



3P Learning

A place for schools and families to love learning.

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ABN: 50 103 827 836

October 15 2015

Company Announcements Office
Australian Securities Exchange Limited
Level 4, Stock Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Notice of Annual General Meeting, Proxy Form and Annual Report

Attached is 3P Learning Limited's

- Notice of Annual General Meeting;
- Proxy Form; and
- Annual Report FY: 15.

The Annual General Meeting for 3P Learning Limited will be held on 19th November, 2015 commencing at 2.00PM (AEST) at the following venue:

KPMG, Auditorium, Ground Floor, 10 Shelley Street, Sydney, NSW 2000

ENDS

For further Information, please contact:

Tim Power, Managing Director
E: tim.power@3plearning.com

Jonathan Kenny, Chief Financial Officer
E: jonathan.kenny@3plearning.com

Read more at www.3plearning.com/hello

About 3P Learning

3P Learning's mission is to create a place where students, families and teachers love learning.

3P Learning has brought together a community of 5.3 million students and 17,000 schools across the world using its award winning resources to learn mathematics (Mathletics), spelling and literacy (Spellodrome), reading (Reading Eggs) and science (IntoScience).

The company is comprised of 300 educators, engineers and product designers, based in 11 countries, servicing schools in over 100 countries.

3P Learning has a powerful partnership with UNICEF, which has enabled over 100,000 students to go to school in developing countries.

3P Learning Limited
Level 18, 124 Walker Street
North Sydney NSW 2060 Australia

www.3plearning.com

Auckland • Bristol • Calgary • Dublin • Hong Kong • Johannesburg • Lahore • New York • Pune • Singapore • Sydney

15 October 2015

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to enclose the Notice of Meeting for the 3P Learning 2015 Annual General Meeting to be held on Thursday 19 November 2015 at 2.00PM (Sydney time) at KPMG, Auditorium, Ground Floor, 10 Shelley Street, Sydney, NSW 2000.

At the Meeting, Tim Power, CEO and I will review the Company's performance during the year to 30 June 2015 and outline our plans for the future prior to consideration of the business as detailed in the enclosed Notice of Meeting. A copy of each presentation will be posted on the 3P Learning website: www.3plearning.com/investors/

If you are able to attend the Meeting, please bring the proxy form with you as the bar coding on this form will enable shareholders to be registered easily. Registration will be available from 1:30pm.

If you are unable to attend the Meeting, I encourage you to vote either by using the attached proxy form or by lodging your vote online at www.linkmarketservices.com.au.

A person intending to attend the Meeting and vote on shares held in the name of a company must bring an authority from the company, signed by the company in favour of the person attending.

Directors and management look forward to your attendance at the Meeting.

Yours sincerely,



Samuel Weiss

Chairman

The Annual General Meeting of 3P Learning Limited will be held on Thursday, 19 November 2015, commencing at 2.00PM (Sydney time) at KPMG, Auditorium, Ground Floor, 10 Shelley Street, Sydney NSW 2000.

Items of business

1. Financial Statements and Reports

To receive and consider the Financial Report and the Reports of the Directors and Auditor for the year ended 30 June 2015.

No resolution is required for this item of business.

2. Remuneration Report

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

‘To adopt the Remuneration Report for the year ended 30 June 2015.’

Note:

- The vote on this resolution is advisory only and does not bind the Directors of the Company.
- A voting exclusion applies to this resolution.

The Directors unanimously recommend that shareholders vote in favour of this resolution.

3. Approval of Equity Incentive Plan

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

“That approval be given for all purposes (including under Listing Rule 7.2 and section 200B of the Corporations Act) for approval of the Equity Incentive Plan.”

- Note: A voting exclusion applies to this resolution.

4. Re-election of Director – Claire Hatton

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

‘That Ms Claire Hatton, being a Director who is retiring in accordance with the Company’s constitution, and being eligible, offers herself for re-election, is re-elected as a Director of the Company.’

Notice of Meeting

The re-election of Ms Claire Hatton is unanimously recommended by the Board.

Jonathan Kenny

Company Secretary 15th October 2015

Item 1: Financial Report and Reports of Directors and Auditor

In accordance with section 317 of the Corporations Act 2001, the Financial Report, Directors' Reports and Auditor's Report for the year ended 30 June 2015 will be put before the AGM. These Reports are in the 3P Learning Limited Annual Report and can be accessed on our website at: <http://cdn.3plearning.com/wp-content/uploads/2015/08/3PL-Full-year-results-Financial-Year-ending-30-June-2015.pdf>

This item does not require a formal resolution and no vote will be held on it. Shareholders will, however, be given a reasonable opportunity to ask the Board, management or the Auditor questions about these Reports during discussion time.

Item 2: Remuneration Report

Shareholders are asked to adopt the Remuneration Report for the year ended 30 June 2015. The Remuneration Report is in the Directors Report in the 3P Learning Limited 2015 Annual Report (Refer pages 4 – 10 and can be accessed on the Company's website at: <http://cdn.3plearning.com/wp-content/uploads/2015/08/3PL-Full-year-results-Financial-Year-ending-30-June-2015.pdf>)

The Directors trust that the Remuneration Report assists you to understand the 3P Learning Limited remuneration structure and compensation objectives.

Under the Corporations Act 2001, the vote on this resolution is advisory only and does not bind the Board. However, the Board will take into account the outcome of the vote and any comments made by shareholders when reviewing the Company's remuneration policies.

Shareholders should note that if 25% or more of votes cast on this resolution are against adoption of the Remuneration Report, the first element in the Board spill provisions introduced in 2011 (known generally as the 'two strikes rule') will be triggered. This will require a resolution on whether to hold a further meeting to spill the board (a 'spill resolution') to be put to shareholders at the 2016 Annual General Meeting if a 'second strike' occurs at the 2016 Annual General Meeting.

Voting exclusions

Voting exclusions apply to this resolution, as set out in the Notice of Meeting.

Recommendation

The Directors unanimously recommend that shareholders vote in favour of the adoption of the Remuneration Report.

The Chairman of the AGM intends to vote all available and undirected proxies in favour of this resolution.

Item 3: Approval of Equity Incentive Plan

Long Term Incentive Arrangements

Background to the Plan

The Board has consulted widely about the construction of the executive incentive compensation arrangements with several remuneration advisors and with the HayGroup. The purpose of the Equity Incentive Plan ("**Plan**") is to incentivise senior executives who are in a position to impact the revenue growth and earnings of the company to achieve results that are consistent with the objectives of our shareholders. The Company operates in a global marketplace for online learning that is rapidly changing and growing at a substantial rate every year.

Management and the Board have set internal growth targets that are ambitious but reflect the need for the Company to establish a leading market share in its key markets before competitors do so. The scale of the growth, and the somewhat unpredictable nature of when it will occur means that setting financial targets well into the future is likely not to be very accurate. The Board has determined that the financial hurdle to test the vesting of Performance Rights granted as a long-term incentive should be at the end of the current financial year, but that the vesting should be deferred for three years from grant with a further year of escrow beyond that. The benefit of the multi-year deferral is that executives will be incentivised to continue to achieve superior financial returns even after the financial hurdle has been achieved. The Company has in place good leaver and bad leaver provisions to ensure that executives cannot leave prematurely and expect to receive the benefits associated with their Performance Rights.

No awards have been granted under the Plan as at the date of this Notice but it is intended that participation will be offered to senior executives of the Company for FY16 onwards. Non-executive directors will not be eligible to participate in the Plan. Timothy Wheaton Power, who is the sole executive director of the Company, is the only director who is eligible to participate in the Plan.

Summary of Plan terms

In accordance with Listing Rule 7.2, a summary of the terms of the Plan is as follows.

- The Board may determine to grant awards to Senior Executives in the form of Options or Performance Rights.
- Each Performance Right is a conditional right to acquire one ordinary share in the Company ("**Share**") for no payment. The Performance Rights will be granted for no consideration.
- Each Option is a conditional right to acquire one Share on exercise by payment of an exercise price determined by the Board during a limited exercise period.
- Awards may be granted in tranches with different vesting periods and will be subject to performance hurdles (in addition to continued employment) as determined by the Board (see below).
- Unless otherwise determined by the Board, the awards will lapse upon the occurrence of any of the following:
 - the participant ceases to be an employee of the group;
 - a takeover, scheme of arrangement or reconstruction affects the Company;
 - any vesting conditions become incapable of satisfaction or are determined by the Board not to be satisfied; or
 - the holder of Awards defaults in any material respect under the rules of the Plan.
- The Board may determine that the awards will vest, lapse or remain outstanding in accordance with the Rules upon the occurrence of certain events such as the participant's retirement, redundancy, permanent disability or death or where there is a change of control, takeover offer, scheme of arrangement or voluntary winding up of the Company. On the occurrence of a change of control, takeover offer or scheme of arrangement the Board may also accelerate the exercise period of any vested Options.
- Under the terms of the Plan, the Board may settle vested Performance Rights and exercised Options by the payment of a cash amount equal to the market price of the relevant securities.
- Under the terms of the Plan, the Board may grant Performance Rights or Options which entitle the holder to receive payments equal in value to the dividends they would have received had they held the shares which they may acquire if and when their Performance Rights vest or Options are exercised. The Board has no current intention of granting Performance Rights or Options with dividend equivalency rights.
- The Board may amend the rules of the Plan (for example, to address or take advantage of regulatory or tax positions in Australia or overseas).

Awards granted under the Plan are subject to both the rules of the Plan and the terms of the specific grant.

The Board's current intention is to grant Performance Rights under the Plan. The Board has not yet determined whether it will satisfy its obligations on vesting of the Performance Rights by issuing new shares, delivering shares that are acquired on-market or by paying a cash amount equal to the market price of the shares.

Participation in new issues of Shares

In accordance with Listing Rule 6.19, it is noted that the holder of an Option or a Performance Right cannot participate in a new issue of Shares without exercising the Option or the Performance Right vesting.

Proposed terms of FY16 offers

The Board proposes to grant Performance Rights to Senior Executives as a long-term incentive in respect of the FY16 year on the following terms:

- **Vesting:** The Performance Rights will vest following the release of the Company's financial results for the year ended 30 June 2018 if the Company's earnings per share ("**EPS**") for the financial year ended 30 June 2016 is equal to or greater than a target amount set by the Board.

The percentage of Performance Rights that vest, if any, will be determined over the Performance Period by reference to the following vesting schedule:

Company's EPS for FY2016	% of Performance Rights that vest
Less than threshold	Nil
Threshold	50%
Between threshold and stretch	Straight line vesting between 50%-100%
Stretch	100%

The threshold and stretch targets for the Company's FY2016 EPS have been set by the Board in the context of ambitious growth targets. These target and stretch thresholds will be advised in the Remuneration Report for FY16 as this detail is commercially sensitive.

