



3P Learning

ACN 103 827 836

Initial Public Offering

Sole Lead Manager

MACQUARIE

Offer

This Prospectus is issued by 3P Learning Limited (ACN 103 827 836) (**Company**) and 3P Learning SaleCo Limited (ACN 169 543 677) (**SaleCo**) for the purpose of Chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (**Shares**) in the Company that will in part be issued by the Company and in part sold by SaleCo. See section 7 of this Prospectus for further information on the Offer.

Lodgement and Listing

This Prospectus is dated Thursday, 19 June 2014 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

The Company will apply to ASX Limited (**ASX**) within seven days after the Prospectus Date, for admission of the Company to the Official List and quotation of its Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry date

No Shares will be issued or sold on the basis of this Prospectus later than 13 months after the Prospectus Date.

Note to Applicants – not investment advice

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company.

In particular, you should consider the risks that could affect the performance of the Company. You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in Shares. Some of the risks that should be considered by prospective investors are set out in section 5. There may be risks in addition to these that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or SaleCo or their respective directors. You should rely only on information in this Prospectus.

Note to Employee Offer Applicants

The period during which you can apply for Shares under the Employee Offer ends at 5.00pm (Sydney Time) on Friday, 4 July 2014. In light of the accelerated nature of the Employee Offer period, you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor to assist you to decide whether to invest.

Exposure Period

The Corporations Act prohibits the Company from processing Applications to subscribe for Shares under this Prospectus (**Applications**) in the seven day period after the Prospectus Date (**Exposure Period**). The exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period (including via the employee online acceptance facility) will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued or transferred under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Obtaining a copy of this Prospectus

This Prospectus is available to Australian investors in electronic form at http://www.3plearning.com/. The Offer constituted by this Prospectus in electronic form at http://www.3plearning.com/ is available only to persons within Australia. It is not available to persons in other jurisdictions (including the United States). Persons having received a copy of this Prospectus in its electronic form may, before the Closing Date, obtain a paper copy of this Prospectus (free of charge) by telephoning the 3P IPO Information Line on 1800 132 875 (within Australia) 8.30am to 5.30pm (Sydney Time), Monday to Friday. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 1800 132 875 from 8.30am to 5.30pm (Sydney Time), Monday to Friday. Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus including, in respect of the Employee Offer, the Application Form which can be accessed after downloading the Prospectus from the employee online acceptance facility, after the Prospectus Date. Refer to section 7 for further information.

Statements of past performance

This Prospectus includes information regarding the past performance of the Group. Investors should be aware that past performance is not indicative of future performance.

Financial information and forward looking statements

Section 4 sets out in detail the financial information referred to in the Prospectus. The basis of preparation of the financial information is set out in section 4.

All references to FY11, FY12, FY13, FY14 and FY15 appearing in this Prospectus are to the financial years ended or ending 30 June 2011, 30 June 2012, 30 June 2013, 30 June 2014, or 30 June 2015 respectively, unless otherwise indicated. All references to 1HFY13 and 1HFY14 appearing in this Prospectus are to the six months ending 31 December 2013 or 31 December 2014 respectively, unless otherwise indicated. Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards. This Prospectus also includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. 3P changed its accounting policy in respect of revenue recognition from 1 July 2013. The Forecast Financial Information presented in this Prospectus is unaudited.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements.

Any forward looking statements are subject to various risks that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Forward looking statements should be read in conjunction with, and are qualified by reference to, risks as set out in section 5, general assumptions as set out in section 4.8.1, specific assumptions as set out in section 4.8.2, the sensitivity analysis as set out in section 4.9, and other information in this Prospectus. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management. The Company and SaleCo cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

This Prospectus, including the Industry Overview in section 2, uses market data, industry forecasts and projections. The Company and SaleCo have obtained some of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties which are referred to in this Prospectus, will be achieved. The Company and SaleCo have not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risks set out in section 5.

Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus may not be distributed to, or relied upon by, persons in the United States.

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares have been registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws. See section 7.11 for more detail on selling restrictions that apply to the Offer in jurisdictions outside of Australia.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by 3P. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Company website

Any references to documents included on the Company's website at http://www.3plearning.com are for convenience only, and none of the documents or other information available on the Company's website is incorporated herein by reference.

Defined terms and time

Defined terms and abbreviations used in this Prospectus have the meanings given in the Glossary in Appendix A or are defined in the context in which they appear. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney, Australia, time.

Disclaimer

Except as required by law, and only to the extent so required, none of the Company, SaleCo or any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

As set out in section 7, it is expected that the Shares will be quoted on ASX initially on a conditional and deferred settlement basis. The Company, Link Market Services Limited (**Share Registry**), the Lead Manager, SaleCo and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to the Company through the Share Registry, which is contracted by the Company to manage Applications. The Company, SaleCo, and the Share Registry on behalf of the Company or SaleCo, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisors for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public Shareholder register. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Company's Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company's financial results and annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory on the inside back cover of this Prospectus. Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website (http://www.3plearning.com/privacy).

Independent Limited Assurance Report on Financial Information and Financial Services Guide

The provider of the Independent Limited Assurance Report on Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act (**Financial Services Guide**). The Independent Limited Assurance Report and accompanying Financial Services Guide are provided in section 8.

Questions

If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in section 7 of this Prospectus and on the back of the Application Form.

Offer management

Macquarie Capital (Australia) Limited (ABN 79 123 199 548) is managing the Offer for the Company and SaleCo.

This document is important and should be read in its entirety.

3P Learning

Contents

Important Information

Key dates

Prospectus lodgement date	Thursday, 19 June 2014
Retail Offer open	Friday, 27 June 2014
Retail Offer close	Friday, 4 July 2014
Expected commencement of trading on a conditional and deferred settlement basis	Wednesday, 9 July 2014
Settlement	Friday, 11 July 2014
Issue and transfer of Shares	Monday, 14 July 2014
Dispatch of holding statements	Tuesday, 15 July 2014
Expected commencement of trading on the ASX on a normal settlement basis	Wednesday, 16 July 2014

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time. The Company and SaleCo, in consultation with the Lead Manager, reserve the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

Key Offer statistics

Offer Price	$2.50
Total value of Shares offered under this Prospectus	$282.7 million
Total New Shares to be issued under the Offer	9.4 million
Total Shares to be sold by SaleCo under the Offer	103.7 million
Total Shares to be held by Existing Shareholders on Completion	21.7 million
Total Shares on issue immediately after Completion	134.8 million
Indicative market capitalisation[1]	$337.0 million
Indicative enterprise value[2]	$321.8 million
Enterprise value to FY15 pro forma EBITDA ratio	19.6x
Market capitalisation to FY15 pro forma NPAT ratio	34.7x
Estimated FY15 dividend yield (based on dividend payout policy)[3]	0.7%

1 Based on the Offer Price.
2 Based on indicative market capitalisation and $15.2 million net cash position at completion.
3 Based on the midpoint of the target divided payout ratio of 20-30% of statutory NPAT.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in section 7 of this Prospectus and on the back of the Application Form.

Letter from the Chairman

Dear Investor

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder in 3P Learning Limited.

3P is a global online education company that offers cloud-based, software-as-a-service products for schools and students in grades K-12. The Company distributes numeracy, literacy and science products in a portfolio of distinctive brands including Mathletics, Reading Eggs, Spellodrome and IntoScience. 3P is also the creator and host of the World Education Games, which is a substantial global online education event.

Over the ten years of 3P's history, it has expanded successfully both its range of products as well as the Company's geographic presence. The Company now has a growing community of students and schools using its products in 202 countries and territories.

3P has 250 employees located across its headquarters in Sydney, Australia, its research and development labs in India, and its sales and marketing operations in Australia, New Zealand, Hong Kong, the United Arab Emirates, the United Kingdom, Canada and the United States.

The online education industry is growing rapidly, driven by the migration from printed textbooks and workbooks to online and technology-based education resources. Management believes that the quality of 3P's products, global sales force, scalable information technology infrastructure and track record of innovation mean 3P is well positioned to capture market share in this expanding industry.

3P's strategy to build the business in multiple territories is focused on (i) increasing the number of school customers; (ii) growing the subscriber base within existing schools by increasing student penetration; (iii) cross-selling 3P's product suite to new and existing subscribers; and (iv) increasing average revenue per Licence.

As at 31 March 2014, 3P had 4.3 million current Total Licences across its product portfolio. 3P expects its growth in licences and financial performance to continue, with Invoiced Billings growth of 29.1% forecast for FY15.

The Offer comprises the issue of New Shares in 3P and a selldown of Shares by Selling Shareholders via an intermediary entity (SaleCo). A description of the Offer and the role of SaleCo are set out in section 7. 3P will seek admission to the ASX and quotation of its shares by the ASX.

This Prospectus contains detailed information about the Offer, the industry in which 3P operates and 3P's operating and financial performance. 3P's business is subject to a range of risks including competition from other online education companies and other sources. These risks as well as the risks of investing in 3P are detailed in section 1.4 and section 5. It is important that you read this Prospectus carefully and in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely

Samuel Weiss
Chairman

Section 1

Investment Overview

1. Investment Overview

Topic	Summary	For more information
1.1 Introduction		
What is 3P Learning Limited?	3P Learning Limited (**3P** or **Company**) is a global online education company with a portfolio of brands and products for primary, middle and secondary school students in grades K-12, across numeracy, literacy and science subject areas. • **Numeracy: Mathletics** is 3P's flagship product. It is an online numeracy product for grades K-12. The software is currently available in two languages and includes content aligned to 40 mathematics curricula from around the world. • **Literacy:** 3P is the exclusive re-seller for **Reading Eggs Products** in Australia and certain offshore territories in the schools market. See section 9.7.1 for more details. These products provide an online English literacy product targeted at grades K-6. • In addition, **Spellodrome** is 3P's online English literacy skills product which targets grades K-10. • **Science: IntoScience** is an online science product currently in early stage release that combines simulations, experiments, activities and quests to teach science concepts. 3P's products are designed to provide an engaging environment for students and tools to maximise efficiency for educators. These include custom course builders, standardised testing and automated reporting. A key strength of the 3P products is the highly personalised learning environment they provide. The products deliver content dynamically based on students' results in order to cater to students' individual learning needs. The Company has a strong presence in Australia, New Zealand, the United Kingdom and growing operations based in the United States, Canada, Hong Kong, South Africa, and Abu Dhabi. 3P is headquartered in Sydney, Australia and employs ~250 employees globally.	Section 3 contains details on 3P and its business operations

Topic	Summary	For more information
What industry does 3P operate in?	3P operates in the online education segment of the global education industry, across multiple territories, with a focus on students in grades K-12. This is a rapidly growing segment with expenditure on K-12 online education estimated at US$16.6 billion in 2012 and which is expected to quadruple to US$69.0 billion by 2017.[1] A key trend in the K-12 education sector is the migration from printed textbooks and workbooks to online and technology-based education resources. Traditional classroom instruction is also being supplemented by online and technology-based resources. Rising rates of internet penetration, the increasing proliferation of mobile devices and growth in cloud-based services are broadening the accessibility of educational content and services. Growth has also been supported by governments through the introduction of curricula frameworks that encourage the integration of information and communication technology. As a result, some schools and administrators are rethinking their delivery models, determining how to incorporate technology-enabled offerings into their curriculum and seeking efficient, cost-effective ways to deliver tailored content to students.	Section 2 contains further details on the industry in which 3P operates
Why is the Offer being conducted?	The Offer is being conducted to provide 3P with: • additional financial flexibility and access to capital markets to pursue its growth strategy; and • a liquid market for its Shares and an opportunity for Selling Shareholders to realise all or part of their investment in 3P.	Section 7 contains details of the Offer Section 3.6 outlines 3P's growth strategy

1 IBIS Capital, Global e-Learning Investment Review, January 2013.

Topic	Summary	For more information
1.2 Key features of 3P's business model		
How does 3P generate its income?	3P derives income from the sale of Student Licences and Home Licences, typically with a one year term. Licences are sold on a per student basis. Sales are made largely through 3P's global sales and marketing team and websites. 3P also engages distributors to sell its products in some peripheral territories. 3P is estimated to generate approximately 91% of revenue from Student Licences through schools.[1] The Company also generates revenue from Home Licences, copyright fees, sponsorships, and licensing agreements.	Section 3.3 contains details on 3P and its business operations
What are 3P's key competitive strengths that differentiate it from its competitors?	The online education segment is fragmented and there are a number of competitors targeting the K-12 schools and students. 3P's competitors vary across different territories and subject areas. One of 3P's strategies is to focus on core subject areas of numeracy, literacy and science as this is the focus of international student assessment. 3P is a global online K-12 education provider and 3P expects to continue to benefit from: • quality products that are engaging, targeted and effective; • Agile software development practices that drive continual improvement in products and functionality; • distinctive brands and a good reputation as evidenced through recent industry awards in the United Kingdom and the United States; • a large, established, and growing base of school customers; • expertise in acquisition and retention of school customers; • relationships with school groups and industry bodies in its operational territories; and • the level of potential configurability and scalability of 3P's products.	Section 5.1.1 contains further information on competitive risks

1 1 July 2013 – 30 June 2014 forecast by 3P.

Topic	Summary	For more information
What is 3P's growth strategy?	3P's strategy is focused on organic growth in Student Licences and Home Licences in both existing and potential new territories. At the core of the strategy is 3P's focus on continuing to deliver quality education software in order to retain existing users and attract new users. 3P expects to continue to increase the functionality of the products, add additional content and invest in the development of new applications to enhance the user experience. The principal elements of 3P's strategic plan to increase the number of Student Licences is outlined below: 1. **Increase the number of school customers** – There is a growing market opportunity for 3P as schools and education administrators worldwide migrate from printed textbooks and workbooks to online and technology based resources – Scope remains for the potential translation of the products into other languages to increase the size of 3P's addressable market 2. **Add students within the existing school customer base** – 3P believes there is an opportunity to increase the number of Student Licences purchased by the existing school customer base – 3P can leverage an existing presence in a school to promote adoption by more classes and school grades 3. **Cross-sell other 3P products to new and existing customers** – 3P's growth has historically been led by Mathletics. 3P has successfully leveraged the existing Mathletics customer base to cross-sell 3P's portfolio of products and believes there is additional opportunity to continue to cross-sell multiple 3P products 4. **Improve average revenue per Licence** – 3P believes that there is scope to adjust prices to reflect product quality, increased functionality, utility and continued product investment.	Section 3.6 contains details on 3P's growth strategy

Topic	Summary	For more information
What is 3P's growth strategy? (continued)	The particular strategic focus varies across markets depending on the level of penetration achieved to date. In markets more recently entered the primary focus is on maximising the penetration of Mathletics, particularly targeting schools which 3P perceive to be influential. In markets in which 3P is more established, the focus is on achieving full school adoptions, cross-selling the portfolio of products and improving average revenue per Licence.	Section 3.6 contains details on 3P's growth strategy
Does 3P currently have any debt facilities?	3P does not currently have any debt facilities. 3P's operations have been funded through cash flow generated from operations for the last five years. Past acquisitions have been funded through cash flow from operations. 3P has generated and held sufficient cash from its operations to meet its working capital requirements to date. It is expected that 3P will have a net cash balance in the order of $15.2 million following Completion (as set out in section 4).	Sections 4 and 7.1.7 contain details on 3P's capitalisation before and following Completion
1.3 Key strengths		
Strong brands with a track record of innovation	3P develops and distributes a portfolio of online K-12 education products under the distinctive brands Mathletics, IntoScience, Spellodrome and distributes Reading Eggs Products. Some of 3P's innovations include intelligent adaptivity of questions, customised intra-class grouping and lesson planning, dynamic language translation and automated assessment and reporting. The Company's track record of innovation has recently been recognised through several industry awards in the United Kingdom and the United States.	Section 3 contains further details
Established market position in multiple territories	3P is a global online education company which currently serves students located in 202 countries and territories, with sales and marketing operations in seven countries. 3P has a strong market position in Australia, New Zealand and the United Kingdom, with Mathletics having achieved a significant market share in primary and secondary schools in Australia and New Zealand, as well as primary schools in the United Kingdom. The Company has a growing user base serviced from offices and teams located in the United States, Canada, South Africa, Hong Kong and Abu Dhabi.	Section 3 contains further details

Topic	Summary	For more information
Exposure to the large and growing global online education segment	3P's growth is expected to be supported by the shift from printed resources to online learning resources in schools and in homes and by governments through the introduction of curriculum frameworks that encourage the integration of information and communications technology. The education industry is one of the largest sectors of the global economy, with expenditure on primary and secondary education accounting for approximately 3.9% of the GDP on average across OECD countries.[1] Online education currently represents a small but growing portion of K-12 education expenditure globally, with the K-12 online education segment estimated to be worth US$16.6 billion in 2012 and predicted to quadruple to US$69.0 billion by 2017.[2]	Section 2.2 contains further details
Identified growth opportunities	3P believes that the combination of the quality of 3P's products, a global sales force and established position in some key territories in a large and growing industry, support 3P's organic growth strategy. 3P has identified the following opportunities to grow the business in the territories in which it operates: • **Increase the number of school customers** by initially targeting schools perceived by 3P as influential. This is a particular focus for markets which 3P has entered more recently; • **Add students within the existing school customer base** by leveraging existing relationships with schools to add students by upselling existing products to additional classes and grades; • **Cross-sell other products** in 3P's portfolio to new and existing customers; and • **Improve average revenue per Licence** to reflect increased functionality, utility and product investment.	Section 3.6 contain further details

1 Based on data from OECD (2012), Education at a Glance 2013: OECD indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en.
2 IBIS Capital, Global e-Learning Investment Review, January 2013.

Topic	Summary	For more information
Annuity style revenue with strong cash flow generation	The combination of 3P's periodic licence fee model (typically annual) and its customer retention rate provide annuity style revenue. The payment of licence fees generally upfront upon issue of the licence also supports a positive working capital model. As at 31 March 2014, 3P had approximately 4.3 million current Total Licences across its product portfolio, purchased under 21,136 School Licences and 38,379 Home Licences direct to students (or parents on behalf of students). The number of Total Licences is expected to grow at a CAGR of 17.1% from FY13 to FY15, supporting an Invoiced Billings CAGR of 20.3% over the same period. 3P's products have high gross margins, moderate after sale costs and scalable infrastructure which can support improved operating margins as the business grows.	Sections 3.3 and 4 contain further details
Highly experienced management team	3P's experienced senior management team is led by Chief Executive Officer, Tim Power, who has 15 years experience in educational technology development, including early stage involvement in 3P from February 2004 and serving as Chief Executive Officer since October 2007. Chief Financial Officer, Jonathan Kenny, has 20 years experience in finance and operations roles across listed and unlisted companies in the telecommunications, publishing, software, data and analytics sectors.	Section 6.2 contains further details

Topic	Summary	For more information
1.4 Key risks		
Competition risks	3P operates in a highly competitive industry and there are a large number of participants targeting the K-12 segment, many with significant resources and capital. 3P's existing and potential competitors may place pricing pressure on 3P's product offering and may impact on 3P's ability to retain existing customers as well as its ability to attract new business. Competition may intensify if established companies in other market segments or territories expand into 3P's market segments or territories. If 3P cannot compete successfully, 3P's ability to grow the business and achieve profitability could be impaired.	Section 5.1.1 contains further information
	Matthew Sandblom and Katherine Pike of the Blake Group, have been shareholders of 3P from 2004 to Listing and Matthew Sandblom has been a Director since 2006 and Katherine Pike has been a Director since 2010 until their resignations prior to Listing. The Blake Group competes with 3P with print, online and blended learning resources in many subjects across grades K-12 for school and home customers. Some of the Blake Group's products have some similar features to 3P products. Competition from the Blake Group may impact on the ability for 3P to retain or grow its customer base.	Section 9.7.1 contains further information on the relationships with the Blake Group
Distribution rights to Reading Eggs Products risk	3P does not own the intellectual property rights to Reading Eggs and Reading Eggspress. 3P has a sales agency agreement to sell these products to schools in Australia and many international markets. The right to distribute is not exclusive to 3P in some of those international markets. See section 9.7.1 for further information. The loss of this agreement (which could reduce the product offering of 3P and its attractiveness to school and home users), or the renewal of this agreement on less favourable terms, could adversely affect 3P's revenue and profitability. Given that Reading Eggs and Reading Eggspress are developed, hosted and serviced by the Blake Group, there is a risk that 3P's reputation may be damaged by the actions or any failure in the performance of the Blake Group in servicing these products.	Sections 5.1.2 and 9.7.1 contain further information

Topic	Summary	For more information
Technology and intellectual property risks	**Disruption to technology platforms and systems** 3P's technology platforms, communications systems, servers, as well as the internet, hosting services and the cloud-based environment in which it provides its products, may be disrupted, cease to operate efficiently, or fail. This could result in a reduction of 3P's ability to generate income, as well as adversely affecting its reputation and financial performance. **Need to be interoperable with other technologies used by schools** 3P may be required to invest significantly more into research and development, or pay other companies a fee in order for 3P's products to be interoperable with their devices and ecosystems. **Data loss, theft or corruption** Loss, theft or corruption of data could render the websites unavailable for a period of time, lead to unauthorised disclosure of user's data and adversely impact 3P's operations. **Failure to protect intellectual property rights** Actions taken by 3P to protect its intellectual property may not be adequate, complete or enforceable and may not prevent the misappropriation of its intellectual property and proprietary information or deter independent development of similar technologies by others. **Trademarks** Whilst 3P holds registered trademarks over some of its key brands in some of the international jurisdictions in which it has operations, it does not have trademarks for all products in all operational territories. This may lead to some brand conflicts and the need to re-brand some of the products in some of these markets. **Intellectual property infringement claims from third parties** Other parties may develop and patent substantially similar or substitutable products, processes, or technologies as those used by 3P. It is possible that in the future, 3P may receive claims that its products, processes or technologies infringe on the intellectual property rights of a third party.	Section 5.1.3 contains further information

Topic	Summary	For more information
Growth strategy risks	**Customer retention and acquisition risk** 3P may fail to retain existing customers for a number of reasons such as failure to meet customer expectations, poor customer service, pricing or competition. There is also a risk that 3P will not succeed in selling Student Licences to new schools for many reasons including failure of sales and marketing strategies, issues with the quality, usability or interoperability of the products, damage to reputation, or competition. 3P's ability to retain customers or acquire new customers may be affected by the decisions of educational governing or coordinating bodies. 3P is also affected by government decisions regarding funding. If 3P fails to retain existing customers or attract new customers the Company's future operating and financial performance may be adversely impacted and its reputation may be damaged. **Failure to improve revenue by increasing average revenue per student licence and improving sales conversion rates** A price increase may reduce growth in 3P's customer base because higher prices may make it more difficult to attract new customers and result in increased churn of existing customers. 3P's ability to increase prices may also be constrained by the socio-economic status of certain segments of its customer base and by the prices, quality and usability of competing products. The FY15 Forecast assumes a 15% increase in the average revenue per Australian Student Licence. The FY15 Forecast also assumes improvements in sales conversion rates on historic averages. **New products or expansion into new territories may not achieve intended outcomes** When 3P introduces new product features, products or expands into new territories, there are risks that these initiatives may result in unforeseen costs, fail to achieve any revenue or may not achieve the intended outcomes. In addition, growth may place strain on management and operational resources.	Section 5.1.4 contains further information

Topic	Summary	For more information
Growth strategy risks (continued)	**Speed of innovation required** The constantly changing technology and product offerings of 3P's competitors may require 3P to adapt its products and business model to overcome these challenges and remain competitive, which may be costly or unsuccessful. **Impact of information technology infrastructure in schools** Limited bandwidth capability into and out of schools, as well as the expense of wireless and network capacity within schools, may impact on the ability for 3P to sell its products. There is also a risk that schools may change information technology policies or equipment which could result in 3P's site becoming inaccessible to existing users.	Section 5.1.4 contains further information
Government related risks	3P may be adversely impacted by changes in government policy, regulation or legislation applying to education providers and changes to education expenditure. Governments in different markets may encourage or mandate schools to adopt alternative products from education providers other than 3P, which would adversely impact 3P's ability to retain existing customers as well as its ability to attract new business. 3P's ability to adapt quickly to changes in curricula, and the associated costs in doing so, may impact on 3P's revenue and ability to retain existing customers.	Section 5.1.5 contains further information
Personnel related risks	If 3P is unable to retain its CEO, Tim Power, it may impact on 3P's relationships with key partners and customers and may result in a loss of expertise and know-how. It may also incur increased costs in finding a replacement. A failure to attract and retain experienced employees or a failure of those personnel to continue to innovate may adversely affect 3P's ability to develop its products or implement its business strategies.	Section 5.1.6 contains further information
Seasonality of cash flow risks	Cash flow is concentrated in the second half of the financial year because the back-to-school selling period in the southern hemisphere is in February and March. This can have the potential to lead to cash flow constraints at other times of the year.	Section 5.1.7 contains further information

Topic	Summary	For more information
1.5 Directors and key management		
Who are the Directors of 3P?	• Samuel Weiss, Independent Non-Executive Chairman • Tim Power, Chief Executive Officer • Roger Amos, Independent Non-Executive Director • Claire Hatton, Independent Non-Executive Director	Section 6.1
Who is the key management of 3P?	• Tim Power, Chief Executive Officer • Jonathan Kenny, Chief Financial Officer	Section 6.2
1.6 Significant interests of key people and related party transactions		
Who are the Shareholders before the Offer and what will be their interest post Completion?	See table below. At Completion, 16.2% of the Shares will be subject to voluntary escrow arrangements. For more information see sections 7.1.8 and 9.4.	

