2019 Annual Report

3P Learning

3P Learning Limited
ABN 50 103 827 836
www.3plearning.com

3P Learning Limited
Annual Report Contents
30 June 2019

A message from the Chairman and CEO

Dear Fellow Shareholders,

The end of this financial year marks the end of the three year strategic plan we set in 2017 which had an unwavering focus on three strategic priorities: 1) strengthen the product portfolio, 2) create a scalable sales and marketing model and 3) globalise the business. These strategies have laid the foundation for 3P Learning to realise its ambition to be a leading global SaaS K-12 education brand and business.

2017-2019 Laying a foundation for growth

We start FY2020 with a stronger product portfolio having migrated to HTML5, strengthened our K-2 offering in Mathletics, launched exciting student activities like Multiverse, improved our data and analytics around product efficacy as well as embarked on the launch of our own literacy brand called Readiwriter.

The investments we have made over the past three years to develop a scalable sales and marketing model, mean 3P Learning now has a world class sales and marketing automation platform, a rebuilt B2C customer experience, new web assets and a powerful contract management and billing system. Combined, these investments position 3P Learning to be a scalable SaaS business with a multi-product offering across a diverse array of countries and customers.

In all markets, including the important Americas region, we reset our sales model to use lower cost digital and telesales resources to address transactional school by school sales and directed field sales to higher value contracts at the district level. By resetting our cost structure in the Americas, implementing a new sales model and hiring some top American K-12 ed tech talent, the Americas region now makes a positive contribution to the Group and is poised for strong growth.

We now have a global operating model, having consolidated shared services like sales operations, marketing, people and culture, technology and finance into global functions and implemented global processes and systems to drive efficiency and effectiveness. We also reduced our real estate footprint and created three sales regions - APAC, the Americas and EMEA. These actions generated significant savings which were in turn invested into our strategic priorities.

Importantly we start FY2020 with a strong balance sheet with $25.8M in cash and no debt.

Before outlining our 20:22 Accelerate Growth Plan here is a summary of our financial performance for the period ending FY2019.

FY2019 Financial highlights

Key financial information A$M (unless stated)	FY2019	FY2018	Variation %
Revenue	54.4	55.4	down 2%
Underlying core EBITDA	17.7	19.0	down 7%
Underlying core NPAT	5.9	7.1	down 17%
Net profit after tax	5.9	(18.7)	up 132%
Earnings per share (cents)	4.2	(13.4)	up 131%
Cash	25.8	23.0	up 12%

2020-2022 Accelerate growth

To achieve our growth ambition over the next 3 years 3P Learning will execute against 4 strategic priorities:

1) Leverage our expanded product portfolio and customer base
2) Accelerate profitable sales growth in the Americas
3) Enhance customer experience and improve retention
4) Continue to build a growth focussed, high performance culture.

Leverage our expanded product portfolio and customer base

We enter FY2020 with an expanded product portfolio including maths, literacy and science.

We will invest in our flagship Mathletics brand build upon our strong practice and fluency offering and we will introduce a range of deeper learning resources which will help prepare students for the 21st century. We will launch Readiwriter Spelling and, when it is combined with our already successful Reading Eggs product, we will offer the market a comprehensive literacy offering.

In parallel, we will launch a learning framework, which we created in consultation with educators across the globe. We call it 'The 6Ms Learning Framework' – magnify, motivate, model, master, maintain and meaningful feedback. It will be embedded in our Mathletics and Readiwriter products and will provide teachers and students with superior navigation to get the best out of our products.

We will also devote some of our innovation efforts to emerging areas like machine learning where students are presented with true personalised learning pathways. We will do this through partnerships with industry leaders. But even as technology evolves, our source of product differentiation remains constant. We will continue to put the teacher at the heart of our products and creates highly engaging student experiences. That has been our source of difference from the very beginning and holds true today.

We will also better link our products to the home, helping parents and caregivers support student growth. This new focus will be supported by our intent to leverage our Mathletics and Readiwriter products to build out a strong B2C product portfolio which will be sold through our renovated B2C customer experience. We will also increase cross-sell and up-sell opportunities from within the product, making our products a sales channel and open the door for customers to trial and purchase our entire suite autonomously.

Through our expanded product portfolio we will increase our installed base and revenue per customer.

Accelerate profitable sales growth in the Americas

We have reset our sales and marketing model, adapted our product to better suit the North American market, expanded the product offering and hired an experienced US sales team. With a total addressable market of over 60 million students in K-12 in North America and high rates of technology adoption, we are poised to continue the strong sales growth we delivered in the latter part of FY2019.

Enhance the customer experience and improve retention

Retaining customers is more cost effective and profitable than acquiring new customers and to improve our retention rates we'll launch a range of improvements across every step of the customer life cycle. We will reposition our brand and our digital assets to drive more meaningful customer engagement. Like other successful SaaS brands, our marketing focus will be across each phase of the funnel. At the top of the funnel we will position the 3P Learning brand as an educational thought leader and create a digital community where educators across the globe can connect with one another, including with our own Education Team. We will nurture those interactions via digital channels and use internal salespeople, culminating in a product sale at the bottom of the funnel. With our expanded product portfolio we'll have even more opportunity to engage with prospective and existing customers.

In summary, our '20:22 accelerate growth plan' will be driven by product and customer expansion, accelerated profitable sales growth in the Americas as well as an enhanced customer experience and retention. Underpinning all of this will be our continued emphasis on our people and the 3P culture.

Continue to build a growth focussed, high performance culture

We have developed our people internally through investment in learning and development and brought in new talent in critical areas such as digital, data and analytics, sales and product innovation. Coupled with that, every employee now has some of their remuneration tied to company performance, with a focus on revenue growth. The team at 3P Learning are ready and capable to lead our next phase of accelerated growth.

Thank you

Once again, we both want to say a heartfelt thank you to the extraordinary team at 3P Learning, each of whom has contributed to the success, not only of our Company during the past 3 years, but also to help children all over the world achieve their own potential. Our colleagues on the Board have provided exceptional support and leadership during this year and we are more than grateful to them.

Finally, we are deeply appreciative of the support from our shareholders, schools, teachers, education administrators, parents and students who place their confidence in 3P Learning.

Thank you.

Yours sincerely,

Samuel Weiss
Chairman

Rebekah O'Flaherty
CEO and Managing Director

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 2019.

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 (Chairman)

Rebekah O'Flaherty (Chief Executive Officer)

Roger Amos

Claire Hatton

Mark Lamont

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

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

Operating and financial review

Business overview

The Group is a global leader in online education and adaptive and collaborative learning. Our suite of mathematics, literacy and science products are designed to facilitate dynamic and engaging learning experiences for educator and learner alike to address the complex challenges faced by teachers and students in the modern classroom. We engage with teachers to develop innovative products that intuitively mirror the teacher's workflow and day.

We have over 250 educators, engineers, product designers and other personnel around the world, servicing schools in more than 100 countries. Today we are trusted by 4.6 million students in over 17,400 schools across the world. Our mission is to create the teaching moment that inspire learning.

Financial review

The profit for the Group after providing for income tax and non-controlling interest amounted to $5,911,000 (30 June 2018: loss $18,688,000).

A reconciliation of adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EDITDA') to statutory profit after tax for the year is as follows:

	Consolidated	
	2019 $'000	2018 $'000
Profit/(loss) attributable to owners of 3P Learning Limited	5,911	(18,688)
Non-controlling interest	-	5
Net profit/(loss) after income tax expense for the year	5,911	(18,683)
Non-cash loss on disposal of investments	-	25,259
Reduction in the United States of America tax rate	-	489
Underlying profit after income tax expense*	5,911	7,065
Income tax expense	2,834	3,621
Underlying profit before income tax expense**	8,745	10,686
Depreciation and amortisation expense	9,131	8,285
Interest income	(267)	(23)
Finance costs	138	624
Underlying core EBITDA***	17,747	19,572
Share of profits of associates	-	(567)
Adjusted EBITDA****	17,747	19,005

* Underlying profit after income tax expense represents reported profit after income tax expense of the Group, excluding restructuring costs, impairment expense, non-cash loss on disposal of investments and the tax impact of these items.

** Underlying profit before income tax expense represents reported profit before income tax expense of the Group excluding restructuring costs, impairment expenses and non-cash loss on disposal of investments.

*** Underlying core EBITDA represents earnings before interest, tax, depreciation and amortisation, excluding restructuring costs, impairment expense and non-cash loss on disposal of investments.

**** Adjusted EBITDA represents earnings before interest, tax, depreciation and amortisation, excluding restructuring costs, impairment expense, non-cash loss on disposal of investments and share of profit of associates.

The directors have provided adjusted EBITDA, underlying core EBITDA, underlying profit before income tax expense and underlying profit after income tax expense ('Underlying Information') after careful consideration of the requirements and guidelines contained in ASIC's Regulatory Guide 230 Disclosing non-IFRS financial information. Underlying information, including this reconciliation to net profit after income tax expense, has been provided in order to meet the demands from users of the financial reports for information to better understand aspects of the Group's performance. The directors believe that underlying profit after income tax expense is the most appropriate measure of the maintainable earnings of the Group and thereby best reflects the core drivers of, and ongoing influences upon, those earnings. For this reason, the impact of restructuring costs, one-off non-cash losses and one-off non-cash expenses are excluded from the measurement of underlying profit after income tax expense.

Revenue

Total revenue for the year ended 30 June 2019 was $54,415,000 (30 June 2018: $55,367,000). The decrease was largely due to the challenging economic conditions experienced because of Brexit in the EMEA segment and lower copyright fees received in APAC segment.

Performance

The profit for the Group after providing for income tax and non-controlling interest amounted to $5,911,000 (30 June 2018: loss $18,688,000).

Depreciation and amortisation expenses in the current year increased by $846,000 to $9,131,000. This increase was the result of the accumulation of capitalised product development and higher capitalisation of customer contracts.

At 30 June 2019 the Group has $25,766,000 of cash and no debt. Surplus cash balances are put on term deposit with the Group's bankers to maximise interest income. Interest income in the current year was $267,000 compared to $23,000 for the previous year. The Group also has a $10,000,000 working capital facility available with its bankers, which was undrawn at 30 June 2019.

In the prior year, a non-cash loss on disposal of investments of $25,259,000 was recorded on the sale of Learnosity Holdings Limited.

Segment Review

Segment review for the year is as follows:

	2019 $'000	2018 $'000	Change $'000	Change %
APAC	33,668	34,361	(693)	(2.0)
Americas	8,585	7,996	589	7.4
EMEA	12,162	13,010	(848)	(6.5)
Total Revenue	54,415	55,367	(952)	(1.7)

Segment adjusted EBITDA (excluding share of profits of Associates) is as follows:

	2019 $'000	2018 $'000	Change $'000	Change %
APAC	16,808	17,520	(712)	(4.1)
Americas	(2,273)	(1,828)	(445)	24.3
EMEA	3,212	3,313	(101)	(3.0)
Total Adjusted EBITDA	17,747	19,005	(1,258)	(6.6)

APAC segment

Revenue and other income in APAC has declined by $693,000 due to lower copyright licence fees and sponsorship revenue. Adjusted EBITDA declined by $712,000 also due to the lower copyright licence fees and sponsorship revenue.

Americas segment

Revenue in Americas grew 7.4% to $8,585,000 driven by licence growth of 9.6% and favourable foreign exchange movements. Adjusted EBITDA has declined by $445,000 due to an increase in sales staff and unfavourable foreign exchange movements.

EMEA segment

EMEA revenue has decreased by 6.5% as a result of continued political and economic challenges because of Brexit. Adjusted EBITDA decreased 3.0% to $3,212,000 due to a reduction of non-revenue generating staff costs.

The Group has net assets of $24,624,000 (30 June 2018: $19,008,000) which have increased from the previous year due to the profit for the year.