In accordance with the rules of the Plan, a participant's Performance Rights will ordinarily lapse if they cease to be an employee of the Group prior to the release of the Company's financial results for the year ended 30 June 2018.

- **Escrow:** All of the Shares delivered to participants on the vesting of their Performance Rights will be subject to a trading restriction for one year from the

vesting date. This means that in the ordinary course, the earliest a participant will be able to deal with their Shares will be the 12 month anniversary of the release of Company's financial results for the year ended 30 June 2019.

Additional terms and restrictions

In the event of any capital reorganisation of the Company (including bonus issues, other pro rata issues or corporate reconstruction), the participant's Performance Rights will be adjusted, as set out in the Rules. In general, it is intended that the participant will not receive any advantage or disadvantage from such an adjustment not received by holders of Securities and any adjustment must be consistent with the Listing Rules and Corporations Act.

Performance Rights will not attract voting rights in respect of Shares until the Performance Rights vest and Shares are allocated, whether or not the Shares are subject to an escrow. Income tax will be the responsibility of the participants.

A participant may not sell, assign, transfer or otherwise deal with, or grant a security interest over Performance Rights without the prior written approval of the Board. Performance Rights may lapse immediately on any purported sale, assignment, transfer, dealing or grant of security interest. In addition, it is contrary to the Company's Securities Trading Policy and the law for participants to seek or enter into derivative contracts that hedge their exposure to movements in the price of Shares while they hold Performance Rights that have not vested.

Following vesting, disposal of Shares allocated under the Plan will be subject to the Company's Security Trading Policy.

Regulatory requirements for Item 3

While Shareholder approval of equity incentive schemes is not required it is considered best practice to do so. There is also a benefit having regard to the placement limit under Listing Rule 7.1 which provides that the Company must not issue or agree to issue more than 15% of its issued capital in any 12 month period without Shareholder approval. Listing Rule 7.2 provides an exception to this rule where Shares are issued under an employee incentive scheme and Shareholders have approved the issue of Shares under that scheme (as an exception to Listing Rule 7.1) within three years before the date of issue of the Shares.

Shareholder approval is being sought for the issue of Awards under the Plan and, on the vesting or exercise of those Awards, the issue of Shares in the next three years for the purposes of Listing Rule 7.1. The effect of such approval being granted is that the number of Shares issued under the Plan will not be included in determining whether any further issues of Shares in the next three years will breach the 15% limit under Listing Rule 7.1 in respect of

any 12 month period. This will allow the Company to maintain flexibility to raise funds in the future.

In addition, if approval is given, any benefits received under the Plan by participants that are directors of the Company (currently the only director entitled to participate is Timothy Wheaton Power) or who hold an executive or managerial office upon their cessation of employment will not be prohibited under the retirement benefit provisions of section 200B of the Corporations Act. Benefits may include the Board using its discretion to determine that a participant's Awards:

- will not lapse on the cessation of their employment but will be retained and vest as if they remained an employee ; or
- will vest on their cessation of employment (which will usually only occur in limited circumstances such as where they are made redundant or retire as set out in the rules of the Plan and as described above).

The value of the benefit such a participant may receive as a result of the early vesting or non-lapse of their Awards for the purposes of the retirement benefit provisions of the Corporations Act cannot be ascertained at the date of this Notice as it will be necessarily determined by the number of Awards vesting or not lapsing and the market value of Shares at that date. However, the key matters, events or circumstances which will, or are likely to affect the number of Awards that the Board determines should vest or not lapse on a participant's cessation of employment and the calculation of the value of those Awards include:

- the number of Awards held by the executive under the Plan at the time of their cessation of employment;
- the market price of Shares at the time of their cessation of employment; and
- the number or proportion of Awards held by the executive which the Board determines should vest or not lapse (which will in turn depend upon factors which may include:
 - the participant's performance since the Awards were granted;
 - the length of time that has lapsed since the Awards were granted;
 - the extent to which the performance conditions have been satisfied at the time the participant ceases employment;
 - the financial performance of the Company and the business or support area in which the participant works;
 - the seniority level of the participant; and
 - the circumstances in which the participant leaves the Company.

Recommendation in respect of Item 3

The Directors (other than Mr Timothy Wheaton Power who has a direct interest and abstained from consideration of the matter) unanimously recommend that Shareholders vote in favour of Item 3.

The Chairman of the AGM intends to vote all available and undirected proxies in favour of this resolution.

Voting exclusions

Voting exclusions apply to this resolution, as set out in the Notice of Meeting.

Item 4: Re-election of Director –Claire Hatton

Ms Claire Hatton was appointed to the Board on 2 June 2014.

Background biographical details of Ms Claire Hatton are as follows:

Title: Independent Non - Executive Director

Qualifications: BSc, MBA, GAICD

Experience and Expertise: Over 20 years of global experience in strategy, sales, marketing and operations. Significant experience in the digital and technology market. Previously held senior roles at Google, Travelport and Zuji.com.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of the Nomination and Remuneration Committee and Member of the Audit & Risk Committee.

Interest in shares: Direct holding of 25,000 ordinary shares

Recommendation

The re-election of Ms Claire Hatton is unanimously recommended by the Board.

Quorum and voting

The constitution of the Company provides that at least 3 shareholders present in person or by proxy constitute a quorum. The quorum must be present at all times during the meeting. If a quorum is not present within 15 minutes after the scheduled time for the meeting, the meeting will be adjourned. The Directors of the Company have decided that the adjourned meeting will be held immediately after the adjournment. Members present (being at least

two) in person or by proxy 30 minutes after the commencement of the adjourned meetings will constitute a quorum. On a show of hands each shareholder present in person or by proxy has one vote. On a poll:

- each shareholder present in person has one vote for each share held by them; and
- each person present as proxy, attorney or representative of a shareholder has one vote for each share held by the shareholder that the person represents; and
- each shareholder who has duly lodged a valid direct vote in respect of the relevant resolution has one vote for each share held by them.

The ordinary resolutions of the Company must be passed by more than 50% of the total votes cast on the resolution by shareholders present in person or by proxy and entitled to vote.

Individuals

If you plan to attend the meeting, we ask that you arrive at the meeting venue at least 30 minutes prior to the designated time so we record your attendance and provide you with your voting/admission card.

Corporations

In order to vote on a show of hands at the meetings, a shareholder who is a corporation must appoint a person to act as its representative or appoint a proxy. The appointment of a corporate representative must comply with Sections 250D and 253B of the Corporations Act. The representative should bring to the meetings evidence of his or her appointment including any authority under which it is signed.

Voting exclusions - Resolutions 2 and 3

The Company will disregard any votes cast (in any capacity) on Resolution 2 by and on behalf of:

- a member of the key management personnel ("**KMP**") of the Company (including the Directors) as disclosed in the 2015 Remuneration Report ; and
- a closely related party of a KMP (such as a close family member members and any companies the person controls), whether as a shareholder or as a proxy.

However, a vote may be cast on Resolution 2 by a KMP, or a closely related party of a KMP, if:

- the vote is cast as a proxy on behalf of a person who is not also a KMP or a closely related party of a KMP and the proxy appointment is in writing and specifies how the proxy is to vote on Resolution 2; or

- the KMP is the chair of the meeting casting the vote as a proxy and their appointment expressly authorises the chair to exercise the proxy even though Resolution 2 is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

The Company will disregard any votes cast on Resolution 3 if they are cast by Timothy Wheaton Power or his associates.

Mr Power and his associates will not have their votes on Resolution 3 disregarded if:

- they are acting as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form; or
- they are chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on a proxy form to vote as the proxy decides.

In addition, under the Corporations Act, a vote must not be cast on Resolution 3, by a KMP, or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on the resolution. However, this voting exclusion does not apply if the KMP is the Chairman of the Meeting acting as proxy and their appointment expressly authorises the Chairman of the Meeting to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Voting by Proxy

Your personalised proxy form and a reply-paid envelope accompany this Notice.

A registered member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies, to attend and vote on their behalf at the Meeting. A proxy need not be a registered holder.

Where two proxies are appointed, neither proxy may vote on a show of hands and each proxy should be appointed to represent a specified proportion of the member's voting rights. If the proxy appointments do not specify the proportion of the member's voting rights that each proxy may exercise, each proxy may exercise half of the member's votes.

To be effective, proxy forms must be received online or by using the reply paid envelope (included with this Notice) or by post, facsimile or delivery at the offices of the Company's Share Registrar, as follows:

- Online:** Login to the Link website using the holder details as shown on the Voting Form. Select "Voting" and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their Holder Identifier (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Voting Form). You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.
- By Post:** IPE Limited
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia;
- By Facsimile:** 61 2 9287 0309; or
- Delivery to:** Link Market Services Limited
1A Homebush Bay Drive,
Rhodes NSW 2138

by 2:00p.m. EST on Tuesday, 17 November 2015. Proxy forms received after this time will be invalid.

The proxy form enables a shareholder to vote for or against, or abstain from voting on a resolution. A shareholder may direct the proxy holder how to vote in respect of each resolution.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Voting Entitlement

Pursuant to Corporations Regulations 7.11.37 and 7.11.38, and the ASX Settlement Operating Rules, the Board has determined that, subject to the voting exclusion above, the holding of each shareholder for the purposes of ascertaining the voting entitlements for the AGM will be the entitlement of that person set out in the Company register as at 7.00 pm (Sydney time) on Tuesday, 17 November 2015. Share transfers registered after that time will be disregarded in determining entitlements to vote at the AGM.

Discussions and asking questions

Discussions at the meeting will take place on all items of business set out in the Notice of Meeting. Shareholders will have the opportunity to ask questions at the meeting of the Company and also of the Auditor.

To ensure that as many Shareholders as possible have the opportunity to speak, we ask you to observe the following courtesies:

- it would be appreciated if questions are kept as short as possible; and
- speakers are requested to restrict themselves to two questions or comments initially. Others may have waited some time to speak. If time permits, anyone wishing to speak more than once will be given a subsequent opportunity.

Shareholders who are unable to attend the meeting or who prefer to register questions in advance are invited to do so. All questions must be sent to and received by the Company no later than five (5) business days before the date of the meetings. Any questions should be directed to <http://www.3plearning.com/investors/shareholders/>. The most frequently asked questions, together with answers, will be made available online <http://www.3plearning.com/investors/shareholders/>.



3P Learning

3P Learning Limited

ABN 50 103 827 836

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

3P Learning Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: +61 1300 554 474

VOTING FORM

I/We being a member(s) of 3P Learning Limited and entitled to attend and vote hereby appoint:

STEP 1 Please mark either A or B

A

VOTE DIRECTLY



elect to lodge my/our
vote(s) directly (mark box)



in relation to the Annual General Meeting of the Company to be held at **2:00pm on Thursday, 19 November 2015**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box.