	Shares held before the Offer (m)	% held before the Offer	Shares issued/ (sold) (m)	Shares held post-Completion (m)	% held post-Completion
Pascal Press[1]	45.7	36.4%	(32.0)	13.7	10.2%[2]
MC Education Holdings	28.2	22.5%	(28.2)	-	0.0%
Macquarie Special Situations Master Fund[3]	18.8	15.0%	(18.8)	-	0.0%
Insight Venture Partners[4]	15.9	12.7%	(15.9)	-	0.0%
Employee Shareholders[5]	7.2	5.7%	(2.1)	5.1	3.8%[6]
Other Shareholders[7]	9.7	7.8%	(6.8)	2.9	2.2%
New Shareholders	-	0.0%	113.1	113.1	83.9%
Total	125.4m[8]	100.0%		134.8m	100.0%

At Completion, 16.2% of the Shares will be subject to voluntary escrow arrangements. For more information see sections 7.1.8 and 9.4.

1 Includes Pascal Educational Services Pty Limited and SD&M Software Pty Ltd.
2 Only Pascal Educational Services Pty Limited will hold Shares post-Completion.
3 Macquarie Special Situations Master Fund Ltd has entered into a sale agreement to sell all of its Shares in 3P to Macquarie Special Situations Limited, a related party, as part of its internal restructure. Macquarie Special Situations Master Fund Ltd remains the legal owner of the Shares and Macquarie Special Situations Limited is the beneficial owner.
4 Includes Insight Venture Partners VI, LP, Insight Venture Partners VI (Co-investors), LP and Insight 3P Math, LLC.
5 Employees who hold Shares directly as a result of the closing out of the 3P employee share plan and two 3P employees who also hold direct parcels of Shares.
6 Employees, including Tim Power, will hold shares directly following Completion as a result of the closing out of the 3P employee share plan.
7 Includes Katherine Pike, Wendy Beckett.
8 This number is post the share capital restructure that is to be undertaken on Conditional Listing. See section 7.1.4.

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr>
<td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?</td>
<td>On completion Tim Power will hold 3,036,472 Shares. Each of Samuel Weiss, Roger Amos and Claire Hatton intend to apply for Shares under the Priority Offer. Final Directors' shareholdings will be notified to the ASX following Listing.
<table>
<tr><th>Key people</th><th>Interest or benefit</th></tr>
<tr><td>Existing Shareholders</td><td>• Pre-IPO dividend</td></tr>
<tr><td>Selling Shareholders</td><td>• Sale of some or all of their interests in 3P to SaleCo
• Pre-IPO dividend</td></tr>
<tr><td>Management team</td><td>• Remuneration
• Payments from Selling Shareholders</td></tr>
<tr><td>Non-Executive Directors</td><td>• Directors' fees
• Listing bonus</td></tr>
<tr><td>Advisers and other service providers</td><td>• Fees for services</td></tr>
</table>
Macquarie entities held Shares prior to the sell down of their interests in 3P to SaleCo. A separate Macquarie entity is the underwriter of the Offer (see section 7.8).

A co-founder and former director of 3P, Matthew Sandblom, is a director of certain entities within the Blake Group (including the Pascal Press entities). The Blake Group owns the intellectual property rights to Reading Eggs and Reading Eggspress. 3P has a number of agreements with the Blake Group (see section 9.7).

Tim Power is a shareholder and director of ClickView Pty Limited, which 3P has agreements with for a range of services provided to 3P in connection with ClickView technology (see section 9.7).</td>
<td>Sections 6.3 and 9.5

Section 6.3.2.5

Section 7.1.5

Section 7.1.4

Section 6.3.2

Section 6.3.1</td>
</tr>
</table>

Topic	Summary	For more information
Will any Shares be subject to restrictions on disposal following Completion?	The Escrowed Shareholders have agreed to enter into voluntary escrow arrangements with 3P under which they will be restricted from dealing with Shares they hold on Completion of the Offer (**Escrow Shares**) until the first trading day after the announcement to the ASX of 3P's audited financial results for the financial year ending on 30 June 2015.	Section 9.4
1.7 Proposed use of funds and key terms and conditions of the Offer		
What is the Offer?	The Offer is an initial public offering of 113.1 million Shares that will in part be issued by the Company and in part sold by SaleCo. Each Share will rank equally with Shares already on issue. A summary of the rights attaching to the Shares is set out in section 9.6.	Sections 7.1 and 9.6
Who are the issuers of the Prospectus?	3P, a company incorporated in New South Wales, Australia and SaleCo, a company incorporated in Victoria, Australia.	Section 7.1
What is SaleCo?	SaleCo is a special purpose vehicle, established to sell Shares acquired from the Selling Shareholders. The Shares which SaleCo acquires from the Selling Shareholders, along with New Shares issued by the Company, will be transferred to Successful Applicants at the Offer Price.	Section 7.1.5
What is the proposed use of funds raised under the Offer?	The funds received under the Offer will be used as follows: • $23.5 milllion will be paid to the Company to increase cash and cash equivalents, and pay costs associated with the Offer; and • $259.2 million received by SaleCo will be paid to the Selling Shareholders (each of whom will have sold Shares to SaleCo).	Section 7.1.3
Will the Shares be quoted on the ASX?	The Company will within seven days of the Prospectus Date, apply to the ASX for admission to the Official List and quotation for Shares on the ASX under the code 3PL (which may be changed prior to Listing). Completion of the Offer is conditional upon the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.2

Topic	Summary	For more information
How is the Offer structured?	The Offer comprises: • the Retail Offer, consisting of the: – Broker Firm Offer; – Employee Gift Offer; – Employee Offer; and – Priority Offer; and • the Institutional Offer, which consists of an invitation to acquire Shares made to Institutional Investors.	Section 7.1.1
Is the Offer underwritten?	Yes, the Lead Manager has fully underwritten the Offer.	Sections 7.2 and 9.10
What is the allocation policy?	The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Lead Manager and 3P, having regard to the allocation policy outlined in section 7. With respect to the Broker Firm Offer, it is a matter for Brokers how they allocate Shares among eligible retail clients. All Eligible Employees will be offered the opportunity to apply for up to $1,000 worth of Shares each for no consideration. For further information on the Employee Gift Offer, refer to section 7.4. With respect to the Employee Offer, it is at the absolute discretion of 3P. Priority Offer allocations will be determined by 3P, subject to the guaranteed minimum allocations for applicants under the Priority Offer and provided that those allocations (in aggregate) do not exceed $3.2 million. The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager, in consultation with 3P. For further information on the Institutional Offer, refer to section 7.7.	Sections 7.3, 7.4, 7.5, 7.6 and 7.7
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	Given that the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of the investors to make their own enquiries concerning the taxation consequences of an investment in 3P. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.	Section 9.15

Topic	Summary	For more information
What are the tax implications of investing in the Shares? (continued)	An overview of the tax treatment for Australian resident investors is included in section 9.15.	
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post around or on Tuesday, 15 July 2014. Refunds to Applicants, who make an Application and are scaled back, will be made as soon as possible post Settlement of the IPO, which is expected to occur on or about Monday, 14 July 2014. No refunds will be made where the overpayments relate solely to rounding at the Offer Price.	Section 7.2
What is the Company's dividend policy?	The payment of a dividend by 3P is at the discretion of the Directors and will be a function of a number of factors, including general business conditions, the operating results and financial condition of 3P, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by 3P, and any other factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. Subject to future business conditions and the future cash flow requirements of 3P, the Directors intend to target a dividend payout ratio in the range of 20% to 30% of Statutory NPAT. It is intended that dividends will be franked to the maximum extent possible. The Board's current intention is to pay final dividends in respect of full years ending 30 June each year, with the first intended dividend payable being the final dividend for FY15. Any dividend paid in respect of FY15 will be based on 20% to 30% of statutory NPAT, adjusted to exclude the costs associated with the Offer.	Section 4.10
What is the minimum and maximum Application size under each component of the Retail Offer?	The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for up to $1,000 worth of Shares each for no consideration.	Sections 7.3, 7.4, 7.5 and 7.6

Topic	Summary	For more information
What is the minimum and maximum Application size under each component of the Retail Offer? (continued)	The minimum Application size under the Employee Offer is $2,000, and in multiples of $500 thereafter. The Employee Offer will be limited to $800,000 in aggregate proceeds. The minimum Application under the Priority Offer is $2,000 worth of Shares and in multiples of $500 thereafter. You may apply for an amount up to the amount indicated on your personalised invitation. The Lead Manager, in consultation with 3P, reserves the right to reject any Application made under the Retail Offer or to allocate a lesser number of Shares than that applied for. In addition, the Company and the Lead Manager reserves the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Retail Offer which are for more than $100,000.	Sections 7.3, 7.4, 7.5 and 7.6
How can I apply?	If you are an eligible investor under the Broker Firm Offer, Employee Gift Offer, Employee Offer or Priority Offer, you may apply for Shares by completing an Application Form and/or following the instructions provided to you by your Broker. To the extent permitted by law, an Application under the Offer is irrevocable.	Sections 7.3, 7.4, 7.5 and 7.6
Can the Offer be withdrawn?	The Company and SaleCo reserve the right not to proceed with the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 7.9
Where can I find out more information about this Prospectus or the Offer?	Call the 3P IPO Information Line on 1800 132 875 (toll free within Australia) or +61 1800 132 875 (outside Australia) 8.30am until 5.30pm (Sydney Time), Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether 3P is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.	

3P Learning

Section 2

Industry Overview

2. Industry Overview

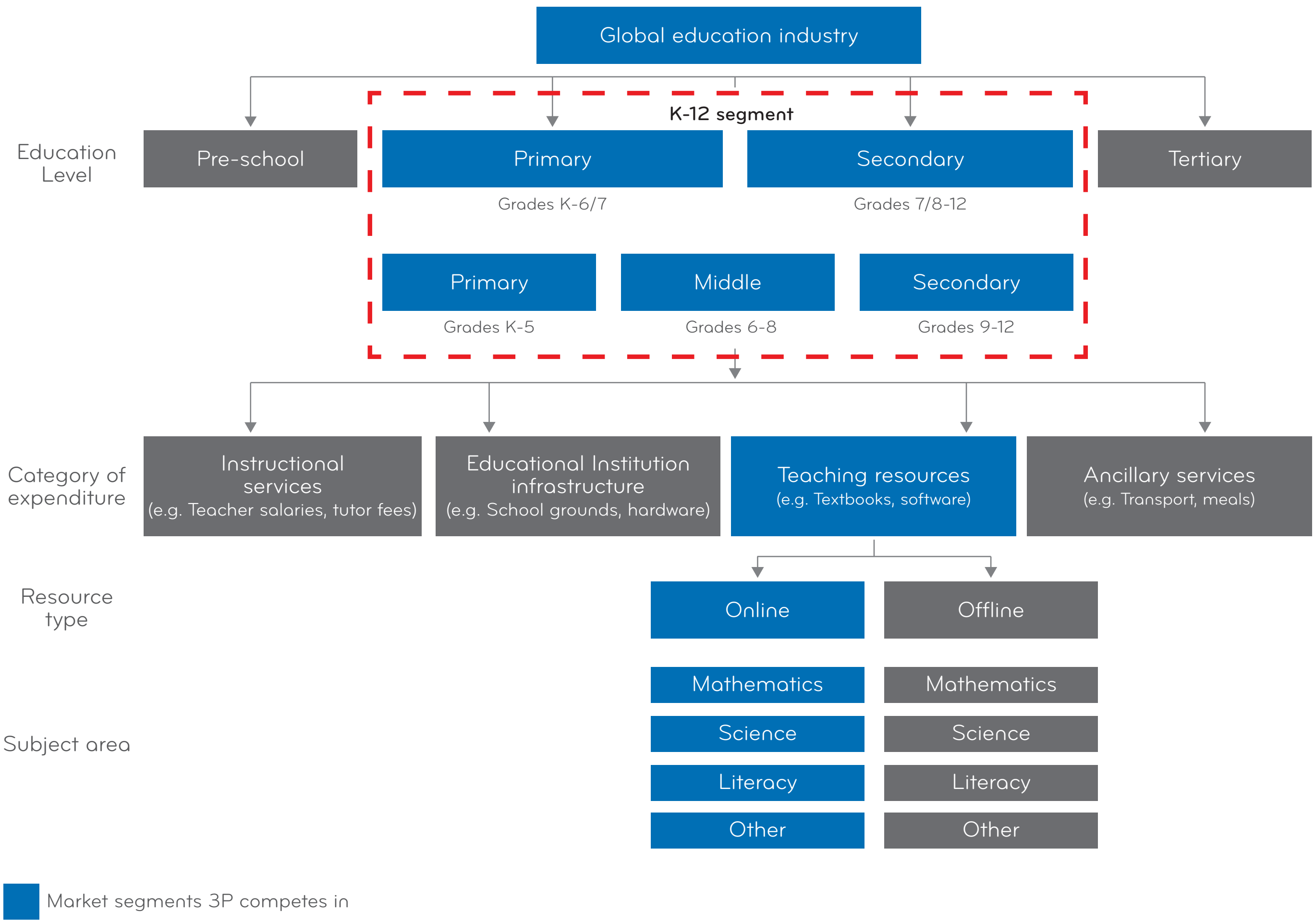
This section provides an overview of the K-12 segment of the global education industry (which includes online education) and some of industry dynamics of K-12 online education.

2.1 Global education industry

2.1.1 Overview

The structure of education systems varies from country to country. Generally, it is divided into four or five levels, see Figure 2.1 below.

Figure 2.1: Overview of global education industry



Source: 3P.

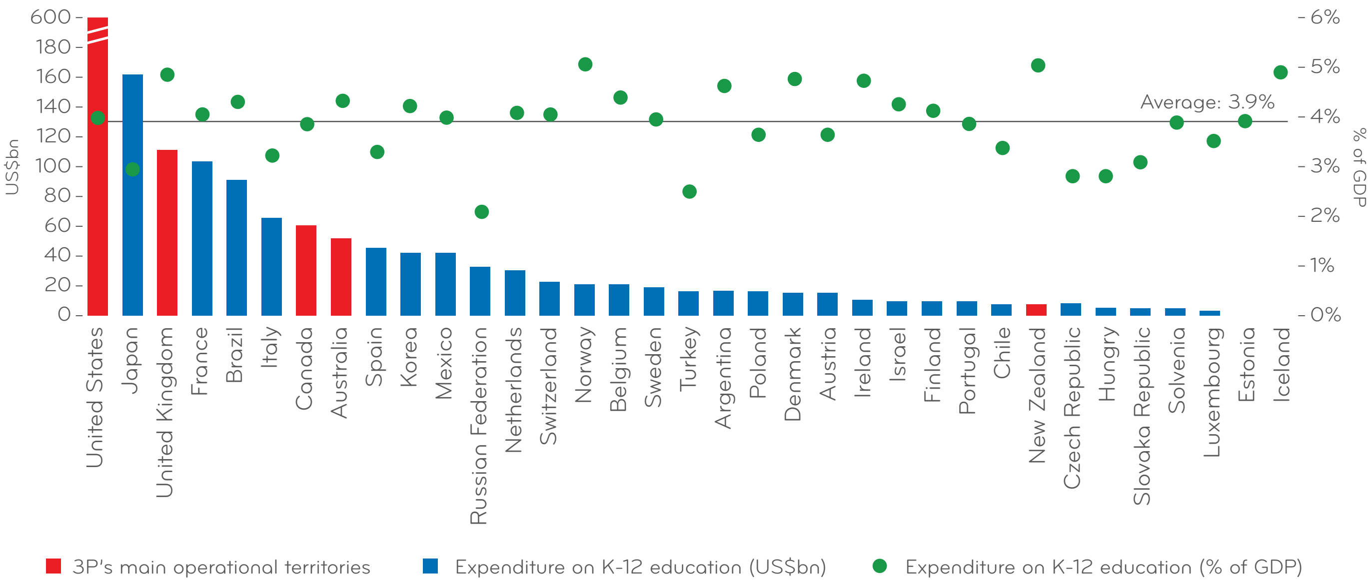
The K-12 education segment is a large and well-established part of the global education industry. Each level of education comprises both government funded and independently funded institutions, although independent institutions may also receive some level of government funding.

2.1.2 Global K-12 education expenditure

K-12 education represents a significant proportion of total education expenditure and is estimated to account for approximately two-thirds of the expenditure on educational institutions.[1] This equates to 3.9% of the GDP, on average, across OECD countries.[2]

The level of expenditure on educational institutions is affected by a range of factors, which may include the size of a country's school age population, enrolment rates, level of teachers' salaries and the content delivery method employed.

Figure 2.2: Expenditure on K-12 educational institutions in OECD countries (2010)



Source: Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en; and World Bank Data from http://data.worldbank.org/indicator/NY.GDP.MKTP.CD.

In 2010, it was estimated that OECD countries, on average, spent US$7,974 per primary student per year, and US$9,014 per secondary student per year, including both public and private funding.[3] Expenditure on educational institutions historically has tended to rise over time. From 2005 to 2010, average expenditure per student in primary, secondary and non-tertiary educational institutions increased by an average of 13% across OECD countries.[4]

1 Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en.
2 Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en.
3 Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en.
4 Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en.

2.1.2.1 Size of the key markets in which 3P operates

Figure 2.3 below indicates the size of some of the markets in which 3P has sales and marketing operations, including the size of the school age student population and the level of expenditure on K-12 education.

These markets are significant in terms of the number of school age students (over 69 million school age students) and the total expenditure on education, which exceeds US$800 billion. The enrolment rates are close to 100% for students aged 5-14 and approximately 80% for students aged 15-19 in these markets.[1]

Figure 2.3: Size of the key markets in which 3P operates

	Australia	New Zealand	United Kingdom	United States	Canada
Macroeconomic indicators[1,2]					
GDP (US$bn)	1,505	170	2,536	16,800	1,825
GDP per capita (US$)	67,856	38,385	38,999	51,709	51,990
Population (m)	22.9	4.4	63.7	314.2	34.7
# of school age students (m)[3]	4.4	0.9	10.5	48.6	5.0
Expenditure (2010)[4]					
Education expenditure (US$bn)	50	7	111	602	61
Education expenditure/ GDP	4.2%	4.8%	4.8%	4.1%	3.9%
Enrolment (2011)					
Enrolment rate (population aged 5-14)	99%	100%	100%	96%	99%
Enrolment rate (population aged 15-19)	84%	81%	78%	80%	81%
Number of school years at which over 90% of the population are enrolled	12	13	13	11	12

Source: Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en, IMF, and World Bank from http://data.worldbank.org/indicator/NY.GDP.MKTP.CD.

Note: 1. As of 2013 for Australia, Canada, the United Kingdom and the United States. 2012 for NZ; 2. As of 2013 for Canada and 2012 for Australia, NZ, United Kingdom and the United States; 3. Includes primary and secondary students. 4. Total expenditure on primary, lower secondary and upper secondary education, as of 2010.

1 Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en.

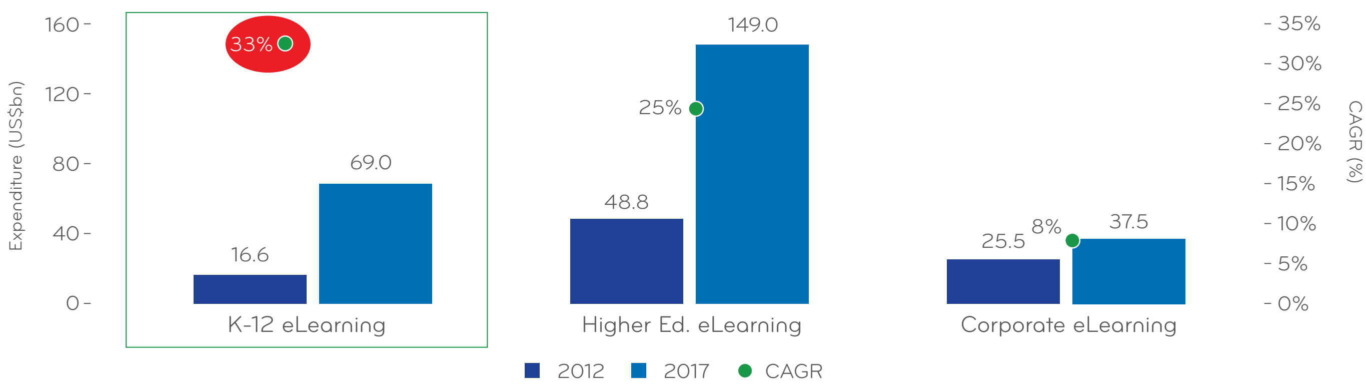
2.2 Online K-12 education

2.2.1 Introduction

Online K-12 education incorporates products and services that provide content, management systems and distribution capabilities. 3P's products use features from each of these categories.

A trend in K-12 education is the migration from printed resources to online technology-based resources. Traditional classroom instruction is being supplemented by online and technology-based education resources in many schools. Currently, online education resources represent a relatively small but growing portion of K-12 education expenditure. IBIS Capital estimates that the K-12 eLearning segment will approximately quadruple in size from 2012 to 2017, with expenditure of US$16.6 billion growing to US$69.0 billion.[2]

Figure 2.4: Global eLearning expenditure



Source: Based on data from IBIS Capital, Global e-Learning Investment Review, January 2013.

2.2.2 Industry drivers

Some of the factors which may affect growth in the global online K-12 education segment include:

- the availability and quality of online educational content and services;
- broadband internet penetration and bandwidth availability in schools and households;
- proliferation of computers and mobile devices;
- movements in school age populations; and
- the availability of funding from governments and parents.

2.2.2.1 Availability of online education resources

The introduction of new technology and content is influencing how some schools provide education. Rising rates of internet connectivity, proliferation of mobile devices such as tablets and the growth in cloud-based services are contributing to an increase in educational content delivered online.

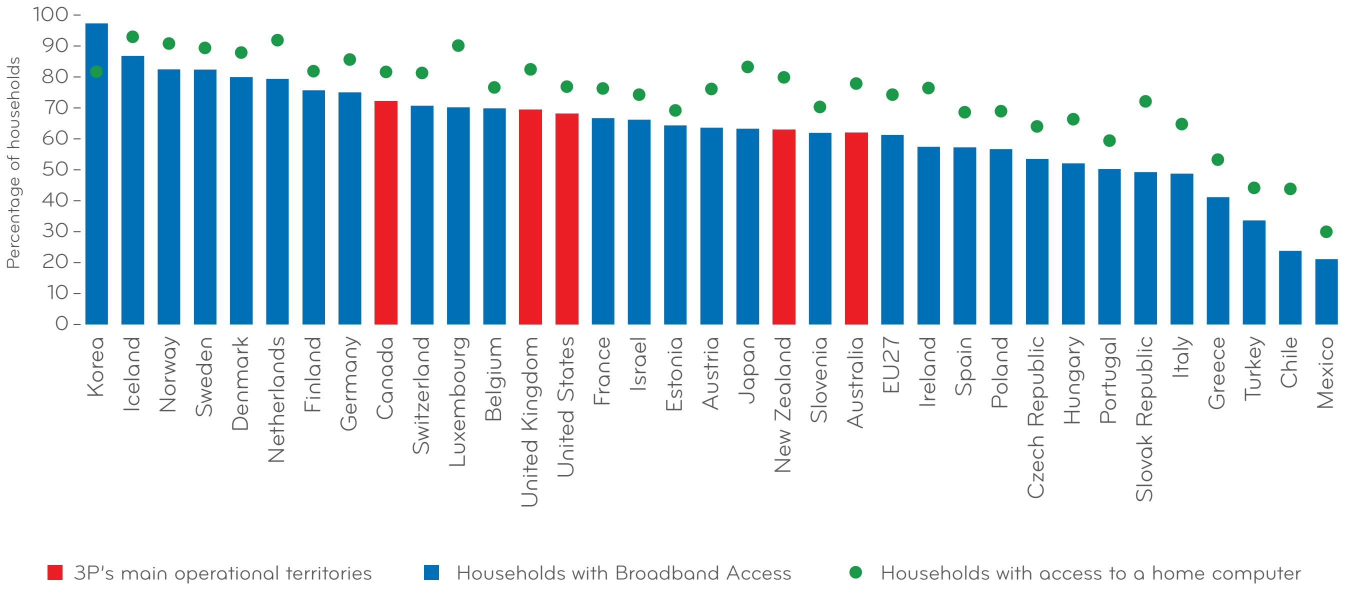
3P believes that schools and administrators are considering how to incorporate technology-enabled offerings into their curriculum and seeking cost-effective ways to provide students with online learning environments.