Material Business Risks
The risk associated with the market in which the Group operates requires management to continually focus on product innovation and change to keep pace with competitors and new entrants to the market who may develop new technologies that could impact the Group's performance. The Group invested $8,977,000 (30 June 2018: $9,716,000) in product development and software and this level of investment is expected to continue in order to ensure the Group's products remain in demand.

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 online education participants targeting the school K-12 segment, many with significant resources and access to capital.

Product risks: The Group has distribution rights to products owned by Blake ELearning Pty Limited (Reading Eggs, Reading Eggspress, Wordflyers or Mathseeds) but does not own the intellectual property rights to them; however the contractual distribution rights enjoyed by the Group do not expire.

Technology risks: The Group's technology platforms and systems might be disrupted by new technologies or become obsolete, which could affect the Group's reputation, ability to generate income and financial performance.

Privacy and Data Security risks: As a technology-focused education business, compliance with privacy and data security legislation relating to managing information security and safeguarding customer and student data is a complex and resource-hungry process.

Revenue risk: The global school K-12 market is driven by schools' ability to fund the purchase of education technology for their students. A significant decline in school funding in any market could result in reduced demand for the Group's products.

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 the British pound). The Board believes that natural hedges presently mitigate any exchange rate volatility risk for the Group to an economically acceptable level.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 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 continuing trend of more schools, teachers, parents and students seeking more engaging and interactive online learning resources with proven pedagogical efficacy.

The Group expects to continue to focus its product development and distribution efforts on the core areas of mathematics, literacy and science online education. The Group also expects to continue to invest in its scalable internal sales, marketing and operational systems support its growth in both existing and new territories.

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) - Director since January 2007 and Non-Executive Director of Citadel Group Limited (ASX: CGL) - since 15 May 2019.
Former directorships (last 3 years):	Chairman of Ensogo Limited (ASX: E88) - Director from December 2013 to October 2016 and Surfstitch Group Limited (ASX: SRF) - from July 2016 to August 2017.
Special responsibilities:	Member of the People and Culture Committee and Member of the Audit and Risk Committee
Interests in shares:	562,277 ordinary shares

Name:	**Rebekah O'Flaherty**
Title:	Chief Executive Officer
Qualifications:	B.Ec., MBA, GAICD
Experience and expertise:	Extensive experience in technology, digital, product development, sales, marketing and distribution across Asia Pacific, Europe and United States gained over 12 years with Hewlett Packard, Telstra and most recently Origin Energy.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	12,000 ordinary shares
Interests in options:	7,527,575 options
Interests in rights:	500,000 performance rights

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) - since July 2006, Non-Executive Director of HT&E Limited (ASX: HT1) – since 30 November 2018 and Chairman of Contango Asset Management Limited (ASX: CGA) - Director since November 2017.
Former directorships (last 3 years):	Deputy Chairman of Enero Group Limited (ASX: EGG) - Director from November 2008 to October 2018.
Special responsibilities:	Chairman of the Audit and Risk Committee and Member of the People and Culture Committee
Interests in shares:	61,743 ordinary shares

Name:	**Claire Hatton**
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:	Chair of the People and Culture Committee and Member of the Audit and Risk Committee
Interests in shares:	31,000 ordinary shares

Name:	Mark Lamont
Title:	Independent Non-Executive Director
Qualifications:	BA., Dip Ed
Experience and expertise:	Deep experience in the global education and EdTech sectors with particular expertise in technology and internet applications for education, international markets and strategic planning. Previously held roles with myinternet Ltd and Follett Corporation.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and Member of the People and Culture Committee
Interests in shares:	None

'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

Ms. Marta Kielich (B.Com, LLB, AAICD, FGIA) was appointed as company secretary on 8 December 2017. Marta joined the Group in November 2016 and has over 10 years' experience in legal, regulatory and company secretariat roles in ASX listed companies, including with Origin Energy and the Australian Securities Exchange.

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 2019, and the number of meetings attended by each director were:

	Full Board		People and Culture Committee*		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Samuel Weiss	9	9	5	5	5	5
Rebekah O'Flaherty**	9	9	5	5	5	5
Roger Amos	9	9	5	5	5	5
Claire Hatton	9	9	5	5	5	5
Mark Lamont	9	9	5	5	5	5

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

* Previously the Nomination and Remuneration Committee

** Rebekah O'Flaherty attended the People and Culture Committee and Audit and Risk Committee meetings as an observer.

The Board held nine scheduled meetings, including a two-day strategic review meeting. There were five scheduled Audit and Risk Committee meetings including a risk workshop.

Shares under option

Unissued ordinary shares of 3P Learning Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
02/09/2016	02/09/2020	$1.26	1,052,587
21/11/2016	02/09/2020	$1.26	2,015,419
31/08/2017	31/08/2021	$1.42	1,381,140
09/11/2017	31/08/2021	$1.42	2,644,509
23/08/2018	23/08/2022	$1.75	1,398,858
09/11/2018	23/08/2022	$1.75	2,867,647
19/11/2018	23/08/2022	$1.75	710,717
Total			**12,070,877**

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights

Unissued ordinary shares of 3P Learning Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
21/11/2016	01/09/2019	$0.00	100,000
21/11/2016	14/10/2019	$0.00	400,000
Total			**500,000**

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

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 2019 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of 3P Learning Limited issued on the exercise of performance rights during the year ended 30 June 2019 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 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 of $19,055 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 Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument 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 immediately after this directors' report.

Auditor

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

Letter from the Chair of the People and Culture Committee

Dear Fellow Shareholder

On behalf of the Board, I am pleased to present our Remuneration Report for FY19. The scope of our role as a Board Committee is far broader than Remuneration and Nominations and in recognition of that, we changed our name to the People & Culture Committee in June 2019. As the People & Culture Committee, our focus is to ensure that our remuneration structure and our culture supports 3P Learning's business as it evolves globally, and that it appropriately recognises the critical role our people play in 3P Learning's long-term success.

We are proud of the progress we've made in building a strong foundation for our people with well communicated values and behaviours, a clear leadership capability framework, global consistency and equity across our HR systems, benefits and processes and investment in career development and tools. Our involvement in the "Great Place to Work" survey in prior years and now "Culture Amp", which facilitates real time and regular feedback insights from our employees, helped us understand what to prioritise and has given us a good benchmark in order to work from.

In FY18 we refreshed our values and throughout FY19 we brought them to life through our "3Pea" mascots and global staff workshops. Our values are at the heart of our culture, drive how we work and underpin our desire to maintain our fun and friendly culture with an emphasis on becoming more agile and innovative for our customers. They are now embedded in our recruitment practices, onboarding, employee and leadership development, employee recognition program, communication model and day to day practices in teams.

Our values are:

- **Love Learning** - Learning every day is in our DNA! We are relentlessly curious and look for ways to learn in everything we do, even when things don't go as planned!
- **Move Mountains** - We are a tenacious and resilient bunch, we never give up but we also want to keep raising the bar for ourselves, we aim to be unstoppable and to achieve amazing things.
- **One Pod** - We are one team. One global village. We count on each other. We are one pod.
- **See the Unseen** - Creativity and innovation is at the heart of everything we do. We are open to new ideas (big and small) and are always thinking about how we can be, and do, better.

Our People Priorities

With a focus on growth for FY20-22 we will accelerate our investment in our people, people technology stack as well as leveraging the investments we've made in the foundations of our business over the last three years. From a people perspective we have three priorities that will underpin our ability for our team to deliver on our strategy to "accelerate growth and position 3P Learning as a global SaaS brand in collaborative and adaptive teaching and learning". They are:

- Accelerate our focus on a high performance, high energy culture driving both pace and successful strategy delivery
- Invest in capability building for our team
- Create a unique and compelling employee experience that attracts and retains great talent and powers productivity.

We have a number of investments planned this year to move these priorities forward which include the implementation of a new Learning Management System to power our "3PYou" Learning & Development portal, evolving our agile performance management process to leverage customer and employee feedback channels and to move to a more dynamic engagement and analytics partner with "Culture Amp".

Key People Changes

In November 2018, Jonathan Kenny our Chief Financial Officer left 3P Learning. As a consequence, his long term incentive share options were forfeited. In November 2018 Simon Yeandle took over as Chief Financial Officer. Simon's full remuneration details are outlined in the Remuneration Report. He will be eligible to receive an annual short term incentive (STI) with a target STI of 35% of his fixed annual remuneration, and a long term incentive package which may entitle him to receive an equity based award under the long term incentive (LTI) plan with an 'at target' value equivalent to 35% of his fixed annual remuneration.

Remuneration

We believe that 3P Learning's remuneration approach provides good alignment between business objectives, shareholder returns and executive remuneration which motivates and retains talented executives. We are, however, cognisant that aspects of our remuneration strategy need to evolve as we increase our focus on growth and future ready technology and product innovation. In light of how critical it is for the company to demonstrate it can grow after the work that we've done on our last three year strategic plan, your Board has changed the short term incentive plan (STI) for Executives to place greater emphasis on revenue growth. We will achieve this by moving to a 70% revenue : 30% EBITDA hurdle (to date the weighting has been 50% revenue : 50% EBITDA). Both hurdles are independent and will stretch executives to achieve double digit revenue growth for FY20 and increase EBITDA.

We will continue the company-wide short term incentive for all employees that we implemented in FY18 (which means all employees now have a portion of their remuneration linked to company performance).

Our Long Term Incentive Plan (LTI) will remain the same as in FY19 (as detailed in the Remuneration Report), however the vehicle will change from share options to share rights. As we set out last year, your Board believes that the best way to align our Leadership Team with the expectations of shareholders for capital appreciation is to create an "owner operator" culture with significant share incentives for outstanding performance and long term commitment to the Company, hence our move from options to rights. We will continue to explore alternatives that may better support 3P Learning as the business develops. We value feedback from all of our stakeholders.

The outcome of LTI option grants made in FY17, tested against performance hurdles based on our FY19 full year financial results, are detailed in the Remuneration Report.

Diversity and Inclusion

Diversity and inclusion are central to who we are at 3P Learning. In 2017 the Board set an aggressive target of 50% gender diversity at a Board and senior leadership team level as well as in aggregate across the organisation globally. At an aggregated level women comprised 53% of our employees globally as at 30 June 2019. At a senior leadership team level 29% were female as at 30 June 2019 which is behind our target. We are actively trying to address this by asking our Executive Search firms to bring us female candidates for our leadership roles, assessing our pipeline of internal female talent and regularly questioning ourselves and our teams on whether we can do better, while not reducing the quality of our hires and promotions. We have carried out a pay equity review to ensure there is no inherent bias in our rewards system.

As noted earlier, this year we partnered with "Culture Amp", a global software company, which facilitates real time and regular feedback insights from our employees. These insights will now underpin our employee engagement and experience roadmap, and the analytics, that will build over time, will enable a much more robust approach to measuring and tracking employee engagement.

3P Learning's business performance and future is underpinned by its people. As we move into a new three year strategy where growth is our focus, our people become even more critical than they have been in the past. Your Board believes in a plan to invest in the areas that will make a difference now and into the future. We are constantly reviewing our approach at 3P Learning and I welcome your feedback so we can continue to evolve our remuneration and governance framework.

We thank you for your continued support of 3P Learning.

Yours sincerely

C. Hatton

Claire Hatton
Chair of the People and Culture Committee

22 August 2019

Remuneration report (audited)

This remuneration report outlines the remuneration arrangements and outcomes for the key management personnel ('KMP') for the financial year ended 30 June 2019 ('FY19'). It has been prepared and audited against the disclosure requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is presented under the following headings:

- Letter from the Chair of the People and Culture Committee (not audited)
- People covered by the Remuneration Report
- Overview of 3P Learning remuneration policy
- Details of senior executive remuneration structure
- Non-executive directors' remuneration
- Service agreements
- Share-based compensation
- Additional disclosure relating to key management personnel.

People covered by the Remuneration Report

The KMP of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors, whether executive or non-executive. The people listed in the table below are the individuals who have been determined to be KMP during the financial year.