OR

B

APPOINT A PROXY



the Chairman
of the Meeting
(mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:00pm on Thursday, 19 November 2015 at KPMG, Auditorium, Ground Floor, 10 Shelley Street, Sydney NSW 2000** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolution 2: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 2, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

For Against Abstain*

2 Adoption of Remuneration Report

☐	☐	☐
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3 Approval of Equity Incentive Plan

☐	☐	☐
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4 Re-election of Director – Claire Hatton

☐	☐	☐
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* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 2

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3

3PL PRX501G



HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

VOTING UNDER BOX A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either **"for"** or **"against"** for each item. Do not mark the **"abstain"** box. If you mark the **"abstain"** box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories **"for"** and **"against"** and their votes will be valid.

If you have lodged a direct vote, and then you attend the Meeting, your attendance will cancel your direct vote.

The Chairman's decision as to whether a direct vote is valid is conclusive.

VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Voting Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A VOTING FORM

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm on Tuesday, 17 November 2015**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Voting Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your vote by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

3P Learning Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**



Annual Report

For the year ended 30 June 2015



3P Learning

Lodged with the ASX under the Listing Rule 4.3A
3P Learning Limited ABN 50 103 827 836



Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the 3P Learning Limited Annual Report for the financial year ended 30 June 2015. I am gratified to report that in its first year as a publicly listed entity, your Company exceeded the IPO prospectus targets. The Company achieved revenue of \$44.8 million, 2% ahead of the prospectus and 23% higher than the prior year. Pro forma net profit of \$10.8 million was 12% ahead of the prospectus forecast and 28% higher than FY 2014.

At 3P Learning, we love learning and it shows. During the year we were the recipient of numerous global awards for both content and innovation. Additionally, independent academic research at the Australian Catholic University by Dr. Tony Stokes demonstrated that students using Mathletics achieve results in external standardised tests that are 9% higher than for students who don't. We call this the Mathletics Advantage. The empirical evidence within the Mathletics Advantage study is a strong endorsement of the 3P Learning philosophy that engendering and nurturing a love of learning in every child can yield powerful and long lasting benefits.

3P Learning is a global business that in less than a decade has expanded far beyond its Australian roots to become a well-established provider in the Americas and Europe and our future growth will come increasingly from the northern hemisphere. For the first time, in FY 2015, the number of licenses in overseas jurisdictions accounted for almost half of group licenses, and we expect that proportion to continue to expand.

3P Learning made investments in two specialist education technology companies to accelerate the product development of Mathletics, Spellodrome and IntoScience. In March we invested in Desmos and now have unique access to the Desmos graphic calculator that has been embedded into Mathletics in a way that greatly improves the learning experience for our secondary school students. Post year-end we agreed to invest in Learnosity, a global leader in testing and assessment, and beginning in 2016 we will include Learnosity assessment tools in select 3P Learning products. The investment in Learnosity was made as a response to the increased importance being placed in the Americas and Europe on assessment tools and reporting on student performance. We expect the investment to support our aggressive growth objectives in those jurisdictions.

For many years 3P Learning has hosted the World Education Games. This is a global online friendly competition where schools and students from anywhere there is an internet connection can sign on and test their skills in maths, science and literacy against other children either next door, or on the other side of the world. This year the Games are planned to be bigger and better than ever, in part because of our technology partnership with Microsoft and the global outreach that comes from our relationship with UNICEF. For 3P Learning the goal of the Games is simple: introduce more children to education and to a love of learning.

The unique culture of innovation combined with entrepreneurial flair that is behind the success of 3P Learning in all of its markets was recognised a few months ago when our CEO, Tim Power was named the EY Entrepreneur of the Year, Australian Eastern Region Technology category. Your Board is grateful to Tim and his Executive Team for their leadership of 3P Learning in the year since our IPO, for exceeding our prospectus forecast and for increasing the love of learning for children everywhere.

On behalf of the Board I should like to thank each of our shareholders, our dedicated team members and especially the millions of school children and their parents and their tens of thousands of teachers who inspire us every day.

Finally, I should like to acknowledge the hard work and enthusiasm of my colleagues on the Board.

The Board is pleased to announce a final dividend of 1.8 cents per share, in line with prospectus guidance. We look forward to a year of strong growth in FY 2016.

Sam Weiss
Chairman, 3P Learning Limited



Dear Shareholders,

3P Learning's first year as a publicly listed entity delivered substantial progress towards our goal to expand the community of students and schools that use our products globally.

Group revenue lifted 23% year on year and was ahead of prospectus forecasts, reflecting growth in all of our product lines and all jurisdictions. The progress in the Americas was particularly encouraging with revenue growth of 35%.

3P Learning came to market as a listed entity with a clearly defined strategy to build the business in multiple territories. The progress we are making in our strategy is demonstrated by the following achievements:

- Increase the number of school customers: During the year we expanded the number of school customers by 10% to more than 17,000. In the Americas we were particularly encouraged by the increase in the number of school district customers to 74 bringing the number of schools to well above 1,000.
- Increase the number of student licenses within the existing school customer base: During the year we grew the number of licenses across the business to 5.3 million which was 14% higher than a year ago. The momentum in the Americas was particularly exciting with close to 1 million licenses, 41% more than a year ago.
- Increase the cross-sell of products: During the year our strategy of cross-selling our products supported the increase in group licence numbers with growth across all territories. Sales of products other than Mathletics made up 19% of total revenue, an increase from 16% in FY 2014.
- Increase average revenue per license: During the year average revenue per license (ARPU) was \$8.33 which was in line with prospectus forecasts. This included an increase in ARPU in ANZ which coincided with improved customer retention rates. At a group level there was an offset from lower ARPU in the Americas from large district deals. Looking forward we expect modest price increases in most territories, with large district deals in the Americas having the potential to offset the growth in other jurisdictions.

Over the past two years EBITDA margins across the group have expanded significantly to 38% in FY 2015 compared with 11% in FY 2013. Looking forward, we expect EBITDA margins to remain relatively steady reflecting the ongoing investment in the Americas as we take advantage of the significant growth opportunity which exists in that market. We expect cash flows to remain strong and revenue growth to be in line with historical track record.

With our first year as a public company behind us, I would like to thank our shareholders, teachers, schools and parents for their support. I would like to acknowledge the hard work and dedication of our employees who are driving our growth in this exciting industry.

In October we will host the World Education Games in partnership with Microsoft, Macquarie Foundation and UNICEF; I thank them for their commitment to help students develop the skills they need to make the world a better place.

Tim Power
CEO, 3P Learning Limited

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of 3P Learning Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

The following persons were directors of 3P Learning Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Samuel Weiss
Timothy Power
Roger Amos
Claire Hatton

Principal activities

During the financial year the principal continuing activities of the Group consisted of developing, sales and marketing of online educational programs to schools and parents of school-aged students. There was no significant change in the nature of these activities during the year.

Dividends

On 26 August 2015, the Directors declared a fully franked final dividend for the year ended 30 June 2015 of 1.8 cents per ordinary share, to be paid on 22 October 2015 to eligible shareholders on the register as at 8 October 2015. This equates to a total estimated distribution of \$2,427,000, based on the number of ordinary shares on issue as at 30 June 2015. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2015 financial statements and will be recognised in subsequent financial reports.

As the Company is by its nature a growth company, the Board has not adopted any dividend policy in respect of future periods and may look to retain capital generated by the Group's business to reinvest in its growth.

As part of the capital restructure and listing of the Company, pre-IPO shareholders were entitled to a dividend of \$12.5 million which was declared on 2 June 2014 and paid on 9 July 2014.

Operating and financial review

The profit for the Group after providing for income tax and non-controlling interest amounted to \$4,085,000 (30 June 2014: \$5,052,000).

The Group operates in the online education segment of the global education industry, across multiple territories, with a focus on students in grades Kindergarten to grade 12 (K-12).

The Group derives income from the sale of student licences and home licences, typically with a one year term. Licences are sold on a per student basis. Sales are made largely through the Group's global sales and marketing team and websites. The Group also engages distributors to sell its products in some peripheral territories.

The Group generates approximately 96% of revenue from student licences sold through schools. The Group also generates revenue from home licences, copyright fees and sponsorships.

While underlying business growth remains strong the results were impacted by costs associated with listing of the Company on the Australian Securities Exchange (ASX) in July 2014 ('listing'). The IPO impacted statutory profit with costs of \$9,368,000 (30 June 2014: \$3,346,000) recognised in the year.

Total revenue for the Group for the financial year ended 30 June 2015 was \$44,247,000 (30 June 2014: \$36,161,000).

All three of the Group's segments improved their sales revenue driven by strong licence growth in all regions. Earnings before interest, tax, depreciation and amortisation ('EBITDA') performance in all segments deteriorated. Australia & New Zealand ('ANZ') segment was negatively impacted by IPO costs. America, Canada & South America ('Americas') segment and Europe, Middle-East & Africa ('EMEA') segment were impacted by increased employee costs, increased inter-company royalties and foreign exchange movements.

Licence numbers for the Group grew 12.8% from 4.7 million to 5.3 million (30 June 2014: 20.5% from 3.9 million to 4.7 million).

The financial position of the Group is very strong, driven by sustained positive cash flow conversion from operations.

Net assets increased by \$25,878,000 due primarily to the issue of shares and net cash from operating activities.

The online K-12 education industry is a fast moving industry and the rate of technological change and competition is increasing. The risk associated with the market requires Management to continually focus on innovation and change to keep pace with competitors and new entrants to the market. The Group invested \$8,160,000 in product development and this level of investment is expected to continue to remain competitive. The current carrying value of intangible software assets is \$11,848,000.

The material business risks faced by the Group that are likely to have an effect on the financial prospects of the Group are outlined below:

Competition risks: The Group operates in a highly competitive industry and there are a large number of participants targeting the K-12 segment, many with significant resources and capital.

Distribution rights to Reading Eggs Product risks: The Group does not own the intellectual property rights to Reading Eggs and Reading Eggspress.

Technology and intellectual property risks: The Group's technology platforms and systems may be disrupted which could affect the Group's reputation, ability to generate income and financial performance.

Economic Risks: In particular, the Group is exposed to a number of macro risks potentially impacting its economic sustainability.

Exchange rate risk: Volatility in exchange rates can impact the Group's ability to maintain or grow margins. However, to a significant extent the Group's business currently enjoys natural hedges: the revenue that the Group obtains in a particular foreign currency closely matches the expenses it incurs in that currency (such as USD). The Board believes that natural hedges presently mitigate any exchange rate volatility risk for the Group to an economically acceptable level, but will move to prepare a hedging policy as the Group's geographical footprint and sales profile materially changes.

Cash and cash equivalents

3P Learning Limited has used cash and cash equivalents, held at the time of listing, in a way consistent with its stated business objectives.