2.2.2.2 Availability of broadband and devices

OECD markets have experienced an expansion of internet access, data transfer capacity, affordable devices and connectivity options. This presents growth opportunities for online education providers.

2 IBIS Capital, Global e-Learning Investment Review, January 2013.

Figure 2.5: Percentage of OECD households with broadband access and a home device

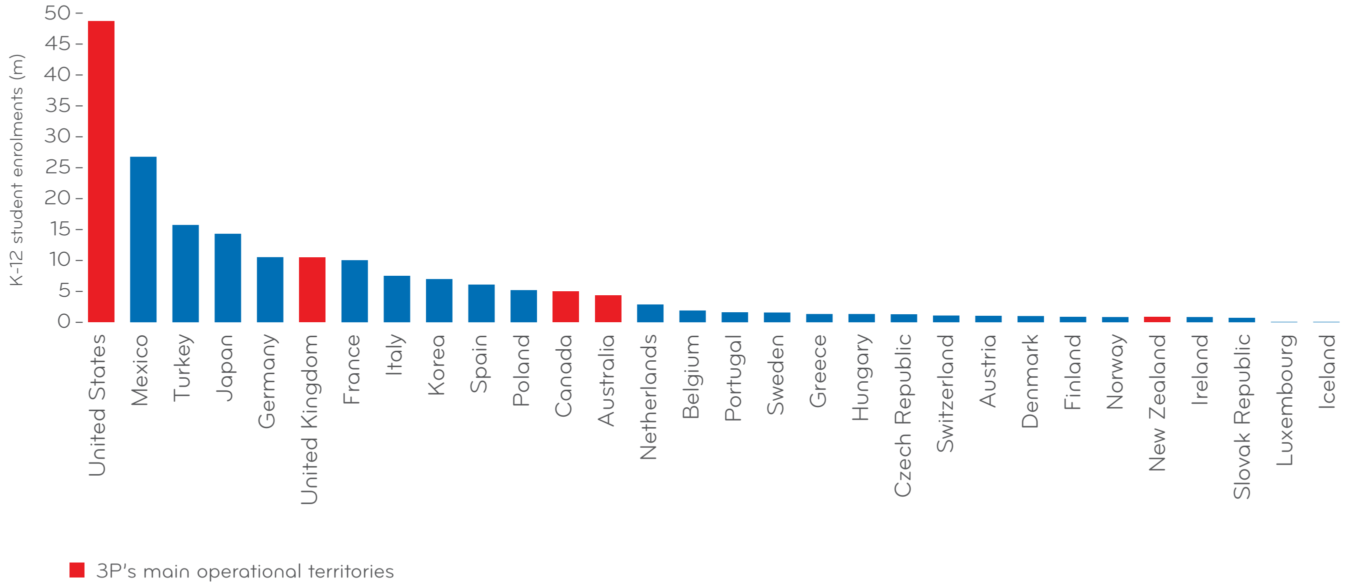


Source: Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en, ICT database and Eurostat, Community Survey on ICT usage in households and by individuals, November 2011.

2.2.2.3 K-12 school age populations

As outlined below, the total population of K-12 students in OECD countries was approximately 190 million in 2011.

Figure 2.6: Students enrolled in primary and secondary educational institutions in OECD countries



Source: Based on data from OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en.

2.2.2.4 Availability of funding

See section 2.1.2 for an overview of the funding of K-12 education across OECD countries.

2.2.3 Competitive landscape

The online education segment is fragmented and there are many competitors targeting K-12 students and schools. In addition there are a range of different types of companies that are current or prospective competitors, such as traditional publishing companies, large software companies and educational and technology platform providers as outlined in Figure 2.7.

3P has established a significant market share in the online numeracy subject area in Australia – with approximately 47.6% of Australian schools using Mathletics in FY14 for at least one class and a base of approximately 1.4 million current Licences for Mathletics. Reading Eggs Products are used by approximately 43.7% of Australian primary schools for at least one class. 3P has a growing market share in other territories in which it has operations.

Figure 2.7: Categories of current / prospective competitors

Category of current/ prospective competitors	Characteristics and market position	Selected examples
Traditional publishing companies	– Significant revenues from printed resources e.g. textbooks – Many are large and well resourced – Many are developing online learning offerings – Many are developing blended learning offerings which combine books with online offerings – Some are pursuing a greater presence in the online segment via acquisitions rather than, or in addition to, organic development	– Pearson Education – McGraw Hill – Cambridge University Press – Oxford University Press
Companies focused on online education resources	– Many are focused on a particular segment, geography or subject area – Many offer free and freemium products – Some offer cross-curricula content – Some offer tools for users to create courses and integrate or generate content	– Dreambox – Edmentum – Kahn Academy – Blackboard – Amplify
Large software corporations	– Well resourced – Offer complete learning software ecosystems as well as individual learning tools – Source large volumes of user-generated courseware and content	– Apple (e.g. iTunes U) – Microsoft – Amazon – Samsung
Educational technology and platform providers	– Focused on broad user take up with communication tools, underlying technologies, or cross-curricula virtual learning environments – Many offer free or freemium products – Some are open source	– Edmodo – Knewton – Moodle – Geogebra – ClickView

3P's competitors vary across different territories and subject areas. The selected examples provided in Figure 2.7 do not reflect the strength of these competitors or their products and in no way provide a comprehensive list of the competitors; rather it highlights the diversity, fragmentation and competitiveness of the market.

The online education market is continuously evolving and competitive dynamics shift rapidly. 3P expects that existing competitors and new entrants to the online K-12 education market will constantly revise and improve their business models in response to challenges from competing businesses, including 3P.

See section 5 for more on the risks associated with the competitive landscape.

3P Learning

Section 3

Company Overview

3. Company Overview

3.1 Overview of 3P

3P is a global online education company with cloud-based, software-as-a-service products in numeracy, literacy and science for school students in grades K-12. 3P's main operational territories are Australia, New Zealand, the United Kingdom, the United States, and Canada.

3P Learning

	Numeracy	Literacy	Science
Key products	Mathletics	Reading eggs Spellodrome	IntoScience
Description	– Online numeracy product for school grades K-12 – Flagship product that has led entry into each market – Includes content for 40 curricula around the world – Available in two languages with more in development – Suitable for use on most personal computers and tablets	– Reading Eggs Products, consisting of Reading Eggs and Reading Eggspress, form an online English literacy product for school grades K-6 – Developed by the Blake Group – 3P has exclusive sales agency rights in some territories[1] – In addition, Spellodrome is an online English literacy skills product for school grades K-10	– Recently launched online science resource – Currently deployed for school grades 7 and 8 – Current intention to expand across school grades K-12 over time – Combines high quality experiments, simulations and activities into an immersive learning experience – Suitable for use on most personal computers and tablets
Position	– Mathletics has a significant market share in Australian and New Zealand primary and secondary schools, and in primary schools in the United Kingdom	– Reading Eggs Products have a significant market share in Australian and New Zealand primary schools – Reading Eggs Products have a growing market share in United Kingdom primary schools	– Australian pilot program completed – Launching over 2014-2016 in all 3P's main operational territories
Current Total Licences[2]	3.2 million	0.8 million (Reading Eggs Products) 0.3 million (Spellodrome)	0.02 million
Pro forma FY14 revenue contribution[3]	79.3%	15.3%	0.4%

1 See section 9.7.1 for more details.
2 As at 31 March 2014.
3 Note: 30 June financial year end. Other revenue forecast to contribute 5.0% of FY14 revenue – includes other revenue generated by intellectual property, including sponsorships, copyright fees, and government grants.

In addition to the core products, 3P is also the creator, host and owner of the World Education Games, which is a substantial global online education event. The event consists of World Maths Day, World Literacy Day and World Science Day and involves students from around the world competing against each other in online challenges across numeracy, literacy and science. It has historically been scheduled to occur every two years. The next games are scheduled for October 2015. The event is seen as a valuable tool for building awareness of the 3P brand. In the March 2013 games, over 5.1 million students from 231 countries and territories were registered as part of the World Education Games.

3.1.1 Company history

The online numeracy product branded Mathletics was created in 2005. The Company now offers a portfolio of cloud-based education products across maths, literacy and science, in Australia & New Zealand, EMEA and the Americas.

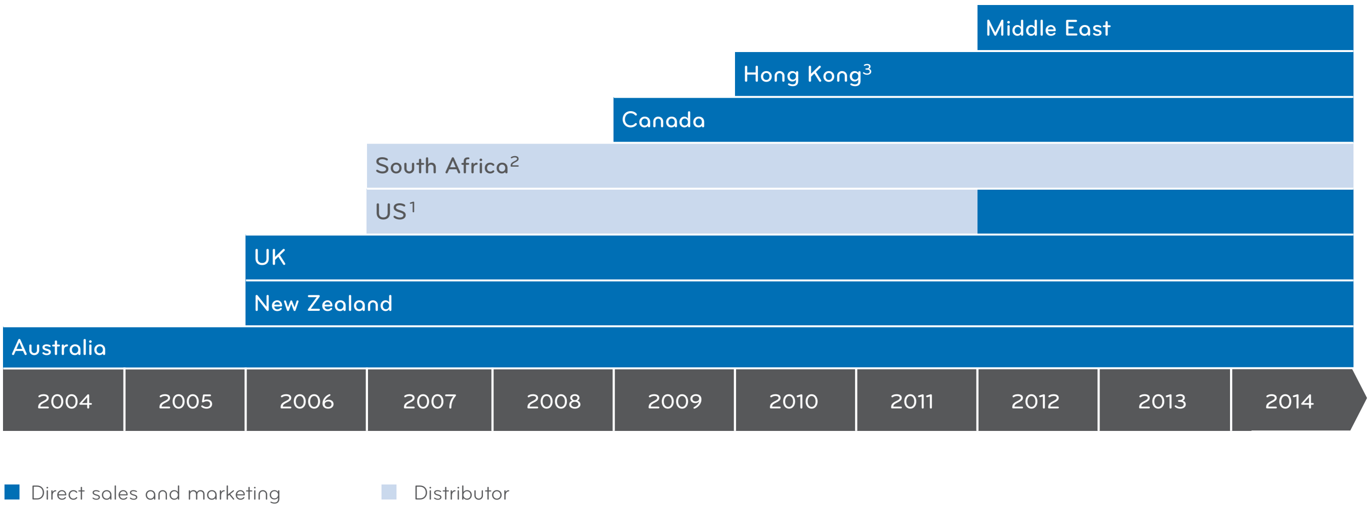
Figure 3.1: Key highlights of 3P's history

2004	– Commenced producing technology-based products for schools, starting with a mathematics CD-ROM, for students in grades K-10
2005	– Launched Mathletics with an initial online release of Live Mathletics in Australia followed by 3P's first online event: the 10 Million Challenge
2006	– Launched Spellodrome – Established operations in New Zealand, followed by the Trans Tasman Maths and Spelling Challenge – Established EMEA operations with the launch of Mathletics in the United Kingdom
2007	– Launched Mathletics in the United States and South Africa under distribution arrangements – Launched World Maths Day
2009	– Established operations in Canada – Launched World Education Games
2010	– Established presence in Hong Kong focusing on direct sales in Asia
2011	– Commenced distribution of Reading Eggs Products – Established offshore development lab in Pune, India – Commenced building scalable software and hardware platforms for Mathletics, Spellodrome and the World Education Games
2012	– Released the first stage of the Arabic language version of Mathletics – Launched direct sales of Mathletics to government schools in the United States
2013	– Completed the transition to the new platforms for Mathletics, Spellodrome and the World Education Games – Commenced IntoScience pilot program – Launched Mathletics app for iPad and Android tablets
2014	– Exceeded 1 million Mathletics app downloads by 30 April 2014 – Commenced development of Chinese language version of Mathletics – Expanded IntoScience pilot program into a full launch in Australia for grades 7 and 8

3.1.2 Geographic footprint

As at 31 March 2014, 3P had 4.3 million current Licences in 202 countries and territories with content aligned to 40 local curricula. The Company has developed a global distribution team with sales and marketing operations in Australia, New Zealand, Hong Kong, the United Arab Emirates, the United Kingdom, the United States and Canada. These operations are supplemented by relationships with distributors that are licensed to sell 3P products in Hong Kong, Pakistan, South Africa and Mexico. Distributor and agent relationships have been utilised from time to time for their local expertise.

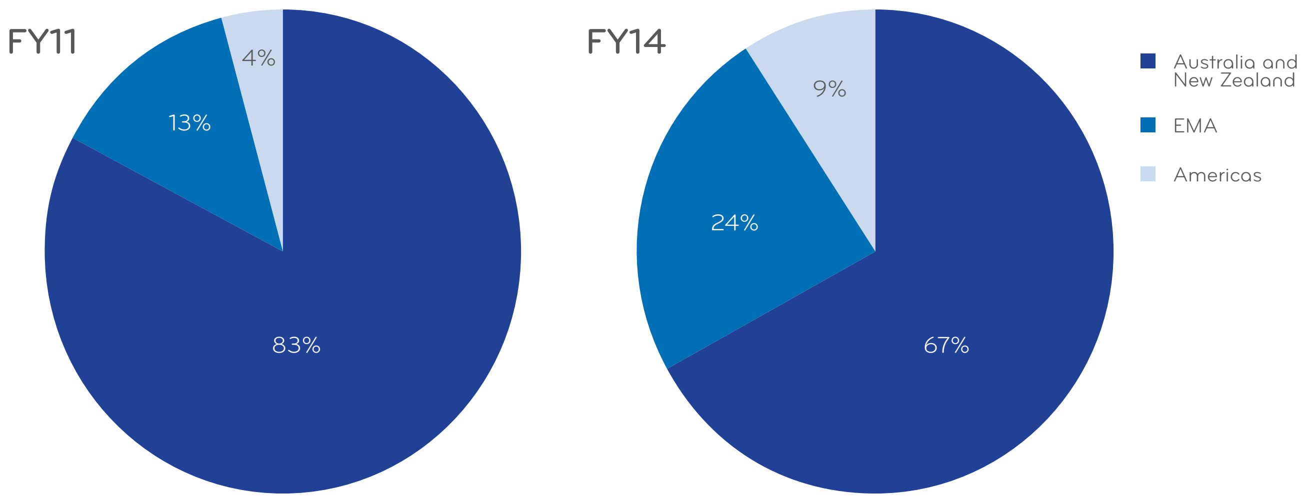
Figure 3.2: Geographic expansion



Note: Figure 3.2 indicates calendar year of launch, but does not show specific launch dates within calendar years.

1 Distributor operated in the United States for government schools between 2007 and 2012, 3P launched direct sales to these schools in 2012.
2 Distributor operated in South Africa between 2007 and 2014, 3P expects to acquire the assets of the South African business and commence direct sales in 2015.
3 In Hong Kong 3P sells to the international schools market, whilst a distributor sells to local schools.

Figure 3.3: Pro forma revenue split by geography



Source: 3P.

3.2 Product overview

3P offers online education products in numeracy, literacy and science, which are available under four key brands: Mathletics, Reading Eggs, Spellodrome and IntoScience. The products have been developed to be engaging, targeted and to help students improve their results, whilst providing educators with tools to reduce their workload.

Students and educators access 3P products online through a network of product specific websites. More recently, 3P has employed a 'mobile first' development strategy with apps to provide access on tablets to key parts of Mathletics, Reading Eggs Products and IntoScience.

3.2.1 Overview of Mathletics

Mathletics is an online numeracy product for schools and students across grades K-12.

Mathletics provides a personalised learning environment which intelligently caters to each student. Questions are dynamically delivered according to a student's responses, which ensures the degree of difficulty reflects their understanding. This helps optimise their learning experience and enhances the value of their time spent online. To support mastering concepts, Mathletics combines three innovations:

- intelligent adaptivity to ensure questions are appropriately challenging and get progressively harder;
- animated visualisations of each question type to allow students to direct their own learning and reinforce understanding; and
- time saving tools for educators to customise courses for small groups or individuals and to set learning pathways.

Figure 3.4: Screenshots of Mathletics student and teacher user interfaces

3.2.2 Overview of Reading Eggs Products

Reading Eggs and Reading Eggspress form an online reading and literacy product developed by the Blake Group and distributed by 3P exclusively to schools for grades K-6 in a number of countries (refer section 9.7.1 for further details of 3P's re-seller relationship with the Blake Group).

Reading Eggs is suitable for students in grades K-2. The product combines a range of interactive animations, games and songs focused on learning to read and literacy skills.

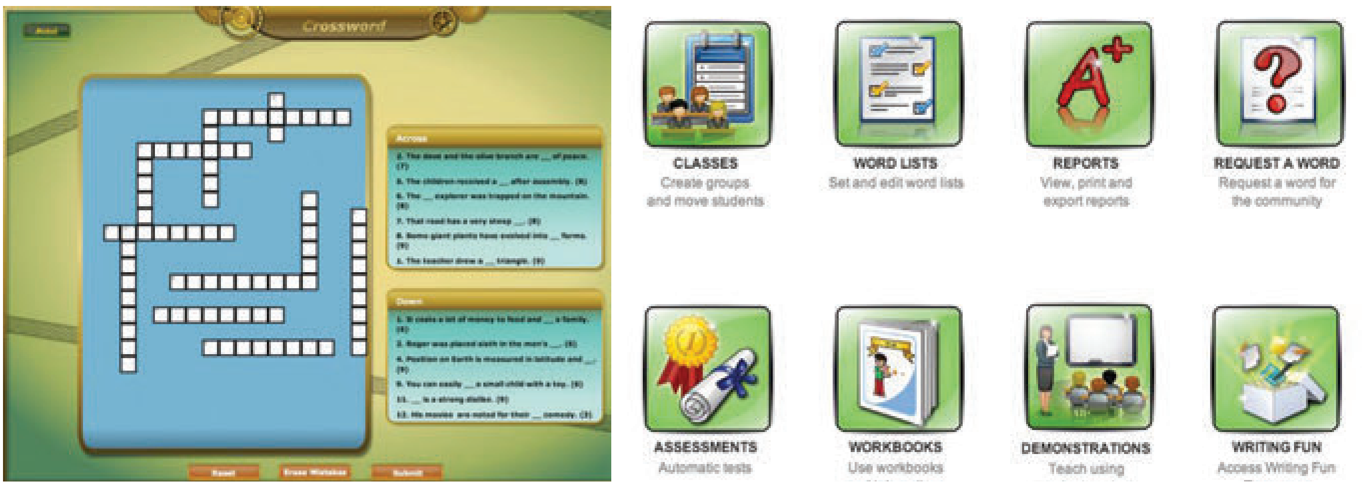
Reading Eggspress is suitable for students in grades 2-6 and is focused on building reading comprehension, improving spelling and literacy skills through hundreds of online activities and motivational games. Reading Eggspress provides access to a library of over 1,700 eBooks with associated activities.

Figure 3.5: Screenshots of Reading Eggs student user interfaces

3.2.3 Overview of Spellodrome

Spellodrome has been developed on the same cloud-based platform as Mathletics and is focused on spelling, writing and standardised testing. Spellodrome is highly configurable, with teachers able to set spelling words and lists to match a class and school's spelling programme. It also utilises a combination of word games and live competitions to increase student engagement and motivation.

Figure 3.6: Screenshots of Spellodrome student and teacher user interfaces



3.2.4 Overview of IntoScience

IntoScience is an online science product in early stage release, with grades 7-8 released in Australia. The product combines simulations, experiments, activities and quests through immersive environments to teach science concepts. Video content, games and reward systems are utilised to engage and motivate students. It is suitable for use on personal computers and tablets.

Figure 3.7: Screenshots of IntoScience student user interfaces

3.2.5 World Education Games

3P is the creator and host of the World Education Games. It is a substantial global event held every two years. The event brings together World Maths Day, World Literacy Day and World Science Day. In the March 2013 World Education Games, 5.1 million students from 231 countries and territories registered to take part. The event received widespread television, radio, internet and print coverage on all continents and has been an effective tool for familiarising a global audience with 3P. The next World Education Games is scheduled to be held in October 2015.

Students can participate as individuals or as part of an official school team. They compete online in live 60-second challenges of speed and skill through the course of the event. All students receive certificates and awards for their participation, with the top ten students in each age category and event receiving gold medals.

3P utilises its intellectual property and expertise to run the games. As well as raising the profile of 3P it has the potential to generate interest from new customers and sponsorship revenue.

3.2.6 Product features

3P's online education products are designed to:

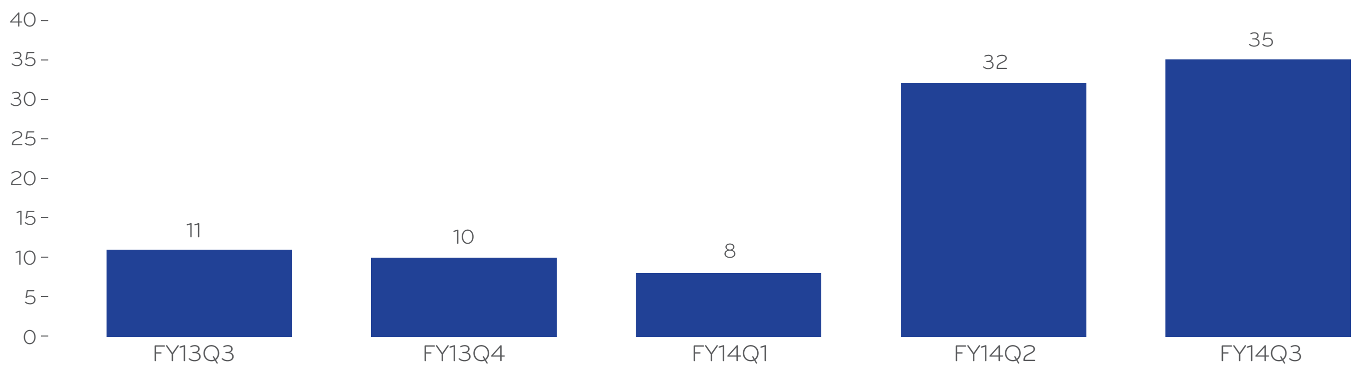
- improve students' results and ability to learn by providing a highly engaging and targeted learning experience;
- reduce the workload on teachers giving them more time to help their students; and
- enable learning which is personalised to individual students.

3.2.6.1 Engaging front-end for students

3P's products are designed to be engaging and targeted to help improve student results. A range of product features including age appropriate interfaces; interactive multi-media content; live competitions and effective learning motivators are utilised.

Product enhancements are released regularly in response to user feedback. Figure 3.8 demonstrates the number of enhancements released for Mathletics in the last five quarters. The last two quarters reflect a shift to Agile software development practices following the successful move to a new software and hardware platform.

Figure 3.8: Number of product releases



Source: 3P.

Analysis by 3P of the performance of students within Mathletics during the 2013 academic year, demonstrates that students, on average, improved by 19% when undertaking a set of adaptive questions. This overall improvement percentage was calculated by comparing a student's first result with their best result in each set of adaptive questions.

