearning is at the forefront of a new wave of online education delivery.

To learn more, please visit: <https://solutions.openlearning.com/>

OpenLearning Limited ABN 18 635 890 390 and Controlled Entities

Financial report for the year ended 31 December 2020

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Results for Announcement to the Market

| Key Information | 2020 \$ | 2019 \$ | Inc / (Dec) % |
|--|--------------------------|--------------------------|--------------------------------|
| Revenue from ordinary activities | 1,888,636 | 1,602,613 | 17.8 |
| Revenue comprises of the following: | | | |
| Platform SaaS fees | 1,127,453 | 722,525 | 56.0 |
| Marketplace sales | 1,121,159 | 585,928 | 91.3 |
| Services sales | 619,886 | 632,309 | (2.0) |
| Gross sales | 2,868,498 | 1,940,762 | 47.8 |
| Less: Sharing of revenue with course creators | (979,862) | (338,149) | >100.0 |
| Revenue | 1,888,636 | 1,602,613 | 17.8 |
| Loss after tax from ordinary activities attributable to owners | (5,624,265) | (7,719,951) | (27.1) |
| Net loss attributable to owners | (5,624,265) | (7,719,951) | (27.1) |

Losses per share

| | 2020 cents | 2019 cents |
|--------------------------|-----------------------------|-----------------------------|
| Basic losses per share | (3.90) | (5.53) |
| Diluted losses per share | (3.75) | (5.53) |

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 Year

Results for financial year 2020 ("FY2020"):

- gross sales of \$2,868,498, an increase of 47.8% year-on-year ("y-o-y");
- revenue of \$1,888,636, an increase of 17.8% y-o-y;
- loss after tax of \$(5,624,265), a decline in losses of 27.1% y-o-y.

The Group continued its focus on growing Platform SaaS fees and securing partnership agreements with top tier education providers in FY20 by expanding its sales, partnerships and marketing teams, and investing in customer success, product development and OpenCreds, a cross-sector micro-credential framework. The advent of COVID-19 in early 2020, leading to imposition of stay-at-home measures, resulted in education providers placing emphasis on delivery of their courses online and greater students' enrolment in online courses.

The Group's efforts, in combination with a renewed interest in online education, resulted in an increase in gross sales across the Group's Platform SaaS fees which increased 56.0% y-o-y and for Marketplace sales which increased 91.3% y-o-y. For Marketplace, the Group transitioned from predominately a free platform and revenue share model to a subscription-based model in the previous FY2019 with the aim of increasing recurring revenue from its platform. However this resulted in a reduction in gross margin for Marketplace comparing FY2020 against FY2019. This strategy resulted in revenue growth of 17.8% y-o-y in FY2020 for the Group.

The Group secured a number of strategic partnerships in FY2020 that are on-going, including:

- an agreement with UNSW Global for the delivery of the UNSW Transition Program Online;
- the launch of the OpenCreds Investment Fund and agreements with Open Universities Australia for the development of micro-credentials and short courses on revenue-share basis; and
- an agreement with The University of Queensland and UNSW for the Biomedical Education Skills and Training Network.

These initiatives have the potential to generate significant revenue when commercial operations commence in FY2021.

Loss after tax for FY2020 reduced by 27.1% y-o-y to \$(5,624,265). Loss for the previous FY2019 was higher due mainly to incurrence of pre-IPO and IPO related expenses amounting to \$3.1 million leading to the listing of the Company on the ASX in December 2019.

Despite the Group's losses, cash and cash equivalents remained healthy at \$8,595,069 as at 31 December 2020 arising from a capital raising completed in November 2020.

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

Refer to the 31 December 2020 financial statements and accompanying notes for OpenLearning Limited.

Statement of Financial Position with Notes to the Statement

Refer to the 31 December 2020 financial statements and accompanying notes for OpenLearning Limited.

Statement of Cash Flows with Notes to the Statement

Refer to the 31 December 2020 financial statements and accompanying notes for OpenLearning Limited.