Significant changes in the state of affairs

3P Learning Limited was admitted to the Official List of ASX on 9 July 2014 with the ASX code: 3PL.

As part of the process of listing the Company, the following events were finalised during the year:

Closure of 3P Employee Share Trust

On 9 July 2014, the trustee of the share trust, 3PES Pty Ltd closed the operation of the share trust by notification to all unitholders in the trust that the units had been cancelled and shares held by the trustee were transferred to those unitholders.

Capital raising

The Company and 3P Learning SaleCo Pty Limited (a special purpose vehicle established to sell shares acquired from existing shareholders of the Company prior to IPO) successfully raised \$282.7 million pursuant to the prospectus dated 19 June 2014.

The retail offer closed on 4 July 2014, and shares commenced trading on a conditional and deferred settlement basis on 9 July 2014. Share settlement occurred on 11 July 2014. New shares issued by the Company on 14 July 2014 amounted to 9.4 million. Funds raised from the Initial Public Offering ('IPO') amounting to \$259.2 million were utilised by 3P Learning SaleCo Limited to acquire 103.7 million shares from vendor shareholders. These shares were transferred to new shareholders on 14 July 2014. These shares commenced trading on a normal settlement basis from 16 July 2014.

Acquisition of business

The Group acquired the South African distribution business from Whatiph Business Consultants CC on 1 October 2014 for cash consideration of \$1,062,000 and contingent consideration of \$759,000.

Investment

On 24 March 2015, the Group acquired a strategic 17.2% stake in Desmos Inc., (<https://www.desmos.com>) a US based, graphic calculator application business for total cost of \$6,607,000.

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

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group's growth is expected to be supported by the shift from printed resources to online learning resources in schools and in homes and by governments through the introduction of curriculum frameworks that encourage the integration of information and communications technology.

The Group's strategy is focused on growth in student licences and home licences in both existing and potential new territories. At the core of the strategy is Group's focus on continuing to deliver quality education software in order to retain existing users and attract new users. The Group expects to continue to increase the functionality of the products, add additional content and invest in the development of new applications to enhance the user experience.

The principal elements of the Group's strategic plan to increase the number of student licences are outlined below:

- Increase the number of school customers
- Add students within the existing school customer base
- Cross-sell other products to new and existing customers
- Improve average revenue per licence.

Environmental regulation

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

Information on directors

Name:	Samuel Weiss
Title:	Independent Non-Executive Chairperson
Qualifications:	AB, MS, FAICD
Experience and expertise:	Significant experience as a senior executive and as a non-executive director in education, technology and consumer products companies in Australia, North America, Europe and Asia.
Other current directorships:	Chairman of Altium Limited (ASX: ALU) and Ensogo Limited (ASX: E88). Non-Executive director of Oron Group Limited (ASX: ORL) and Breville Group Limited (ASX: BRG).
Former directorships (last 3 years):	Non-Executive Director of iProperty Group Limited (ASX: IPP)
Special responsibilities:	Chairman of the Nomination and Remuneration Committee and Member of the Audit and Risk Committee
Interests in shares:	130,400 ordinary shares
Name:	Timothy Power
Title:	Chief Executive Officer
Qualifications:	LLB, BA
Experience and expertise:	15 years of experience in educational technology development. Executive Director and early stage involvement in the Company since 2004 and CEO since 2007. Timothy was the co-founder of World Education Games, Into Science Pty Ltd, ClickView Pty Ltd and Coraggio Pty Ltd.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,036,472 ordinary shares

Name: Roger Amos
Title: Independent Non-Executive Director
Qualifications: FCA, FAICD
Experience and expertise: Over 35 years of experience in finance, business and accounting. Previously a partner at the international accounting firm KPMG for 25 years.
Other current directorships: Non-executive director of REA Group Limited (ASX: REA), Chairman of Tyrian Diagnostics Limited (ASX: TDX) and Deputy Chairman of Eneo Group Limited (ASX: EGG).
Former directorships (last 3 years): Non-executive director of Austar United Communication Limited (ASX: AUN)
Special responsibilities: Member of the Nomination and Remuneration Committee and Chairman of the Audit and Risk Committee
Interests in shares: 17,500 ordinary shares

Name: Claire Hatton
Title: Independent Non-Executive Director
Qualifications: BSc, MBA, MAICD
Experience and expertise: Over 20 years of global experience in strategy, sales, marketing and operations. Significant experience in the digital and technology market. Previously held senior roles at Google, Travelport and Zuji.com.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit and Risk Committee and the Nomination and Remuneration Committee
Interests in shares: 25,000 ordinary shares

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

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

Company secretary

Mr. Jonathan Kenny (AICD, MBA, B.Econ) has over 20 years of experience in finance and operations roles for ASX listed and multinational corporations. Broad industry experience including publishing, software, property development, data and analytics. Previously Jonathan was Chief Financial Officer of ASX listed RP Data Limited and Bravura Solutions Pty Ltd.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Samuel Weiss	12	12	3	3	4	4
Timothy Power*	12	12	-	-	-	-
Roger Amos	11	12	3	3	4	4
Claire Hatton	11	12	3	3	4	4

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

* Timothy Power attends the Nomination and Remuneration Committee and Audit and Risk Committee meetings as an observer.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the Key Management Personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

The Nomination and Remuneration Committee ('NRC') is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The NRC has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, through payments of dividends, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth; and
- provides a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the NRC. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors may receive shares as part of their remuneration.

ASX listing rules require the aggregate Non-Executive Directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 21 November 2014, where the shareholders approved the aggregate remuneration be fixed at \$650,000 per annum.

Executive remuneration

The Group aims to reward executives with a level and mix of remuneration based on their position and level of responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other statutory components such as superannuation and long service leave

The combination of these comprises the executive's total available remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, will be reviewed annually by the NRC, based on individual and business unit performance, the overall performance of the Group and comparable market remunerations. Superannuation in excess of the concessional contribution cap is provided as cash salary.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs for the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives responsible for meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's relate to qualitative and quantitative leadership performance and Group finance performance.

The long-term incentives ('LTI') include long service leave, share-based payments and any annual leave not taken during the period. The LTI for 2015 is for one year only, and the vesting period for future performance shares to be granted under any LTI is currently under review. The NRC are responsible for reviewing the long-term equity-linked performance incentives specifically for executives.

The Chief Executive Officer and Chief Financial Officer are eligible for payment of performance awards. The performance awards vest on or shortly after the Company's financial results for the financial year ending 30 June 2015 are approved by the Board. 100% of the performance awards are payable if the Company exceeds the pro forma EBITDA. No performance shares will vest or be issued if the Group does not achieve the pro forma EBITDA. The Board may, at its absolute discretion, elect to issue some or all of these awards, regardless of whether the long term performance indicators are met.

Group performance and link to remuneration

Remuneration for certain individuals is directly linked to performance of the Group. A portion of bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the bonus and incentive payments are at the discretion of the NRC.

The NRC is of the opinion that results can be improved through the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from KMPs. The Board is satisfied that these protocols were followed and as such there was no undue influence.

Use of remuneration consultants

During the financial year ended 30 June 2015, the Group did not use any remuneration consultants.

Voting and comments made at the Company's 2014 Annual General Meeting ('AGM')

At the 2014 AGM, 96% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the KMP of the Group are set out in the following tables.

The KMP of the Group consisted of the directors of 3P Learning Limited and the following persons:

- Jonathan Kenny - chief financial officer and company secretary

	Short-term benefits			Post-employment benefits	Long-term benefits		
	Cash salary and fees	Bonus	IPO Bonus	Super-annuation	Employment benefits	Performance award	Total
2015	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Samuel Weiss	181,153	-	100,000	17,248	-	-	298,401
Roger Amos	105,673	-	50,000	10,061	-	-	165,734
Claire Hatton	95,608	-	50,000	9,103	-	-	154,711
<i>Executive Directors:</i>							
Timothy Power	411,525	100,000	6,828,750	29,577	98,539	100,000	7,568,391
<i>Other Key Management Personnel:</i>							
Jonathan Kenny	333,899	75,000	300,000	30,000	23,631	75,000	837,530
	1,127,858	175,000	7,328,750	95,989	122,170	175,000	9,024,767

	Short-term benefits		Post-employment benefits	Long-term benefits		
	Cash salary and fees	Bonus	Super-annuation	Employment benefits	Performance award	Total
2014	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Samuel Weiss*	15,000	-	1,388	-	-	16,388
Roger Amos*	8,750	-	809	-	-	9,559
Claire Hatton*	7,917	-	732	-	-	8,649
<i>Executive Directors:</i>						
Timothy Power	385,900	-	25,820	77,540	-	489,260
<i>Other Key Management Personnel:</i>						
Jonathan Kenny**	85,044	-	6,474	-	-	91,518
	502,611	-	35,223	77,540	-	615,374

* Represents remuneration from date of appointment 2 June 2014 to 30 June 2014

** Represents remuneration from date of appointment 28 March 2014 to 30 June 2014

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2015	2014	2015	2014	2015	2014
<i>Non-Executive Directors:</i>						
Samuel Weiss	66%	100%	34%	-%	-%	-%
Roger Amos	70%	100%	30%	-%	-%	-%
Claire Hatton	68%	100%	32%	-%	-%	-%
<i>Executive Directors:</i>						
Timothy Power	7%	100%	92%	-%	1%	-%
<i>Other Key Management Personnel:</i>						
Jonathan Kenny	46%	100%	45%	-%	9%	-%

Service agreements

Non-executive and executive directors

Non-executive directors do not have fixed term contracts with the Company. On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation. Non-executive directors retire by whichever is the longer period: the third annual general meeting following their appointment, or the third anniversary date of appointment, but may then be eligible for re-election.

Remuneration and other terms of employment for Group Executives are formalised in employment agreements. The Chief Executive Officer and Chief Financial Officer do not have a fixed term contract with the Company. Details of the employment agreements are as follows:

Name:	Timothy Power
Title:	Chief Executive Officer
Agreement commenced:	20 March 2014
Term of agreement:	Open ended
Details:	Timothy will receive a fixed annual remuneration of \$400,000, plus statutory superannuation. Timothy will be eligible to receive a cash bonus of up to \$100,000 or such other amount as determined by the Board for each financial year ending after 30 June 2015. Payment of the cash bonus will depend on the Group's performance and Timothy's achievement of certain key performance indicators. or at the discretion of the Board. As part of a long term incentive package, Timothy may be entitled to receive Shares (Performance Shares) up to the value of \$100,000 (valued at the Offer Price). The Performance Shares will vest on or shortly after the Company's financial results for the financial year ending 30 June 2015 are approved by the Board. Timothy is entitled to up to 100% of the Performance Shares if the Company exceeds the pro forma Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"). The Board may, at its absolute discretion, elect to issue some or all of these shares, regardless of whether the long term performance indicators are met. Timothy's current long term incentive package will be for one year only, and the vesting period for future performance shares to be granted under any LTI is currently under review. Either party may terminate the employment contract by giving six months' notice in writing. The Group may terminate by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Group may terminate Timothy's employment contract immediately by notice in writing and without payment in lieu of notice. Upon the termination of Timothy's employment contract, he will be subject to a restraint of trade period of 24 months. The Group may elect to reduce the restraint of trade period, or eliminate the period in its entirety. The enforceability of the restraint clause is subject to all usual legal requirements.