Name	Position	Term as KMP
Non-Executive Directors (NEDs)		
Samuel Weiss	Independent Chairman	Full year
Roger Amos	Independent Director	Full year
Claire Hatton	Independent Director	Full year
Mark Lamont	Independent Director	Full year
Executive Director		
Rebekah O'Flaherty	Chief Executive Officer	Full year
Other KMP		
Jonathan Kenny	Chief Financial Officer (former executive)	Until 30 November 2018
Simon Yeandle	Chief Financial Officer (newly appointed)	From 19 November 2018

Although the focus of the report is on the remuneration arrangements and outcomes for the KMP listed in the table above, this report also outlines information about the remuneration policy and arrangements for the Group's senior executive team more broadly.

The term 'Executive KMP' is a reference to the Executive Director plus Other KMP. The term 'senior executives' is a collective reference to Executive KMP plus non-KMP members of the senior executive team.

Overview of 3P Learning remuneration policy

The People and Culture Committee ('P&CC') (previously the Nomination and Remuneration Committee) is responsible to develop, review, make recommendations and provide assistance and advice to, the Board on the remuneration arrangements for the Company's directors and senior executives and in relation to key employment policies and practices. The performance of the Group depends on the quality of its directors and senior executives. The Company's remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Group's senior executive reward framework is based on objectives to:

- drive growth and profitability;
- align senior executive rewards with achievement of strategic objectives and the delivery of shareholder value; and
- provide competitive remuneration packages that recognise both individual and organisational performance.

The remuneration framework, and any potential changes to that framework, are assessed based on the following guiding principles:

- aligned to long term value creation
- fair for all stakeholders
- simple to understand and administer
- motivating to executives
- explicitly encourage more executive ownership of the Company.

The P&CC and the Board have structured a senior executive remuneration framework that is market competitive, is designed to retain and motivate the Company's leadership team and sets a standard for transparency and good corporate governance.

The determination of non-executive director and executive remuneration is separate.

During the reporting period the P&CC engaged external advisors to provide insights on market practice for incentives structures and alternate equity vehicles as well as structuring options for equity grants to non-KMP levels of management (i.e. separate to the LTI plan used to incentivised executive level management, including KMP). The Group did not seek or receive any remuneration recommendations within the definition of the Corporations Act.

FY19 Executive remuneration policy and structure and key changes for FY20

The senior executive remuneration structure has three key components stated below, including what the Board has agreed is the optimal mix between fixed and 'at risk' components for the Chief Executive Officer and senior executives. Details for each of the individual components in FY19, and changes implemented for FY20 are as follows:

Year	Fixed	Variable or "At Risk" performance based	
	Fixed remuneration *Attracts and retains high performance talent*	**Short term incentive ('STI')** *Rewards current year performance*	**Long term incentive ('LTI')** *Rewards longer term sustainable performance*
FY19	• Fixed salary set by reference to appropriate benchmark information and experience of individuals • Includes superannuation and salary-sacrifice non-monetary benefits	• 25 - 50% of fixed remuneration • Annual cash incentive • 12 month period • Targets linked to group performance: - revenue (50%); - core underlying EBITDA (50%)	• 25 - 50% of fixed remuneration • Grant of options • 3 year performance period • Performance hurdles linked to group performance: - revenue (50%); - EPS growth (50%)
FY20	• No change to policy and structure	• Increased focus on revenue growth • Weighting of group performance targets changed to: - revenue (70%); - core underlying EBITDA (30%)	• Encourage greater executive ownership of the Company • Grants of performance rights (rather than options)

Executive remuneration

Fixed remuneration

The objective of fixed remuneration is to provide a base level of compensation appropriate to the senior executive's role, responsibilities and experience. Fixed remuneration is determined with reference to available market data including benchmarks, the scope of the role and the qualifications and experience of the individual. Fixed remuneration includes base salary, non-monetary benefits, superannuation and other statutory components such as long service leave.

Fixed remuneration is reviewed annually by the P&CC, based on individual and business unit performance, the overall performance of the Group, and comparable market remuneration. Superannuation in excess of the concessional contribution cap is provided as cash salary.

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

The fixed remuneration for the Chief Executive Officer is reviewed annually by the P&CC, with changes to be approved by the Board, following consideration of her performance against her annual KPIs.

Performance based remuneration
The 'at risk' performance based remuneration components for senior executives align reward with the achievement of annual and longer term objectives of the Group, and the optimisation of shareholder value over the short and long term.

The performance based components comprise a STI plan and a LTI plan, each of which is designed to link to key elements of the Group business plan and strategy. Further information about the performance measures for the STI and LTI plan can be found in subsequent sections of this remuneration report.

The table below shows the Group's performance history, the Company's share price and the effect on shareholder value since the IPO in 2014.

Financial Year	2014	2015	2016	2017	2018	2019
Revenue ($m)	36.1	44.2	49.3	52.5	55.4	54.4
Underlying core EBITDA ($m)	13.0	16.9	13.3	16.0	19.0	17.7*
EPS (cents)	4.03	3.04	2.66	(5.11)	(13.42)	4.24
Share Price ($) 30 June**	-	2.22	0.74	1.05	1.25	0.98

* In this reporting period the result is the same as Statutory EBITDA
** The Company listed on the Australian Securities Exchange on 9 July 2014

Executive remuneration
Details of statutory remuneration (Australian Accounting Standards ('AAS')) for Executive KMP, for the years ended 30 June 2019 and 30 June 2018, are set out below:

	Salary	Cash STI*	Post employment benefits (super-annuation)	Accounting value of LTI awards and additional incentives**	Termination payments***	Total remuneration	Performance related	Equity based
	$	$	$	$	$	$	%	%
R O'Flaherty (Chief Executive Officer)								
2019	**625,000**	**220,312**	**25,000**	**(6,546)**	**-**	**863,766**	**25%**	**-**
2018	585,000	331,168	25,000	83,888	-	1,025,056	40%	8%
S Yeandle (Chief Financial Officer)#								
2019	**220,514**	**54,412**	**12,659**	**68,810**	**-**	**356,395**	**35%**	**19%**
2018	-	-	-	-	-	-	-	-
J Kenny (former Chief Financial Officer)#								
2019	**113,787**	**-**	**8,798**	**(103,229)**	**18,367**	**37,723**	**0%**	**-**
2018	363,000	210,644	25,000	89,235	-	687,879	44%	13%

Jonathan Kenny ceased to be a member of the KMP effective 30 November 2018. Simon Yeandle became a member of the KMP, effective 19 November 2018.
*Cash STI is physically paid after the end of the financial year to which it relates but is allocated to the earning year.
**LTI is that portion of the accounting value of LTI equity granted or to be granted for the current and prior periods attributable to the reporting period and reflects the expected vesting outcome. 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.
** Further information about Jonathan Kenny's incentives are detailed in the sections entitled 'Long term incentives' and 'Additional Incentives' below. Jonathan Kenny ceased to be a member of the KMP on 30 November 2018 and forfeited his LTI awards (options). Any share-based payment expense previously recognised under AASB 2 in respect of the options has been reversed.
*** Jonathan's termination payment reflects unused annual leave balances.

In line with general market practice a (non-AAS) presentation of pay with respect to the reporting period is provided below, to give shareholders a more informative picture of actual remuneration outcomes.

	Salary	Cash STI*	Post employment benefits (super-annuation)	LTI and additional incentives vested**	Termination payments	Total remuneration
	$	$	$	$	$	$
R O'Flaherty (Chief Executive Officer)						
2019	**625,000**	**220,312**	**25,000**	**-**	**-**	**870,312**
2018	585,000	331,168	25,000	-	-	941,168
S Yeandle (Chief Financial Officer)						
2019	**220,514**	**54,412**	**12,659**	**-**		**287,585**
2018	-	-	-	-		-
J Kenny (former Chief Financial Officer)						
2019	**113,787**	**-**	**8,798**	**125,000***	**18,367*****	**265,952**
2018	363,000	210,644	25,000	106,000**	-	704,644

* Cash STI is physically paid after the end of the financial year to which it relates but is allocated to the earning year.
** Further information about Jonathan Kenny's incentives are detailed in the sections entitled 'Long term incentives' and 'Additional Incentives' below. The cash basis values these share-based payments as the market value of the shares on the relevant vesting date. No LTI awards vested in FY19 or FY18. When Jonathan ceased to be a member of KMP he forfeited all outstanding and unvested LTI options.
*** Jonathan's termination payment reflects unused annual leave balances.

Short term incentives
What is the STI and who participates?
The remuneration of the Group's senior executives is linked to the Company's short term annual performance through a cash based STI. The Group STI program is designed to deliver sustainable performance and continued growth by retaining talent and rewarding performance. The key objectives of the STI program are to:
- drive and reward outstanding performance against annual strategic financial and operational performance objectives
- promote effective management of capital, in the short, medium and long term
- position the Company to over achieve in future years
- emphasise and reward team and Company performance outcomes
- provide competitive and motivating reward opportunities
- create a clear and transparent link between performance and rewards with minimum subjectivity
- be simple to administer and easily understood.

What are the performance measures?

Financial performance measures are set for senior executives based on profit and revenue targets. These targets are in turn derived from the Company's business plan and budget as the Board considers this to be the best way to ensure the aims of the business plan and budget are met. Currently, the Company's STI Plan does not include non-financial performance objectives. The performance measures are as follows:

Performance measure	Weighting (FY19)	Weighting (FY20)
Revenue	50%	70%
Underlying core EBITDA	50%	30%

Why were these performance measures chosen?

The Board considers the financial measures to be appropriate as they are aligned with the Group's objective of delivering profitable growth and improved shareholder returns. For FY20, the weighting of the performance measures has been adjusted to align with our strategy focused on acceleration of revenue growth.

What is the amount senior executives can earn?

Financial measure – level of performance	% of target incentive award*
Below Threshold (i.e. <95% of Target)	0%
At Threshold (95% of Target)	50%
Target	100%
Above Target (i.e. > 100% of Target)	Up to 160%

* Pro-rata payment made between these points

When are the performance conditions tested?

Performance conditions are tested and incentive payments under the STI plan are determined after the approval and release of the Company's full year results in August.

STI for the 2019 financial year

The target STI opportunity for the financial year ended 30 June 2019 was an amount equal to 25%-50% of the senior executive's fixed remuneration (50% in the case of the Chief Executive Officer).

There were four senior executive participants in the STI program for FY19 (the CEO and three other C-level senior executives) and a total of $426,223 will be paid to those senior executives as STI awards relevant to the FY19 period. Payment will be made after the release of the financial results for FY19. Specific information relating to the STI payable to the Chief Executive Officer and Chief Financial Officer for FY19 is set out below:

Executive KMP	Actual STI payment	% of target STI payable
Chief Executive Officer	$220,312	71%
Chief Financial Officer	$54,412	71%

These payments are based on the following STI metrics for FY19:

Performance measure	FY19 – at target	FY19 performance	% of target incentive award*	Weighting
Revenue	$57,000,000	$54,415,000	55%	50%
Underlying core EBITDA	$18,000,000	$17,747,000	86%	50%

*Based on the metrics outlined under "What is the amount senior executives can earn?" on the previous page and pro-rated for that portion of the reporting period that the relevant executive was employed.

Long term incentives

The objective of the LTI plan is to link the long term reward for senior executives with the creation of shareholder value through the allocation of equity awards which are subject to specific performance conditions.

What are the objectives of the LTI?

The key objectives of the LTI program are to:

- align executive performance with shareholder return
- drive and reward outstanding performance against three year strategic financial and operational performance objectives
- emphasise and reward senior executives for long term Company performance outcomes
- provide competitive reward opportunities that motivate participants
- create a clear and transparent link between long term performance and rewards with minimum subjectivity.

Who are the participants of the LTI?