Statement of Retained Earnings Showing Movements

Refer to the 31 December 2020 financial statements and accompanying notes for OpenLearning Limited.

Net Tangible Assets per share

| | 2020 | 2019 |
|-------------------------------|-----------------|-----------------|
| | \$/share | \$/share |
| Net tangible assets per share | 0.04 | 0.05 |

Control Gained or Lost over Entities in the Year

There were no acquisition or disposal of controlled entities during FY2020.

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 2021.

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**OpenLearning Limited and Controlled Entities
Preliminary Final Report**

**Consolidated statement of profit or loss and other comprehensive income
For the financial year ended 31 December 2020**

| | Note | 2020 \$ | 2019 \$ |
|--|------|-------------|-------------|
| Revenue | 2 | 1,888,636 | 1,602,613 |
| Other income | 3 | 108,605 | 18,638 |
| Items of expense | | | |
| Web-hosting and other direct costs | | (590,852) | (394,814) |
| Employee benefits expense | | (4,703,663) | (4,602,273) |
| Depreciation and amortisation | | (253,569) | (62,859) |
| Promotional and advertising | | (370,417) | (121,114) |
| Professional services | | (985,211) | (242,663) |
| General and administrative costs | | (756,529) | (822,856) |
| Pre-IPO and IPO-related costs | | – | (3,070,710) |
| | 4 | (5,663,000) | (7,696,038) |
| Finance income | | 56,279 | 7,131 |
| Finance expenses | | (17,544) | (31,044) |
| Loss before tax | | (5,624,265) | (7,719,951) |
| Income tax expense | 5 | – | – |
| Loss for the year | | (5,624,265) | (7,719,951) |
| Other comprehensive income: | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | (21,889) | (4,122) |
| Total comprehensive loss for the year | | (5,646,154) | (7,724,073) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | (5,624,265) | (7,719,951) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | (5,646,154) | (7,724,073) |
| Losses per share attributable to owners of the Company | | | |
| Basic losses per share (cents) | 6 | (3.90) | (5.53) |
| Diluted losses per share (cents) | 6 | (3.75) | (5.53) |

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

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**OpenLearning Limited and Controlled Entities
Preliminary Final Report**

**Consolidated Statement of financial position
As at 31 December 2020**

| | Note | 2020 \$ | 2019 \$ |
|---|------|--------------|--------------|
| ASSETS | | | |
| Current assets | | | |
| Trade and other receivables | | 373,406 | 551,580 |
| Prepayments | | 279,718 | 226,576 |
| Cash and cash equivalents | 7 | 8,595,069 | 7,740,768 |
| | | 9,248,193 | 8,518,924 |
| Non-current assets | | | |
| Furniture, fittings and equipment | | 54,834 | 62,392 |
| Intangible assets | | 531,891 | 453,341 |
| Right-of-use assets | | 283,561 | 349,405 |
| | | 870,286 | 865,138 |
| Total assets | | 10,118,479 | 9,384,062 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 958,211 | 793,582 |
| Provisions | | 224,333 | 143,650 |
| Lease liabilities | | 192,831 | 132,191 |
| Borrowing | 8 | – | 17,727 |
| Deferred revenue | | 643,021 | 572,737 |
| | | 2,018,396 | 1,659,887 |
| Net current assets | | 7,229,797 | 6,859,037 |
| Non-current liability | | | |
| Lease liabilities | | 128,934 | 250,884 |
| Other payable | | – | 199,927 |
| | | 128,934 | 450,811 |
| Total liabilities | | 2,147,330 | 2,110,698 |
| Net assets | | 7,971,149 | 7,273,364 |
| EQUITY | | | |
| Equity attributable to the owners of the Company | | | |
| Share capital | 9 | 29,595,431 | 23,233,194 |
| Accumulated losses | | (25,037,705) | (19,413,440) |
| Reserves | 10 | 3,413,423 | 3,453,610 |
| Total equity | | 7,971,149 | 7,273,364 |