Name: Jonathan Kenny
Title: Chief Financial Officer
Agreement commenced: 1 July 2014
Term of agreement: Open ended
Details: Jonathan will receive annual fixed remuneration of \$330,000 plus statutory superannuation. Jonathan will also be eligible to receive an annual cash bonus of up to \$75,000 or such other amount as determined by the Board. Payment of a cash bonus will depend on Jonathan's achievement of certain key performance indicators. As part of a long term incentive package, Jonathan may be entitled to receive Performance Shares up to the value of \$75,000 (valued at the Offer Price). The Performance Shares will vest on or shortly after the Company's financial results for the financial year ending 30 June 2015 are approved by the Board. Jonathan will be entitled to up to 100% of the Performance Shares if the Company exceeds the pro forma EBITDA. The Board may, at its absolute discretion, elect to issue some or all of these shares, regardless of whether the long term performance indicators are met. Jonathan's current long term incentive package will be for one year only, and the vesting period for future performance shares to be granted under any LTI is currently under review. Either party may terminate the employment contract by giving six months' notice in writing. The Group may terminate by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Group may terminate Jonathan's employment contract immediately by written notice and without payment in lieu of notice. Jonathan's employment contract also contains a post-employment restraint of trade period of 18 months. The Group may elect to reduce the restraint of trade period, or eliminate the period in its entirety. The enforceability of the restraint clause is subject to all usual legal requirements.

Key management personnel have no entitlement to termination payments in the event of serious misconduct or other specific circumstances warranting summary dismissal.

Share-based compensation

Issue of shares on IPO and cash bonus

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Date	Shares	Issue price	\$
Samuel Weiss	9 July 2014	20,400	\$2.50	51,000
Roger Amos	9 July 2014	8,000	\$2.50	20,000
Claire Hatton	9 July 2014	10,200	\$2.50	25,500
Jonathan Kenny	9 July 2014	60,000	\$2.50	150,000

During the year ended 30 June 2015, as part of the IPO process, the Company provided a total one-off bonus payment of \$7,328,750 (gross) to the KMP. Timothy Power was paid an IPO bonus in cash. Other KMP applied the IPO bonus, net of tax, to subscribe to 3P Learning Limited ordinary shares as detailed in the above table.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2015.

There were no options over ordinary shares granted to or vested in directors and other key management personnel as part of compensation during the year ended 30 June 2015.

Additional disclosures relating to key management personnel

In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', the following disclosures relate only to equity instruments in the Company or its subsidiaries.

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Samuel Weiss	-	20,400	110,000	-	130,400
Timothy Power	3,795,590	-	-	(759,118)	3,036,472
Roger Amos	-	8,000	9,500	-	17,500
Claire Hatton	-	10,200	14,800	-	25,000
Jonathan Kenny	58,100	60,000	-	-	118,100
	<u>3,853,690</u>	<u>98,600</u>	<u>134,300</u>	<u>(759,118)</u>	<u>3,327,472</u>

Balance at the start of the year represents, ordinary shares after conversion and share split as detailed in Note 19.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of 3P Learning Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of 3P Learning Limited issued on the exercise of options during the year ended 30 June 2015 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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

Indemnity and insurance of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during the financial year ended 30 June 2015 and up to the date of this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Ernst & Young

There are no officers of the Company who are former partners of Ernst & Young.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

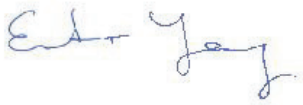


Samuel Weiss
Chairman

26 August 2015
Sydney

Auditor's Independence Declaration to the Directors of 3P Learning Limited

In relation to our audit of the financial report of 3P Learning Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Lisa Nijssen-Smith
Partner
26 August 2015

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3P Learning Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015



	Note	Consolidated 2015 \$'000	2014 \$'000
Revenue	5	44,247	36,161
Other income	6	1,637	904
Expenses			
Employee benefits expense		(19,337)	(15,759)
Depreciation and amortisation expense	7	(3,062)	(1,947)
Professional fees		(10,750)	(4,151)
Technology costs		(1,207)	(1,239)
Marketing expenses		(2,289)	(3,146)
Occupancy expenses		(1,914)	(2,289)
Administrative expenses		(2,395)	(1,736)
Profit before income tax expense		4,930	6,798
Income tax expense	8	(778)	(1,691)
Profit after income tax expense for the year		4,152	5,107
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(919)	117
Other comprehensive income for the year, net of tax		(919)	117
Total comprehensive income for the year		<u>3,233</u>	<u>5,224</u>
Profit for the year is attributable to:			
Non-controlling interest		67	55
Owners of 3P Learning Limited		4,085	5,052
		<u>4,152</u>	<u>5,107</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		67	55
Owners of 3P Learning Limited		3,166	5,169
		<u>3,233</u>	<u>5,224</u>
		Cents	Cents
Basic earnings per share	34	3.04	4.03
Diluted earnings per share	34	3.04	4.03

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

	Note	Consolidated 2015 \$'000	2014 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	30,886	24,442
Trade and other receivables	10	8,677	5,895
Other	11	630	2,369
Total current assets		40,193	32,706
Non-current assets			
Royalty receivable		145	-
Available-for-sale financial assets	12	6,607	-
Plant and equipment	13	965	1,322
Intangibles	14	17,242	9,124
Deferred tax	15	7,600	7,415
Total non-current assets		32,559	17,861
Total assets		72,752	50,567
Liabilities			
Current liabilities			
Trade and other payables	16	7,392	7,979
Income tax		1,997	1,017
Provisions	17	2,324	13,975
Deferred revenue		23,924	18,748
Finance lease payable		38	262
Total current liabilities		35,675	41,981
Non-current liabilities			
Provisions	18	875	473
Deferred revenue		3,060	813
Finance lease payable		-	36
Total non-current liabilities		3,935	1,322
Total liabilities		39,610	43,303
Net assets		33,142	7,264
Equity			
Issued capital	19	25,113	2,352
Reserves	20	7,035	7,954
Retained profits/(accumulated losses)		956	(3,129)
Equity attributable to the owners of 3P Learning Limited		33,104	7,177
Non-controlling interest		38	87
Total equity		33,142	7,264

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

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2013	2,352	7,165	4,319	649	14,485
Profit after income tax expense for the year	-	-	5,052	55	5,107
Other comprehensive income for the year, net of tax	-	117	-	-	117
Total comprehensive income for the year	-	117	5,052	55	5,224
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	1,470	-	-	1,470
Acquisition of non-controlling interest in subsidiary	-	(798)	-	(617)	(1,415)
Dividends paid (note 21)	-	-	(12,500)	-	(12,500)
Balance at 30 June 2014	2,352	7,954	(3,129)	87	7,264

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits/Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2014	2,352	7,954	(3,129)	87	7,264
Profit after income tax expense for the year	-	-	4,085	67	4,152
Other comprehensive income for the year, net of tax	-	(919)	-	-	(919)
Total comprehensive income for the year	-	(919)	4,085	67	3,233
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 19)	22,761	-	-	-	22,761
Dividends paid to non-controlling interest	-	-	-	(116)	(116)
Balance at 30 June 2015	25,113	7,035	956	38	33,142

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

Note	Consolidated	
	2015 \$'000	2014 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	54,940	46,316
Payments to suppliers and employees (inclusive of GST)	(35,506)	(27,309)
Interest received	599	411
Interest and other finance costs paid	(78)	(114)
Income taxes refunded/(paid)	1,301	(1,123)
Net cash from operating activities	33 21,256	18,181
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	30 (1,062)	-
Payments for investments	12 (5,308)	-
Payments for plant and equipment	(327)	(332)
Payments for intangibles	(8,475)	(6,408)
Proceeds from disposal of plant and equipment	5	-
Proceeds from release short term deposits	1,702	-
Payments for short term deposits	-	(216)
Net cash used in investing activities	(13,465)	(6,956)
Cash flows from financing activities		
Proceeds from issue of shares	19 23,500	-
Share issue transaction costs	(11,741)	-
Repayment of leases	(260)	(267)
Acquisition of non-controlling interest	-	(1,415)
Dividends paid	21 (12,500)	-
Dividends paid to non-controlling interest	(116)	-
Net cash used in financing activities	(1,117)	(1,682)
Net increase in cash and cash equivalents	6,674	9,543
Cash and cash equivalents at the beginning of the financial year	24,442	14,782
Effects of exchange rate changes on cash and cash equivalents	(230)	117
Cash and cash equivalents at the end of the financial year	9 30,886	24,442

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

Note 1. General information

The financial statements cover 3P Learning Limited as a Group consisting of 3P Learning Limited (the 'Company' or 'parent entity') and its subsidiaries (collectively referred to as the 'Group'). The financial statements are presented in Australian dollars, which is 3P Learning Limited's functional and presentation currency.

3P Learning Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 18, 124 Walker Street
North Sydney NSW 2060

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2015. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at revalued amounts or fair values, as detailed in the accounting policies in this note.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of 3P Learning Limited ('Company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. 3P Learning Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

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

Foreign currency translation

The financial statements are presented in Australian dollars, which is 3P Learning Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. A number of recognition criteria must also be met before revenue is recognised.

Mathletics, Spellodrome and IntoScience licence revenues

The Group recognises revenue pursuant to software licence agreements upon the provision of access to its customers of the Group's intellectual property as it exists at any given time during the period of the license. Revenue is therefore recognised over the duration of the agreement or for as long as the customer has been provided access, when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

Note 2. Significant accounting policies (continued)

Reading Eggs products licence revenue

The Group recognises commission revenue pursuant to a distribution agreement when it sells a third party's online products to customers which provides these customers with access to the third party's intellectual property as it exists at any given time. Revenue from the sale of Reading Eggs products is recorded on a net basis when the online product is sold, consistent with an agency relationship.

Sponsorship income

Revenue is recognised in relation to sponsorship amounts provided by various external parties when the Company becomes entitled to the benefit and all of its obligations have been fulfilled.

Translation fee

Revenue is recognised in relation to translation of educational programs to the local language of the customer base, upon completion of the translation.

Sale of workbooks

Revenue is recognised in relation to workbook materials sold to schools and students, on sale of the items.

Copyright licence fee

Revenue is recognised in relation to copyright agency fees upon becoming entitled to compensation being at a time when the Group's materials and resources are reproduced by third parties.