The Chief Executive Officer and other C-level senior executives are eligible to participate in the LTI plan. As at 30 June 2019, there were 4 participants in the plan.

What are the performance measures?

Financial performance measures are set for grants of securities to senior executives. To date, all grants of securities under the LTI plan have performance conditions based on revenue and EPS targets. The Board considers the combination of revenue and EPS hurdles an appropriate balance to ensure that 'top line' growth is pursued over the medium to long term, whilst growth in earnings and a focus on shareholder value is maintained. In particular, the revenue hurdle has been adopted in light of the Group's desire to accelerate growth to achieve national and international expansion. The Board has selected EPS as a performance measure because it provides a relevant indicator of shareholder value and provides a clear target to drive and motivate senior executive performance.

Performance measure	Weighting
Revenue	50%
EPS	50%

The financial hurdles are independent of each other. One can be achieved without the other hitting threshold.

What is the amount that senior executives can earn?

Participants under the LTI plan can earn an 'at target' amount equal to a percentage of their annual fixed remuneration in the range of 25% - 50%. To date, awards under the plan have taken the form of options. The number of options awarded depends on the fair value of an option at the time of the award. The number of performance rights that will be issued to each participant with respect to FY20 LTI grants, will be calculated by dividing the 'at target' amount by the value of each right.

Performance level	% of target incentive awarded
Below threshold	0%
Threshold	80%
Target	100%
Stretch	150%

What are the key terms of the award?

Awards may take the form of performance rights or options. An option represents a conditional right to acquire one share in the Company on exercise by payment of an exercise price. A performance right represents the conditional contractual right to be allocated one share in the Company at no cost. Options and performance rights do not carry a right to vote or to dividends.

Grants are made in August or September of each year, following finalisation of the 30 June financial statements, are subject to pre-defined performance conditions and have a 3 year vesting (performance) period. Any awards which do not meet the performance conditions at the end of the performance period will lapse.

Cessation of employment, change of control and clawback
Awards may lapse in the event that the relevant performance conditions are not met. In addition, if the relevant employee resigns or is dismissed, all unvested awards are forfeited. If an employee leaves for any other reason the Board may determine the number of awards which will lapse or be retained. Awards may also be forfeited if a 'claw back' event occurs during the performance period. A claw back event includes circumstances where a senior executive has engaged in fraud, dishonesty or gross misconduct, where the financial results that led to the equity award are subsequently shown to be materially misstated, or where the behaviour of a senior executive brings the Company into disrepute or impacts the Company's long term financial strength. If a change of control event occurs, the Board has discretion to determine whether the awards will vest or lapse.

2019 LTI Award (equity granted during the reporting period)
Awards granted in FY19 took the form of options. The exercise price of options granted in FY19 was set at a premium of 43% to the Company's share price on the date of grant. The options expire four years after the grant date, or earlier if the performance conditions are not satisfied.

The number of options granted was determined by dividing the dollar award value by the value of the option at the time of grant (based on a two week volume weighted average price ('VWAP') of the Company's shares at that time).
The performance conditions for grants made during the year ending 30 June 2019 are based on the following:
- 50% of award to be tested based on compound annual growth in revenue; and
- 50% of award to be tested based on compound annual growth in EPS.

Each performance condition will be tested following finalisation of the annual financial results for the year ending 30 June 2021 (performance period).

The Board has chosen to offer significant incentive opportunity if senior executives can substantially increase the rate of growth in revenue and EPS as the Board believes this is in the interest of the senior executive team and shareholders alike. The Board approved challenging threshold, target and stretch growth rates in respect of both the revenue and EPS hurdles, which are based on the Company's strategic plan and are reflective of the Company's growth objectives. The award schedule outlined on the heading "What is the amount that senior executives can earn?" on the previous page applies to grants made in FY19.

Performance conditions and disclosure of targets
The publication of prospective Revenue and EPS targets for future performance periods would require the disclosure of commercially sensitive information. Accordingly, the Company will not disclose prospective targets but will disclose historic targets and the Company's performance against those targets. The hurdles for the options granted in FY19 will be disclosed in August 2021 after the applicable performance period.

2017 LTI Award – Performance condition outcomes based on FY19 results
The first grant of options under the Company's LTI plan was made in FY17, with performance conditions to be tested with respect to the audited FY19 full year results. Consequently, no LTI Awards vested during the reporting period. Based on the financial results for FY19, the following outcomes are expected for LTI grants awarded in FY17:

Performance measure	FY19 at target	FY19 performance	Outcome	% of target incentive awarded	Weighting
Revenue	$68,600,000	$54,415,000	Below threshold	0%	50%
EPS	$0.0496	$0.0424	Between threshold and target	86%	50%

The Chief Executive Officer is the only member of KMP that holds FY17 LTI Awards. Based on FY19 performance, it is expected that of the 2,015,419 FY17 LTI options held by the Chief Executive Officer (which would have vested in full upon achievement of the 150% Stretch performance level), 29% (577,750 options) will vest and become exercisable and 71% (1,437,669 options) will lapse as a result. Options that vest during the FY20 reporting period have an exercise price of $1.256 and expire on 2 September 2020.

Additional incentives
As outlined in previous remuneration reports, as part of the remuneration package negotiated with Rebekah O'Flaherty when she joined as Chief Executive Officer on 1 June 2016, Rebekah received an award of performance rights, which were subject to shareholder approval at the 2016 Annual General Meeting.

Those performance rights were issued during the financial year ended 30 June 2017, and include:

(1) 400,000 performance rights under the LTI plan which are subject to specific long term performance indicators:

a) where the VWAP of the Company's ordinary shares for the period of 60 consecutive days after the date of release of the Company's annual results for the period ended 30 June 2019 is:
- i) Less than $3.95, none of the performance rights will vest;
- ii) Greater than $3.95 per share, 50% of the performance rights will vest;
- iii) Greater than $4.45 per share, 75% of the performance rights will vest; and
- iv) Greater than $5.70 per share, 100% of the performance rights will vest; and

b) any shares issued on vesting of any performance right shall be placed in escrow for a period of 12 months from the date of vesting.

(2) 100,000 performance rights under the terms of the LTI plan which are subject to Rebekah remaining in the role of Chief Executive Officer until 1 September 2019.

Performance rights that lapse or vest will be disclosed to the ASX in an Appendix 3Y.

Additionally, in recognition of Jonathan Kenny's increased responsibilities and ongoing contributions to the Group as Interim Chief Executive Officer during FY16, and in lieu of incentive payments with respect to FY16, it was determined that 300,000 ordinary shares and a cash bonus of $194,000 were to be issued to Jonathan as a retention and reward bonus subject to continued employment. The shares were issued in tranches of 100,000 and occurred on 15 September 2016, 15 September 2017 and 17 September 2018. The cash bonus was paid in August 2017.

As part of the remuneration package negotiated with Simon Yeandle, Chief Financial Officer, it was agreed that Simon will receive 250,000 ordinary shares in the Company on the third anniversary of his commencement date (19 November 2021) subject to his continued employment at that time.

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 have not been granted or issued equity as part of their remuneration. To preserve independence and impartiality, non-executive directors do not receive performance related compensation and are not eligible to participate in the Company's equity incentive plan.

Non-executive directors' fees and payments are reviewed annually by the P&CC. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was in 2017 when shareholders set the aggregate remuneration at $900,000 per annum. Board and committee fees, as well as statutory superannuation contributions made on behalf of the non-executive directors, are included in the aggregate fee pool.

The table below shows the structure and level of non-executive director fees (exclusive of superannuation) for the financial years ended 30 June 2019 and 30 June 2018.

Fee applicable	FY	Chair ($)	Member ($)
Board	**2019**	**185,000**	**95,000**
	2018	185,000	95,000
Audit and Risk Committee	**2019**	**20,000**	**10,000**
	2018	20,000	10,000
People and Culture Committee	**2019**	**20,000**	**10,000**
	2018	20,000	10,000

Details of the remuneration for the Chairman and independent non-executive directors for the financial years ended 30 June 2019 and 30 June 2018 are set out in the table below.

Name	FY	Fees and allowances $	Post-employment benefits $	Total $
S Weiss (Chairman)	**2019**	**205,000**	**19,475**	**224,475**
	2018	205,000	19,475	224,475
R Amos	**2019**	**125,000**	**11,875**	**136,875**
	2018	125,000	11,875	136,875
C Hatton	**2019**	**125,000**	**11,875**	**136,875**
	2018	125,000	11,875	136,875
M Lamont*	**2019**	**115,000**	**10,925**	**125,925**
	2018	38,333	3,642	41,975
Total	**2019**	**570,000**	**54,150**	**624,150**
	2018	493,333	46,867	540,200

*Mark Lamont joined the Board on 1 March 2018.

Service agreements

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 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 as at 30 June 2019 are as follows:

Name:	Rebekah O'Flaherty
Title:	Chief Executive Officer
Agreement commenced:	1 June 2016
Term of agreement:	Open ended
Details:	Rebekah will receive a fixed annual remuneration of $650,000, inclusive of statutory superannuation. Rebekah will be eligible to receive an annual short term incentive with a target STI of 50% of her fixed annual remuneration, as determined by the Board. Payment of the cash bonus will depend on the Group's performance and Rebekah's achievement of certain key performance indicators or at the discretion of the Board. As part of a long term incentive package and subject to shareholder approval, Rebekah may be entitled to receive an equity based award under the LTI plan with a value equivalent to 50% of her fixed annual remuneration. Either party may terminate the employment contract by giving six months' notice in writing. The Company may terminate Rebekah's employment contract by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Company may terminate Rebekah's employment contract immediately by notice in writing and without payment in lieu of notice.

Name:	Simon Yeandle
Title:	Chief Financial Officer
Agreement commenced:	19 November 2018
Term of agreement:	Open ended
Details:	Simon will receive annual fixed remuneration of $375,000 inclusive of statutory superannuation. Simon will be eligible to receive an annual short term incentive with a target STI of 35% of his fixed annual remuneration, as determined by the Board. Payment of the cash bonus will depend on the Group's performance and Simon's achievement of certain key performance indicators or at the discretion of the Board. As part of a long term incentive package Simon may be entitled to receive an equity based award under the LTI plan with a value equivalent to 35% of his fixed annual remuneration. Either party may terminate the employment contract by giving six months' notice in writing. The Company may terminate Simon's employment contract by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Company may terminate Simon's employment contract immediately by written notice and without payment in lieu of notice.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Date	Shares	Issue price	Value $
Jonathan Kenny	17 September 2018	100,000	$1.41	141,000

Further information is available under the 'Additional Incentives' section of this report.

Additional disclosures relating to key management personnel

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
Ordinary shares					
Non-Executive Directors					
Samuel Weiss	526,508	-	35,769	-	562,277
Roger Amos	61,743	-	-	-	61,743
Claire Hatton	31,000	-	-	-	31,000
Mark Lamont	-	-	-	-	-
Executive KMP					
Rebekah O'Flaherty	-	-	12,000	-	12,000
Jonathan Kenny*	348,100	100,000	-	-	448,100
Simon Yeandle	-	-	-	-	-
Total	967,351	100,000	47,769	-	1,115,120

*Jonathan Kenny ceased to be a member of the KMP on 30 November 2018. The balance at the end of the year reflects the balance of Jonathan's holding as at 30 November 2018.

Other share-based holdings
The number of performance rights and options 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:

	Holding type	Balance at the start of the year	Granted during the year	Vested	Expired/ forfeited	Balance at the end of the year
Rebekah O'Flaherty	Options	4,659,928	2,867,647	-	-	7,527,575
	Performance Rights	500,000	-	-	-	500,000
Jonathan Kenny*	Options	2,964,019	-	-	(2,964,019)	-
Simon Yeandle*	Options	-	710,717	-	-	710,717

This concludes the remuneration report, which has been audited.