3.2.6.2 Powerful back-end tools for educators

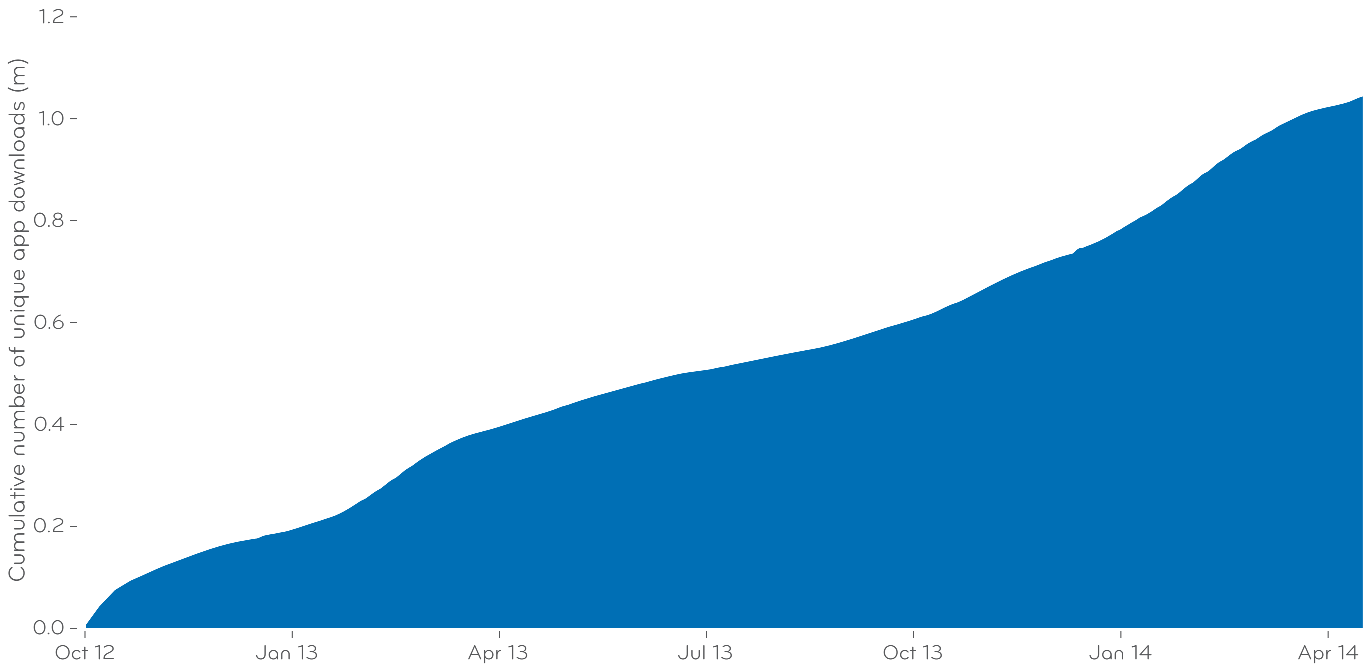
All of the 3P products provide a range of tools for educators, which are designed to maximise efficiency of teaching workstreams and provide flexibility to customise content. For example, 3P products provide educators with the ability to customise lesson plans for groups or individual students; divide classes into ability-based groups; automate marking; and generate reports based on the local curriculum. User designed courses can result in 3P products becoming embedded in teaching workflows. As at 30 April 2014 there were over 420,000 individual active learning groups within classes created by teachers and over 735,000 custom courses created by teachers.

3.2.6.3 Flexible cloud based platform

3P's proprietary global platform includes a number of features to help its products be more dynamic and scalable. For example, 3P's database of mathematics curricula links content from Mathletics to 40 regional, state and national curricula. 3P has also developed a language translation software tool to aid the entry into new markets.

In line with 3P's 'mobile first' development strategy, the software, database and hardware platforms are being progressively built around a core of code deployable to apps as well as across the internet. 3P has developed proprietary Mathletics apps for both students and teachers, and has over one million unique Mathletics tablet users. The student app enables students to access activities and live gaming from tablets, with activities dynamically downloaded according to a student's personalised course. In addition, teachers can access some key Mathletics functionality from tablets and smartphones. The teacher apps enable educators to access student results, assign students work, change students' courses and access eBooks.

Figure 3.9: Total new Mathletics app downloads



Source: 3P based on data generated from iTunes, Google Play and Amazon.

3.2.6.4 Industry awards

3P's products and the Company overall have recently been recognised by industry bodies through some high profile education industry awards in the United States, the United Kingdom and the Middle East.

Figure 3.10: Selected industry awards

Mathletics, eLearning Solution – 2014
(United States based award)

Mathletics, Best Secondary Years Resource – 2014
Reading Eggs, Best Early Years Resource – 2014
(Middle East based award)

3P Learning, ICT Company of the Year – 2014
(United Kingdom based award)

Mathletics, Academics Choice Award – 2014
Mathletics, Academics Choice Award – 2013
(United States based award)

Mathletics, ICT Exporter of the Year – 2012
(United Kingdom based award)

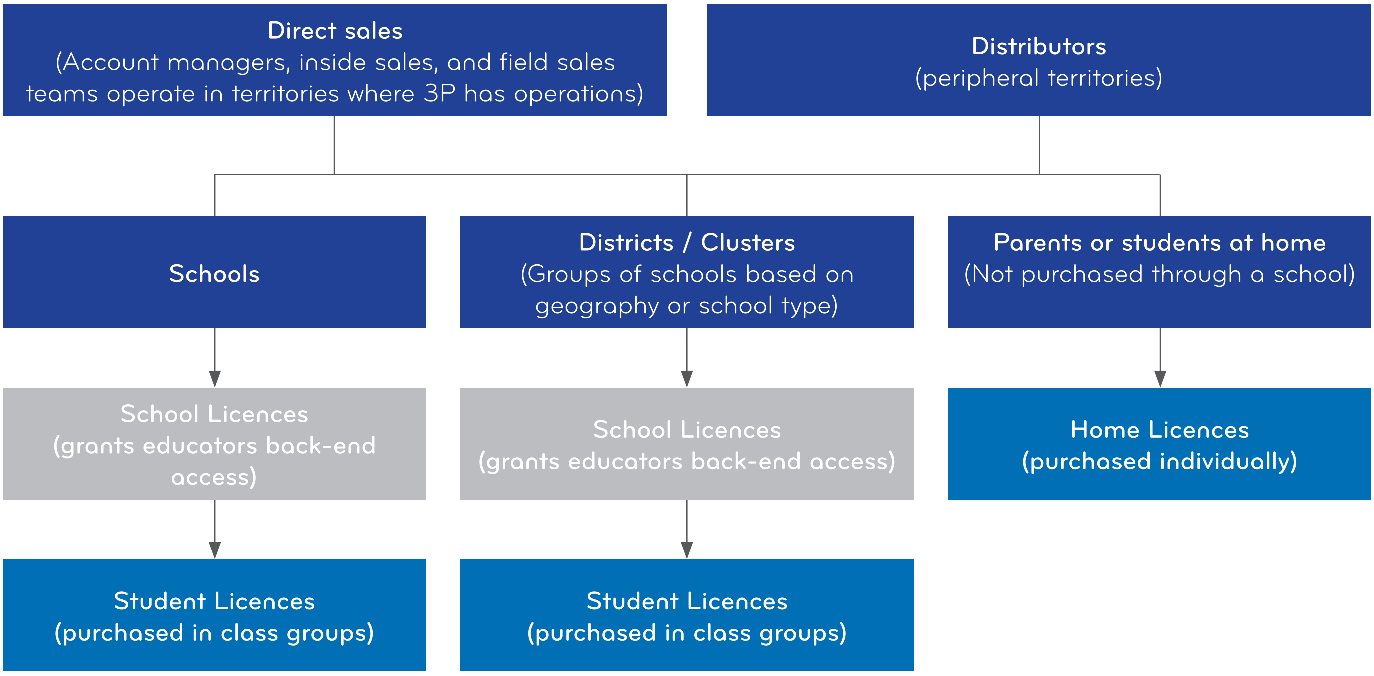
3.3 Business model

3.3.1 Revenue model

3P sells licences to schools and parents on a per student basis, typically for one year. Three main revenue streams are derived from 3P's products:

- Student Licences purchased by schools for students;
- Home Licences purchased by students or parents on behalf of students for use at home and not purchased through a school; and
- other revenue including sponsorship, copyright fees and royalty payments from distributors.

Figure 3.11: Derivation of revenue streams



Source: 3P.

Approximately 91% of 3P's revenue is estimated to be generated from Student Licences sold to schools.[1]
Home Licences, whilst not the core focus of the business, have been useful for referrals and leads into schools.

1 1 July 2013 – 30 June 2014, forecast by 3P.

Figure 3.12: Revenue segments

Schools	– Licence fee on Student Licences payable upfront and recognised per revenue recognition policy 4.2.2 – Net commission revenue on the sale of Reading Eggs Products licenses is recognised at the time of sale – Schools receive a discounted price when purchasing Student Licences, compared with the prices of Home Licences
Districts/ Clusters	– Groups of schools based on geography or school type – A longer sales cycle, but larger opportunities – Licence fee on Student Licences payable upfront and recognised per revenue recognition policy 4.2.2
Home	– One year licence fee payable upfront, recognised per revenue recognition policy 4.2.2 – Paid online by a home user or parent
Distributors/ Agents	– Provide local expertise in Hong Kong, Pakistan, South Africa and Mexico – Royalty fee received quarterly in arrears, revenue recognised over the term of the licence
Partners/ sponsorships	– Lump sum payments largely related to World Education Games, national competitions and other events

3P's sales teams focus on building relationships with schools and introducing them to 3P's products. When a school purchases 3P's products, they typically purchase Student Licences in class groups. Licences are then paid for upfront on a per student basis. Pricing varies depending on school type, contract duration and the level of adoption (i.e. full school or only certain grades).

The key drivers of 3P's revenue are (i) the number of school customers; (ii) the number of Student Licences purchased by schools; and (iii) the average price paid per Student Licence. Two key pillars underpin the number of school customers, namely the retention rate of existing school customers and the number of new school customers. 3P regularly monitors these drivers and employs a range of strategies to maximise retention of existing school customers; as well as identify, target and sell to new customers. In addition, 3P undertakes a range of initiatives to maximise the number of licences purchased by schools via upselling to more classes and grades as well as cross-selling across the portfolio of products.

3.3.2 Sales and marketing strategy

3P uses a combination of in-house direct sales teams and distribution partners.

Each in-house direct sales team consists of field sales and inside sales personnel who are focused on targeting new schools and lead generation across the four products; as well as account managers and customer service personnel who are focused on the renewal of existing licences and upselling and cross-selling products. 3P intends to place greater emphasis on inside sales which involves staff located in the office generating sales through web and telephone communications, rather than field sales that involve travelling to schools. This shift in focus is expected to increase the efficiency of the sales force.

3P's marketing team supports the sales force and also uses multiple channels to achieve direct sales including e-mail campaigns targeted around particular events (e.g. national assessments), search-engine optimisation, social media and traditional media. A multi-channel social media strategy is utilised to target different groups of stakeholders.

3.3.2.1 3P's distribution agreements

In the territories in which 3P has established obligations, 3P has agreements and arrangements in place with its subsidiaries to distribute its products in those territories.

3P currently licences its software through a small number of distribution agreements with third party distributors in territories outside of 3P's established operations. The distribution agreements in place represent a small proportion of the FY14 revenue, and a smaller proportion in the FY15 Forecast. See section 9.9.2 for details on these agreements.

3.3.2.2 Branding

3P has distinctive brands for the Company and each product.

3P protects its brands and online presence through a portfolio of trademarks and website domain names, which are registered in some of the key countries where it distributes its products.

3.3.3 Research and development approach

Most of 3P's product development for Mathletics, Spellodrome, IntoScience and the World Education Games is completed by its development teams in Australia and India.

3P's development process seeks to follow best practices in Agile software development and infrastructure design, following the scrum framework. The development team test functionality constantly, and a continuous integration method is utilised to build, test and report any errors found in real time. Integration testing is performed when code is committed to the source code repository to ensure that general product functions are not impacted. Prior to deployment, releases are tested in local, staging and pre-live environments. "VIP testing" is conducted for major feature releases, whereby a live release is provided to selected schools to ensure it operates effectively before it is released broadly.

3.4 Information technology infrastructure

3P's information technology platform includes multiple geographically dispersed data centres and separate sets of applications and infrastructure for products. Over the medium term, 3P expects its infrastructure requirements to be moved to public cloud services.

3P's information technology infrastructure is designed to eliminate as many single points of failure as possible via N+1 redundancy design patterns. The multi-data centre approach enables the Company to mitigate the impact of a failure within a data centre. Backups of databases are made weekly and tested for consistency.

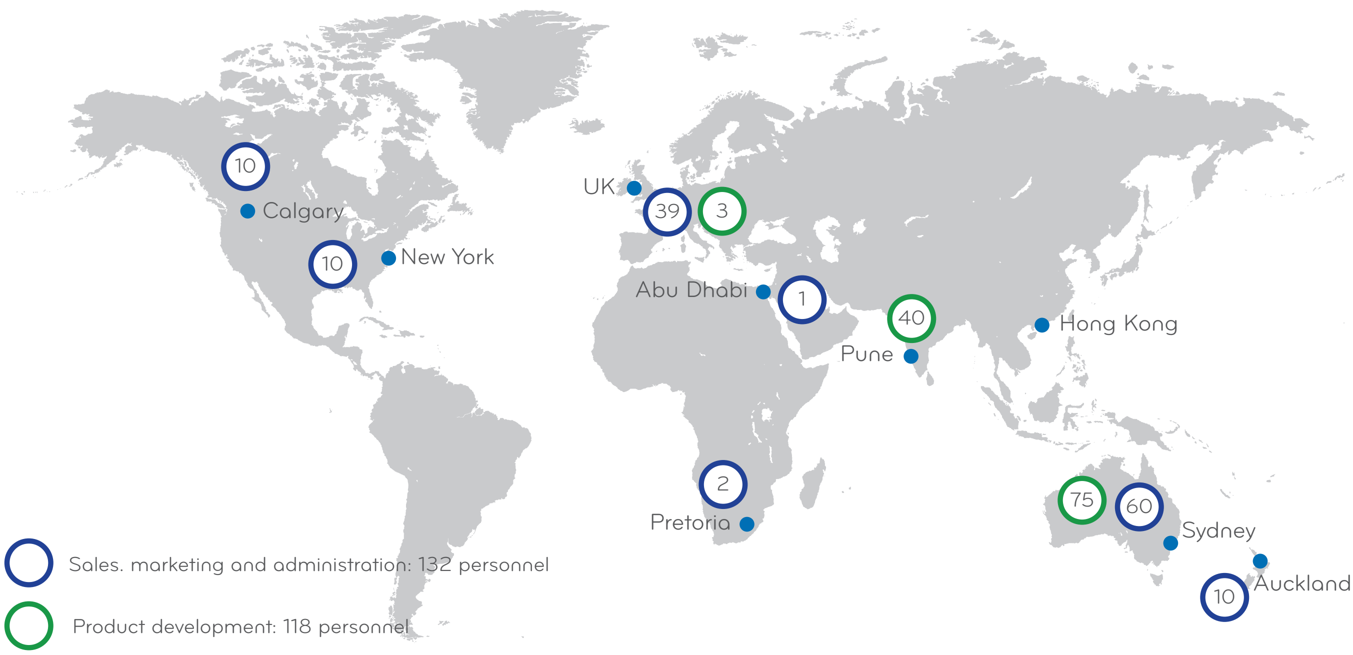
The 3P platform is scalable and equipped to support an increase in the number of Student Licences and Home Licences. The current system is designed to scale to 20 million users, with a concurrent capacity of approximately 100,000 users.

3.5 Employees

As at 31 March 2014, 3P had 250 employees.

There were 145 employees working in the Australian and New Zealand teams, 20 employees in the Americas and 45 employees across EMEA. 3P's Indian partnership employs 40 people.

Figure 3.13: Location of employees



Source: 3P, as at 31 March 2014.

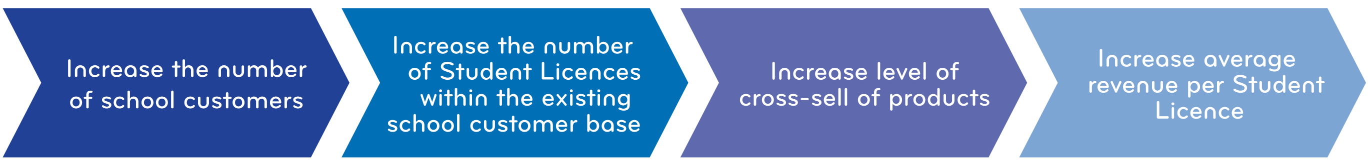
3.6 Growth strategy

The combination of 3P's quality products, global sales team and established position in a large and growing industry is expected to support 3P's ongoing growth. 3P's growth strategy is focused on retaining existing school customers and attracting new school customers. Continuing to deliver innovative technology for students and teachers is integral to this growth strategy. 3P intends to continue to increase the functionality of the products.

3P intends to continue to focus on organic growth in its operational territories. The particular strategic focus varies from territory to territory depending on the market share of 3P's products. In more recently entered markets, the main focus is to increase the penetration of Mathletics, particularly in schools which 3P perceives as influential. In more established markets, the focus is to achieve full school adoptions, cross-sell the portfolio of products and gradually increase average revenue per Student Licence. Figure 3.14 below illustrates the different phases of the organic growth strategy.

From time to time, 3P may consider acquisitions of online education companies or other related businesses if opportunities arise.

Figure 3.14: Phases of growth strategy



3.6.1 Increase the number of school customers

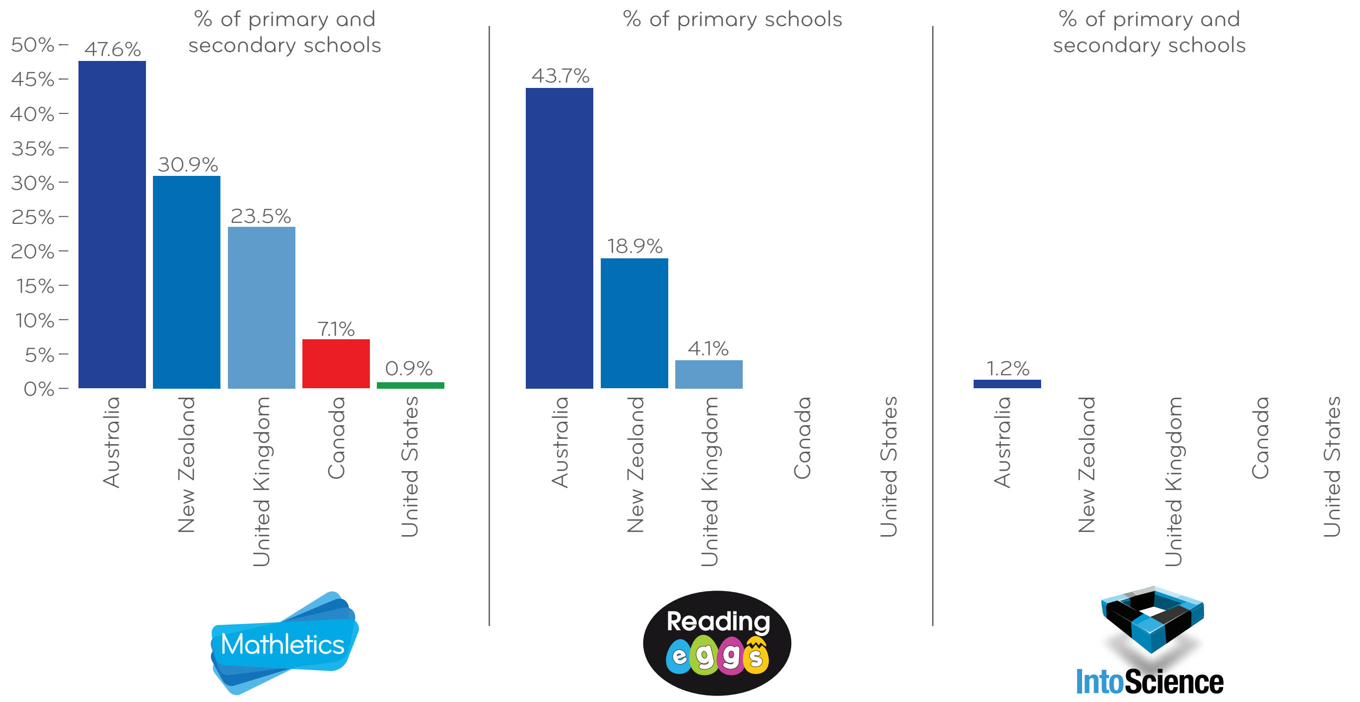
There is a growing market for 3P's products as schools seek to integrate technology into their teaching and learning practices. 3P works with schools on how to more broadly use technology as a framework from which to introduce 3P products to them. Given the breadth of assessment tools available in 3P's products, the Company undertakes marketing campaigns targeted around assessment periods to alleviate pressure on schools and students.

Acquisition of new schools in recently entered markets is oriented around targeting schools perceived by 3P to be influential, with the goal that their adoption cascades to other schools in the local region or school network.

3P's entry into new markets is also facilitated by hosting the World Education Games, which is useful for promoting its brands to a new audience. The translation of the products into multiple languages, such as Chinese and Arabic, would increase the size of 3P's addressable market.

The chart below outlines the current penetration of schools within 3P's main operational territories for each of 3P's products. The penetration of schools for Mathletics and IntoScience is a percentage of the total number of primary and secondary schools in the territory. The penetration of schools for Reading Eggs Products is based on the total number of primary schools in the territory.

Figure 3.15: Penetration of schools in 3P's operating territories (FY14 Forecast)

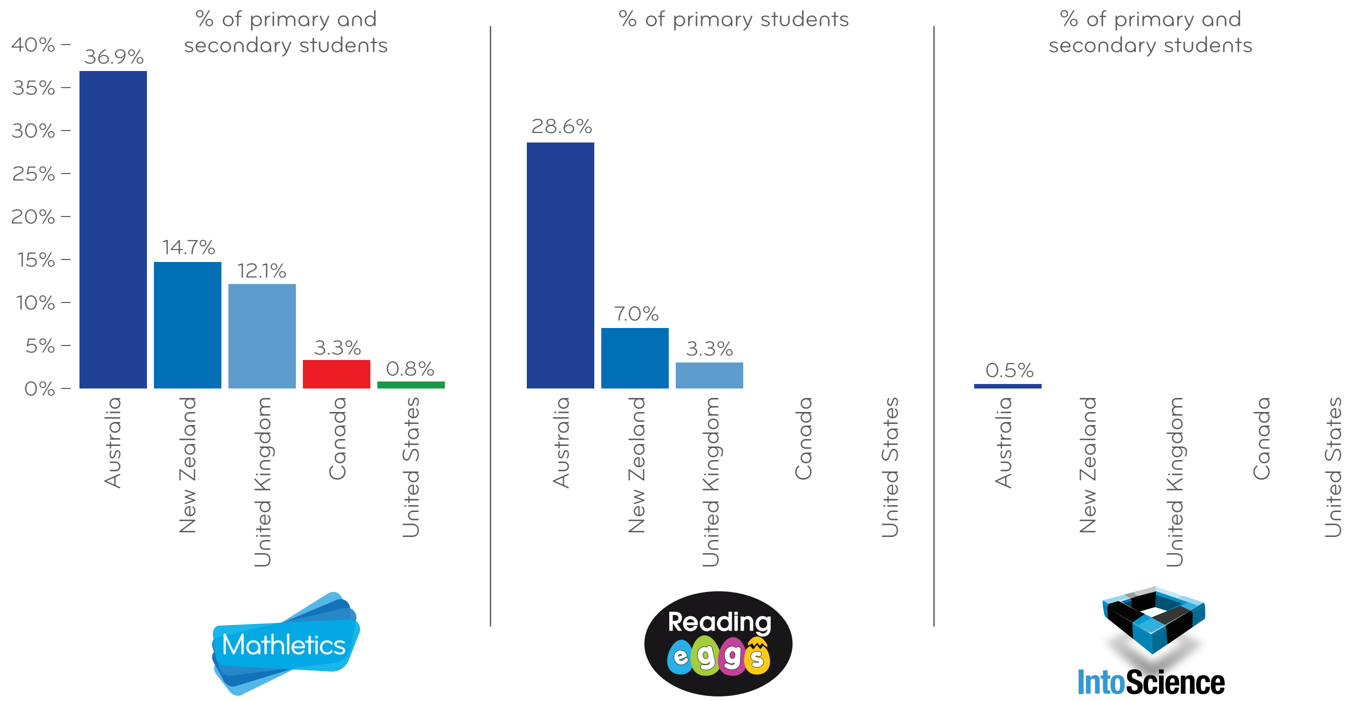


Source: 3P. Note shows penetration of Reading Eggs Products (including Reading Eggs and Reading Eggspress).