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Deferred revenue

Deferred revenue is recognised on all customer contracts where appropriate as revenue is recorded over the contract duration.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 2. Significant accounting policies (continued)

3P Learning Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Research and development rebate

Research and development rebate are credited against tax payable and are not treated as revenue.

Current and non-current classification

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30-60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Note 2. Significant accounting policies (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Office equipment	three to five years
Computers	three to five years
Furniture & fittings	three to seven years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Group as a lessee

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 2. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and an expense is recognised in the statement of comprehensive income in the year in which the expenditure is incurred.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Product development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the internal development and their costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of five years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of three years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of between one to three years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of three years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 2. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

Employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binomial model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

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

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

Note 2. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Contributed equity

Ordinary shares are classified as equity.

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

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Note 2. Significant accounting policies (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of 3P Learning Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2015. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments

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

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. Exposure Draft (ED 263) 'Effective Date of AASB 15' proposes to defer the application date by one year (1 January 2018). The standard provides a single standard for revenue recognition. 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 those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group expects to adopt this standard from 1 July 2018 and the adoption of this standard is not expected to have a material impact for the Group.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

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

Income tax

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

Recovery of deferred tax assets

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

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into geographic operating segments: Australia & New Zealand ('ANZ'), America, Canada and South America ('Americas') and Europe, Middle-East and Africa ('EMEA'). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

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

The CODM does not regularly review segment assets and segment liabilities. Refer to statement of financial position for assets and liabilities.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Major customers

There are no major customers that contributed more than 10% of revenue to the Group.

Note 4. Operating segments (continued)

Operating segment information

	ANZ \$'000	Americas \$'000	EMEA \$'000	Total \$'000
Consolidated - 2015				
Revenue				
Sales to external customers	29,511	4,443	10,261	44,215
Other revenue	32	-	-	32
Total revenue	<u>29,543</u>	<u>4,443</u>	<u>10,261</u>	<u>44,247</u>
EBITDA*	<u>8,547</u>	<u>(1,999)</u>	<u>898</u>	<u>7,446</u>
Depreciation and amortisation				(3,062)
Interest revenue				566
Finance costs				(20)
Profit before income tax expense				<u>4,930</u>
Income tax expense				(778)
Profit after income tax expense				<u>4,152</u>

* EBITDA for ANZ segment includes IPO costs of \$9,368,000. EBITDA is after inter-segment royalty expense incurred by Americas segment of \$1,772,000 and EMEA segment of \$3,612,000.

	ANZ \$'000	Americas \$'000	EMEA \$'000	Total \$'000
Consolidated - 2014				
Revenue				
Sales to external customers	24,365	3,136	8,243	35,744
Other revenue	399	6	12	417
Total revenue	<u>24,764</u>	<u>3,142</u>	<u>8,255</u>	<u>36,161</u>
EBITDA*	<u>8,672</u>	<u>(1,056)</u>	<u>832</u>	<u>8,448</u>
Depreciation and amortisation				(1,947)
Interest revenue				411
Finance costs				(114)
Profit before income tax expense				<u>6,798</u>
Income tax expense				(1,691)
Profit after income tax expense				<u>5,107</u>

* EBITDA for ANZ segment includes IPO costs of \$3,346,000. EBITDA is after inter-segment royalty expense incurred by Americas segment of \$1,036,000 and EMEA segment of \$2,866,000.

Note 5. Revenue

	Consolidated	
	2015 \$'000	2014 \$'000
Licence fees	35,123	30,238
Sponsorship income	1,079	168
Translation fees	-	127
Sale of workbooks	128	262
Copyright licence fees	1,563	986
Other	198	417
Net commission revenue	6,156	3,963
Revenue	<u><u>44,247</u></u>	<u><u>36,161</u></u>

Note 6. Other income

	Consolidated	
	2015 \$'000	2014 \$'000
Net foreign exchange gain	537	67
Interest	566	411
Other	534	426
Other income	1,637	904

Note 7. Expenses

	Consolidated	
	2015 \$'000	2014 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Fixtures and fittings	142	135
Computers	475	479
Office equipment	20	18
Total depreciation	637	632
<i>Amortisation</i>		
Product development	2,087	663
Patents and trademarks	149	652
Customer contracts	168	-
Software	21	-
Total amortisation	2,425	1,315
Total depreciation and amortisation	3,062	1,947
<i>Finance costs</i>		
Interest and finance charges paid/payable	20	114
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	1,201	1,869
<i>Superannuation expense</i>		
Defined contribution superannuation expense	2,021	1,702
<i>Professional fees included the following:</i>		
Professional fees for initial public offering	9,368	3,346

	Consolidated 2015 \$'000	2014 \$'000
<i>Income tax expense</i>		
Current tax	3,355	2,917
Deferred tax - origination and reversal of temporary differences	132	(1,336)
Adjustment recognised for prior periods	(2,709)	110
Aggregate income tax expense	778	1,691
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 15)	132	(1,336)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	4,930	6,798
Tax at the statutory tax rate of 30%	1,479	2,039
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	-	128
Non-deductible expenses	196	84
Effect of corporate tax rate change	(147)	105
Adjustment recognised for prior periods	1,528	2,356
Prior year temporary differences not recognised now recognised	(2,709)	110
Difference in overseas tax rates	-	(797)
Prior year tax losses derecognised	-	(53)
Adjustments recognised for prior year deferred tax	447	-
Other	1,398	-
Income tax expense	114	75
	778	1,691
	Consolidated 2015 \$'000	2014 \$'000
<i>Amounts credited directly to equity</i>		
Deferred tax assets (note 15)	(317)	-

	Consolidated	
	2015	2014
	\$'000	\$'000
Cash at bank and in hand	10,215	15,439
Short-term deposits	20,671	9,003
	<u>30,886</u>	<u>24,442</u>

Note 10. Current assets - trade and other receivables

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade receivables	7,522	4,856
Less: Provision for impairment of receivables	(18)	-
	<u>7,504</u>	<u>4,856</u>
Other receivables	238	463
Prepayments	935	576
	<u>1,173</u>	<u>1,039</u>
	<u><u>8,677</u></u>	<u><u>5,895</u></u>

Impairment of receivables

The Group has recognised a loss of \$18,000 (2014: \$nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2015.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
3 to 6 months overdue	3	-
Over 6 months overdue	15	-
	<u>18</u>	<u>-</u>

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Additional provisions recognised	<u>18</u>	<u>-</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$1,722,000 as at 30 June 2015 (\$1,109,000 as at 30 June 2014).

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
1 to 12 months overdue	<u>1,722</u>	<u>1,109</u>

Note 11. Current assets - other

	Consolidated	
	2015 \$'000	2014 \$'000
Term deposits	516	2,218
Other deposits	8	151
Other current assets	106	-
	<u>630</u>	<u>2,369</u>

Note 12. Non-current assets - available-for-sale financial assets

	Consolidated	
	2015 \$'000	2014 \$'000
Unlisted ordinary shares	<u>6,607</u>	<u>-</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	-	-
Additions	<u>6,607</u>	<u>-</u>
Closing fair value	<u>6,607</u>	<u>-</u>

Refer to note 23 for further information on fair value measurement.

On 24 March 2015, the Group acquired a strategic 17.2% stake in Desmos Inc., the US based, graphic calculator application business. As part of the investment, the Group has also negotiated a commercial distribution agreement which will see the Group use the Desmos tools globally. The Group's investment does not constitute significant influence over the entity.

The purchase consideration of \$6,461,000 included deferred consideration of \$1,299,000. The deferred consideration has no additional conditions to be met. Additions includes capitalised transaction cost amounting to \$146,000.

Note 13. Non-current assets - plant and equipment

	Consolidated	
	2015 \$'000	2014 \$'000
Fixtures and fittings - at cost	1,033	904
Less: Accumulated depreciation	<u>(596)</u>	<u>(413)</u>
	<u>437</u>	<u>491</u>
Computer equipment - at cost	3,211	3,236
Less: Accumulated depreciation	<u>(2,752)</u>	<u>(2,452)</u>
	<u>459</u>	<u>784</u>
Office equipment - at cost	186	148
Less: Accumulated depreciation	<u>(117)</u>	<u>(101)</u>
	<u>69</u>	<u>47</u>
	<u>965</u>	<u>1,322</u>

Note 13. Non-current assets - plant and equipment (continued)

Reconciliations

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

Consolidated	Furniture and fittings \$'000	Computers \$'000	Office equipment \$'000	Total \$'000
Balance at 1 July 2013	555	1,020	49	1,624
Additions	71	245	16	332
Write off of assets	-	(2)	-	(2)
Depreciation expense	(135)	(479)	(18)	(632)
Balance at 30 June 2014	491	784	47	1,322
Additions	55	223	49	327
Additions through business combinations (note 30)	-	-	2	2
Disposals	-	-	(5)	(5)
Exchange differences	37	4	-	41
Write off of assets	(4)	(17)	(4)	(25)
Transfer out to software	-	(60)	-	(60)
Depreciation expense	(142)	(475)	(20)	(637)
Balance at 30 June 2015	437	459	69	965

Property, plant and equipment secured under finance leases

Refer to note 27 for further information on property, plant and equipment secured under finance leases.

Note 14. Non-current assets - intangibles

	Consolidated	
	2015 \$'000	2014 \$'000
Goodwill - at cost	4,654	3,012
Product development - at cost	14,605	6,438
Less: Accumulated amortisation	(2,757)	(663)
	11,848	5,775
Patents and trademarks - at cost	3,074	3,074
Less: Accumulated amortisation	(2,879)	(2,737)
	195	337
Customer contracts - at cost	370	-
Less: Accumulated amortisation	(172)	-
	198	-
Software - at cost	561	-
Less: Accumulated amortisation	(214)	-
	347	-
	17,242	9,124

Note 14. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Goodwill \$'000	Product development \$'000	Patents and trademarks \$'000	Customer contracts \$'000	Software \$'000	Total \$'000
Balance at 1 July 2013	3,012	-	689	-	-	3,701
Additions	-	6,438	300	-	-	6,738
Amortisation expense	-	(663)	(652)	-	-	(1,315)
Balance at 30 June 2014	3,012	5,775	337	-	-	9,124
Additions	-	8,160	7	-	308	8,475
Additions through business combinations (note 30)	1,578	-	-	354	-	1,932
Exchange differences	64	-	-	12	-	76
Transfer in from computers	-	-	-	-	60	60
Amortisation expense	-	(2,087)	(149)	(168)	(21)	(2,425)
Balance at 30 June 2015	<u>4,654</u>	<u>11,848</u>	<u>195</u>	<u>198</u>	<u>347</u>	<u>17,242</u>

Impairment testing for goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating units ('CGUs'):

	Consolidated	
	2015 \$'000	2014 \$'000
CGU1: ANZ	3,012	3,012
CGU2: EMEA	1,642	-
	<u>4,654</u>	<u>3,012</u>

The recoverable amount of each CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on business plan approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The following key assumptions were used in the discounted cash flow model for the different CGUs:

- Pre-tax discount rate: CGU1: ANZ 15.05% and CGU2: EMEA 14.6% (2014: CGU1: ANZ 15.6%).
- Projected growth rate of 2% (2014: 2%) beyond five-year period for all CGUs.
- Increase in operating costs and overheads based on current levels adjusted for inflationary increases.