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

22 August 2019

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

As lead auditor for the audit of the financial report of 3P Learning Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of 3P Learning Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner
22 August 2019

3P Learning Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue	5	**54,415**	55,367
Share of profits of associates accounted for using the equity method	31	**-**	567
Other income		**195**	81
Interest revenue calculated using the effective interest method		**267**	23
Expenses			
Employee benefits expense	6	**(26,172)**	(24,820)
Depreciation and amortisation expense	6	**(9,131)**	(8,285)
Professional fees		**(938)**	(1,020)
Technology costs		**(3,486)**	(3,512)
Marketing expenses		**(1,752)**	(2,011)
Occupancy expenses		**(2,539)**	(2,437)
Administrative expenses		**(1,976)**	(2,643)
Operating profit		**8,883**	11,310
Finance costs	6	**(138)**	(624)
Loss on disposal of investments	31	**-**	(25,259)
Profit/(loss) before income tax expense		**8,745**	(14,573)
Income tax expense		**(2,834)**	(4,110)
Profit/(loss) after income tax expense for the year		**5,911**	(18,683)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**(295)**	2,908
Other comprehensive income for the year, net of tax		**(295)**	2,908
Total comprehensive income for the year		**5,616**	(15,775)
Profit/(loss) for the year is attributable to:			
Non-controlling interest		**-**	5
Owners of 3P Learning Limited		**5,911**	(18,688)
Profit/(loss) for the year		**5,911**	(18,683)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		**-**	5
Owners of 3P Learning Limited		**5,616**	(15,780)
Total comprehensive income for the year		**5,616**	(15,775)
		Cents	Cents
Basic earnings per share	35	**4.24**	(13.42)
Diluted earnings per share	35	**4.24**	(13.42)

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

3P Learning Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	8	**25,766**	23,014
Trade and other receivables	9	**9,000**	4,649
Income tax receivable	7	**-**	183
Other	10	**1,812**	1,966
Total current assets		**36,578**	29,812
Non-current assets			
Other		**17**	6
Plant and equipment	11	**1,042**	926
Intangibles	12	**19,551**	18,386
Deferred tax asset	7	**5,031**	5,960
Total non-current assets		**25,641**	25,278
Total assets		**62,219**	55,090
Liabilities			
Current liabilities			
Trade and other payables	13	**7,288**	5,671
Contract liabilities	14	**24,310**	25,958
Finance lease payable		**14**	12
Income tax payable	7	**389**	766
Provisions	15	**1,479**	1,324
Total current liabilities		**33,480**	33,731
Non-current liabilities			
Contract liabilities	16	**3,356**	1,556
Provisions	17	**755**	777
Borrowings	18	**4**	18
Total non-current liabilities		**4,115**	2,351
Total liabilities		**37,595**	36,082
Net assets		**24,624**	19,008
Equity			
Issued capital	19	**34,374**	34,233
Reserves	20	**8,049**	8,485
Accumulated losses		**(17,799)**	(23,710)
Total equity		**24,624**	19,008

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

3P Learning Limited
Statement of changes in equity
For the year ended 30 June 2019

	Issued capital $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Non-controlling interest $'000	Total equity $'000
Consolidated 2019					
Balance at 1 July 2018	**34,233**	**8,485**	**(23,710)**	**-**	**19,008**
Profit after income tax expense for the year	-	-	5,911	-	5,911
Other comprehensive income for the year, net of tax	-	(295)	-	-	(295)
Total comprehensive income for the year	-	(295)	5,911	-	5,616
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 19)	141	(141)	-	-	-
Balance at 30 June 2019	**34,374**	**8,049**	**(17,799)**	**-**	**24,624**
Consolidated 2018					
Balance at 1 July 2017	34,092	5,360	(4,946)	(99)	34,407
Profit/(loss) after income tax expense for the year	-	-	(18,688)	5	(18,683)
Other comprehensive income for the year, net of tax	-	2,908	-	-	2,908
Total comprehensive income for the year	-	2,908	(18,688)	5	(15,775)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 19)	141	(141)	-	-	-
Share-based payments (note 34)	-	358	-	-	358
Transactions with non-controlling interest	-	-	(76)	94	18
Balance at 30 June 2018	34,233	8,485	(23,710)	-	19,008

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

3P Learning Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		**63,192**	64,133
Payments to suppliers and employees		**(49,457)**	(49,207)
Interest received		**230**	23
Interest and other finance costs paid		**(138)**	(707)
Income taxes paid		**(1,651)**	(230)
Net cash inflow from operating activities	33	**12,176**	14,012
Cash flows from investing activities			
Payments for plant and equipment		**(425)**	(269)
Payments for intangibles		**(9,002)**	(9,777)
Proceeds from disposal of investment in associates		**-**	24,896
Net cash (outflow)/inflow from investing activities		**(9,427)**	14,850
Cash flows from financing activities			
Proceeds from borrowings		**-**	13,500
Repayment of borrowings		**(12)**	(23,010)
Net cash (outflow) / inflow financing activities		**(12)**	(9,510)
Net increase in cash and cash equivalents		**2,737**	19,352
Cash and cash equivalents at the beginning of the financial year		**23,014**	3,287
Effects of exchange rate changes on cash and cash equivalents		**15**	375
Cash and cash equivalents at the end of the financial year	8	**25,766**	23,014

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 22 August 2019. 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 or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The following Accounting Standards and Interpretations adopted during the year are most relevant to the Group:

AASB 9 Financial Instruments
The Group has adopted AASB 9 from 1 July 2018. The standard introduced 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 that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are 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 or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, 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 use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using 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. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction

Note 2. Significant accounting policies (continued)

price. This is described further in the accounting policies below. Contracts with customers are 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. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group and therefore there was no impact on opening retained earnings.

The Group has adopted Accounting Standards AASB 9 and AASB 15 for the year ended 30 June 2019. AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been restated. The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018 and has adjusted the comparative information for the period beginning 1 July 2017.

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.

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 as at 30 June 2019 and the results of all subsidiaries for the year then ended.

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.

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.

Note 2. Significant accounting policies (continued)

Operating segments

Operating segments are presented 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

The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Licence revenues from own intellectual property
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 licence. 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.

Third party licence revenue
The Group recognises commission revenue pursuant to a distribution agreement at the point of time when it sells a third party's online products to customers which provide these customers with access to the third party's intellectual property as it exists at any given time. Revenue from the sale of third party products is recorded on a net basis when the performance obligations in relation to the online product are completed, consistent with an agency relationship.

Note 2. Significant accounting policies (continued)

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.

Sale of workbooks
Revenue is recognised in relation to workbook materials sold to schools and students at the point of time, when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

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

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.

Sub-lease revenue
Sub-lease revenue is accounted for on a straight-line basis over the lease term and is recognised in the period in which the sub-lease revenue is earned.

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.

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.

Note 2. Significant accounting policies (continued)

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 expense 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 the Group's 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 the Group's 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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Costs to obtain a contract

The Group has elected to apply the optional practical expedient for sales commissions paid to employees for contracts obtained from external customers. This allows the Group to immediately expense sales commissions (included under employee benefits expenses) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

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:

Furniture & fittings	three to seven years
Computer equipment	two to three years
Office equipment	three to five 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.

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.

Note 2. Significant accounting policies (continued)

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 life of three years. Amortisation of the asset begins when development is complete and the asset is available for use.

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 useful life of three to ten years.

Customer contracts
Customer contracts include direct incremental costs of establishing a customer contract such as sales commissions for resellers. Customer contracts are amortised over the period in which the related benefits are expected to be realised, being the customer contract period.

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 useful life of three years.

Impairment of non-financial assets

Goodwill is not subject to amortisation and is 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.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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 high quality 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 is measured at fair value on grant date. Fair value is determined using the binomial option pricing 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 is 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.

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.

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 Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Comparatives

Comparatives in the statement of profit or loss and other comprehensive income, and the statement of financial position, and the statement of cash flows have been realigned to current year presentation. There has been no effect on the profit for the year.

Note 2. Significant accounting policies (continued)

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 2019. 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.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases.

Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (earnings before interest, tax, depreciation and amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. Based on leases in existence at 30 June 2019, the pre-tax impact of adoption of this standard as at 1 July 2019, using the modified retrospective approach, will include the recognition of a right-of-use asset of approximately $3,750,000, a lease receivable of approximately $2,230,000 and lease liabilities of approximately $6,150,000, in respect of the Group’s operating lease over premises. After adjusting for amounts currently recorded on the balance sheet (representing the difference between the cumulative lease expense recognised and cash paid on leases), this results in an increase to retained earnings of approximately $16,000. The recognition of a right-of-use asset and increase in lease liability will result in approximately $990,000 increase in depreciation, approximately $180,000 increase in interest expense, approximately $75,000 in interest income, approximately $580,000 decrease in other revenue, and approximately $1,635,000 decrease in occupancy expenses for the next financial year. Refer to note 27 for undiscounted commitments in relation to non-cancellable operating leases as at 30 June 2019.

New Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

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.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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.

Product development costs
The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, as with the nature of Software-as-a-Service delivery model, key judgement is required in determining whether incremental product enhancements will provide additional future economic benefit.

Estimation of useful lives of capitalised product development
Capitalised product development is depreciated over its useful life. The actual lives of the assets are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Note 4. Operating segments

Identification of reportable operating segments
The Group is organised into geographic operating segments: Asia-Pacific ('APAC'), the United States of 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 adjusted EBITDA (earnings before interest, tax, depreciation and amortisation, excluding restructuring costs, impairment expense, loss on disposal of investments and share of profits of associates). 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 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 and are eliminated on consolidation.

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

Operating segment information

Consolidated 2019	APAC $'000	Americas $'000	EMEA $'000	Total $'000
Revenue				
Sales to external customers	33,668	8,585	12,162	54,415
Interest revenue	249	-	18	267
Total revenue	33,917	8,585	12,180	54,682
Adjusted EBITDA*	**16,808**	**(2,273)**	**3,212**	**17,747**
Depreciation and amortisation				(9,131)
Interest revenue				267
Finance costs				(138)
Profit before income tax expense				8,745
Income tax expense				(2,834)
Profit after income tax expense				**5,911**

* Adjusted EBITDA is before interest revenue and after eliminating inter-segment royalty expense incurred by the Americas operating segment of $2,664,000 and the EMEA operating segment of $4,175,000.

Note 4. Operating segments (continued)

Consolidated 2018	APAC $'000	Americas $'000	EMEA $'000	Total $'000
Revenue				
Sales to external customers	34,361	7,996	13,010	55,367
Interest revenue	23	-	-	23
Total revenue	34,384	7,996	13,010	55,390
Adjusted EBITDA*	17,520	(1,828)	3,313	19,005
Share of profit of associates				567
Depreciation and amortisation				(8,285)
Interest revenue				23
Finance costs				(624)
Loss on disposal of investments				(25,259)
Loss before income tax expense				(14,573)
Income tax expense				(4,110)
Loss after income tax expense				(18,683)

* Adjusted EBITDA is before interest revenue and after eliminating inter-segment royalty expense incurred by the Americas operating segment of $2,950,000 and the EMEA operating segment of $4,617,000.

Note 5. Revenue

Disaggregation of revenue
Revenue is disaggregated into the following categories:

	Consolidated	
	2019 $'000	2018 $'000
Revenue from contracts with customers		
Licence fees	**40,210**	43,018
Net commission revenue	**10,872**	8,479
Sale of workbooks	**27**	50
Copyright licence fees	**2,525**	3,052
Other revenue	**189**	68
Sponsorship revenue	**-**	166
	53,823	54,833
Sub-lease revenue		
Sub-lease revenue	**592**	534
Total revenue	**54,415**	55,367

Revenue from external customers by geographic regions is set out in note 4 operating segments. The relationship between the disaggregated revenue information set out above and the segment information set out in note 4 operating segments is explained below.

Note 5. Revenue (continued)

The Group's main revenue-generating activity is the worldwide sale of online educational programs via licence fees and net commission revenue. The Group generates revenue from both these categories in all operating segments (geographic regions). Sales of workbooks, copyright licence fees, and sponsorship income are ancillary revenue streams and are generated only in the APAC operating segment.