3.6.2 Increase the number of Student Licences within existing schools

3P has an opportunity to increase the number of Student Licences in schools where there are only a few classes or grades using 3P products. Some schools start by adopting one of 3P's products for only a few classes as they learn the best ways to utilise the technology before rolling it out more widely across the school. There are schools in 3P's operational territories that are at this early stage of adoption. 3P's market share by school numbers is higher than its market share of the student population, which provides an opportunity for growth through further penetration within schools. For example, in Australia Mathletics is utilised by 47.6% of schools and 36.9% of the student population, reflecting the fact the 47.6% of schools are not using Mathletics for all classes and grades.

Figure 3.16: Penetration of student population in 3P's operating territories (FY14 Forecast)



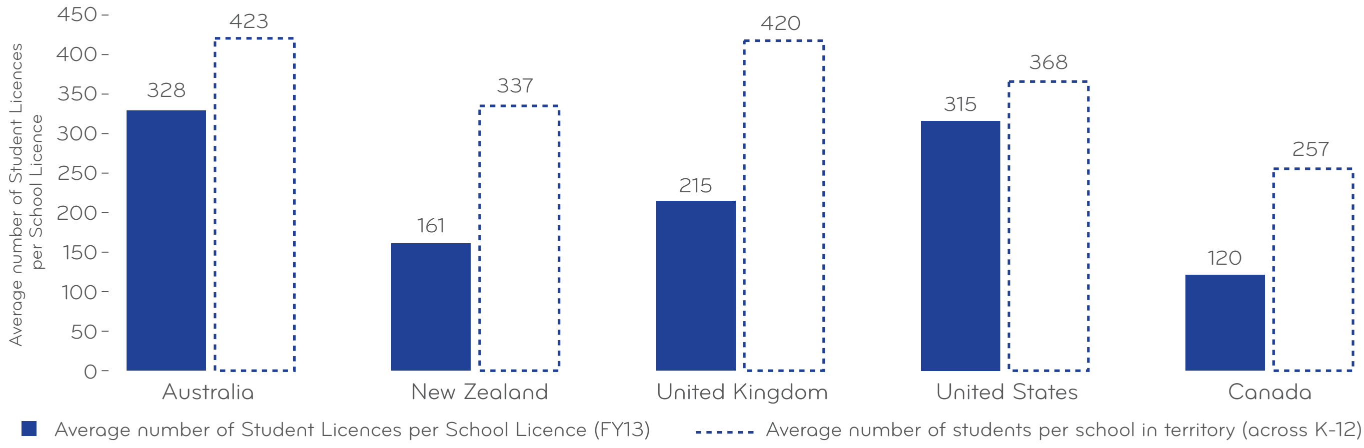
Source: Based on data from 3P Management and OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en. Note shows penetration of Reading Eggs Products (including Reading Eggs and Reading Eggspress).

3P has good relationships with a number of schools where it operates. 3P is focusing on strengthening these relationships in order to increase the number of Student Licences. 3P can leverage an existing presence in a school to promote adoption by more classes and school grades.

The movement of students up through grades from year to year yields some natural growth in Student Licences. The movement of teachers between schools can also have the same effect. Student Licences are more concentrated within students in school grades kindergarten to grade 8. Product enhancements and marketing initiatives for senior school grades represent an ongoing opportunity for 3P.

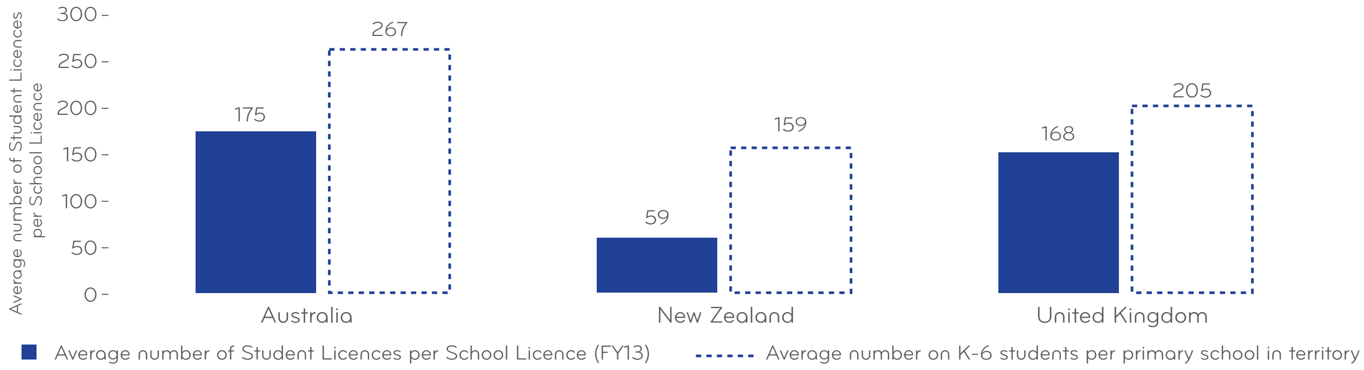
Growth in Student Licences can be achieved by expanding the target audience for the products. For example, producing content for more advanced students or releasing existing content in other languages.

Figure 3.17: Average number of Mathletics Student Licences per School Licence



Source: Based on data from 3P Management and OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en.
Note: Market data based on students across K-12 and total number of primary and secondary schools.

Figure 3.18: Average number of Reading Eggs Products Student Licences per School Licence



Source: Based on data from 3P Management and OECD (2013), Education at a Glance 2013: OECD Indicators, OECD Publishing http://dx.doi.org/10.1787/eag-2013-en.
Note: Market data based on students across K-6 and total number of primary schools.

3.6.3 Increase level of cross-sell of products

3P's growth has historically been led by the growth of Mathletics. This has now created an opportunity to cross-sell other 3P products to the existing school customer base.

Once 3P has established a strong presence in a territory, the Company's strategic focus generally shifts from growing the school customer base in that territory to cross-selling products that pair or bundle together. For example, numeracy and literacy products for primary schools pair strongly together as they are used by the same teachers.

The inclusion of some common features across 3P's products mean teachers develop a familiarity, which helps the cross-selling strategy.

3.6.4 Improve average revenue per Licence

3P believes it will be able to increase revenue in some schools by improving average revenue per Licence to reflect increased functionality, utility and continued product development. 3P's prices have historically been set at a level to grow market share, with average revenue per Licence of $7.82 in the FY14 Forecast. See section 4.7.1.1 for more detail on average revenue per Licence.

Section 4

Financial Information

4. Financial Information

4.1 Introduction

The financial information for 3P contained in this section 4 and Appendix C includes:

Historical financial information for 3P comprising the:

- Summary pro forma consolidated historical income statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 (**Pro Forma Historical Income Statements**);
- Summary statutory consolidated historical income statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 (**Statutory Historical Income Statements**) – see Appendix C;
- Summary pro forma consolidated historical cash flow statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 (**Pro Forma Historical Cash Flows**);
- Summary statutory consolidated historical cash flow statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 (**Statutory Historical Cash Flows**) – see Appendix C;
- Pro forma consolidated historical balance sheet as at 31 December 2013 (**Pro Forma Historical Balance Sheet**); and
- Statutory consolidated historical balance sheet as at 31 December 2013 (**Statutory Historical Balance Sheet**),

together the **Historical Financial Information**. The Pro Forma Historical Income Statements, Pro Forma Historical Cash Flows and Pro Forma Historical Balance Sheet are referred to as the **Pro Forma Historical Financial Information**. The Statutory Historical Income Statements, Statutory Historical Cash Flows and Statutory Historical Balance Sheet are referred to as the **Statutory Historical Financial Information**; and

Forecast financial information for 3P comprising the:

- Summary pro forma consolidated forecast income statements for FY14 and FY15 (**Pro Forma Forecast Income Statements**);
- Summary statutory consolidated forecast income statements for FY14 and FY15 (**Statutory Forecast Income Statements**);
- Summary pro forma consolidated forecast cash flow statements for FY14 and FY15 (**Pro Forma Forecast Cash Flows**); and
- Summary statutory consolidated forecast cash flow statements for FY14 and FY15 (**Statutory Forecast Cash Flows**),

together the **Forecast Financial Information**. The Pro Forma Forecast Income Statements and Pro Forma Forecast Cash Flows are referred to as the **Pro Forma Forecast Financial Information**. The Statutory Forecast Income Statements and Statutory Forecast Cash Flows are referred to as the **Statutory Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

All amounts disclosed in this section 4 and Appendix C are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1 million (with "0.0" representing amounts less than $50,000 and "-" representing nil).

In addition to Australian dollars, 3P earns part of its revenues, incurs part of its expenses and holds assets and liabilities in US$, GBP, C$, INR, ZAR and NZ$. Historical and forecast exchange rates are provided in section 4.8.2.

4.2 Basis of Preparation of the Financial Information

4.2.1 Background

The Statutory Historical Financial Information and Statutory Forecast Financial Information included in section 4 and Appendix C have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**). The Financial Information is presented in abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001. Significant accounting policies of 3P relevant to the Financial Information are noted in Appendix B.

Section 4 includes pro forma financial information which has been prepared to reflect 3P's financial performance and position as if accounting policies had been consistently applied over the historical period and with adjustments made for significant abnormal and/or non-recurring items including the impact of the Offer.

Section 4 also includes Forecast Financial Information which is based on the best estimate assumptions of 3P. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information.

The Pro Forma Historical Financial Information and the Forecast Financial Information have been prepared for the purpose of the Offer.

Ernst & Young Transaction Advisory Services Limited (**Ernst & Young Transaction Advisory Services**) has prepared an Independent Limited Assurance Report on the Financial Information which is contained in section 8. Investors should note the scope and limitations of the report.

Accounting policies

3P changed its accounting policy in respect of revenue recognition from 1 July 2013, as outlined in section 4.2.2. In all other respects, the accounting policies of 3P have been consistently applied throughout the periods presented.

From 1 July 2013, 3P assessed that certain costs incurred by the business met the capitalisation criteria under AASB 138 Intangible Assets and therefore were eligible for capitalisation. 1HFY14 financial information and the Forecast Financial Information incorporate this change in treatment of development costs.

Use of certain non-IFRS financial information

Certain financial measures included in this Prospectus may be considered non-IFRS financial information; these measures include Invoiced Billings, Invoiced EBITDA, EBITDA and EBIT. These are not statutory financial measures and are not presented in accordance with Australian Accounting Standards nor IFRS, nor audited or reviewed in accordance with Australian Auditing Standards.

Invoiced Billings and Invoiced EBITDA (as outlined in section 4.3.3) are representative of 3P's historical recognition of revenue prior to 1 July 2013 and are measures of the level of invoiced sales in the period. These metrics are used by management to measure the momentum of sales and the cash generating capacity of the business under normal invoice terms in the relevant financial period. EBITDA and EBIT are calculated by excluding some items which are included within the statutory net profit attributable to equity holders.

While 3P believes that these financial measures are useful in evaluating 3P's financial performance, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with Australian Accounting Standards and IFRS. These financial measures are not based on Australian Accounting Standards, therefore they do not have standard definitions, and the way 3P calculates these measures may differ from similarly titled measures used by other companies. Other companies, including companies within 3P's industry, may calculate Invoiced Billings, Invoiced EBITDA, EBITDA and EBIT differently or not at all, which reduces the usefulness of these metrics as comparative measures. Readers should therefore not place undue reliance on these financial measures.

Segment reporting

The geographic reporting segments are described in section 4.6 of this Prospectus. 3P considers that the geographic segments are appropriate for segment reporting purposes under AASB 8 Operating Segments. These segments comprise the following operations:

- Australia and New Zealand (comprising Australia, New Zealand and other Asia Pacific operations)
- Americas (comprising the United States, Canada and South America)
- EMEA (comprising the United Kingdom, Europe, Middle East and Africa)

4.2.2 Preparation of Historical Financial Information

The Historical Financial Information is presented on both a statutory and pro forma basis.

Statutory Historical Financial Information

The Statutory Historical Financial Information has been derived from 3P's audited consolidated special purpose financial statements for FY11, FY12 and FY13, and from reviewed half year financial statements for 1HFY14 which includes comparative financial information for 1HFY13. The Statutory Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, issued by the AASB, which are consistent with IFRS and interpretations issued by the IASB, and 3P's adopted accounting policies.

The FY11, FY12 and FY13 consolidated special purpose financial statements have been audited by Ernst & Young, who has issued unqualified audit opinions in respect of these periods. The 1HFY14 consolidated interim financial statements, which include comparative financial information for 1HFY13, have been reviewed by Ernst & Young, who has issued an unqualified review opinion. The basis of the Statutory Historical Financial Information is described in this section 4.2.2 and the Statutory Historical Financial Information is presented in Appendix C.

Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information described above and adjusted for the effects of the pro forma adjustments summarised below and detailed in sections 4.3.2, 4.4.1 and 4.5.2. It has been prepared in a manner consistent with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with IFRS and interpretations issued by the IASB, applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate.

Pro forma adjustments have been made to reflect the new revenue recognition policies adopted by 3P as if the new policies had been in place from 1 July 2010 and to adjust for significant abnormal and/or non-recurring items. Pro forma adjustments have been made to reflect the following new accounting policies:

- Licence revenue recognition: Revenue from Mathletics, Spellodrome and IntoScience is recognised as licence revenue. From 1 July 2013, 3P adopted a new licence revenue recognition policy to align with the announced release of a new International Financial Reporting Standard: IFRS 15 Revenue from Contracts with Customers in May 2014. This resulted in 3P recording revenue derived from the sale of Mathletics, Spellodrome and IntoScience licences over the licence period, rather than the historical treatment for licences of one year or less which had been to recognise revenue in full at the time of invoicing the customer.

- Commission revenue recognition: Revenue from Reading Eggs Products is recognised as net commission received. From 1 July 2013, 3P adopted a new commission revenue recognition policy. This resulted in 3P recognising revenue from the sales of Reading Eggs Products net of the royalty paid to Blake Group, rather than the historical treatment of Reading Eggs Product revenue which had been to recognise revenue as the gross amount billed to the customer and expensing the royalty payable to Blake Group as an operating expense. This change in policy results in a net reclassification of the royalty expense and has not changed the point of recognition of revenue, which is when 3P invoices the customer. As such, this change has not impacted reported profit across the historical period.

The Pro Forma Historical Financial Information and Statutory Historical Financial Information show consolidated NPAT which, although not material, includes the NPAT attributable to minority interests that existed in the historical period. Following Completion, 3P will own 100% of Into Science and approximately 60% of Mathletics LLP (India).

The pro forma adjustments are described in sections 4.3.2, 4.4.1 and 4.5.2. with the Pro Forma Historical Financial Information being set out in tables 4.1, 4.2, 4.5, 4.6, 4.7, 4.9 and 4.10. The relevant tax impact of pro forma adjustments has been reflected using the Australian statutory company income tax rate of 30%.

Section 4.3.2 reconciles the statutory historical revenue and NPAT to the pro forma historical revenue and NPAT. Section 4.4.1. reconciles the Statutory Historical Balance Sheet to the Pro Forma Historical Balance Sheet. Section 4.5.2 reconciles the statutory net cash flow before dividends to the pro forma net cash flow before dividends.

Investors should note that historical results are not a guarantee of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis.

The Forecast Financial Information has been prepared by 3P based on an assessment of current economic and operating conditions and on a number of best estimate assumptions regarding future events and actions as set out in sections 4.8.1 and 4.8.2. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Statutory Forecast Financial Information has been prepared on a basis consistent with the Statutory Historical Financial Information in that it has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with IFRS and interpretations issued by the IASB, and 3P's adopted accounting policies from 1 July 2013.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in sections 4.3.2, 4.4.1, and 4.5.2. It is prepared on a basis consistent with the Pro Forma Historical Financial Information in that it has been prepared in a manner consistent with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with IFRS and interpretations issued by the IASB and the events or transactions to which the pro forma adjustments relate, as described in sections 4.3.2, 4.4.1 and 4.5.2.

Key items which have been reflected in the Forecast Financial Information include the following:

- Capitalised Mathletics and Spellodrome development costs: Prior to 1 July 2013, 3P assessed that certain costs incurred by the business did not meet the capitalisation criteria under AASB 138 Intangible Assets. From 1 July 2013, 3P assessed that these costs did meet the capitalisation criteria under AASB 138 and therefore were eligible for capitalisation from this date. 3P has assumed that it will continue to meet the capitalisation criteria in the forecast period.
- Capitalised IntoScience development costs: Prior to 1 July 2013, 3P assessed that certain costs incurred by the business did not meet the capitalisation criteria under AASB 138 Intangible Assets. From 1 July 2013, 3P assessed that these costs did meet the capitalisation criteria under AASB 138 and therefore were eligible for capitalisation. 3P has assumed that it will continue to meet the capitalisation criteria in the forecast period.
- Into Science acquisition: In 2HFY14, 3P completed the acquisition of the 35% interest in Into Science that it did not own. The consideration and transaction costs associated with this acquisition and earnings contribution post the acquisition are reflected in the Statutory Forecast Financial Information. Acquisition consideration and transaction costs are included as pro forma adjustments.

- Whatiph acquisition: As outlined in section 9.8.3, 3P has an agreement to acquire 100% of the Whatiph business in South Africa. The consideration and transaction costs associated with this acquisition and earnings contribution post the acquisition are reflected in the Statutory Forecast Financial Information. Acquisition consideration and transaction costs are included as pro forma adjustments.
- Public company costs: From 1 July 2014, 3P has assumed additional expenses of $1.3 million (pre-tax) will be incurred in relation to operating as a public company. This includes the cost of additional corporate operations, Board costs and annual listing fees.

The Forecast Financial Information shows consolidated NPAT which includes NPAT attributable to minority interests. Post-Offer, 3P's only minority interest will reflect its 60% interest in Mathletics LLP (India), see section 9.3. This minority interest is not material.

Reconciliation of pro forma adjustments

The pro forma adjustments are described in sections 4.3.2, 4.4.1 and 4.5.2 with the Pro Forma Forecast Financial Information set out in tables 4.1, 4.2, 4.7, 4.9 and 4.10. Reconciliation of pro forma forecast revenue and NPAT to statutory forecast revenue and NPAT is provided in section 4.3.2, and reconciliation of pro forma forecast net cash flows before dividends to statutory forecast net cash flows before dividends is provided in section 4.5.2. The relevant tax impact of pro forma adjustments has been reflected using the Australian statutory company income tax rate of 30%.

3P believes the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact will differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or material negative effect on 3P's actual financial performance or cash flows. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of 3P, the Directors and management, and are not reliably predictable. Accordingly, none of 3P, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will occur.

The Forecast Financial Information should be read in conjunction with the specific assumptions as set out in section 4.8.2, the general assumptions as set out in section 4.8.1, the sensitivity analysis as set out in section 4.9, the risk factors as set out in section 5 and other information in this Prospectus.

3P has no intention to update or revise the Forecast Financial Information or other forward-looking statements regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.3 Consolidated historical and forecast income statements

4.3.1 Pro Forma Historical, Pro Forma Forecast and Statutory Forecast Income Statements

Table 4.1 below presents the Pro Forma Historical Income Statements for FY11, FY12, FY13, the Pro Forma Forecast Income Statements for FY14 and FY15 and the Statutory Forecast Income Statements for FY14 and FY15. Table 4.2 below presents the Pro Forma Historical Income Statements for 1HFY13 and 1HFY14.

Table 4.1: Pro Forma Historical Income Statements, Pro Forma Forecast Income Statements and Statutory Forecast Income Statements

		Pro forma historical			Pro forma forecast		Statutory forecast	
$m, June year end	Notes	FY11	FY12	FY13	FY14	FY15	FY14	FY15
Revenue	1	23.7	28.5	32.0	35.3	43.8	35.3	43.8
Employee expenses	2,3	(17.8)	(18.2)	(21.2)	(14.9)	(17.9)	(14.9)	(17.9)
Marketing expenses	4	(1.6)	(1.7)	(1.8)	(2.2)	(2.0)	(3.1)	(2.0)
Technology and occupancy expenses	5	(1.9)	(2.5)	(3.2)	(3.5)	(3.5)	(3.8)	(3.5)
Other expenses	6,7	(2.6)	(2.2)	(2.3)	(2.2)	(4.0)	(5.6)	(14.5)
EBITDA		**(0.1)**	**3.8**	**3.6**	**12.5**	**16.4**	**8.0**	**5.8**
Depreciation & amortisation	8	(0.7)	(1.3)	(1.3)	(2.0)	(3.0)	(2.0)	(3.0)
EBIT		**(0.8)**	**2.5**	**2.2**	**10.5**	**13.3**	**6.0**	**2.8**
Interest		0.1	0.3	0.3	0.2	0.5	0.2	0.5
Profit/(loss) before tax		**(0.7)**	**2.8**	**2.5**	**10.8**	**13.9**	**6.2**	**3.3**
Tax (expense)/benefit	9	(0.5)	(0.2)	0.2	(2.5)	(4.2)	(0.4)	(1.0)
NPAT	10	(1.2)	2.6	2.7	8.3	9.7	5.9	2.3

Table 4.2: Pro Forma Historical Income Statements for 1HFY13 and 1HFY14

$ million, December period end	Pro forma historical	
	1HFY13	1HFY14
Revenue	**12.7**	**15.2**
Employee expenses	(10.4)	(7.1)
Marketing expenses	(1.2)	(1.2)
Technology and occupancy expenses	(1.5)	(1.9)
Other expenses	(1.3)	(0.8)
EBITDA	**(1.7)**	**4.3**
Depreciation & amortisation	(0.8)	(0.8)
EBIT	**(2.5)**	**3.5**
Interest	0.0	0.2
Profit/(loss) before tax	**(2.5)**	**3.6**
Tax (expense)/benefit	0.9	(0.4)
NPAT	(1.6)	3.2

Notes:

1. Pro forma revenue reflects the impact of the new licence revenue recognition policy and commission revenue recognition policy as if it had been in place from 1 July 2010, as described in section 4.2.2. Pro forma historical revenue is reconciled to statutory historical revenue in section 4.3.2.
2. Employee expenses include a non-cash expense relating to employee share plans of $4.4 million and $1.4 million in FY11 and FY12, respectively. From August 2012, there has been no share based scheme nor is one expected in the forecast period.
3. Employee costs of $3.3 million, $6.5 million and $6.9 million related to product development were capitalised in 1HFY14, FY14 and FY15 respectively. See section 4.2.3 for further information.
4. In 1HFY14, a $0.3 million non-cash expense relating to a media campaign was incurred. This expense did not occur in any other historical period. The value of this media asset was written down to nil value at 31 December 2013. The write-off of this asset ($0.9 million) is included as a pro forma adjustment.
5. Technology and occupancy costs include rent and occupancy costs, hosting and data centre costs, and other technology licence fees.
6. The Statutory Forecast Financial Information includes Offer costs and costs relating to the acquisition of Into Science and Whatiph. Pro forma adjustments are made to eliminate the impact of these costs as described in section 4.3.2.
7. From 1 July 2014, 3P has assumed Other expenses will increase by an additional $1.3 million per annum in relation to additional costs required to operating as a public company.
8. Depreciation and amortisation is forecast to increase in FY14 to reflect amortisation of capitalised development costs. See note 3 above. Amortisation is expected to increase by an incremental $1.4 million per annum through FY18 as amortisation of development costs builds up over the five year life (assuming no material change in the level of development activity).
9. Tax expense in FY14 is expected to be less than 30% due to expected research and development tax concession claims of $0.7 million.
10. Pro forma NPAT is reconciled to statutory NPAT in section 4.3.2.

4.3.2 Pro forma adjustments to the Statutory Historical Income Statements and Statutory Forecast Income Statements

The tables below set out the pro forma adjustments to statutory historical and statutory forecast revenue and NPAT to reflect changes in accounting policies and adjustments for significant abnormal and/or non-recurring items. These adjustments are summarised below.