For the financial year ended 30 June 2015, the recoverable amount of net assets for all CGUs are greater than the carrying value of the assets and therefore, the goodwill is not considered to be impaired.

Sensitivity

As disclosed in note 3, management have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting carrying amounts of assets may decrease.

For all CGUs, any reasonable change in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

Note 15. Non-current assets - deferred tax

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	597	1,254
Accrued expenses	871	796
Deferred Revenue	5,146	5,214
IPO costs	2,824	714
Research and development offset	-	1,431
Royalty asset	1,004	186
Intangibles	(2,793)	(1,614)
Unrealised foreign exchange fluctuation	36	(517)
Plant and equipment	(85)	(81)
Other	-	32
Deferred tax asset	<u>7,600</u>	<u>7,415</u>
Movements:		
Opening balance	7,415	4,990
Credited/(charged) to profit or loss (note 8)	(132)	1,336
Credited to equity (note 8)	317	-
Other	-	1,089
Closing balance	<u>7,600</u>	<u>7,415</u>

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade payables	1,209	2,143
Accrued expenses	3,559	1,464
Accrued expense for IPO	-	3,004
Deferred consideration	1,299	-
Goods and service tax	1,022	719
Other payables	303	649
	<u>7,392</u>	<u>7,979</u>

Refer to note 22 for further information on financial instruments.

Note 17. Current liabilities - provisions

	Consolidated	
	2015	2014
	\$'000	\$'000
Employee benefits	1,377	888
Dividend payable	-	12,500
Lease make good	452	587
Contingent consideration	495	-
	<u>2,324</u>	<u>13,975</u>

Note 17. Current liabilities - provisions (continued)

Employee benefits

Employee benefits comprise of provisions for annual leave and current long service leave. Where an obligation is presented as current, the Group does not have an unconditional right to defer settlement.

Dividends

The provision represents dividends declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at the reporting date.

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Contingent consideration

The provision represents contingent consideration payable on acquisition of business. It is measured at the present value of the estimated liability.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Dividend payable \$'000	Lease make good \$'000	Contingent consideration \$'000
Consolidated - 2015			
Carrying amount at the start of the year	12,500	587	-
Additions through business combinations (note 30)	-	-	495
Payments	(12,500)	-	-
Unwinding of discount	-	2	-
Unused amounts reversed	-	(137)	-
Carrying amount at the end of the year	-	452	495

Note 18. Non-current liabilities - provisions

	Consolidated	
	2015 \$'000	2014 \$'000
Employee benefits	581	473
Contingent consideration	294	-
	875	473

Employee benefits

Employee benefits represents provision for long service leave.

Consolidated - 2015

	Contingent consideration \$'000
Carrying amount at the start of the year	-
Additions through business combinations (note 30)	294
Carrying amount at the end of the year	294

Note 19. Equity - issued capital

	2015 Shares	Consolidated 2014 Shares	2015 \$'000	2014 \$'000
Ordinary shares - fully paid	134,814,660	83,785	25,113	2,352
Ordinary shares - fully paid - class B	-	67,317	-	-
	<u>134,814,660</u>	<u>151,102</u>	<u>25,113</u>	<u>2,352</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2013	83,785		2,352
Balance	30 June 2014	83,785		2,352
Transfer class B shares into ordinary shares	10 July 2014	67,317	\$0.00	-
Share split	10 July 2014	125,263,558	\$0.00	-
Issuance of shares in 3PL at \$2.50 per share	14 July 2014	9,400,000	\$2.50	23,500
Share issue transaction costs, net of tax		-	\$0.00	(739)
Balance	30 June 2015	<u>134,814,660</u>		<u>25,113</u>

Movements in ordinary shares class B

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2013	67,317		-
Balance	30 June 2014	67,317		-
Transfer class B shares into ordinary shares	10 July 2014	(67,317)	\$0.00	-
Balance	30 June 2015	<u>-</u>		<u>-</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Conversion of class B shares and subsequent share split

On 10 July 2014, each class B share on issue was converted into one fully-paid ordinary share such that the Company has only one class of ordinary share capital on issue. In addition, the share capital of the Company underwent a share split of 1 existing share for 830 new shares.

Share buy-back

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

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 19. Equity - issued capital (continued)

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

Note 20. Equity - reserves

	Consolidated	
	2015	2014
	\$'000	\$'000
Foreign currency reserve	(90)	829
Acquisition reserve	(798)	(798)
Share-based payment reserve	7,923	7,923
	<u>7,035</u>	<u>7,954</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Acquisition reserve

The reserve resulted from the acquisition of non-controlling interests in a subsidiary. The acquisition of non-controlling interest is not a business combination but is an equity transaction between owners. Accordingly, the difference between consideration paid and fair value of identifiable net assets of the non-controlling interest has been accounted for in the acquisition reserve.

Share-based payments reserve

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

Movements in reserves

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

Consolidated	Foreign currency reserve \$'000	Acquisition reserve \$'000	Share based payment reserve \$'000	Total \$'000
Balance at 1 July 2013	712	-	6,453	7,165
Foreign currency translation	117	-	-	117
Share based payments	-	-	1,470	1,470
Acquisition reserve on account of acquisition on non-controlling interest in subsidiary	-	(798)	-	(798)
Balance at 30 June 2014	829	(798)	7,923	7,954
Foreign currency translation	(919)	-	-	(919)
Balance at 30 June 2015	<u>(90)</u>	<u>(798)</u>	<u>7,923</u>	<u>7,035</u>

Note 21. Equity - dividends

Dividends

On 26 August 2015, the Directors declared a fully franked final dividend for the year ended 30 June 2015 of 1.8 cents per ordinary share, to be paid on 22 October 2015 to eligible shareholders on the register as at 8 October 2015. This equates to a total estimated distribution of \$2,427,000, based on the number of ordinary shares on issue as at 30 June 2015. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2015 financial statements and will be recognised in subsequent financial reports.

As the Company is by its nature a growth company, the Board has not adopted any dividend policy in respect of future periods and may look to retain capital generated by the Group's business to reinvest in its growth.

As part of the capital restructure and listing of the Company, pre-IPO shareholders were entitled to a dividend of \$12.5 million which was declared on 2 June 2014 and paid on 9 July 2014.

Franking credits

	Consolidated	
	2015	2014
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	2,126	7,123

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 22. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

The Board of directors have overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit and Risk Committee, which is responsible for managing risk. The committee reports to the Board of Directors on its activities.

Risk management processes are established to identify and analyse the risks faced by the Group, to analyse the risk exposure of the Group and appropriate procedures, controls and risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee, oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Note 22. Financial instruments (continued)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
US dollars	1,157	516	1,388	-
Euros	478	484	5	-
Pound Sterling	506	124	12	-
Canadian dollars	325	650	-	-
Other currencies	377	277	804	59
	<u>2,843</u>	<u>2,051</u>	<u>2,209</u>	<u>59</u>

The Group had net assets denominated in foreign currencies of \$634,000 (assets \$2,843,000 less liabilities \$2,209,000) as at 30 June 2015 (2014: \$1,992,000 (assets \$2,051,000 less liabilities \$59,000)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2014: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been \$63,000 higher/\$63,000 lower (2014: \$199,000 lower/\$ 199,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's exposure to interest rate risk is limited to cash at bank and short term deposits.

An official increase/decrease in interest rates of 50 (2014:50) basis points would have an adverse/favourable effect on profit before tax of \$107,000 (2014:\$56,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The majority of schools pay upfront and the nature of the customer base has a low impact on the Group's credit risk exposure.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 22. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2015	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-%	1,209	-	-	-	1,209
Other payables	-%	303	-	-	-	303
Deferred consideration	-%	1,299	-	-	-	1,299
Contingent consideration	-%	495	294	-	-	789
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.41%	44	-	-	-	44
Total non-derivatives		3,350	294	-	-	3,644
Consolidated - 2014						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-%	2,143	-	-	-	2,143
Other payables	-%	649	-	-	-	649
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.41%	271	36	-	-	307
Total non-derivatives		3,063	36	-	-	3,099

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 23. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Ordinary shares available-for-sale	-	-	6,607	6,607
Total assets	-	-	6,607	6,607
<i>Liabilities</i>				
Contingent consideration	-	-	789	789
Total liabilities	-	-	789	789

There were no transfers between levels during the financial year.

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

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

Valuation techniques for fair value measurements categorised within level 2 and level 3

Ordinary shares - available-for-sale

The fair values of the unquoted ordinary shares has been estimated using a discounted cash flow method. The valuations requires management to make certain assumptions about the inputs, including forecast cash flows, growth rate and discount rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity instruments.

Contingent consideration arising on business combinations

The fair value is determined using the discounted cash flow method. Significant unobservable valuation inputs in relation to contingent consideration includes assumed cash billing earnings before interest, tax, depreciation and amortisation ('EBITDA') range of South African Rand 2,722,000 to South African Rand 3,628,000 and discount rate of 3.82%.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Available- for-sale \$'000	Contingent consideration \$'000	Total \$'000
Balance at 1 July 2013	-	-	-
Balance at 30 June 2014	-	-	-
Additions	6,607	(759)	5,848
Exchange differences	-	(30)	(30)
Balance at 30 June 2015	6,607	(789)	5,818

Note 23. Fair value measurement (continued)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Available-for-sale	Growth rate	3%	5% change would increase/decrease fair value by \$42,000
	Weighted average cost of capital	22.5%	0.50% change would increase/decrease fair value by \$213,000
Contingent consideration	EBITDA	South African Rand 2,722,000 to 3,628,000 (average 3,175,000)	5% increase in EBITDA would not result in any change in fair value. 5% decrease in EBITDA would decrease fair value by \$147,000.
	Discount rate	3.82%	0.50% change would increase/decrease fair value by \$13,000

Note 24. Key management personnel disclosures

Compensation

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

	Consolidated 2015 \$	2014 \$
Short-term employee benefits	8,631,608	502,611
Post-employment benefits	95,989	35,223
Long-term benefits	297,170	77,540
	<u>9,024,767</u>	<u>615,374</u>

No share based payment expenses or termination benefits incurred during the year (2014: Nil)

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Company:

	Consolidated 2015 \$	2014 \$
<i>Audit services - Ernst & Young</i>		
Audit or review of the financial statements	<u>227,800</u>	<u>99,500</u>
<i>Other services - Ernst & Young</i>		
Financial reporting due diligence in relation to the IPO	-	565,000
Tax due diligence in relation to the IPO	-	85,000
IT due diligence in relation to the IPO	-	16,409
Tax services	<u>103,500</u>	<u>25,000</u>
	<u>103,500</u>	<u>691,409</u>
	<u>331,300</u>	<u>790,909</u>

Note 26. Contingencies

The Group has given bank guarantees as at 30 June 2015 of \$1,315,000 (2014: \$1,311,000) for merchant facility and operating leases.