Licence fees are recognised over time. All other revenue streams are recognised at a point in time.

Contract liabilities at the beginning of the period of $25,958,000 were recognised as revenue in the reporting period. Contract liabilities are generally incurred at the beginning of the contract period. Refer to note 14 and note 16 for details on contract liabilities.

Note 6. Expenses

	Consolidated	
	2019	2018
	$'000	$'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Fixtures and fittings	**188**	157
Computer equipment	**212**	223
Office equipment	**44**	40
Total depreciation	**444**	420
Amortisation		
Product development	**6,992**	6,407
Patents and trademarks	**2**	8
Customer contracts	**689**	407
Software	**1,004**	1,043
Total amortisation	**8,687**	7,865
Total depreciation and amortisation	**9,131**	8,285
Finance costs		
Interest and finance charges paid/payable	**138**	624
Net foreign exchange gain		
Net foreign exchange (gain)	**(599)**	(67)
Rental expense relating to operating leases		
Minimum lease payments	**2,130**	1,965
Employee benefits expense:		
Salaries and wages	**20,402**	18,432
Bonus and commission	**2,955**	3,307
Equity settled share-based payments	**-**	358
Superannuation	**2,815**	2,723
Total employee benefits expense	**26,172**	24,820

Note 7. Income tax

	Consolidated	
	2019	2018
	$'000	$'000
Income tax expense		
Current tax	**1,839**	1,738
Deferred tax - origination and reversal of temporary differences	**929**	1,825
Adjustments in respect of current income tax in the previous year	**66**	547
Aggregate income tax expense	**2,834**	4,110
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	**929**	1,825
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	**8,745**	(14,573)
Tax at the statutory tax rate of 30%	**2,624**	(4,372)
Tax effect amounts which are not adjusted or deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	**48**	113
Unrecognised capital losses	**-**	7,124
Impact of foreign tax rate	**9**	(532)
Current year tax benefit not recognised	**576**	666
Tax losses and offsets derecognised	**-**	75
Research and development tax offset	**(489)**	-
Reduction in the United States of America tax rate	**-**	489
	2,768	3,563
Adjustments in respect of current income tax for the previous year	**66**	547
Income tax expense	**2,834**	4,110
Tax losses not recognised relating to various tax jurisdictions		
Unused tax losses for which no deferred tax asset has been recognised	**44,015**	38,874
Potential tax benefit at statutory tax rates	**11,449**	10,513

Unrecognised tax benefits includes $8,398,000 of unused capital losses on disposal of investments (2018: $8,398,000).

Note 7. Income tax (continued)

	Consolidated	
	2019	2018
	$'000	$'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	**-**	140
Accrued expenses	**706**	666
Contract liabilities	**4,639**	5,532
IPO costs	**-**	563
Royalty asset	**1,247**	940
Intangibles	**(3,987)**	(3,592)
Unrealised foreign exchange fluctuation	**210**	(10)
Plant and equipment	**(56)**	10
Research and development credits	**2,272**	1,711
Deferred tax asset	**5,031**	5,960
Movements:		
Opening balance	**5,960**	7,785
Charged to profit or loss	**(929)**	(1,825)
Closing balance	**5,031**	5,960
Income tax receivable		
Income tax receivable	**-**	183
Income tax payable		
Income tax payable	**389**	766

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2019	2018
	$'000	$'000
Cash at bank and in hand	**7,261**	8,142
Short-term deposits	**18,505**	14,872
Total cash and cash equivalents	**25,766**	23,014

Note 9. Current assets - trade and other receivables

	Consolidated 2019 $'000	2018 $'000
Trade receivables	**8,959**	4,567
Less: Allowance for expected credit losses	**(115)**	(67)
	8,844	4,500
Other receivables	**156**	149
Total trade and other receivables	**9,000**	4,649

Allowance for expected credit losses
The Group has recognised a loss of $64,000 (2018: $105,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2019.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2019	2018	**2019**	2018	**2019**	2018
Consolidated	**%**	%	**$'000**	$'000	**$'000**	$'000
Not overdue	0.11%	0.10%	8,146	4,206	9	4
0 to 3 months overdue	1.29%	1.02%	531	183	7	2
3 to 6 months overdue	32.67%	31.12%	230	129	75	40
Over 6 months overdue	45.95%	43.87%	52	49	24	21
Total			**8,959**	4,567	**115**	67

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2019 $'000	2018 $'000
Opening balance	**67**	207
Additional provisions recognised	**117**	122
Receivables written off during the year as uncollectable	**(16)**	(245)
Unused amounts reversed	**(53)**	(17)
Closing balance	**115**	67

Note 10. Current assets - other

	Consolidated 2019 $'000	Consolidated 2018 $'000
Prepayments	**1,785**	1,532
Term deposits	**27**	15
Other deposits	**-**	8
Withholding tax credits	**-**	411
Total other	**1,812**	1,966

Note 11. Non-current assets – plant and equipment

	2019	2018
Furniture & fittings - at cost	**1,862**	1,532
Less: Accumulated depreciation	**(1,185)**	(993)
Furniture & fittings – carrying amount	**677**	539
Computer equipment - at cost	**2,748**	2,521
Less: Accumulated depreciation	**(2,479)**	(2,254)
Computer equipment – carrying amount	**269**	267
Office equipment - at cost	**304**	281
Less: Accumulated depreciation	**(208)**	(161)
Office equipment – carrying amount	**96**	120
Total plant and equipment	**1,042**	926

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	Computer equipment $'000	Office equipment $'000	Total $'000
Balance at 1 July 2017	604	355	111	1,070
Additions	87	133	49	269
Disposals	(2)	(1)	(2)	(5)
Exchange differences	7	3	2	12
Depreciation expense	(157)	(223)	(40)	(420)
Balance at 30 June 2018	539	267	120	926
Additions	382	212	19	613
Disposals	(70)	-	-	(70)
Exchange differences	14	2	1	17
Depreciation expense	(188)	(212)	(44)	(444)
Balance at 30 June 2019	**677**	**269**	**96**	**1,042**

Note 11. Non-current assets – plant and equipment (continued)

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 12. Non-current assets – intangibles

	Consolidated	
	2019	2018
	$'000	$'000
Goodwill - at cost	**4,576**	4,535
Product development - at cost	**49,746**	41,893
Less: Accumulated amortisation	**(36,767)**	(29,775)
Product development – carrying amount	**12,979**	12,118
Patents and trademarks - at cost	**1,886**	3,145
Less: Accumulated amortisation	**(1,802)**	(3,083)
Patents and trademarks – carrying amount	**84**	62
Customer contracts - at cost	**1,371**	913
Less: Accumulated amortisation	**(1,106)**	(769)
Customer contracts – carrying amount	**265**	144
Software - at cost	**4,708**	3,584
Less: Accumulated amortisation	**(3,061)**	(2,057)
Software – carrying amount	**1,647**	1,527
Total intangibles	**19,551**	18,386

Note 12. 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 2017	4,558	9,947	9	112	1,432	16,058
Additions	-	8,578	61	463	1,138	10,240
Exchange differences	(23)	-	-	(24)	-	(47)
Amortisation expense	-	(6,407)	(8)	(407)	(1,043)	(7,865)
Balance at 30 June 2018	4,535	12,118	62	144	1,527	18,386
Additions	-	7,853	24	820	1,124	9,821
Exchange differences	41	-	-	(10)	-	31
Amortisation expense	-	(6,992)	(2)	(689)	(1,004)	(8,687)
Balance at 30 June 2019	**4,576**	**12,979**	**84**	**265**	**1,647**	**19,951**

Impairment testing for goodwill
Goodwill acquired through business combinations has been allocated to the following cash-generating units ('CGUs'):

	Consolidated 2019 $'000	2018 $'000
CGU1: APAC	**3,012**	3,012
CGU2: EMEA	**1,564**	1,523
Total	**4,576**	4,535

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:

a) Pre-tax discount rate: APAC 9.50% and EMEA 9.60% (2018: APAC 10.50% and EMEA 10.10%).
b) Operating cash flow projections are extracted from the most recent approved strategic plans or forecasts that relate to the existing asset base. For each CGU, the cash flow projections for a five-year period have been determined based on expectations of future performance. Key assumptions in the cash flows include sales volume growth and the costs of doing business. These assumptions are based on expectations of market demand and operational performance. Cash flow projections are based on risk-adjusted forecasts allowing for estimated changes in the business, the competitive trading environment, legislation and economic growth.
c) Terminal growth rate at 3% (2018: 3%).

For the financial year ended 30 June 2019, the recoverable amount of net assets for all CGUs is 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 13. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	$'000	$'000
Trade payables	**1,942**	1,879
Accrued expenses	**4,098**	3,500
Goods and services tax	**975**	71
Other payables	**273**	221
Total trade and other payables	**7,288**	5,671

Refer to note 22 for further information on financial instrument liabilities.

Note 14. Current liabilities – contract liabilities

	Consolidated	
	2019	2018
	$'000	$'000
Total current contract liabilities	**24,310**	25,958

Contract liabilities represent income received in advance from the contracts with customers pertaining to licence revenue which is recognised over the period of time. The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $24,310,000 as at 30 June 2019 (2018: $25,958,000) and is expected to be recognised as revenue as outlined above. There were no significant changes in the current contract liabilities balances during the year.

Note 15. Current liabilities - provisions

	Consolidated	
	2019	2018
	$'000	$'000
Employee benefits	**1,418**	1,209
Lease make good	**-**	48
Property related and other provisions	**61**	67
Total current provisions	**1,479**	1,324

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.

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.

Property related and other provisions
The provision represents redundancy, onerous lease and storage costs. The provision represents the present value of the estimated termination costs.

16. Non-current liabilities – contract liabilities

	Consolidated 2019 $'000	2018 $'000
Total non-current contract liabilities	**3,356**	1,556

Contract liabilities represent income received in advance from the contracts with customers pertaining to licence revenue which is recognised over the period of time. The aggregate amount of the transaction price allocated to the performance obligations for non-current contract liabilities that are unsatisfied at the end of the reporting period was $3,356,000 as at 30 June 2019 (2018: $1,556,000) and is expected to be recognised as revenue as outlined above. There were no significant changes in the non-current contract liabilities balances during the year.

Note 17. Non-current liabilities - provisions

	Consolidated 2019 $'000	2018 $'000
Employee benefits	**257**	264
Lease make good	**349**	353
Property related and other provisions	**149**	160
Total non-current provisions	**755**	777

Employee benefits
Employee benefits comprise of provisions for long service leave.

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.

Property related and other provisions
The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

	Lease make good $'000	Property related and other provisions $'000
Consolidated - 2019		
Carrying amount at the start of the year	401	227
Additional provisions recognised	5	42
Payments and unwinding of discount	7	(68)
Exchange differences	2	10
Unused amounts reversed	(66)	(1)
Carrying amount at the end of the year	349	210

Note 18. Non-current liabilities - borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Lease liability	**4**	18
Total borrowings	**4**	18

Refer to note 22 for further information on financial instrument liabilities and note 27 for information on lease liabilities.