Table 4.3: Reconciliation of statutory historical and forecast revenue to pro forma historical and forecast revenue

		Historical financial information			Forecast financial information		Historical financial information	
$m	Notes	FY11	FY12	FY13	FY14	FY15	1HFY13	1HFY14
Statutory revenue		29.3	33.4	37.2	35.3	43.8	8.5	15.2
Licence revenue recognition	1	(3.6)	(1.9)	(2.3)	–	–	4.9	–
Commission revenue recognition	2	–	(1.5)	(2.9)	–	–	(0.7)	–
US distribution model	3	(1.9)	(1.5)	–	–	–	–	–
Pro forma revenue		23.7	28.5	32.0	35.3	43.8	12.7	15.2

Table 4.4: Reconciliation of statutory historical and forecast NPAT to pro forma historical and forecast NPAT

		Historical financial information			Forecast financial information		Historical financial information	
$m	Notes	FY11	FY12	FY13	FY14	FY15	1HFY13	1HFY14
Statutory NPAT		2.7	5.0	4.0	5.9	2.3	(5.0)	2.3
Licence revenue recognition	1	(3.6)	(1.9)	(2.3)	–	–	4.9	–
US distribution model	3	(1.9)	(1.5)	–	–	–	–	–
Corporate restructure	4	–	–	0.5	–	–	–	–
Asset write-down	5	–	–	–	0.9	–	–	0.9
Lease make good provision	6	–	–	–	0.3	–	–	0.3
Acquisition of Into Science	7	–	–	–	0.1	–	–	–
Acquisition of Whatiph	8	–	–	–	0.1	–	–	–
IPO costs expensed	9	–	–	–	3.1	10.5	–	–
Tax effect	7,10	1.7	1.0	0.5	(2.2)	(3.2)	(1.5)	(0.4)
Pro forma NPAT		(1.2)	2.6	2.7	8.3	9.7	(1.6)	3.2

Notes:

1. Licence revenue recognition: This adjustment reflects the impact of the new licence revenue recognition policy adopted by 3P from 1 July 2013, as described in section 4.2.2, as if it had been in place from 1 July 2010. This change in policy impacts revenue and NPAT.
2. Commission revenue recognition: This adjustment reflects the impact of the new commission revenue recognition policy (which applies to Reading Eggs) adopted by 3P from 1 July 2013, as described in section 4.2.2, as if it had been in place from 1 July 2010. This change in policy impacts revenue only as it results in a reclassification of the royalty expense payable to Blake Group reflecting net commission received. Refer to section 4.2.2. This change in policy does not change the point of recognition of revenue. 3P began selling Reading Eggs Products in FY12 therefore there is no impact in FY11.

3. US distribution model: In FY12, 3P discontinued an arrangement with a third party to distribute a modified version of Mathletics to government schools under a different brand in the United States. An adjustment has been made to remove the revenue related to this US distribution agreement as it is non-recurring.
4. Corporate restructure: As part of a restructure in FY13, a number of employees were made redundant. Redundancy payments were made to the departing staff. An adjustment has been made to remove the impact of the redundancy payments as this restructure was a one-off event.
5. Asset write-down: In 1HFY14, management reassessed the value of a marketing contra asset that 3P held with an Australian media company. Based on results of recent advertising campaigns, 3P determined this asset had nil value and it was written off at 31 December 2013. An adjustment has been made to remove the non-cash impact of this write-off as this was a one-off event.
6. Lease make-good provision: In 1HFY14, management determined that lease make good liabilities exist within the eight premises that are occupied by the Group and a provision was made. An adjustment has been made for the increase in the provision that does not relate to the FY14 period as this is a one-off event.
7. Acquisition of Into Science: In 2HFY14, 3P acquired the remaining 35% of Into Science that it did not own and incurred transaction-related professional fee expenses of $0.1 million. In addition, 3P expects to recognise a deferred tax asset of $0.8 million as prior year income tax losses become available to the Group. This amount is recognised through tax expense (see note 10). An adjustment has been made for these items as the acquisition was a one-off event. See section 9.8.2 for further details of the Into Science acquisition.
8. Acquisition of Whatiph: In 2HFY14, 3P agreed to acquire the business, assets and liabilities of Whatiph and incurred transaction-related professional fee expenses of $0.1 million. An adjustment has been made for this expense as it was a one-off event. See section 9.8.3 for further details of the Whatiph acquisition.
9. IPO costs expensed: Total costs of the Offer are forecast to be $14.8 million, of which $13.7 million is forecast to be expensed. The remaining $1.1 million of Offer costs are expected to be capitalised. As the Offer is expected to complete in July 2014, that portion of the expensed Offer costs that are contingent on Completion or are expected to be incurred in FY15 ($10.5 million) are forecast to be expensed in FY15. The remainder are forecast to be expensed in FY14. Adjustments have been made for this expense in FY14 and FY15 as the Offer is a one-off event.
10. Tax effect: The tax impact of the above pro forma adjustments has been included using the Australian statutory company income tax rate of 30% and reflected as an additional adjustment. Also included is an adjustment to eliminate the positive tax impact of the $0.8 million Into Science tax losses as this is a one-off item (see note 7).

4.3.3 Invoiced Billings, Invoiced EBITDA and net cash flow before dividends

To provide investors with additional information regarding 3P's financial results, 3P has disclosed within this Prospectus a number of non-IFRS financial measures including Invoiced Billings and Invoiced EBITDA. This has been presented based on the pro forma financial information.

A reconciliation of these non-IFRS financial measures to IFRS information has been provided as follows:

- Statutory revenue to Invoiced Billings
- Pro forma EBITDA to Invoiced EBITDA
- Invoiced EBITDA to net cash flow before dividends (as per section 4.5.1).

While 3P believe that these additional non-IFRS measures are useful in evaluating the 3P business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with IFRS. Other companies, including companies within 3P's industry, may calculate Invoiced Billings and Invoiced EBITDA differently or not at all, which reduces the usefulness of the metrics as comparative measures.

Given the aforementioned limitations, investors should consider Invoiced Billings and Invoiced EBITDA alongside other IFRS financial performance measures, including the Statutory Historical and Statutory Forecast Financial Information presented in this Prospectus.

Invoiced Billings

The licence revenue recognition policy adopted from 1 July 2013 as outlined in section 4.2.2 resulted in 3P recording the revenue derived from its key products over the licence period (typically over 12 months from the date the licence is initiated), rather than the historical treatment for licences of one year or less which had been to recognise revenue in full at the time of invoicing the customer.

The Invoiced Billings metric outlined below is representative of 3P's historical treatment of revenue prior to 1 July 2013 and is a measure of the level of invoiced sales in the period. This metric is used by management to measure the momentum of sales and the cash received from customers under normal invoice payment terms. Invoiced Billings is presented on a pro forma basis and includes the pro forma adjustments described in section 4.3.2.

The difference between Invoiced Billings and pro forma revenue equals the change in deferred revenue. Change in deferred revenue reflects the movement in the deferred revenue balance from year to year and aligns with the licence revenue recognition adjustment amounts in the reconciliation of statutory revenue to pro forma revenue.

Table 4.5: Invoiced Billings and reconciliation of statutory revenue to Invoiced Billings

	Historical financial information			Forecast financial information		Historical financial information	
$m	FY11	FY12	FY13	FY14	FY15	1HFY13	1HFY14
Statutory revenue	29.3	33.4	37.2	35.3	43.8	8.5	15.2
Licence revenue recognition	(3.6)	(1.9)	(2.3)	–	–	4.9	–
Commission revenue recognition	–	(1.5)	(2.9)	–	–	(0.7)	–
US distribution model	(1.9)	(1.5)	–	–	–	–	–
Pro forma revenue	23.7	28.5	32.0	35.3	43.8	12.7	15.2
Change in deferred revenue	3.6	1.9	2.3	3.1	5.8	(4.9)	(5.6)
Invoiced Billings	27.3	30.4	34.3	38.4	49.6	7.8	9.6

Invoiced EBITDA

The Invoiced EBITDA metric outlined below is representative of 3P's historical treatment of revenue prior to 1 July 2013. This metric more closely aligns to the momentum of sales and the cash received from customers in the relevant financial period and has been provided to investors and others so as to provide a view on the cash generation capacity of the Company under normal invoice payment terms. Invoiced EBITDA is presented on a pro forma basis and includes the pro forma adjustments described in section 4.3.2. The difference between Invoiced EBITDA and pro forma EBITDA equals the change in deferred revenue. Change in deferred revenue reflects the movement in the deferred revenue balance from year to year and aligns with the licence revenue recognition adjustment included in the reconciliation of statutory revenue to pro forma revenue.

Invoiced EBITDA is reconciled to pro forma net cash flow before dividends as outlined below and reconciles with the pro forma net cash flow figures outlined in section 4.5.1.

Table 4.6: Invoiced EBITDA and reconciliation of pro forma EBITDA to Invoiced EBITDA and net cash flow before dividends

$m	Notes	Pro forma historical			Pro forma forecast		Pro forma historical	
		FY11	FY12	FY13	FY14	FY15	1HFY13	1HFY14
Pro forma EBITDA	1	**(0.1)**	**3.8**	**3.6**	**12.5**	**16.4**	**(1.7)**	**4.3**
Change in deferred revenue	2	3.6	1.9	2.3	3.1	5.8	(4.9)	(5.6)
Invoiced EBITDA		**3.5**	**5.8**	**5.8**	**15.6**	**22.2**	**(6.6)**	**(1.3)**
Capitalised Mathletics and Spellodrome development costs	3	–	–	–	(4.9)	(5.5)	–	(2.5)
Capitalised IntoScience development costs	3	–	–	–	(1.6)	(1.4)	–	(0.8)
Other capital expenditure		(1.8)	(1.5)	(0.6)	(0.2)	(0.7)	(0.4)	(0.2)
Non-cash expenses		4.5	1.0	0.1	0.1	0.0	(0.1)	0.2
Change in working capital (excluding change in deferred revenue)	2	(0.7)	0.8	(0.8)	(0.8)	(1.8)	(0.3)	1.1
Interest received		0.2	0.4	0.4	0.3	0.5	0.2	0.2
Net interest and principal paid		(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.1)	(0.1)
Income tax (paid)/refunded		(1.4)	(2.6)	(2.8)	(1.0)	(3.2)	(0.2)	0.1
Short term deposits		–	–	(2.0)	–	–	(0.3)	–
Net cash flows before dividends (as per section 4.5.1)	1	**4.2**	**3.6**	**(0.1)**	**7.1**	**9.8**	**(7.8)**	**(3.3)**

Notes:

1. Further explanation regarding pro forma EBITDA and net cash flows before dividends is outlined in sections 4.5.2 and 4.7.
2. Change in working capital (excluding change in deferred revenue) represents the difference between the change in working capital presented in the pro forma cash flow statements in section 4.5.1 less the change in deferred revenue relating to the change in licence revenue recognition.
3. Capitalised Mathletics and Spellodrome development costs, and capitalised IntoScience development costs, as outlined in section 4.2.3, are provided as a consolidated amount in section 4.5.1.

4.4 Consolidated historical balance sheets

4.4.1 Statutory Historical and Pro Forma Historical Balance Sheets

Table 4.7 below sets out the Statutory Historical Balance Sheet, the pro forma adjustments that have been made to the Statutory Historical Balance Sheet and the Pro Forma Historical Balance Sheet as at 31 December 2013. The pro forma adjustments reflect the acquisition of Into Science and Whatiph, the pre-IPO dividend and the impact of the Offer as if they had occurred at 31 December 2013.

The Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of 3P's view of its future financial position.

Table 4.7: Statutory Historical Balance Sheet, pro forma adjustments and Pro Forma Historical Balance Sheet as at 31 December 2013

$m, December year end	Notes	Reviewed Statutory historical Balance Sheet	Acquisitions and Pre-IPO events[1,2]	Impact of the Offer[3]	Pro Forma historical Balance Sheet
Cash and cash equivalents		11.2	(15.2)	8.7	4.8
Trade and other receivables		4.9	–	–	4.9
Income tax receivable		2.7	–	–	2.7
Other current assets		2.4	–	–	2.4
Total current assets		**21.3**	**(15.2)**	**8.7**	**14.8**
Property, plant and equipment		1.5	–	–	1.5
Deferred tax assets	4	3.7	0.8	4.4	8.9
Intangibles and goodwill	5	6.4	2.9	–	9.3
Total non-current assets		**11.6**	**3.7**	**4.4**	**19.8**
Total assets		**32.9**	**(11.5)**	**13.1**	**34.6**
Trade and other payables		2.7	–	–	2.7
Income tax payable		0.8	–	–	0.8
Deferred revenue	6	9.5	–	–	9.5
Other liabilities	7	0.2	–	–	0.2
Total current liabilities		**13.3**	**–**	**–**	**13.3**
Provisions		1.0	–	–	1.0
Deferred revenue		0.2	–	–	0.2
Other liabilities	7	0.2	0.6	–	0.8
Total long term liabilities		**1.4**	**0.6**	**–**	**2.0**
Total liabilities		**14.7**	**0.6**	**–**	**15.3**
Net assets		**18.2**	**(12.1)**	**13.1**	**19.3**
Contributed equity		2.4	–	22.7	25.1
Retained earnings		6.9	(11.7)	(9.6)	(14.3)
Foreign currency translation reserves		0.6	–	–	0.6
Share based payment reserves	8	7.9	–	–	7.9
Non-controlling interest		0.4	(0.4)	–	–
Total equity		**18.2**	**(12.1)**	**13.1**	**19.3**

Notes:

1. Pre-IPO dividend: 3P intends to pay a dividend of $12.5 million in July 2014 as outlined in section 7.1.4, reducing cash and reducing retained earnings.
2. Acquisition of Into Science and Whatiph: 3P has agreed to acquire Into Science for $1.4 million and agreed to acquire Whatiph for $1.3 million plus a potential earn out of up to $0.6 million which would become payable in equal $0.3 million instalments in FY16 and FY17. The acquisition consideration totalling $2.7 million is to be paid in cash (reducing cash), and the earn out is recognised as a liability in Other liabilities. Goodwill arising from the acquisitions equals $2.9 million being $1.0 million from Into Science and $1.9 million from Whatiph.

The remainder of the Into Science consideration ($0.4 million) results in the elimination of the pre-existing non-controlling interest. 3P also expects to recognise a deferred tax asset of $0.8 million relating to carry forward tax losses, which also increases retained earnings.

3. Impact of the Offer: 3P intends to raise $23.5 million in new equity less forecast Offer costs of $14.8 million for a net cash increase from the Offer of $8.7 million. $13.7 million of Offer costs are forecast to be expensed and $1.1 million are forecast to be capitalised. Contributed equity of $22.7 million is the net of new equity raised of $23.5 million less capitalised Offer costs of $1.1 million ($0.8 million net of tax). Retained earnings impact of $9.6 million equals Offer costs expensed of $13.7 million less that portion of the deferred tax that relates to expensed Offer costs ($4.1 million).
4. Deferred tax assets increased from $0.7 million at 30 June 2013 to $3.7 million at 31 December 2013. This is primarily due to the impact of deferred revenue recognised as assessable income upon receipt for tax purposes. The remaining amount reflects accrued expenses and provisions which are deductible in future years.
5. Intangibles and goodwill increased from $3.7 million at 30 June 2013 to $6.4 million at 31 December 2013 primarily due to $3.1 million of development costs (net of amortisation) that were capitalised in the six months to 31 December 2013.
6. Deferred revenue increased from $0.4 million at 30 June 2013 to $9.7 million at 31 December 2013 following the adoption of the new revenue recognition policy from 1 July 2013; 7. Other liabilities includes amounts owing under hire purchase obligations of $0.4 million; 8. Share based payment reserve relates to a share plan for employees. This plan is to be closed off as part of the IPO arrangements.

3P expects that it will have sufficient cash to fund its operational requirements and business needs following the Offer and through the period of the Forecast Financial Information having regard to the Pro Forma and Statutory Forecast Cash Flows (as outlined in section 4.5 and Appendix C) and proceeds from the Offer.

3P expects that it will have cash and cash equivalents of $15.2 million at Completion, representing $4.8 million of cash and cash equivalents at 31 December 2013 (as per the Pro Forma Historical Balance Sheet above) and the forecast statutory cash flow between 1 January 2014 and Completion of $10.4 million.

Note: Forecast cash flow from 1 January 2014 to Completion excludes cash flow relating to consideration for the acquisition of Into Science ($1.4 million) which is included in the opening cash balance as per the Pro Forma Balance Sheet as at 31 December 2013.

Forward looking statements should be read in conjunction with the assumptions as set out in sections 4.8.1 and 4.8.2, the sensitivity analysis set out in section 4.9, and the risk factors set out in section 5 and other information in this Prospectus.

4.5 Consolidated cash flow statements

4.5.1 Pro Forma Historical, Pro Forma Forecast and Statutory Forecast Cash Flows

Table 4.9 below presents the Pro Forma Historical Cash Flows for FY11, FY12, FY13, the Pro Forma Forecast Cash Flows for FY14 and FY15 and the Statutory Forecast Cash Flows for FY14 and FY15. Table 4.10 below presents the Pro Forma Historical Cash Flows for 1HFY13 and 1HFY14.

Table 4.9: Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

		Pro forma historical			Pro forma forecast		Statutory forecast	
$m, June year end	Notes	FY11	FY12	FY13	FY14	FY15	FY14	FY15
EBITDA	1	(0.1)	3.8	3.6	12.5	16.4	8.0	5.8
Non-cash expense		4.5	1.0	0.1	0.1	0.0	0.1	0.0
Change in working capital		3.0	2.7	1.5	2.3	4.0	6.8	0.7
Operating free cash flow before capital expenditure		**7.3**	**7.5**	**5.1**	**14.9**	**20.4**	**14.9**	**6.5**
Purchase of PP&E		(0.8)	(0.4)	(0.6)	(0.2)	(0.7)	(0.2)	(0.7)
Purchase of intangible assets	2	(0.9)	(1.1)	(0.0)	(6.5)	(6.9)	(7.9)	(8.2)
Operating free cash flow after capital expenditure		**5.6**	**6.0**	**4.5**	**8.1**	**12.8**	**6.7**	**(2.4)**
Interest received		0.2	0.4	0.4	0.3	0.5	0.3	0.5
Net interest and principal paid	3	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Income tax (paid)/refunded	4	(1.4)	(2.6)	(2.8)	(1.0)	(3.2)	(0.8)	(2.3)
Short term deposits		–	–	(2.0)	–	–	–	–
Proceeds from the issue of shares		–	–	–	–	–	–	23.5
Share issue costs		–	–	–	–	–	–	(1.1)
Net cash flows before dividends	5	4.2	3.6	(0.1)	7.1	9.8	5.9	17.8

Table 4.10: Pro Forma Historical Cash Flows for 1HFY13 and 1HFY14

$m, June year end	Notes	Pro forma historical 1HFY13	Pro forma historical 1HFY14
EBITDA	1	(1.7)	4.3
Non-cash expense		(0.1)	0.2
Change in working capital		(5.2)	(4.5)
Operating free cash flow before capital expenditure		**(7.0)**	**0.0**
Purchase of PP&E		(0.4)	(0.2)
Purchase of intangible assets	2	–	(3.3)
Operating free cash flow after capital expenditure		**(7.3)**	**(3.5)**
Interest received		0.2	0.2
Net interest and principal paid		(0.1)	(0.1)
Income tax (paid)/refunded		(0.2)	0.1
Short term deposits		(0.3)	(0.0)
Proceeds from the issue of shares		–	–
Share issue costs		–	–
Net cash flows before dividends	5	**(7.8)**	**(3.3)**

Notes:

1. See section 4.3.1 for information regarding EBITDA.
2. Purchase of intangible assets includes capitalisation of development costs from 1 July 2013 of $3.3 million, $6.5 million and $6.9 million in 1HFY14, FY14 and FY15, respectively, and the purchase consideration for Into Science ($1.4 million in FY14) and Whatiph ($1.3 million in FY15).
3. In FY13, 3P paid $0.03 million of interest and repaid $0.25 million of principal relating to hire purchase contracts.
4. Income tax paid decreased from $2.8 million to $1.0 million primarily due to the tax refund received in FY14 in respect of Australian research and development tax concessions claimed in respect of FY13.
5. The pro forma net cash flows before dividends has been reconciled to the statutory net cash flows before dividends in section 4.5.2.

4.5.2 Pro forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows

Table 4.11 below sets out the pro forma adjustments to statutory historical and statutory forecast net cash flows before dividends to reflect the new revenue recognition policies as if the new policies had been in place from 1 July 2010 and to adjust for significant abnormal and/or non-recurring items.

Table 4.11: Pro Forma Historical Cash Flows for FY11, FY12 and FY13, Pro Forma Forecast Cash Flows for FY14 and FY15 and Statutory Forecast Cash Flows for FY14 and FY15

		Historical cash flows			Forecast cash flows		Historical cash flows	
$m, June year end	Notes	FY11	FY12	FY13	FY14	FY15	1HFY13	1HFY14
Statutory net cash flows before dividends		5.6	4.6	(0.5)	5.9	17.8	(7.8)	(3.3)
US distribution model	1	(1.9)	(1.5)	–	–	–	–	–
Corporate restructure	2	–	–	0.5	–	–	–	–
Acquisition of Into Science	3	–	–	–	1.4	0.1	–	–
Acquisition of Whatiph	4	–	–	–	–	1.4	–	–
Impact of the Offer	5	–	–	–	–	(8.7)	–	–
Tax effect	6	0.6	0.5	(0.1)	(0.2)	(0.9)	–	–
Pro forma net cash flows before dividends	7	4.2	3.6	(0.1)	7.1	9.8	(7.8)	(3.3)

Notes:

1. US distribution model: In FY12, 3P discontinued an arrangement with a third party to distribute a modified version of Mathletics to government schools under a different brand in the United States. An adjustment has been made to remove the cash revenue related to this US distribution agreement as it was non-recurring.
2. Corporate restructure: As part of a restructure in FY13, a number of employees were made redundant. Redundancy payments were made to the departing staff. An adjustment has been made to remove the impact of the redundancy payments as this restructure was a one-off event.
3. Acquisition of Into Science: In 2HFY14, 3P acquired the remaining 35% of Into Science for $1.4 million. Transaction costs of $0.1 million are forecast to be paid in FY15. An adjustment has been made for these items as the acquisition was a one-off event. See section 9.8.2 for further details of the Into Science acquisition.
4. Acquisition of Whatiph: In 2HFY14, 3P agreed to acquire the business, assets and liabilities of Whatiph for $1.3 million. This amount along with $0.1 million of transaction costs are forecast to be paid in FY15. An adjustment has been made for these items as the acquisition is a one-off event. See section 9.8.3 for further details of the Whatiph acquisition.
5. Impact of the Offer: 3P intends to raise $23.5 million in new equity less forecast Offer costs of $14.8 million for a net cash increase of $8.7 million. An adjustment has been made for this cash flow as the Offer is a one-off event.
6. Tax effect: The tax impact of the above adjustments has been reflected using the Australian statutory company income tax rate of 30% as an additional adjustment.
7. The change in revenue recognition policy has no impact on the cash flow of 3P. Refer to section 4.3.3.

4.6 Segment financials

The following tables present a summary of pro forma revenue and EBIT by geography (based on client location) as well as a summary of pro forma revenue by product.

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3P has assessed there to be three operating segments comprising the following operations, plus corporate head office:

- Australia and New Zealand (comprising Australia, New Zealand and other Asia Pacific operations)
- Americas (comprising the United States, Canada and South America)
- EMEA (comprising the United Kingdom, Europe, Middle East and Africa).

Table 4.12: Pro forma revenue by geography

	Historical period			Forecast period		Historical period	
	FY11	FY12	FY13	FY14	FY15	1HFY13	1HFY14
Australia and New Zealand[1]	19.6	22.2	24.2	23.8	28.9	10.1	10.3
EMEA	3.1	4.5	5.5	8.3	10.3	2.0	3.8
Americas	1.1	1.7	2.3	3.2	4.5	0.6	1.2
Pro forma revenue	**23.7**	**28.5**	**32.0**	**35.3**	**43.8**	**12.7**	**15.2**
Statutory revenue	29.3	33.4	37.2	35.3	43.8	8.5	15.2

1. Australia and New Zealand includes "Other" non-product revenue generated by 3P including sponsorships, copyright fees and government grants (as outlined in section 4.7.1).

Table 4.13: Pro forma segment EBIT by geography

	Historical period			Forecast period		Historical period	
	FY11	FY12	FY13	FY14	FY15	1HFY13	1HFY14
Australia and New Zealand	12.7	12.3	13.5	15.5	19.9	4.4	6.6
EMEA	0.4	1.5	1.8	3.7	4.5	0.0	1.6
Americas	(0.4)	(0.2)	(1.0)	0.0	1.1	(0.9)	(0.3)
Corporate head office	(13.4)	(11.1)	(12.1)	(8.8)	(12.1)	(6.0)	(4.4)
Pro forma EBIT	**(0.8)**	**2.5**	**2.2**	**10.5**	**13.3**	**(2.5)**	**3.5**
Statutory EBIT	4.8	6.0	4.0	6.0	2.8	(7.4)	2.3

Note: Corporate costs include shared services, product development and other corporate overheads.