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

**OpenLearning Limited and Controlled Entities
Preliminary Final Report**

**Consolidated Statement of changes in equity
For the financial year ended 31 December 2020**

| | Share Capital (Note 9) | Reserves (Note 10) | Accumulated Losses | Total |
|--|------------------------------|-----------------------|-----------------------|-------------|
| | \$ | \$ | \$ | \$ |
| Opening balance at 1 January 2020 | 23,233,194 | 3,453,610 | (19,413,440) | 7,273,364 |
| Loss for the year | – | – | (5,624,265) | (5,624,265) |
| <u>Other comprehensive income</u> | | | | |
| Foreign currency translation, representing total other comprehensive loss for the year | – | (21,889) | – | (21,889) |
| Total comprehensive loss for the year | – | (21,889) | (5,624,265) | (5,646,154) |
| Issuance of ordinary shares : | | | | |
| - new ordinary shares | 5,939,499 | – | – | 5,939,499 |
| - exercise of share options | 629,166 | – | – | 629,166 |
| Equity issuance costs | (356,369) | – | – | (356,369) |
| Fair value adjustment on shares issued | 149,941 | (149,941) | – | – |
| Share-based payment | – | 131,643 | – | 131,643 |
| Closing balance at 31 December 2020 | 29,595,431 | 3,413,423 | (25,037,705) | 7,971,149 |

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

**OpenLearning Limited and Controlled Entities
Preliminary Final Report**

**Consolidated Statement of changes in equity
For the financial year ended 31 December 2020**

| | Share Capital (Note 9) \$ | Reserves (Note 10) \$ | Accumulated Losses \$ | Total \$ |
|--|------------------------------------|-----------------------------|-----------------------------|-------------|
| Opening balance at 1 January 2019 | 12,937,238 | 15,841 | (11,693,489) | 1,259,590 |
| Loss for the year | – | – | (7,719,951) | (7,719,951) |
| <u>Other comprehensive income</u> | | | | |
| Foreign currency translation, representing total other comprehensive loss for the year | – | (4,122) | – | (4,122) |
| Total comprehensive loss for the year | – | (4,122) | (7,719,951) | (7,724,073) |
| 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 | 23,233,194 | 3,453,610 | (19,413,440) | 7,273,364 |

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

**OpenLearning Limited and Controlled Entities
Preliminary Final Report**

**Consolidated Statement of cash flows
For the financial year ended 31 December 2020**

| | Note | 2020 \$ | 2019 \$ |
|---|------|--------------------|--------------------|
| Operating activities | | | |
| Receipts from customers | | 3,183,122 | 2,242,609 |
| Payments to suppliers and employees | | (8,280,575) | (6,135,369) |
| Proceeds from other income | | 108,605 | 18,638 |
| Net cash flows used in operating activities | 12 | (4,988,848) | (3,874,122) |
| Investing activities | | | |
| Purchase of furniture, fittings and equipment, net of disposal | | (9,916) | (45,589) |
| Purchase of intangible assets | | (147,990) | (101,691) |
| Net cash flows used in investing activities | | (157,906) | (147,280) |
| Financing activities | | | |
| Proceeds from issue of new ordinary shares | | 5,939,499 | 8,000,000 |
| Proceeds from exercise of share options | | 629,166 | – |
| Proceeds from issuance of convertible notes | | – | 3,700,000 |
| Proceeds from exercise of employee share options | | – | 96,863 |
| Repayment of lease liabilities | | (168,431) | – |
| Proceeds from / (repayment of) borrowing | | (17,727) | 17,727 |
| Payments for pre-IPO and IPO costs | | – | (618,334) |
| Share issue expenses | | (356,369) | (511,401) |
| Net cash flows generated from financing activities | | 6,026,138 | 10,684,855 |
| Net increase in cash and cash equivalents | | 879,384 | 6,663,453 |
| Effect of exchange rate changes on cash and cash equivalents | | (25,083) | 583 |
| Cash and cash equivalents at beginning of the year | | 7,740,768 | 1,076,732 |
| Cash and cash equivalents at end of the year | 7 | 8,595,069 | 7,740,768 |

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

OpenLearning Limited and Controlled Entities
Preliminary Final Report

Notes to the financial statements – 31 December 2020

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. Summary of significant accounting policies

1.1 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.