Bank loan facilities
The bank loan facilities were renegotiated during the year. The bank loan facilities are subject to variable interest rates, which are based on the bank bill swap rate ('BBSY'), plus a margin. The banking facilities consist of a $10,000,000 bank loan and a $2,000,000 bank guarantee that each mature on 30 June 2020. The banking facilities are secured by fixed and floating charges over the Group's assets.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Lease liability	**18**	30

Assets pledged as security
The lease liabilities are effectively secured because the rights to the leased assets revert to the lessor in the event of default.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Total facilities:		
Bank loans	**10,000**	20,000
Bank guarantee and ancillary facility	**2,000**	2,000
Lease liability	**18**	30
Total	**12,018**	22,030
Used at the reporting date:		
Bank loans	**-**	-
Bank guarantee and ancillary facility	**1,798**	1,777
Lease liability	**18**	30
Total	**1,816**	1,807
Unused at the reporting date:		
Bank loans	**10,000**	20,000
Bank guarantee and ancillary facility	**202**	223
Lease liability	**-**	-
Total	**10,202**	20,223

Note 19. Equity - issued capital

	Consolidated			
	2019	2018	**2019**	2018
	Shares	Shares	**$'000**	$'000
Ordinary shares - fully paid	**139,334,170**	139,234,170	**34,374**	34,233

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2017	139,134,170	34,092
Issue of shares	15 September 2017	100,000	141
Balance	30 June 2018	139,234,170	34,233
Issue of shares	17 September 2018	100,000	141
Balance	**30 June 2019**	**139,334,170**	**34,374**

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 shares held and amounts paid on those shares. 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.

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

Capital risk management
The Group's objectives when managing capital are 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.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. 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. The Group would look to raise capital when an opportunity to invest in a business or company would be seen as value adding.

The Group is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Note 20. Equity - reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Foreign currency reserve	**370**	665
Acquisition reserve	**(798)**	(798)
Share-based payment reserve	**8,477**	8,618
Total reserves	**8,049**	8,485

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 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 2017	(2,243)	(798)	8,401	5,360
Foreign currency translation	2,908	-	-	2,908
Share-based payments	-	-	358	358
Transfer to issued capital on issue of shares	-	-	(141)	(141)
Balance at 30 June 2018	665	(798)	8,618	8,485
Foreign currency translation	(295)	-	-	(295)
Transfer to issued capital on issue of shares	-	-	(141)	(141)
Balance at 30 June 2019	**370**	**(798)**	**8,477**	**8,049**

Note 21. Equity - dividends

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

Franking credits

	Consolidated	
	2019	2018
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	**86**	199

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 and 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 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 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 cash flow forecasting.

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 the British pound). The Board believes that natural hedges presently mitigate any exchange rate volatility risk for the Group to an economically acceptable level.

From time to time the Group enters into forward foreign exchange contracts to protect against exchange rate movements on significant contracts with highly probable forecast cash flows.

Note 22. Financial instruments (continued)

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

	Assets		Liabilities	
	2019	2018	**2019**	2018
Consolidated	**$'000**	$'000	**$'000**	$'000
US dollars	**697**	16,488	**-**	-
Euros	**141**	151	**-**	-
British pounds	**409**	405	**-**	-
Canadian dollars	**672**	30	**-**	-
Other currencies	**126**	116	**-**	-
Total	**2,045**	17,190	**-**	-

The Group had net assets denominated in foreign currencies of $2,045,000 (assets $2,045,000 less liabilities $Nil) as at 30 June 2019 (2018: $17,190,000 (assets $17,190,000 less liabilities $Nil). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2018: 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 $205,000 higher/$205,000 lower (2018: loss before tax would have been $1,719,000 lower/$1,719,000 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 main interest rate risk arises from its term deposits. Term deposits issued at variable rates expose the Group to interest rate risk.

As at the reporting date, the Group had the following variable rate short term deposits:

	2019		2018	
	Weighted average interest rate	**Balance**	Weighted average interest rate	Balance
Consolidated	**%**	**$'000**	%	$'000
Short term deposits	**2.05**	**18,505**	1.75	14,872
Net exposure to cash flow interest rate risk		**18,505**		14,872

An analysis of financial instrument liabilities by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An official increase/decrease in interest rates of 50 (2018: 50) basis points would have an favourable/adverse effect on profit before tax of $93,000 (2018: $74,000) 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.

Note 22. Financial instruments (continued)

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than one year.

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.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2019	2018
	$'000	$'000
Bank loans	**10,000**	20,000
Bank guarantee and ancillary facility	**202**	223
Total	**10,202**	20,223

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 - 2019	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						
Non-interest bearing						
Trade payables	-	1,942	-	-	-	1,942
Other payables	-	273	-	-	-	273
Interest bearing – fixed rate						
Lease liability	7.40	16	4	-	-	20
Total non-derivatives		2,231	4	-	-	2,235

Note 22. Financial instruments (continued)

Consolidated – 2018	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						
Non-interest bearing						
Trade payables	-	1,879	-	-	-	1,879
Other payables	-	221	-	-	-	221
Interest bearing – fixed rate						
Lease liability	7.40	16	20	-	-	36
Total non-derivatives		2,116	20	-	-	2,136

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above. The Group may repay debt when cash is sufficiently available, and this may occur earlier than contractually disclosed above.

Note 23. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables 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.

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 **2019** **$**	2018 $
Short-term employee benefits	**1,804,024**	1,983,145
Post-employment benefits	**100,607**	96,867
Share-based payments	**(40,965)**	173,124
Total	**1,863,666**	2,253,136

Note 25. Remuneration of auditor

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

	Consolidated	
	2019	2018
	$	$
Audit services - Ernst & Young		
Audit or review of the financial statements	**390,004**	357,930
Other services - Ernst & Young		
Tax services	**-**	50,000
People advisory services	**19,055**	6,500
Total	**409,059**	414,430

Note 26. Contingencies

The bank has given bank guarantees as at 30 June 2019 of $1,798,000 (2018: $1,777,000) for merchant facility and operating leases.

Note 27. Commitments

Lease commitments
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2019	2018
	$'000	$'000
Lease commitments - operating payable		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	**1,575**	1,497
One to five years	**4,814**	5,971
More than five years	**44**	136
Total	**6,433**	7,604
Lease commitments - finance payable		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	**16**	16
One to five years	**4**	20
Total commitment	**20**	36
Less: future finance charges	**(2)**	(6)
Net commitment recognised as liabilities	**18**	30
Representing:		
Lease liability - current	**14**	12
Lease liability - non-current (note 18)	**4**	18
Total	**18**	30

Note 27. Commitments (continued)

	Consolidated	
	2019	2018
	$	$
Lease commitments – operating receivable		
Committed at the reporting date and recognised as assets, receivables:		
Within one year	**592**	555
One to five years	**1,820**	2,225
Total	**2,412**	2,780

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

Finance lease commitments include contracted amounts for various office equipment with a written down value of $15,000 (2018: $37,000) under finance leases expiring within one to two years. 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.

Commitments do not include onerous leases already provided for.

Note 28. Related party transactions

Parent entity
3P Learning Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

Associates
Interests in associates 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 included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	$	$
Payment for other expenses:		
Other expenses paid to associate - Licencing fee for the use of the Learnosity Assessment Software*	-	425,000

*The entity ceased to be a related party with effect from 25 May 2018.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

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 entity	
	2019	2018
	$	$
Loss after income tax for the year	**(14,643)**	(35,087)
Total comprehensive income for the year	**(14,643)**	(35,087)

Statement of financial position		
Total current assets	**32,967**	37,814
Total assets	**60,524**	65,960
Total current liabilities	**72,998**	63,854
Total liabilities	**73,402**	64,195
Equity		
Issued capital	**34,374**	34,233
Share-based payment reserve	**8,477**	8,618
Accumulated losses	**(55,729)**	(41,086)
Total (deficiency)/equity	**(12,878)**	1,765

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity and its Australian subsidiary are parties to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist with the subsidiary. Refer to note 32 for further details.

Contingent liabilities
The bank has given bank guarantees as at 30 June 2019 of $1,798,000 (2018: $1,777,000) for merchant facility and operating leases.

Capital commitments - Plant and equipment
The parent entity had no capital commitments for plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for investments in subsidiaries which are accounted for at cost, less any impairment, in the parent entity, and 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.

Net asset deficiency
As at 30 June 2019, the parent entity was in a net liability position of $12,878,000. The parent entity has an intercompany payable to 3P Learning Australia Pty Limited of $52,120,000. Refer to note 32 for details on the deed of cross guarantee showing positive net assets of $36,047,000. Accordingly, the financial statements continue to be prepared on a going concern basis.

Note 30. Interest 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 2019	Ownership interest 2018
3P Learning Australia Pty Limited	Australia	**100%**	100%
Into Science Pty Ltd	Australia	**100%**	100%
3P International Holdings Pty Ltd	Australia	**100%**	100%
3P Learning Limited	New Zealand	**100%**	100%
3P Learning Limited	United Kingdom	**100%**	100%
3P Learning Inc.	United States	**100%**	100%
3P Learning Canada Limited	Canada	**100%**	100%

Note 31. Interest in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

Name	Principal place of business/ country of incorporation	Ownership interest 2019	Ownership interest 2018
Investment in Learnosity Holdings Limited*	Ireland	**-**	-

* Entity involved in providing SaaS Assessment tools.

On 25 May 2018, the Group sold its 40% interest in Learnosity Holdings Limited for total consideration of $24,896,000. The loss on disposal of investments amounted to $25,259,000 and was recognised in the statement of profit or loss in the prior year.

Summarised financial information (up to the date of sale 25 May 2018)

	Investment in Learnosity Holdings Limited 2019 $'000	Investment in Learnosity Holdings Limited 2018 $'000
Summarised statement of profit or loss and other comprehensive income		
Revenue	**-**	17,056
Expenses	**-**	(15,638)
Profit before income tax	**-**	1,418
Other comprehensive income	**-**	-
Total comprehensive income	**-**	1,418
Reconciliation of the Group's carrying amount		
Opening carrying amount	**-**	46,624
Share of profit after income tax	**-**	567
Exchange differences	**-**	(2,158)
Loss on disposal of investments adjusted for exchange differences	**-**	(20,137)
Proceeds from disposal of investments	**-**	(24,896)
Closing carrying amount	**-**	-

Note 31. Interest in associates (continued)

Contingent liabilities
Share of contingent liabilities not recognised as liability as at 30 June 2019 $Nil (2018: $Nil).

Commitments
Share of commitments not recognised as liability as at 30 June 2019 $Nil (2018: $Nil).

Note 32. Deed of cross guarantee

On 15 June 2017, 3P Learning Limited (parent entity) and 3P Learning Australia Pty Ltd entered into a deed of cross guarantee under which each company guarantees the debts of the other entities. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission. The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by 3P Learning Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

	2019 $'000	2018 $'000
Statement of profit or loss and other comprehensive income		
Revenue	**37,835**	39,205
Share of profits of associates accounted for using the equity method	**-**	567
Other income	**1,891**	1,626
Employee benefits expense	**(15,209)**	(15,149)
Depreciation and amortisation expense	**(8,350)**	(7,753)
Professional fees	**(882)**	(827)
Technology costs	**(3,364)**	(3,388)
Marketing expenses	**(776)**	(1,005)
Occupancy expenses	**(1,094)**	(1,164)
Administrative expenses	**(923)**	(1,772)
Operating profit	**9,128**	10,340
Finance costs	**(138)**	(621)
Impairment of intercompany investments	**(1,490)**	(5,426)
Write-off of intercompany receivables	**(4,824)**	-
Loss on disposal of investments	**-**	(25,259)
Profit/(loss) before income tax expense for the year	**2,676**	(20,966)
Income tax expense	**(864)**	(290)
Profit/(loss) after income tax expense for the year	**1,812**	(21,256)
Other comprehensive income for the year, net of tax	**-**	-
Total comprehensive income for the year	**1,812**	(21,256)
Equity - accumulated losses		
(Accumulated losses)/retained profits at the beginning of the financial year	**(8,616)**	12,640
Profit/(loss) after income tax expense for the year	**1,812**	(21,256)
Accumulated losses at the end of the financial year	**(6,804)**	(8,616)

Note 32. Deed of cross guarantee (continued)