Table 4.14: Pro forma revenue by product

	Historical period			Forecast period		Historical period	
	FY11	FY12	FY13	FY14	FY15	1HFY13	1HFY14
Mathletics	20.2	23.2	24.9	28.0	33.2	10.8	12.8
Reading Eggs	–	1.5	2.8	3.8	6.1	0.7	0.8
IntoScience	–	–	0.0	0.1	0.8	–	0.1
Spellodrome	1.3	1.5	1.6	1.7	1.6	0.7	0.8
Other	2.2	2.2	2.7	1.8	2.1	0.5	0.7
Pro forma revenue	**23.7**	**28.5**	**32.0**	**35.3**	**43.8**	**12.7**	**15.2**
Statutory revenue	29.3	33.4	37.2	35.3	43.8	8.5	15.2

Note: "Other" includes other revenue generated by intellectual property, including sponsorships, copyright fees and government grants.

4.7 Management discussion and analysis of Historical Financial Information

4.7.1 General factors affecting the operating results of 3P

Below is a discussion of the main factors which affected 3P's operations and relative financial performance in FY11, FY12, FY13, 1HFY13 and 1HFY14 and which 3P expects may continue to affect it in the future. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected 3P's historical operating and financial performance, nor everything which may affect 3P's operations and financial performance in the future. The information in this section should also be read in conjunction with the risk factors set out in section 5, the sensitivity analysis set out in section 4.9 and the other information contained in this Prospectus.

4.7.1.1 Revenue

Number of Total Licences

An important driver of 3P's financial performance is the number of Total Licences that 3P sells or renews each year.

The growth in 3P's Total Licence base is driven by a number of factors including:

- ability to cross sell multiple Licences (across different subjects) to existing Licence holders which is driven by marketing, quality of 3P's products and competitiveness of pricing;
- changes to the size of 3P's addressable market which are generally increased through product enhancements (targeting new school year groups) and entry of 3P into new markets globally;
- ability to increase penetration of 3P's current addressable market through initiatives such as marketing, referrals, sales force efficiency, and quality of 3P's products;
- retention of existing Licences (which typically come up for renewal on an annual basis) which may be enhanced through product quality and features, customer service levels and pricing; and
- global demand for online education products, as discussed in section 2.2.

The table below sets out a summary of 3P's historical Licence metrics for FY11, FY12 and FY13 and the forecast metrics for FY14 and FY15.

Table 4.15: Summary of Total Licences

'000s of Total Licences, June year end	Historical			Forecast	
	FY11	FY12	FY13	FY14	FY15
By product					
Mathletics licences	2,158	2,797	2,930	3,603	3,915
Reading Eggs Products licences	–	367	651	757	949
Spellodrome licences	240	300	278	342	339
IntoScience licences	–	–	4	20	98
Total Licences	**2,398**	**3,464**	**3,863**	**4,722**	**5,301**
Growth rate	**21.7%**	**44.5%**	**11.5%**	**22.2%**	**12.3%**
By geographic segment					
Australia and New Zealand	1,486	2,236	2,500	2,585	2,789
EMEA	666	902	1,005	1,566	1,811
Americas	247	316	358	571	701
Total Licences	**2,398**	**3,464**	**3,863**	**4,722**	**5,301**
Growth rate	**21.7%**	**44.5%**	**11.5%**	**22.2%**	**12.3%**

Pricing

3P sells licences to schools and parents, typically on a per user basis. Pricing for each product is tailored to meet the conditions in each market in which 3P operates. 3P does not adopt consistent pricing across geographies or products. However, average price per Licence provides an indicative view of changes in pricing and customer mix across the 3P business, as outlined in table 4.16 below.

The average revenue per Licence has historically been affected by a number of factors including:

- relative pricing of 3P's products within each geography, and the relative growth in Licences within each geography that 3P operates;
- changes to the pricing of 3P's products within each geographic market; and
- level of discounts and take-up of special offers by users within each market

The average revenue per Licence has declined historically primarily due to the increasing relative contribution of EMEA and Americas to the group and associated impact of foreign exchange, and the increase in sales of Reading Eggs Products which is at a lower average revenue as it is recorded net of royalty.

Table 4.16: Summary of average revenue per Licence

June year end	Pro forma historical			Pro forma forecast	
	FY11	FY12	FY13	FY14	FY15
Australia and New Zealand (excluding Other Revenue) (A$m)	17.3	20.0	21.4	22.1	26.9
EMEA (A$m)	3.1	4.5	5.5	8.3	10.3
Americas (A$m)	1.1	1.7	2.3	3.2	4.5
Other Revenue (A$m)	2.2	2.2	2.7	1.8	2.1
Pro forma revenue (A$m)	**23.7**	**28.5**	**32.0**	**35.3**	**43.8**
Australia and New Zealand (#000)	1,399	1,861	2,368	2,543	2,687
EMEA (#000)	602	789	958	1,285	1,688
Americas (#000)	183	281	337	464	636
Average Licences (#000)	**2,184**	**2,931**	**3,664**	**4,292**	**5,011**
Australia and New Zealand ($)	$12.39	$10.74	$9.06	$8.67	$9.99
EMEA ($)	$5.11	$5.76	$5.76	$6.50	$6.11
Americas ($)	$5.78	$6.21	$6.95	$6.86	$7.13
Average revenue per Licence ($)	**$9.83**	**$8.97**	**$8.00**	**$7.82**	**$8.32**
Growth rate		(8.8%)	(10.7%)	(2.2%)	6.4%

Pro forma revenue figures above are based on the revenue recognition policy and Reading Eggs Products agency agreement as if it had been in place since 1 July 2010 as outlined in section 4.2.2. Accordingly, the average revenue per licence differs from the quoted price of each licence.

The numbers in table 4.16 above have been impacted by various factors including movements in foreign exchange rates, mix of product sales in each geography, and price changes to products in each geography.

Seasonality

3P's business is highly seasonal and reliant on a concentration of activity at the beginning of each academic year which differs by geography. In particular, 3P derives a majority of revenues from sales transactions occurring in February and March (southern hemisphere geographies) and to a lesser degree in April, May and June (northern hemisphere geographies).

While most revenue is recognised across the licence periods, cash flow is concentrated in the second half of the financial year as the peak selling period in the southern hemisphere is in February and March while the peak selling period in the northern hemisphere is in April, May and June.

During FY14, 3P is forecast to generate approximately 11%, 14%, 58% and 17% of Invoiced Billings and other revenue during the first, second, third and fourth quarters, respectively. The third and fourth quarters are typically 3P's highest performing quarters as invoices are issued for approximately three quarters of annual billings, whilst the first quarter is typically 3P's lowest performing quarter.

3P expects this seasonal fluctuation of sales volumes to continue in future periods given 3P's reliance on the academic calendar.

4.7.1.2 Expenses

3P's costs are categorised into four main categories: employee expenses, marketing expenses, technology and occupancy expenses and other expenses.

Employee expenses is the largest expense category at 3P and comprises base salary and wages, on costs and incentives across each geography in which 3P operates. Changes in employee expenses have generally been impacted by changes in headcount at 3P, mix of staff in different geographies impacting average salary levels, and changes to salary levels. The change in capitalisation policy for Into Science and development teams as outlined in section 4.2.3 has a material impact on employee expenses in FY14 and FY15.

Marketing costs include online campaigns, mail, and social advertising. 3P also produces printed marketing materials and brochures.

Technology and occupancy costs include tenancy costs, data centre and information technology equipment costs which have historically been impacted by growth in 3P's physical operations across multiple geographies.

Other costs include administration expenses which have remained generally flat over the historic period. Other costs also includes costs associated with operating as a public company of $1.3 million in FY15. This relates to the cost of incremental corporate operations, Board costs and annual listing fees.

Depreciation is calculated by reference to the carrying value of fixed assets, forecast capital expenditure and the depreciation policy as set out in Appendix B. Amortisation relates to acquisition of content in the historical period (amortised over three years) and capitalised development costs from 1 July 2013 (amortised over five years).

Income tax expense has been calculated having regard to the applicable statutory company income tax rates in the jurisdictions in which 3P operates, which range from 21% to 35%. These tax rates, as adjusted for tax rate changes, have been applied to each of the historical and forecast periods. The historical effective tax rate of 3P has been less than 30% due to these tax rate differences and as a result of Australian research and development tax concessions in FY14. The forecast income tax expense has not assumed ongoing Australian research and development tax concessions. An Australian statutory income tax rate of 30% has been used for the forecast Australian income tax expense on the basis that the announced change in corporate tax rate to 28.5%, which will not commence until 1 July 2015, is assumed to be offset by the announced 1.5% paid parental leave levy. The relevant tax impact of pro forma adjustments has been reflected using the Australian statutory company income tax rate of 30%.

4.7.1.3 Capital expenditure

Capital expenditure is comprised of the acquisition of property, plant and equipment, and acquisition of intangible assets, which includes information technology development costs for the development of new product features, content, and the acquisition of third party intangible assets.

In accordance with 3P's capitalisation policy outlined in Appendix B, certain costs are capitalised and amortised over their expected useful lives.

4.7.1.4 Working capital

The business traditionally operates with a relatively low working capital requirement due to the nature of customer invoicing, the majority of which is invoiced in advance. This is anticipated to continue.

4.7.2 Pro Forma Historical Income Statements: FY12 compared to FY11

Table 4.17: Pro Forma Historical Income Statement: FY12 compared to FY11

	Pro forma historical		
$m, June year end	FY11	FY12	% change
Revenue	23.7	28.5	20%
Employee expenses	(17.8)	(18.2)	3%
Marketing expenses	(1.6)	(1.7)	8%
Technology and occupancy expenses	(1.9)	(2.5)	32%
Other expenses	(2.6)	(2.2)	(14%)
EBITDA	(0.1)	3.8	n/a
Depreciation & amortisation	(0.7)	(1.3)	98%
EBIT	(0.8)	2.5	n/a
Interest	0.1	0.3	n/a
Profit/(loss) before tax	**(0.7)**	**2.8**	**n/a**
Tax (expense)/benefit	(0.5)	(0.2)	(57%)
NPAT	(1.2)	2.6	n/a

Revenue

Revenue increased 20% to $28.5 million in FY12 compared with $23.7 million in FY11. Key factors contributing to 3P's revenue growth in FY12 included:

- an increase of $3.0 million (or 15%) in Mathletics revenue, driven primarily by licence growth in Australia, the United Kingdom, the United States and Canada;
- the growth of Mathletics in FY12 was adversely impacted by platform performance issues, which were resolved by a platform migration undertaken in FY12; and
- $1.5 million revenue (nil in FY11) from Reading Eggs Products in Australia, the United Kingdom and New Zealand. FY12 represented the first year of 3P's agreement with Blake Group in relation to Reading Eggs Products.

Expenses

Total expenses increased 4% to $24.6 million in FY12 compared with $23.8 million in FY11. The movement in expenses was primarily driven by:

- $0.5 million (3%) increase in employee costs reflecting the combination of:
  - $3.0 million decrease due to a reduction in non-cash share based expense from $4.4 million in FY11 compared to $1.4 million in FY12;
  - $4.9 million increase due to headcount, particularly in Australia, the United Kingdom, Into Science and India; offset by
  - a decrease of approximately $1.5 million due to lower average salaries as a result of a change in the mix of staff across geographic regions; and
- $0.6 million (32%) increase in technology and occupancy expenses, reflecting the expansion of leased premises in Australia in 2012 and an office move in the United Kingdom.

Pro forma EBITDA and pro forma EBIT

EBITDA increased to $3.8 million in FY12 from $(0.1) million in FY11 as a result of revenue growth of 20% and total expenses growth of 4%.

EBIT grew to $2.5 million in FY12 as a result of the growth in EBITDA and an increase in depreciation and amortisation expense from $0.7 million in FY11 to $1.3 million in FY12, which was driven primarily by the depreciation of PP&E associated with international expansion and amortisation of intangibles associated with Into Science.

Income tax expense

Income tax expense in FY11 increased above the statutory rate due to the tax impact of a non-deductible share based payment expense of $1.3 million, which was partially offset by the tax impact of additional deductions relating to research and development costs of $0.3 million.

Income tax expense in FY12 reduced below the statutory rate due to additional deductions relating to research and development costs of $1.7 million, offset by the tax impact of non-deductible share based payment expense of $0.5 million and unrecognised impact of tax losses in relation to Into Science of $0.8 million.

4.7.3 Pro Forma Historical Cash Flows: FY12 compared to FY11

Table 4.18: Pro Forma Historical Cash Flows: FY12 compared to FY11

$m, June year end	Pro forma historical		% change
	FY11	FY12	
EBITDA	(0.1)	3.8	n/a
Non-cash expenses	4.5	1.0	(79%)
Change in working capital	3.0	2.7	(9%)
Operating free cash flow before capital expenditure	**7.3**	**7.5**	**3%**
Purchase of PP&E	(0.8)	(0.4)	(51%)
Purchase of intangible assets	(0.9)	(1.1)	16%
Operating free cash flow after capital expenditure	**5.6**	**6.0**	**8%**
Interest received	0.2	0.4	128%
Net interest and principal paid	(0.1)	(0.3)	141%
Income tax (paid)/refunded	(1.4)	(2.6)	85%
Short term deposits	–	–	n/a
Proceeds from the issue of shares	–	–	n/a
Share issue costs	–	–	n/a
Net cash flows before dividends	**4.2**	**3.6**	**(16%)**

Non-cash expenses

Non-cash expenses decreased by 79% to $1.0 million in FY12, primarily as a result of the impact of non-cash share based expense of $4.4 million and $1.4 million in FY11 and FY12 respectively.

Change in working capital

Change in working capital was $3.0 million in FY11, primarily as a result of the impact of deferred revenue of $3.6 million, and an increase of payables of $0.5 million partially offset by an increase in receivables of $1.0 million.

Change in working capital was $2.7 million in FY12, primarily as a result of the impact of deferred revenue of $1.9 million and an increase of payables of $1.0 million partially offset by an increase in accounts receivable of $0.5 million.

Capital expenditure

Capital expenditure (including PP&E and intangibles) decreased by 15% to $1.5 million in FY12 from $1.8 million in FY11 principally due to timing differences in relation to capital expenditure on information technology equipment.

Income tax (paid)/refunded

Income tax paid increased from $1.4 million to $2.6 million primarily due to the higher tax instalments paid as a result of the increase in FY11 income tax expense.

4.7.4 Pro Forma Historical Income Statements: FY13 compared to FY12

Table 4.19: Pro Forma Historical Income Statement: FY13 compared to FY12

$m, June year end	Pro forma historical		% change
	FY12	FY13	
Revenue	**28.5**	**32.0**	**12%**
Employee expenses	(18.2)	(21.2)	16%
Marketing expenses	(1.7)	(1.8)	4%
Technology and occupancy expenses	(2.5)	(3.2)	29%
Other expenses	(2.2)	(2.3)	3%
EBITDA	**3.8**	**3.6**	**(7%)**
Depreciation & amortisation	(1.3)	(1.3)	3%
EBIT	**2.5**	**2.2**	**(13%)**
Interest	0.3	0.3	3%
Profit/(loss) before tax	**2.8**	**2.5**	**(11%)**
Tax (expense)/benefit	(0.2)	0.2	n/a
NPAT	2.6	2.7	5%

Revenue

Revenue in FY13 was $32.0 million representing an increase of $3.6 million (or 12%) compared to $28.5 million in FY12. Key factors contributing to 3P's revenue growth in FY13 included:

- $1.7 million (+8%) increase in Mathletics revenue, primarily in Canada, the United Kingdom and the United States; and
  - Growth in the United Kingdom partly reflected the flow through of price changes implemented in FY13
  - The growth of Mathletics in FY13 continued to be adversely impacted by the flow on impact of platform performance issues in FY12, which were resolved by a platform migration undertaken in FY12 and completed in FY13.
- $1.2 million (+80%) growth in Reading Eggs Products commission revenue, primarily from Australia.

Expenses

Expenses increased 16% to $28.5 million in FY13 from $24.6 million in FY12. The increase in expenses was primarily driven by:

- $3.0 million (16%) increase in employee costs due to the expansion of headcount in Australia and overseas as a result of investment in product development and offshore sales and marketing initiatives; and
- $0.7 million (29%) increase in technology and occupancy expenses, reflecting the full year impact of the office expansion in Australia and the United Kingdom which occurred in FY12.

Pro forma EBITDA and pro forma EBIT

EBITDA decreased from $3.8 million in FY12 to $3.6 million in FY13 as a result of revenue growth of 12% and the increase in expenses as outlined above.

EBIT decreased to $2.2 million as a result of the movement in EBITDA.

Income tax expense

Income tax expense in FY13 remained below the statutory rate due to additional deductions relating to the tax impact of research and development costs of $0.6 million and recognition of tax benefit of Into Science tax losses.

4.7.5 Pro Forma Historical Cash Flows: FY13 compared to FY12

Table 4.20: Pro Forma Historical Cash Flows: FY13 compared to FY12

	Pro forma historical		
$m, June year end	FY12	FY13	% change
EBITDA	3.8	3.6	(7%)
Non-cash expenses	1.0	0.1	(86%)
Change in working capital	2.7	1.4	(49%)
Operating free cash flow before capital expenditure	**7.5**	**5.1**	**(32%)**
Purchase of PP&E	(0.4)	(0.6)	42%
Purchase of intangible assets	(1.1)	(0.0)	(98%)
Operating free cash flow after capital expenditure	**6.0**	**4.5**	**(25%)**
Interest received	0.4	0.4	2%
Net interest and principal paid	(0.3)	(0.3)	(10%)
Income tax (paid)/refunded	(2.6)	(2.8)	9%
Short term deposits	-	(2.0)	n/a
Proceeds from the issue of shares	-	-	n/a
Share issue costs	-	-	n/a
Net cash flows before dividends	**3.6**	**(0.1)**	**n/a**

Non-cash expenses

Non-cash expenses decreased by $0.9 million to $0.1 million in FY13, primarily as a result of the impact of non-cash share based expense of $1.4 million in FY12.

Change in working capital

Change in working capital was $1.4 million in FY13, primarily as a result of the impact of deferred revenue of $2.3 million, and an increase of payables and provisions of $0.7 million, offset by an increase in accounts receivable of $1.7 million.

Capital Expenditure

Capital expenditure (including PP&E and intangibles) decreased by 61% to $0.6 million in FY13 from $1.5 million in FY12 due principally to reduced purchase of intangible assets relative to FY12.

Income tax (paid)/refunded

Income tax paid increased from $2.6 million to $2.8 million primarily due to a deferral of claiming research and development tax concessions in respect of FY13.

4.7.6 Pro Forma Historical Income Statements: 1HFY14 compared to 1HFY13

Table 4.21: Pro Forma Historical Income Statement: 1HFY14 compared to 1HFY13

	Pro forma historical		
$m, June year end	1HFY13	1HFY14	% change
Revenue	**12.7**	**15.2**	**20%**
Employee expenses	(10.4)	(7.1)	(32%)
Marketing expenses	(1.2)	(1.2)	2%
Technology and occupancy expenses	(1.5)	(1.9)	24%
Other expenses	(1.3)	(0.8)	(42%)
EBITDA	**(1.7)**	**4.3**	**n/a**
Depreciation & amortisation	(0.8)	(0.8)	10%
EBIT	**(2.5)**	**3.5**	**n/a**
Net interest	0.0	0.2	n/a
Profit/(loss) before tax	**(2.5)**	**3.6**	**n/a**
Tax (expense)/benefit	0.9	(0.4)	n/a
NPAT	**(1.6)**	**3.2**	**n/a**

Revenue

Revenue in 1HFY14 was $15.2 million representing an increase of $2.5 million (or 20%) compared to $12.7 million in 1HFY13. Key factors contributing to 3P's revenue growth in 1HFY14 (vs. 1HFY13) included $2.0 million (or 18%) increase in Mathletics revenue, driven by growth in Student Licences across all geographic regions.

Expenses

Expenses decreased 24% to $11.0 million in 1HFY14 from $14.4 million in 1HFY13. The decrease in expenses was primarily driven by:

- the capitalisation of Mathletics, Spellodrome and IntoScience Development costs, which qualified for capitalisation from 1 July 2013;
- a 24% increase in technology and occupancy expenses to $1.9 million, underpinned by higher tenancy overheads, offset by; and
- a reduction in other expenses as a result of realised foreign exchange gains in 1HFY14 associated with the depreciation of the Australian Dollar.

Pro forma EBITDA and pro forma EBIT

EBITDA increased from $(1.7) million in 1HFY13 to $4.3 million in 1HFY14 primarily as a result of revenue growth of 20% and a reduction in employee costs of $3.3 million.

EBIT grew to $3.5 million as a result of the growth in EBITDA and a 10% increase in depreciation and amortisation expense to $0.8 million in 1HFY14, driven primarily by the capitalisation of Mathletics, Spellodrome and IntoScience development costs.

Income tax expense

Income tax expense increased from an income tax benefit of $0.9 million to income tax expense of $0.4 million primarily due to the increase in profit before tax and the non-deductibility of the write-off of the advertising rights that occurred in 1HFY14. Income tax expense remained below the statutory rate due to the availability of Australian research and development tax concessions in FY14. Income tax expense has been adjusted to reflect the tax effect of the pro forma adjustments made to the Historical Financial Information.

4.7.7 Pro forma consolidated cash flows 1HFY14 compared to 1HFY13

Table 4.22: Summary pro forma consolidated historical cash flows: 1HFY14 compared to 1HFY13

	Pro forma historical		
$m, June year end	1HFY13	1HFY14	% change
EBITDA	(1.7)	4.3	n/a
Non-cash expenses	(0.1)	0.2	n/a
Change in working capital	(5.2)	(4.5)	(14%)
Operating free cash flow before capital expenditure	**(7.0)**	**(0.0)**	**n/a**
Purchase of PP&E	(0.4)	(0.2)	(44%)
Purchase of intangible assets	-	(3.3)	n/a
Operating free cash flow after capital expenditure	**(7.3)**	**(3.5)**	**(52%)**
Interest received	0.2	0.2	10%
Net interest and principal paid	(0.1)	(0.1)	(4%)
Income tax (paid)/ refunded	(0.2)	0.1	n/a
Short term deposits	(0.3)	-	n/a
Proceeds from the issue of shares	-	-	n/a
Share issue costs	-	-	n/a
Net cash flows before dividends	**(7.8)**	**(3.3)**	**(57%)**

Change in working capital

3P experienced negative working capital in 1HFY13 and 1HFY14 primarily as a result of the impact of the seasonality of cash flows as outlined in section 4.7.1.1, leading to a decrease in deferred revenue.

Capital expenditure

Capital expenditure (including PP&E and intangibles) increased by $3.1 million to $3.5 million in 1HFY14 from $0.4 million in 1HFY13 due principally to the purchase of intangible assets generated from the capitalisation of Mathletics, Spellodrome and IntoScience development costs.

4.8 Forecast Financial Information

The Forecast Financial Information has been prepared by 3P based upon the Historical Financial Information and with regard to the current trading performance up until the lodgement of the Prospectus, and on specific best estimate assumptions, of which certain key specific assumptions are set out in section 4.8.2 and general assumptions in section 4.8.1.

The assumptions below are summary only and do not represent all factors that will affect 3P's financial performance. This information is not intended to be a representation of all the assumptions relevant to 3P. These assumptions should also be read in conjunction with the sensitivity analysis set out in section 4.9 and the risks set out in section 5.

4.8.1 General assumptions

In preparing the Forecast Financial Information the following general assumptions have been adopted for the forecast period:

- there is no material change to the competitive operating environment in which 3P operates;
- there is no significant deviation from current market expectations of the broader economic conditions and consumer sentiment relevant to the global education industry and online K-12 education sector;
- there is no material change in federal, state or local government legislation regimes (including taxation) and regulatory environment in the geographies in which 3P and its key suppliers operate;
- other than as disclosed in this Prospectus, there are no material changes in applicable Australian Accounting Standards or the Corporations Act 2001 which have a material effect on 3P's financial performance, financial position, accounting policies, financial reporting or disclosure;
- there are no material amendments to or terminations of any of 3P's key supplier contracts;
- there is no loss of key management personnel and 3P maintains its ability to recruit and retain required personnel;
- there is no material litigation (existing or otherwise) that impacts cash flow, income statement or the financial position of 3P;
- other than as disclosed in this Prospectus, there are no material acquisitions or disposals, restructuring or investments;
- the Offer proceeds in accordance with the timetable set out on page 1 of this Prospectus; and
- there are no material movements in foreign currency exchange rates in currencies in which 3P operates.