1.2 Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation and settlement of liabilities in the ordinary course of business.

The Group incurred a net loss of \$5,624,265 (2019: \$7,719,951) and net operating cash outflows of \$4,988,848 (2019: \$3,874,122) for the financial year ended 31 December 2020. As at 31 December 2020, the Group had accumulated losses of \$25,037,705 (31 December 2019: \$19,413,440).

The Group has prepared a budget for the financial year ending 31 December 2021. The cashflow estimation derived from the Group’s budget and the existing rate of cash outflows from operations indicate the ability of the Group to continue as a going concern for a period of at least 12 months from the date this financial report was authorised for issue. Management have a number of on-going initiatives which potentially will improve the Group’s cashflow generation beyond this period of 12 months, some of which have been announced relating to the development of the UNSW Transition Program Online and the development of micro-credentials and short courses. The key assumptions of this assessment are based on the inflow of funds from the capital raising completed in November 2020, on-going sales collection, potential revenue from new ventures pertaining to the UNSW Transition Program Online and development of micro-credentials and short courses and conscientious monitoring of working capital needs.

The financial statements have therefore been prepared on a going concern basis for the above reasons.

1.3 Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Parent (OpenLearning Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

1. **Summary of significant accounting policies (cont'd)**

1.3 **Principles of consolidation (cont'd)**

Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Where applicable, equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

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 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 a common control 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.

1.4 **Revenue**

Revenue arises from Platform SaaS fees, Marketplace sales and Services sales.

To determine recognition of revenue, the Group: (i) identifies the contract with a customer, (ii) identifies the performance obligations in the contract, (iii) determines the transaction price, (iv) allocates the transaction price to the performance obligations and (v) recognises revenue when or as each performance obligation is satisfied.

Revenue is recognised either at a point in time or over time, when or as the Group satisfies performance obligations by transferring the promised goods or services to its customers.

(a) *Platform SaaS fees*

Revenue from platform SaaS subscription 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.

OpenLearning Limited and Controlled Entities
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Notes to the financial statements – 31 December 2020

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

1.4 Revenue (cont'd)

(c) *Services sales*

Revenue from the provision of services is recognised over time reflecting the progress for the completion of a performance obligation for which the Group has an enforceable right to payment.

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.

1.5 New and Amended Accounting Policies

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

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

2. Revenue

| | Group | |
|--------------------|--------------|-------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Platform SaaS fees | 1,127,453 | 722,525 |
| Marketplace sales | 141,297 | 247,779 |
| Services sales | 619,886 | 632,309 |
| | 1,888,636 | 1,602,613 |
| | 1,888,636 | 1,602,613 |

3. Other income

| | Group | |
|--|--------------|-------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Cash flow boost incentive / Government grant | 100,000 | 13,632 |
| Others | 8,605 | 5,006 |
| | 108,605 | 18,638 |
| | 108,605 | 18,638 |

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4. Loss for the year

Loss before income tax includes the following specific expenses:

| | Group | |
|---|--------------|-------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Employee benefits expense | | |
| - share-based payment | 131,643 | – |
| - severance costs | – | 183,019 |
| Depreciation and amortisation | | |
| - depreciation on furniture, fittings and equipment | 15,875 | 31,095 |
| - depreciation on right-of-use asset | 176,199 | 31,764 |
| - amortisation of intangible assets | 61,495 | – |
| Professional services | | |
| - contractors | 483,791 | 104,437 |
| General and administrative costs | | |
| - write-off / loss on disposal of furniture, fittings and equipment | 1,422 | 61,017 |
| - surrender of lease costs | – | 67,518 |
| - foreign currency translation losses | 14,909 | 13,538 |
| - impairment of trade receivables | 66,096 | 15,354 |
| - travelling costs | 25,971 | 101,131 |
| Pre-IPO and IPO-related costs | | |
| - share-based payment | – | 2,452,376 |

5. Income tax

There are no income tax expenses for the current and previous financial years as the Group does not have taxable profits.