Note 27. Commitments

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	807	738
One to five years	1,276	77
	<u>2,083</u>	<u>815</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	44	271
One to five years	-	36
	<u>44</u>	<u>307</u>
Total commitment	(6)	(9)
Less: Future finance charges		
	<u>38</u>	<u>298</u>
Net commitment recognised as liabilities		

Operating lease commitments includes contracted amounts for commercial leases under non-cancellable operating leases expiring within one to three years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment under finance leases expiring within one year. Under the terms of the leases, the Group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 28. Related party transactions

Parent entity

3P Learning Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report in the directors' report.

Note 28. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2015	2014
	\$	\$
Other income:		
Other income (software development income) from Blake eLearning Pty Ltd, a director related entity*	-	270,980
Payment for goods and services:		
Payment for business development services from Insight Venture Partners, a director related entity*	-	30,853
Payment for other expenses:		
Reading Eggs royalty paid to Blake eLearning Pty Ltd, a director related entity*	-	2,943,536
Annual strategy meeting and membership fees paid to Coraggio Pty Ltd, a director related entity**	43,417	43,537

ClickView technology was provided by ClickView Pty Limited, a director related entity for no consideration.

Initial public offering costs

The IPO costs includes lead manager fees paid to Macquarie Capital (Australia) Limited amounting to \$9,983,000 (30 June 2014: Nil). Macquarie Group Limited and its related bodies corporate had a significant influence in the Group until the sale of their shares following the IPO.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2015	2014
	\$	\$
Current payables:		
Trade payables to Blake eLearning Pty Ltd, a director related entity*	-	1,334,880
Trade payables to Coraggio Pty Ltd, a director related entity**	11,539	43,717

*The entity ceased to be a related party with effect from 9 July 2014.

**The entity ceased to be a related party with effect from 25 March 2015.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2015 \$'000	2014 \$'000
Profit/(loss) after income tax	(1,753)	19,912
Total comprehensive income	(1,753)	19,912

Statement of financial position

	Parent	
	2015 \$'000	2014 \$'000
Total current assets	7,003	20,878
Total assets	35,897	36,161
Total current liabilities	3,387	24,970
Total liabilities	3,787	25,059
Equity		
Issued capital	25,113	2,352
Share-based payment reserve	7,923	7,923
Retained profits/(accumulated losses)	(926)	827
Total equity	32,110	11,102

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to its subsidiaries as at 30 June 2015 and 30 June 2014.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

Capital commitments - Plant and equipment

The parent entity had no capital commitments for plant and equipment as at 30 June 2015 and 30 June 2014.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Business combinations

On 1 October 2014 3P International Holdings Pty Ltd a subsidiary of 3P Learning Limited acquired the distribution business from Whatiph Business Consultants CC ('Whatiph') for the total consideration of \$1,821,000. Prior to the acquisition, Whatiph was a distributor of 3P Learning Limited products including Mathletics and Spellodrome. It was acquired to further expand the distribution of the products including distribution in Southern Africa.

The goodwill of \$1,578,000 represents the expected synergies from the business. The acquired business contributed revenues of \$381,000 and loss after tax of \$ 68,000 to the Group for the period from 1 October 2014 to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contributions would have been revenues of \$412,000 and loss after tax of \$92,000. The values identified in relation to the acquisition of Whatiph are final as at 30 June 2015.

Details of the acquisition are as follows:

	Fair value \$'000
Office equipment	2
Customer contracts	354
Deferred tax liability	(111)
Employee benefits	(2)
Net assets acquired	243
Goodwill	1,578
Acquisition-date fair value of the total consideration transferred	1,821
Representing:	
Cash paid or payable to vendor	1,062
Contingent consideration	759
	1,821

Contingent consideration

As part of the purchase agreement with Whatiph, a portion of the consideration was determined to be contingent, based on the performance of the acquired business. There will be additional cash payments to the vendor of:

a) \$192,000, being the retention amount for a period of 12 months for any breach of indemnity, warranty or terms of the sales agreement

b) \$294,000, if the entity generates cash billing EBITDA greater than South African Rand 3,024,000 or \$147,000 if the entity generates cash billing EBITDA greater than South African Rand 2,721,600 and less than Rand 3,024,000 during the 9 month period ended 30 June 2015.

c) \$294,000, if the entity generates cash billing EBITDA greater than South African Rand 3,628,000 or \$147,000, if the entity generates cash billing EBITDA greater than Rand 3,265,200 and less than Rand 3,628,000 during the financial year ended 30 June 2016.

At the acquisition date, the fair value of the contingent consideration was estimated to be \$759,000. The fair value is determined using the discounted cash flow method and based on historical exchange rates.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2015 %	2014 %
3P Learning Australia Pty Limited	Australia	100.00%	100.00%
PEG Learning Pty Limited *	Australia	-%	100.00%
Into Science Pty Ltd	Australia	100.00%	100.00%
3P International Holdings Pty Ltd	Australia	100.00%	100.00%
3P Learning Pty Limited	New Zealand	100.00%	100.00%
3P Learning Limited	United Kingdom	100.00%	100.00%
3P Learning Inc.	United States	100.00%	100.00%
3P Learning Canada	Canada	100.00%	100.00%
Mathletics LLP	India	60.00%	60.00%

* The entity was deregistered on 26 November 2014

Note 32. Events after the reporting period

Apart from the dividend declared as disclosed in note 21, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 33. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2015 \$'000	2014 \$'000
Profit after income tax expense for the year	4,152	5,107
Adjustments for:		
Depreciation and amortisation	3,062	1,947
Write off of investments	-	2
Foreign exchange differences	(614)	(293)
Interest received - non cash	(45)	-
Net loss on disposal of plant and equipment	25	-
Other revenue -non cash	(457)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,452)	594
Decrease in income tax refund due	-	1,514
Increase in deferred tax assets	(296)	(2,425)
Decrease/(increase) in other operating assets	(322)	851
Increase/(decrease) in trade and other payables	8,289	(984)
Increase in provision for income tax	1,910	1,017
Increase/(decrease) in employee benefits	8	(781)
Increase/(decrease) in other provisions	1,241	(93)
Increase in other operating liabilities	5,755	11,725
Net cash from operating activities	21,256	18,181

Note 34. Earnings per share

	Consolidated	
	2015	2014
	\$'000	\$'000
Profit after income tax	4,152	5,107
Non-controlling interest	(67)	(55)
Profit after income tax attributable to the owners of 3P Learning Limited	<u>4,085</u>	<u>5,052</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>134,479,886</u>	<u>125,414,660</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>134,479,886</u>	<u>125,414,660</u>
	Cents	Cents
Basic earnings per share	3.04	4.03
Diluted earnings per share	3.04	4.03

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Samuel Weiss
Chairman

26 August 2015
Sydney

Independent auditor's report to the members of 3P Learning Limited

Report on the financial report

We have audited the accompanying financial report of 3P Learning Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

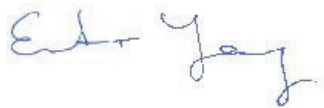
- a. the financial report of 3P Learning Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 4 to 10 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of 3P Learning Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Lisa Nijssen-Smith
Partner
Sydney
26 August 2015

The shareholder information set out below was applicable as at 17 August 2015.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	368	-
1,001 to 5,000	406	-
5,001 to 10,000	148	-
10,001 to 100,000	165	-
100,001 and over	36	-
	<u>1,123</u>	<u>-</u>
Holding less than a marketable parcel	<u>-</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
JP Morgan Nominees Australia Limited	32,408,254	24.04
National Nominees Limited	27,424,239	20.34
Citicorp Nominees Pty Limited	17,205,572	12.76
Pascal Educational Services Pty Ltd	13,695,000	10.16
RBC Investor Services Australia Nominees Pty Limited (BK CUST A/C)	7,972,870	5.91
UBS Nominees Pty Ltd	6,194,495	4.59
HSBC Custody Nominees (Australia) Limited	5,948,250	4.41
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	3,072,972	2.28
Timothy Power	3,036,472	2.25
Katherine Pike	2,381,376	1.77
Smallco Investment Manager Ltd	1,689,100	1.25
RBC Investor Services Australia Nominees Pty Limited (BK Mini A/C)	1,380,100	1.02
BNP Paribas Nominees Pty Ltd	997,663	0.74
Wendy Beckett	519,248	0.39
Invia Custodian Pty Ltd	316,240	0.23
Bushell Nominees Pty Ltd	300,000	0.22
Kei Yan Cheng	284,280	0.21
Mitchell Adam Nicholls	278,880	0.21
Genevieve Gilmore	278,880	0.21
Bond Street Custodians Limited	260,000	0.19
	<u>125,643,891</u>	<u>93.18</u>

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
JP Morgan Nominees Australia Limited	32,408,254	24.04
National Nominees Limited	27,424,239	20.34
Citicorp Nominees Pty Limited	17,205,572	12.76
Pascal Educational Services Pty Ltd	13,695,000	10.16
RBC Investor Services Australia Nominees Pty Limited (BK CUST A/C)	7,972,870	5.91

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary shares	The first trading day after the announcement to the ASX of 3P Learning Limited's audited financial results for the financial year ending on 30 June 2015	21,892,459

Directors	Samuel Weiss - Independent Non-Executive Chairman Timothy Power - Chief Executive Officer Roger Amos - Independent Non-Executive Director Claire Hatton - Independent Non-Executive Director
Company secretary	Jonathan Kenny
Registered office	3P Learning Limited Level 18, 124 Walker Street North Sydney NSW 2060 Head office telephone: 1300 850 331
Principal place of business	3P Learning Limited Level 18, 124 Walker Street, North Sydney NSW 2060 Head office telephone: 1300 850 331
Share register	The Registrar Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Share registry telephone: 1300 554 474
Auditor	Ernst & Young 680 George Street Sydney NSW 2000
Solicitors	King & Wood Mallesons Level 61 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000
Stock exchange listing	3P Learning Limited shares are listed on the Australian Securities Exchange (ASX code: 3PL)
Website	http://www.3plearning.com/
Corporate Governance Statement	Corporate governance statement which was approved on 26 August 2015 can be found at http://www.3plearning.com/investors/governance/



3P Learning Ltd

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