Statement of financial position

	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	**22,681**	21,243
Trade and other receivables	**8,042**	6,319
Income tax receivable	**-**	141
Other	**-**	411
Total current assets	**30,723**	28,114
Non-current assets		
Other financial assets	**9,979**	11,469
Plant and equipment	**565**	521
Intangibles	**15,314**	14,203
Deferred tax asset	**4,229**	4,185
Total non-current assets	**30,087**	30,378
Total assets	**60,810**	58,492
Current liabilities		
Trade and other payables	**4,845**	4,173
Contract liabilities	**17,366**	18,325
Finance lease payable	**14**	12
Income tax payable	**20**	-
Provisions	**1,210**	1,078
Total current liabilities	**23,455**	23,588
Non-current liabilities		
Contract liabilities	**802**	129
Provisions	**502**	522
Borrowings	**4**	18
Total non-current liabilities	**1,308**	669
Total liabilities	**24,763**	24,257
Net assets	**36,047**	34,235
Equity		
Issued capital	**34,374**	34,233
Reserves	**8,477**	8,618
Accumulated losses	**(6,804)**	(8,616)
Total equity	**36,047**	34,235

Note 33. Cash flow information

	Consolidated 2019 $'000	Consolidated 2018 $'000
Reconciliation of profit/(loss) after income tax to net cash from operating activities		
Profit/(loss) after income tax expense for the year	**5,911**	(18,683)
Adjustments for:		
Depreciation and amortisation	**9,131**	8,285
Share of profit of associates	**-**	(567)
Share-based payments	**-**	358
Foreign exchange differences	**(74)**	257
Net loss on disposal of plant and equipment	**-**	5
Non-cash income	**(192)**	(58)
Non-cash customer contract	**(689)**	(407)
Net loss on disposal of investments	**-**	25,259
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**(4,223)**	1,405
Decrease in income tax refund due	**-**	1,298
Decrease in deferred tax assets	**981**	1,825
Increase in other operating assets	**(280)**	(990)
Increase/(decrease) in trade and other payables	**518**	(996)
Increase/(decrease) in provision for income tax	**(211)**	1,168
Increase/(decrease) in employee benefits	**203**	(50)
Decrease in other provisions	**(110)**	(268)
Increase/(decrease) in other operating liabilities	**1,211**	(3,829)
Net cash from operating activities	**12,176**	14,012

Non-cash investing and financing activities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Shares issued under employee share plan	**141**	141

Changes in liabilities arising from financing activities

Consolidated	Finance lease payable $'000	Bank loans $'000	Total $'000
Balance at 1 July 2017	40	9,500	9,540
Net cash used in financing activities	(10)	(9,500)	(9,510)
Balance at 30 June 2018	30	-	30
Net cash used in financing activities	(12)	-	(12)
Balance at 30 June 2019	**18**	**-**	**18**

Note 34. Share-based payments

The share-based payment expense for the year was $Nil (2018: $358,000).

An equity incentive plan has been established by the Group, whereby the Group may, at the discretion of the Board, grant performance rights and options over ordinary shares in the Company ('awards') to certain key management personnel and employees of the Group. The awards are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Set out below are summaries of options/awards granted under the plan:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
02/09/2016	02/09/2020	$1.26	2,334,525	-	-	(1,281,938)	1,052,587
21/11/2016	02/09/2020	$1.26	2,015,419	-	-	-	2,015,419
31/08/2017	31/08/2021	$1.42	3,063,221	-	-	(1,682,081)	1,381,140
09/11/2017	31/08/2021	$1.42	2,644,509	-	-	-	2,644,509
23/08/2018	23/08/2022	$1.75	-	1,398,858	-	-	1,398,858
09/11/2018	23/08/2022	$1.75	-	2,867,647	-	-	2,867,647
19/11/2018	23/08/2022	$1.75	-	710,717	-	-	710,717
Total			10,057,674	4,977,222	-	(2,964,019)	12,070,877
Weighted average exercise price			$1.35	$1.75	-	$1.35	$1.40

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
02/09/2016	02/09/2020	$1.26	2,334,525	-	-	-	2,334,525
21/11/2016	02/09/2020	$1.26	2,015,419	-	-	-	2,015,419
31/08/2017	31/08/2021	$1.42	-	3,704,081	-	(640,860)	3,063,221
09/11/2017	31/08/2021	$1.42	-	2,644,509	-	-	2,644,509
Total			4,349,944	6,348,590	-	(640,860)	10,057,674
Weighted average exercise price			$1.26	$1.42	-	$1.42	$1.35

Outstanding options/awards vested and exercisable as at 30 June 2019: Nil (2018: Nil).

The weighted average share price during the financial year was $1.14 (2018: $1.29). The weighted average remaining contractual life of options/awards outstanding at the end of the financial year was 2.14 years (2018: 2.74 years).

Set out below are summaries of performance rights granted under the plan:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/11/2016	01/09/2019	$0.00	100,000	-	-	-	100,000
19/11/2016	14/10/2019	$0.00	400,000	-	-	-	400,000
Total			500,000	-	-	-	500,000

Note 34. Share-based payments (continued)

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/11/2016	01/09/2019	$0.00	100,000	-	-	-	100,000
19/11/2016	14/10/2019	$0.00	400,000	-	-	-	400,000
Total			500,000	-	-	-	500,000

Performance rights vested and exercisable as at 30 June 2019 Nil (2018: Nil). The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.27 years (2018: 1.27 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
23/08/2018	23/08/2022	$1.22	$1.75	30.00%	-	2.23%	$0.170
09/11/2018	23/08/2022	$1.13	$1.75	30.00%	-	2.24%	$0.128
19/11/2018	23/08/2022	$1.15	$1.75	30.00%	-	2.19%	$0.133

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Additional equity incentives
The share-based payment expense for the year includes the accounting expense associated with share-based incentives expected to be issued in future periods as part of retention and reward arrangements with senior executives. On 25 February 2019 it was determined to issue 50,000 fully paid ordinary shares on 20 February 2020 and on 5 September 2018 it was determined to issue 250,000 fully paid ordinary shares on 19 November 2021, subject in each case, to the continued employment of the relevant senior executive on the proposed issue date. The shares will be issued for nil consideration.

Note 35. Earnings per share

	Consolidated	
	2019	2018
	$'000	$'000
Profit/(loss) after income tax for the year	**5,911**	(18,683)
Non-controlling interest	**-**	(5)
Profit after income tax expense attributable to the owners of 3P Learning Limited	**5,911**	(18,688)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**139,312,800**	139,213,348
Adjustments for calculation of diluted earnings per share:		
Options/rights over ordinary shares	**143,259**	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**139,456,059**	139,213,348
	Cents	Cents
Basic earnings per share	**4.24**	(13.42)
Diluted earnings per share	**4.24**	(13.42)

Note 36. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 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.

3P Learning Limited
Directors' declaration
30 June 2019

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 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32 to the financial statements.

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

22 August 2019
Sydney

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 3P Learning Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date, and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Capitalisation and recoverability of product development and software costs

Why significant	How our audit addressed the key audit matter
As disclosed notes 2 and 12 to the financial statements, the Group capitalises product development and software costs upon meeting the criteria set out in Australian Accounting Standard - AASB 138 *Intangible Assets*. Capitalised product development and software costs amount to $14.6 million as at 30 June 2019. As disclosed in note 2 to the financial report, the Group amortises these capitalised costs over a period of three years. This was considered a key audit matter due to the magnitude of this balance and the judgments and estimates involved in determining which costs may be capitalised throughout the life of the project and determining the useful life of the asset.	In performing our audit procedures, we: ► Assessed the Group's policy for capitalisation of product development and software costs for compliance with AASB138 *Intangible Assets* ► Assessed the operating effectiveness of key controls over the processes and procedures related to the capitalisation of product development and software costs ► Tested on a sample basis, costs capitalised to underlying evidence including timesheets, employment contracts, payroll reports and invoices from external suppliers to assess the nature, eligibility and accuracy of product development and software costs for capitalisation ► Interviewed a sample of employees whose costs have been capitalised and reviewed their job descriptions to understand the nature of work performed to corroborate the judgements and capitalisation rates applied by management ► Assessed whether the useful life of product development and software costs is appropriate and whether the amortisation charge during the reporting period is reasonable ► Evaluated management's assessment of whether there are impairment indicators on capitalised product development and software costs, and ► Considered the adequacy of the financial report disclosures contained in notes 2 and 12

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Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group's adoption of AASB 15 Revenue from Contracts with Customers ("AASB 15"), which was effective for the Group from 1 July 2018, did not result in any transition adjustments. As disclosed in notes 2 and 5 to the financial statements, the Group's revenue streams are either recognised over time or at a point in time depending on the identified performance obligations. Given the importance of revenue to the users of the financial statements, specifically as a key performance indicator for the Group and a key metric for senior management's long-term incentive plan, this was considered to be a key audit matter.	In performing our audit procedures, we: ► Evaluated the Group's accounting assessment for adopting AASB 15 and assessed whether the Group's accounting principles comply with the new accounting standard ► Tested the operating effectiveness of key controls over revenue recognition ► Performed data analytical procedures to corroborate the expected correlation between revenue and related accounts during the year ► In relation to copyright licence fees we performed substantive testing by tracing to third party and bank statements ► Assessed appropriate revenue cut-off by testing, on a sample basis, the recognition or deferral of revenue depending on whether the related performance obligations have been satisfied, and ► Considered the adequacy of disclosures required by Australian accounting standards

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

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 25 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of 3P Learning Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
22 August 2019

The shareholder information set out below was applicable as at 17 July 2019.

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	409	-
1,001 to 5,000	415	-
5,001 to 10,000	179	-
10,001 to 100,000	178	-
100,001 and over	34	4
Total	1,215	4
Holding less than a marketable parcel	246	-

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
J P MORGAN NOMINEES AUSTRALIA LIMITED	63,278,692	45.42
NATIONAL NOMINEES LIMITED	26,426,416	18.97
MUTUAL TRUST PTY LTD	14,161,431	10.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,223,826	5.90
BNP PARIBAS NOMINEES PTY LTD	5,015,040	3.60
BNP PARIBAS NOMS PTY LTD	4,297,285	3.08
CITICORP NOMINEES PTY LIMITED	2,302,967	1.65
BNP PARIBAS NOMS (NZ) LTD	1,520,963	1.09
NEWECONOMY COM AU NOMINEES PTY LIMITED	628,157	0.45
SARGON CT PTY LTD	557,475	0.40
MUTUAL APPRECIATION SOCIETY PTY LIMITED	516,672	0.37
MR JONATHAN CLAUDE KENNY	415,009	0.30
LEOPARD CAPITAL PTY LTD	404,920	0.29
MS KATHRYN PIKE	323,594	0.23
LCONE PTY LTD	306,759	0.22
MR KEI YAN CHENG	284,280	0.20
MATTHEW CHARLES GOODSON & DIANNA DAWN PERRON	200,000	0.14
COLENEW PTY LIMITED	191,000	0.14
MRS DENISE ANN QUINN	184,331	0.13
MAPTEK PTY LIMITED	183,371	0.13
Total	129,422,188	92.87

Unquoted equity securities

	Number on issue	Number of holders
Share options over ordinary shares	12,070,877	4
Performance rights over ordinary shares	500,000	1

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Viburnum Funds Pty Ltd	27,506,361	19.74
National Nominees Ltd ACF Australian Ethical Investment Ltd	17,964,903	12.89
Sterling Equity Pty Ltd	17,226,590	12.36
SmallCo Investment Manager Limited	13,267,891	9.52
Schroder Investment Management Australia Ltd	11,022,467	7.91
FIL Limited	10,395,154	7.46

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.

Options and performance rights
Options and performance rights carry no voting rights.

There are no other classes of equity securities.

3P Learning Limited
Corporate directory
30 June 2019

Directors	Samuel Weiss - Independent Non-Executive Chairman Rebekah O'Flaherty - Chief Executive Officer Roger Amos - Independent Non-Executive Director Claire Hatton - Independent Non-Executive Director Mark Lamont - Independent Non-Executive Director
Company secretary	Marta Kielich
Registered office and 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 200 George Street 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 at the same time as the Financial Statements can be found at http://www.3plearning.com/investors/ governance/

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