6. Losses per share

Both the basic and diluted losses per share have been calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The reconciliation of the weighted average number of ordinary shares for the purposes of calculating the diluted losses per share is as follows:

| | 31 December 2020 | 31 December 2019 |
|---|-----------------------------|-----------------------------|
| Weighted average number of ordinary shares for basic losses per share computation | 144,065,986 | 139,666,641 |
| Effects of dilution from: | | |
| - share options issued to convertible note holders | 5,537,495 | – |
| - share options issued to advisors | 558,667 | – |
| Weighted average number of ordinary shares for diluted losses per share computation | 150,162,148 | 139,666,641 |

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7. Cash and cash equivalents

| | Group | |
|--|------------------|------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Cash at bank and on hand | 1,457,750 | 1,641,000 |
| Cash with online payment providers | 37,319 | 1,618 |
| Short-terms deposits placed with banks | 7,100,000 | 6,098,150 |
| | <hr/> | <hr/> |
| | 8,595,069 | 7,740,768 |

8. Borrowing

Borrowing represents a working capital loan provided by Paypal which is secured over the funds transacted through the Paypal payment gateway. This borrowing was fully repaid as at the financial year-end.

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9. Share capital

| | 31 December 2020 | 31 December 2019 |
|---|-----------------------------|-----------------------------|
| | \$ | \$ |
| 164,024,967 (31 Dec 2019: 139,666,641) fully paid ordinary shares | 29,595,431 | 23,233,194 |

9.1 Movements in ordinary shares

| | Group | | | |
|--|---------------|------------|---------------|-------------|
| | 2020 | | 2019 | |
| | No. of shares | \$ | No. of shares | \$ |
| Issued and fully paid ordinary shares: | | | | |
| At 1 January | 139,666,641 | 25,477,155 | 25,000,000 | 5,189,487 |
| Issuance of shares during the year : | | | | |
| - pursuant to OLGAI Share Exchange Agreement | – | – | 16,527,200 | 96,863 |
| - pursuant to OLGSG Share Exchange Agreement | – | – | 23,472,801 | 8,550,009 |
| - conversion of convertible notes | – | – | 30,833,307 | 3,700,000 |
| - issuance to advisors and a director | – | – | 3,833,333 | 766,667 |
| - public offering of shares | 21,212,495 | 5,939,499 | 40,000,000 | 8,000,000 |
| - exercise of share options | 3,145,831 | 629,166 | – | – |
| - Fair value adjustment on shares issued | – | 149,941 | – | (825,871) |
| At 31 December | 164,024,967 | 32,195,761 | 139,666,641 | 25,477,155 |
| Issued and fully paid “A” shares: | | | | |
| At 1 January | – | – | 7,500,000 | 7,500,000 |
| Shares issued on conversion of convertible preference shares | – | – | 4,895,597 | 3 |
| Transfer pursuant to OLGSG Share Exchange Agreement | – | – | (12,395,597) | (7,500,003) |
| At 31 December | – | – | – | – |
| Issued and fully paid “B” shares: | | | | |
| At 1 January | – | – | 1,050,000 | 1,050,000 |
| Shares issued on conversion of convertible preference shares | – | – | 685,384 | 6 |
| Transfer pursuant to OLGSG Share Exchange Agreement | – | – | (1,735,384) | (1,050,006) |
| At 31 December | – | – | – | – |

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9. **Share capital (cont'd)**

9.1 **Movements in ordinary shares (cont'd)**

| | Group | | | |
|---|--------------------|-------------------|--------------------|-------------------|
| | 2020 | | 2019 | |
| | No. of shares | \$ | No. of shares | \$ |
| Equity issuance costs | | | | |
| At 1 January | – | (2,243,961) | – | (802,249) |
| Costs arising from equity issuance | – | (356,369) | – | (1,441,712) |
| At 31 December | – | (2,600,330) | – | (2,243,961) |
| Total ordinary shares at 31 December | 164,024,967 | 29,595,431 | 139,666,641 | 23,233,194 |

Corporate reorganisation

The Group undertook the transactions described below in the previous 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.

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9.2 Movements in unquoted options over ordinary shares

| Exercise period | Exercise price per share | Number on issue at 1 Jan 2020 | Exercised | Number on issue at 31 Dec 2020 |
|-------------------------------|---------------------------------|--------------------------------------|--------------------|---------------------------------------|
| On or before 9 December 2021* | \$0.20 | 30,833,307 | (3,145,831) | 27,687,476 |
| On or before 9 December 2022* | \$0.20 | 2,793,333 | – | 2,793,333 |
| On or before 9 December 2022* | \$0.30 | 5,000,000 | – | 5,000,000 |
| Total unquoted options | | 38,626,640 | (3,145,831) | 35,480,809 |

* exercise of the options is subject to escrow periods.

9.3 Performance rights

2,750,000 performance rights were granted on 9 December 2019 to two directors of the Company. Half of these performance rights have lapsed. The balance of the rights are exercisable to 1,375,000 ordinary shares in the Company with Nil consideration provided an annualised recurring revenue milestone is met, are exercisable within 5 years following grant date and are subject to an escrow period.

950,000 performance rights were granted on 1 October 2020 to key management personnel of the Company. These performance rights are exercisable to 950,000 ordinary shares in the Company with Nil consideration over 3 years with 1/3 vesting annually on the condition that the Company's volume weighted average share price over any 30 consecutive trading days is equal to or higher than 55 cents.

None of the above performance rights vested during the financial year 2020.

10. Reserves

| | Group | |
|--------------------------------------|------------------|------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Foreign currency translation reserve | (10,170) | 11,719 |
| Common control reserve | 1,650,477 | 1,650,477 |
| Share option reserve | 1,773,116 | 1,791,414 |
| | 3,413,423 | 3,453,610 |

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11. Operating segments

11.1 Segment revenue

The Group has disaggregated revenue into various categories in the following table. The revenue is disaggregated by geographical market, product/service lines and timing of revenue recognition.

| | Year to 31 December 2020 | | | | | | | |
|---|--------------------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| | Platform SaaS | | Services | | Marketplace | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Geographical markets | | | | | | | | |
| Australia | 677,621 | 499,726 | 575,578 | 375,475 | 125,441 | 207,234 | 1,378,640 | 1,082,435 |
| Malaysia | 441,949 | 211,579 | 44,308 | 256,834 | 15,856 | 40,545 | 502,113 | 508,958 |
| Singapore | 7,883 | 11,220 | - | - | - | - | 7,883 | 11,220 |
| | <u>1,127,453</u> | <u>722,525</u> | <u>619,886</u> | <u>632,309</u> | <u>141,297</u> | <u>247,779</u> | <u>1,888,636</u> | <u>1,602,613</u> |
| Timing of revenue recognition | | | | | | | | |
| Products and services transferred to customers: | | | | | | | | |
| At a point in time | - | - | - | - | 141,297 | 247,779 | 141,297 | 247,779 |
| Over time | 1,127,453 | 722,525 | 619,886 | 632,309 | - | - | 1,747,339 | 1,354,834 |
| | <u>1,127,453</u> | <u>722,525</u> | <u>619,886</u> | <u>632,309</u> | <u>141,297</u> | <u>247,779</u> | <u>1,888,636</u> | <u>1,602,613</u> |

11.2 Segment performance and assets/liabilities

The Group has identified its operating segments based on the internal reports that are reviewed and used by management in assessing performance and determining the allocation of resources.

The Group's sales, marketing and professional services operations are managed on the basis of geographical location. The Group's shared services, which includes software engineering, product management and finance, are primarily located in Australia and expenses are primarily booked within the Australian entity, with the addition of a separate corporate overheads segment. Operating segments are therefore determined on the same basis and the Group has four reportable segments as follows:

- (a) Australia
- (b) Malaysia
- (c) Singapore
- (d) Corporate (based in Australia)

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11. Operating segments (*cont'd*)

11.2 Segment performance and assets/liabilities (*cont'd*)

| | Australia \$ | Malaysia \$ | Singapore \$ | Corporate (Australia) \$ | Total \$ |
|------------------------------------|-----------------|----------------|-----------------|--------------------------------|-------------|
| 2020 | | | | | |
| Revenue: | | | | | |
| External sales | 1,378,640 | 502,113 | 7,883 | – | 1,888,636 |
| Segment results: | | | | | |
| Web-hosting and other direct costs | (327,255) | (263,597) | – | – | (590,852) |
| Employees benefit expenses | (3,067,754) | (857,732) | (3,145) | (775,032) | (4,703,663) |
| Depreciation and amortisation | (141,423) | (111,849) | (297) | – | (253,569) |
| Promotional and advertising | (238,154) | (9,122) | – | (123,141) | (370,417) |
| Professional services | (608,362) | (189,474) | (22,552) | (164,823) | (985,211) |
| General and administration | (337,671) | (102,537) | (7,581) | (308,740) | (756,529) |
| Segment loss | (3,249,969) | (1,025,619) | (28,140) | (1,320,537) | (5,624,265) |
| Segment assets | 4,075,580 | 828,121 | 21,592 | 5,193,186 | 10,118,479 |
| Segment liabilities | 1,269,959 | 635,724 | 734 | 240,913 | 2,147,330 |
| | | | | | |
| | Australia \$ | Malaysia \$ | Singapore \$ | Corporate (Australia) \$ | Total \$ |
| 2019 | | | | | |
| Revenue: | | | | | |
| External sales | 1,082,435 | 508,958 | 11,220 | – | 1,602,613 |
| Segment results: | | | | | |
| Web-hosting and other direct costs | (200,007) | (194,424) | (383) | – | (394,814) |
| Employees benefit expenses | (3,272,534) | (1,133,985) | (114,673) | (81,081) | (4,602,273) |
| Depreciation and amortisation | (39,828) | (22,734) | (297) | – | (62,859) |
| Promotional and advertising | (93,721) | (9,593) | (1,366) | (16,434) | (121,114) |
| Professional services | (152,272) | (13,184) | (57,327) | (19,880) | (242,663) |
| General and administration | (587,426) | (207,977) | (15,604) | (11,849) | (822,856) |
| Pre-IPO and IPO-related costs | – | – | (245,548) | (2,825,162) | (3,070,710) |
| Segment loss | (3,277,271) | (1,068,187) | (422,964) | (2,951,529) | (7,719,951) |
| Segment assets | 1,247,588 | 881,067 | 129,894 | 7,125,513 | 9,384,062 |
| Segment liabilities | 1,559,841 | 470,000 | 94,650 | (13,793) | 2,110,698 |

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12. Cash flow information

Reconciliation of cash flows from operating activities with loss after income tax:

| | Group | |
|---|--------------------|--------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Loss after tax | (5,624,265) | (7,719,951) |
| Non-cash flows in loss for the year: | | |
| Depreciation and amortisation | 253,569 | 62,859 |
| Write-off / Loss on disposal of furniture, fittings and equipment | 1,422 | 61,017 |
| Unrealised exchange (gain) / loss | 23,332 | (10,113) |
| Pre-IPO and IPO Costs | – | 3,070,710 |
| Share-based payment | 131,643 | – |
| Changes in assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 125,032 | (80,750) |
| Increase in trade and other payables | 100,419 | 742,106 |
| Net cash flows used in operating activities | (4,988,848) | (3,874,122) |