4.8.2 Specific assumptions

The specific assumptions that have been used in the preparation of the Forecast Financial Information are set out below.

Revenue assumptions

- Expected average retention rate for FY14 for Mathletics and Reading Eggs Products across all geographies is based on actual sales in the nine months to 31 March 2014 and expected renewals for an overall forecast retention rate for FY14 of approximately 85.0% (FY13: 86.3%). The expected retention rate for FY15 is forecast to be consistent with FY14 adjusted for a 0.5%-1.0% decrease in Australia retention rates to reflect the potential impact of the price increase for an overall forecast average retention rate of 84.6% in FY15.
- The number of Total Licences is forecast to grow from 4.3 million at 31 March 2014 to 4.7 million at 30 June 2014 for an overall forecast increase in Total Licences in FY14 of 23% (FY13: 12%). The number of Total Licences is forecast to grow a further 12% to 5.3 million by 30 June 2015.
- Average revenue per Licence assumptions are based on historical experience in FY12, FY13 and the nine months to 31 March 2014 for the different products in the respective geographies in which 3P operates. In the 12 months to 30 June 2015, an assumed increase of 15% in the average revenue per Australian Student Licence has been included, with an assumed 0.5% to 1% decrease in retention rates.

- For IntoScience, growth rates have been assumed to be consistent with the roll out experience of other 3P products. Revenue from IntoScience is forecast to be $0.1 million and $0.8 million in FY14 and FY15, respectively.
- A new distribution agreement in relation to Brazil is expected to be finalised with $0.2 million revenue forecast for FY15. No other material operations in new geographies are assumed to be launched within the periods covered by the Forecast Financial Information.

Expense assumptions

The Forecast Financial Information is based on the following key expense assumptions:

- Employee expenses: average annual salary increases of approximately 5.1% are forecast from the start of FY15. A small net increase in overall employee numbers has been forecast between 31 March 2014 and June 2015, with increases from the acquisition of Whatiph and from the United Kingdom and the United States.
- Marketing expenses: underlying marketing costs are forecast to increase by 4.3% in FY14 and decrease by 7.5% in FY15. The $0.3 million media campaign undertaken in 1HFY14 is not expected to be repeated in FY15.
- Technology and occupancy expenses: underlying technology and occupancy expenses are forecast to increase by 6.0% in FY14 and 10.7% FY15. FY15 increase is offset by a movement in the make good provision of $0.2 million reflecting a proposed lease extension.
- Depreciation and amortisation: is calculated by reference to the carrying value of the tangible and intangible assets, forecast capital expenditure (including capitalisation of development costs) and 3P's depreciation and amortisation policy as set out in Appendix C. Amortisation is expected to increase by an incremental $1.4 million per annum through FY18 as amortisation of development costs builds up over the five year life (assuming no material change in the level of development activity).
- Other expenses: are forecast to increase in line with the growth in net operating income. Also, Other expenses are forecast to increase by a further $1.3 million from FY15 to reflect expected incremental cost of operating as a public company, including additional corporate operations, Board costs and annual listing fees.
- Tax expense: is forecast based on prevailing tax rates in each jurisdiction in which 3P operates. For Australia, a company tax rate of 30% has been used in preparing this Prospectus. The forecast income tax expense has not assumed ongoing Australian research and development tax concessions. On 14 May 2014 the Commonwealth Government announced a planned decrease in the Australian company income tax rate to 28.5% with effect from 1 July 2015. However, it is expected that the announced paid parental leave levy of 1.5% will be applicable to 3P such that a 30% tax rate will be applicable on a significant proportion of its taxable income.

Cash flow assumptions

- Working capital: The business traditionally operates with a relatively low working capital requirement due to the nature of customer invoicing, the majority of which is at the beginning of the licence period. While most revenue is recognised across the licence periods, cash flow is concentrated in the second half of the financial year because the selling period in the Southern hemisphere is in February and March, while the peak selling period in the northern hemisphere is in April, May and June. This is anticipated to continue.
- Acquisition of PP&E: FY15 forecast capital expenditure on PP&E is based on the current assessment of the replacement and renewal of computer equipment and related assets.
- Acquisition of intangibles: Acquisition of intangibles is forecast to include capitalised development costs of $6.5 million and $6.9 million in FY14 and FY15, respectively, as outlined in section 4.2.3.
- The first intended dividend post-Offer is expected to be declared for the year ending June 2015 and paid in FY16.

Other assumptions

The average exchange rate assumed in each period is set out in table 4.23.

Table 4.23: Assumed average exchange rate in historical and forecast periods

Average rate during the period	Historical periods			Forecast periods	
	FY11	FY12	FY13	FY14	FY15
A$/US$	0.987	1.034	1.026	0.913	0.936
A$/GBP	0.621	0.652	0.654	0.568	0.556
A$/CA$	0.989	1.036	1.031	0.970	1.017
A$/NZ$	1.305	1.285	1.249	1.114	1.083
A$/INR	45.249	51.813	56.180	55.249	54.828
A$/ZAR	n/a	n/a	n/a	n/a	9.500

Note: South African operations anticipated to commence in FY15 as outlined in section 4.2.3.

4.8.3 Management discussion and analysis on Forecast Financial Information

4.8.3.1 Pro Forma Historical and Forecast Income Statements: FY14 compared to FY13

The pro forma forecast result for FY14 has been prepared on the basis of actual financial results for the nine months to 31 March 2014 per 3P's management accounts and 3P's pro forma consolidated forecast income statement for the three months ending 30 June 2014. 3P's forecast for the three months ending 30 June 2014 also has regard to the current trading performance of 3P up until the date of lodgement of this Prospectus.

The table below sets out the Pro Forma Forecast Income Statement for FY14 compared to the Pro Forma Historical Income Statement for FY13.

Table 4.24: Pro Forma Historical and Forecast Income Statement: FY14 compared to FY13

$m, June year end	Pro forma historical	Pro forma forecast	% change
	FY13	FY14	
Revenue	**32.0**	**35.3**	**10%**
Employee expenses	(21.2)	(14.9)	(30%)
Marketing expenses	(1.8)	(2.2)	22%
Technology and occupancy expenses	(3.2)	(3.5)	9%
Other expenses	(2.3)	(2.2)	(1%)
EBITDA	**3.6**	**12.5**	**251%**
Depreciation & amortisation	(1.3)	(2.0)	46%
EBIT	**2.2**	**10.5**	**376%**
Interest	0.3	0.2	(23%)
Profit/(loss) before tax	**2.5**	**10.8**	**328%**
Tax (expense)/benefit	0.2	(2.5)	n/a
NPAT	2.7	8.3	201%

Revenue

Revenue in FY14 is forecast to increase $3.3 million (or 10%) to $35.3 million, compared to $32.0 million in FY13. Key factors contributing to 3P's revenue growth in FY14 included:

- $3.1 million (or 12%) increase in Mathletics revenue, driven primarily by growth in the United Kingdom of $2.3 million and the United States of $0.5 million;
- $1.0 million increase in commission revenue net of royalty payments from the sales of Reading Eggs Product licences, driven by growth in licences across Australia and the United Kingdom; and
- $1.0 million reduction in other revenue, primarily as a result of copyright agency fee, which is forecast to decline in FY14.

Expenses

Forecast expenses in FY14 are expected to decrease $5.7 million to $22.8 million, from $28.5 million in FY13. The movement in expenses was primarily driven by:

- Employee costs decreased by $6.3 million, due to the capitalisation of Mathletics, Spellodrome and IntoScience development costs of $6.5 million;
- An increase of $0.4 million (or 22%) in marketing expenses following increased marketing initiatives in 1HFY14.

Pro forma EBITDA and pro forma EBIT

EBITDA is forecast to increase to $12.5 million in FY14 as a result of revenue growth of 10% and the capitalisation of Mathletics, Spellodrome and IntoScience development costs from 1 July 2013 (as outlined in section 4.2.3).

EBIT is forecast to increase to $10.8 million as a result of the growth in EBITDA and an increase in depreciation and amortisation expense from $1.3 million in FY13 to $2.0 million in FY14, which was driven primarily by the amortisation of Mathletics, Spellodrome and IntoScience development costs which were capitalised from 1 July 2013 (as outlined in section 4.2.3).

Income tax expense

Income tax expense is expected to increase to $2.5 million as a result of the expected increase in profit before tax. The effective tax rate is below the statutory rate due to the tax impact of forecast Australian research and development tax concessions of $0.7 million.

4.8.3.2 Pro Forma Historical and Forecast Cash Flows: FY14 compared to FY13

Table 4.25: Pro Forma Historical and Forecast Cash Flows: FY14 compared to FY13

	Pro forma historical	Pro forma forecast	
$m, June year end	FY13	FY14	% change
EBITDA	3.6	12.5	251%
Non-cash expense	0.1	0.1	(29%)
Change in working capital	1.4	2.3	63%
Operating free cash flow before capital expenditure	**5.1**	**14.9**	**192%**
Purchase of PP&E	(0.6)	(0.2)	(60%)
Purchase of intangible assets	(0.0)	(6.5)	n/a
Operating free cash flow after capital expenditure	**4.5**	**8.1**	**81%**
Interest received	0.4	0.3	(37%)
Net interest and principal paid	(0.3)	(0.3)	19%
Income tax (paid)/refunded	(2.8)	(1.0)	(64%)
Short term deposits	(2.0)	–	n/a
Proceeds from the issue of shares	–	–	n/a
Share issue costs	–	–	n/a
Net cash flows before dividends	**(0.1)**	**7.1**	**n/a**

Change in working capital

Working capital is expected to increase by $2.3 million in FY14, primarily as a result of the increase in deferred revenue of $3.1 million, a decrease in other receivables of $0.9 million, and partially offset by a decrease of payables and provisions of $1.4 million and an increase in accounts receivable of $0.4 million.

Capital expenditure

Capital expenditure (including PP&E and intangibles) is expected to increase by $6.1 million to $6.7 million in FY14 from $0.6 million in FY13 due principally to $6.5 million in Mathletics, Spellodrome and IntoScience development costs which were capitalised from 1 July 2013 (as outlined in section 4.2.3), and a forecast reduction in capital expenditure of $0.4 million due to the timing of the purchase of information technology equipment.

Income tax (paid)/refunded

Income tax paid is expected to decrease from $2.8 million to $1.0 million primarily due to the tax refund to be received in FY14 in respect of Australian research and development tax concessions claimed in respect of FY13.

4.8.3.3 Pro Forma Forecast Income Statements: FY15 compared to FY14

Table 4.26: Pro Forma Forecast Income Statement: FY15 compared to FY14

$m, June year end	Pro forma forecast		% change
	FY14	FY15	
Revenue	**35.3**	**43.8**	**24%**
Employee expenses	(14.9)	(17.9)	20%
Marketing expenses	(2.2)	(2.0)	(8%)
Technology and occupancy expenses	(3.5)	(3.5)	1%
Other expenses	(2.2)	(4.0)	78%
EBITDA	**12.5**	**16.4**	**31%**
Depreciation & amortisation	(2.0)	(3.0)	53%
EBIT	**10.5**	**13.3**	**27%**
Interest	0.2	0.5	122%
Profit/(loss) before tax	**10.8**	**13.9**	**29%**
Tax (expense)/benefit	(2.5)	(4.2)	65%
NPAT	8.3	9.7	17%

Revenue

Forecast revenue in FY15 is expected to be $43.8 million, representing an increase of $8.5 million (or 24%) compared to $35.3 million in FY14. Key factors contributing to 3P's forecast revenue growth in FY15 include:

- $5.2 million (or 19%) forecast increase in Mathletics revenue, driven by forecast growth in licences across all geographic regions and an assumed 15% increase in average revenue per Australian Student Licence for Mathletics (contributing $2.5 million incremental Invoice Billings and $1.8 million in pro forma revenue);
- $2.3 million forecast increase in net revenue from the sales of Reading Eggs Product licences, driven by growth in licences across all geographic regions in which 3P is licensed to distribute Reading Eggs Products, a reduction in the royalty payable to Blake Group (reflecting a benefit of $0.7 million under the terms of the Sales Agency Agreement outlined in section 9.7.1) and an assumed 15% increase in average revenue per Australian Student Licence for Reading Eggs Products (contributing $0.6 million in pro forma revenue); and
- $0.3 million forecast increase from revenue contribution from the South African operations which are to be acquired in conjunction with the Offer (see section 9.8.3 for further details).

The full year impact of the assumed increase in average revenue per Student Licence in Australia is not expected to be reflected until FY16 given the seasonality of 3P's sales (weighted toward the third quarter in Australia) and the recognition of licence revenue over the term of the licence.

Expenses

Expenses are forecast to increase to $27.4 million in FY15 from $22.8 million in FY14. The increase in expenses is primarily driven by:

- $3.0 million forecast increase in employee expenses as a result of increase in average salary levels and incentives, and additional management headcount; and
- $1.8 million forecast increase in other expenses, including public company costs of $1.3 million for expected increases in the cost of corporate functions, Board costs and associated listing fees.

Pro forma EBITDA and pro forma EBIT

EBITDA is forecast to increase 31% from $12.5 million in FY14 to $16.4 million in FY15 as a result of revenue growth of 24% and an increase in expenses due increased average headcount, average salary levels and associated corporate overheads.

EBIT is forecast to increase to $13.3 million as a result of the growth in EBITDA and an increase in depreciation and amortisation expense from $2.0 million in FY14 to $3.0 million in FY15, which was driven primarily by the amortisation of Mathletics, Spellodrome and IntoScience development costs.

Income tax expense

Income tax expense increased from $2.5 million to $4.2 million. The forecast effective income tax rate of 3P for FY15 is approximately 30%, which is higher than previous periods on the basis that the forecast has not assumed ongoing Australian research and development tax concessions in respect of FY15.

4.8.3.4 Pro Forma Historical and Forecast Cash Flows: FY15 compared to FY14

Table 4.27: Pro Forma Historical and Forecast Cash Flows: FY15 compared to FY14

$m, June year end	Pro forma forecast FY14	Pro forma forecast FY15	% change
EBITDA	12.5	16.4	31%
Non-cash expense	0.1	0.0	(84%)
Change in working capital	2.3	4.0	76%
Operating free cash flow before capital expenditure	**14.9**	**20.4**	**37%**
Purchase of PP&E	(0.2)	(0.7)	202%
Purchase of intangible assets	(6.5)	(6.9)	6%
Operating free cash flow after capital expenditure	**8.1**	**12.8**	**57%**
Interest received	0.3	0.5	72%
Net interest and principal paid	(0.3)	(0.3)	(10%)
Income tax (paid)/refunded	(1.0)	(3.2)	219%
Short term deposits	–	–	n/a
Proceeds from the issue of shares	–	–	n/a
Share issue costs	–	–	n/a
Net cash flows before dividends	**7.1**	**9.8**	**38%**

Change in working capital

Working capital is expected to increase by $4.0 million in FY15, primarily as a result of an increase in deferred revenue from the forecast growth in 3P's business during FY15.

Capital expenditure

Capital expenditure (including PP&E and intangibles) is forecast to increase by 13% to $7.6 million in FY15 from $6.7 million in FY14 due to increased capital expenditure related to hosting equipment and services and capitalisation of Mathletics, Spellodrome and IntoScience development costs.

Income tax (paid)/refunded

Income tax paid increased from $1.0 million to $3.2 million primarily due to there being forecast research and development tax concessions to be claimed in respect of FY14 but not in respect of FY15.

4.9 Sensitivity analysis

The Forecast Financial Information included in section 4 is based on a number of key assumptions which have been outlined above in sections 4.8.1 and 4.8.2 and which are subject to change. The Forecast Financial Information is also subject to a number of risks as outlined in section 5.

Investors should be aware that future events cannot be predicted with certainty and as a result deviations from the figures forecast in the Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the Forecast Financial Information, the sensitivity of the forecast NPAT for FY15 to changes in certain key assumptions is set out below.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown below.

Table 4.28: Sensitivity analysis on forecast statutory NPAT for FY15

Assumption	Change in assumption	FY15 statutory NPAT impact ($m)
15% increase in average revenue per Australian Student Licence in FY15	Average revenue per Australian Student Licence increase of 10% achieved	(0.4)
Sales to new customers	+/- 10.0% of forecast new sales, net of sales incentive bonus	0.2 / (0.2)
Customer retention rate	+/- 3.0 ppt change in customer retention rates	0.4 / (0.4)
Employee headcount	+/- 5.0% change in average FTEs	(0.8) / 0.8
Movement in foreign exchange rates	+/- 10.0%	(0.2) / 0.2

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables had been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that 3P would respond to any adverse change in one variable by seeking to minimise the net effect on 3P NPAT. The impact of these sensitivities on NPAT could be greater in subsequent years in respect of full year impact of sensitivities.

4.10 Dividend policy

No dividend will be paid following Completion in respect of FY14.

The payment of a dividend by 3P is at the discretion of the Directors and will be a function of a number of factors, including general business conditions, the operating results and financial condition of 3P, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by 3P, and any other factors the Directors may consider relevant.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

Subject to future business conditions and the future cash flow requirements of 3P, the Directors intend to target a dividend payout ratio in the range of 20% to 30% of Statutory NPAT. It is intended that dividends will be franked to the maximum extent possible.

The Board's current intention is to pay final dividends in respect of full years ending 30 June each year, with the first intended dividend payable being the final dividend for FY15. Any Dividend paid in respect of FY15 will be based on 20% to 30% of Statutory NPAT, adjusted to exclude the costs associated with the Offer.

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Section 5

Risks

5. Risks

3P is subject to risk factors that are both specific to its business activities and that are of a more general nature. Individually, or in combination, these factors may affect the future operating and financial performance of 3P, its investment returns and the value of an investment in 3P. Each of the risks set out below could, if they eventuate, have a material adverse impact on 3P's business, financial condition and results of operations. Investors should be aware that this section does not purport to list every risk that may be associated with an investment in 3P or the Shares now, or in the future, and many of the risks described below are outside the control of 3P and its Directors and management. This section should be read in conjunction with other information disclosed in this Prospectus. There can be no guarantee that 3P will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial situation and particular needs (including financial and tax issues). If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, you should seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.1 Risks specific to an investment in 3P

5.1.1 Competition risks

3P operates in a highly competitive industry and there are a large number of participants targeting the K-12 segment. 3P's existing and potential competitors span traditional print publishers, online education providers, large software corporations, and cross-curriculum platform and technology providers, and vary across different territories and product offerings. The industry in which 3P operates is a rapidly changing landscape with shifting competitive forces. This may place pricing pressure on 3P's product offering and may impact on 3P's ability to retain existing customers as well as its ability to attract new business.

3P expects that existing competitors and new entrants to the online K-12 education segment will constantly revise and improve their business models in response to challenges from competing businesses, including 3P. If these or other market participants introduce new or improved delivery of online K-12 education and technology-enabled services that 3P cannot match or exceed in a timely or cost-effective manner, 3P's business and profitability may be adversely affected.

Some of 3P's competitors and potential competitors have significantly greater resources than 3P. Increased competition may result in pricing pressure, which may adversely impact Licence fees and 3P's ability to sustain or increase prices. The competitive landscape may also result in longer and more complex sales cycles with a prospective client, which could negatively affect 3P's revenue and future operating results and 3P's ability to grow its business.

Competition may intensify if established companies in other market segments or territories expand into 3P's market segments or territories. If 3P cannot compete successfully, 3P's ability to grow the business and achieve profitability could be impaired.

Matthew Sandblom and Katherine Pike of the Blake Group, have been shareholders of 3P from 2004 to Listing and Matthew Sandblom has been a Director since 2006 and Katherine Pike has been a Director since 2010 until their resignations prior to Listing. The Blake Group competes with 3P with print, online and blended learning resources in many subjects across grades K-12 for school and home customers. Some of the Blake Group's products have some similar features to 3P products. Competition from the Blake Group may impact on the ability for 3P to retain or grow its customer base. Other Selling Shareholders including Insight Venture Partners, MC Education Holdings Limited and Macquarie Special Situations Fund could also invest in competing businesses in the future. Shane Hill, founder and employee of 3P until 2008 is now Chief Executive Officer of Skoolbo, which markets online educational products which compete with 3P's products. People who were formerly involved in 3P's business may also seek to promote competitive products by reference to their prior association with 3P.

5.1.2 Limitation on distribution rights

3P does not own the intellectual property rights to Reading Eggs and Reading Eggspress. 3P has a sales agency agreement to sell these products, on behalf of the owner and developer of the products, Blake Group, in Australia and many international markets. The right to agency is not exclusive to 3P in some of those international markets. See section 9.7.1 for further information.

The agreement may be terminated by either party if minimum royalties (as set out in the agreement) are not paid by 3P each year. The loss of this agreement (which could reduce the product offering of 3P and its attractiveness to school and home users) could adversely affect 3P's revenue and profitability.

3P does not have rights to distribute Reading Eggs or Reading Eggspress in the United States, China, Korea and some other territories, which will impact on 3P's product range in these territories.

Reading Eggs and Reading Eggspress are developed, hosted and serviced by the Blake Group. As a result, 3P is reliant on the performance, reliability and availability of the services provided by those entities to customers. There is a risk that 3P's reputation may be damaged by the actions or any failure in the performance of the Blake Group in servicing these products.

3P's ability to cross-sell its products is constrained by the Blake Group's ownership of Reading Eggs and Reading Eggspress, which may adversely impact on the value of the Company.

The Blake Group retains the rights to distribute Reading Eggs and Reading Eggspress directly to parents and students. This puts this channel of distribution in competition with 3P's products that are sold directly to parents and students and indirectly with 3P's distribution to schools. This may also create brand confusion for customers and may result in reputation damage to 3P.

5.1.3 Technology and intellectual property related risks

5.1.3.1 3P's technology platforms, communications systems, and hosting platforms may be disrupted, cease to operate efficiently, or fail

As a provider of online products, 3P is reliant on the performance, reliability, and availability of its technology platforms, communications systems, servers, the internet, hosting services and the cloud-based environment in which it provides its products (whether provided in-house or sourced from third parties). There is a risk that these systems may be adversely affected by various factors such as damage, faulty or aging equipment, power surges or failures, computer viruses, or misuse by staff or contractors. Other factors such as hacking, denial of service attacks, or natural disasters may also adversely affect these systems and cause them to become unavailable.

The movement to public cloud services over time may cause disruptions to service and involve more expense and difficulty than expected.

This could result in a reduction of 3P's ability to generate income, as well as adversely affecting its reputation. This could have a material adverse effect on 3P's financial position and performance.

5.1.3.2 Need to be interoperable with other technologies used by schools

3P is exposed to the changing practices and decisions of other technology companies and the decisions that schools make regarding the adoption of technology. What these technology companies permit in relation to the terms of delivery from their systems and environments may adversely impact on 3P's ability to deliver its products. 3P may be required to invest significantly more into research and development, or pay these companies a fee in order for 3P's products to be interoperable with the devices and ecosystems.

5.1.3.3 Data loss, theft or corruption

3P provides its services extensively online through a range of websites. Hacking or exploitation of any vulnerability in its websites could lead to loss, theft or corruption of data.

This could render the websites unavailable for a period of time while data is restored. It could also lead to unauthorised disclosure of user's data with associated reputational damage, claims by users and regulatory scrutiny and fines.

Although 3P employs strategies and protections to try to minimise security breaches and to protect data, these strategies might not be successful. In that event, disruption to the websites and unauthorised disclosure of user data could negatively impact upon 3P's revenue and profitability. The loss of customer data could have severe impacts for the business related to marketing, customer service and the ability for customers to use the products.

5.1.3.4 Failure to protect intellectual property rights

Actions taken by 3P to protect its intellectual property may not be adequate, complete or enforceable and may not prevent the misappropriation of its intellectual property and proprietary information or deter independent development of similar technologies by others.

3P may suffer damage if former employees infringe its intellectual property rights.

Monitoring unauthorised use of 3P's intellectual property is difficult and can be costly. 3P may not be able to detect unauthorised use of its intellectual property rights.

3P has become aware of one instance of a person who was formerly involved in 3P's business who is seeking to promote products by reference to 3P's brands. 3P has commenced discussions with the view of preventing further occurrences.

The laws of many countries may not protect 3P's intellectual property. Changes in laws in Australia and elsewhere may adversely affect 3P and its intellectual property rights.

3P may in the future need to initiate litigation such as infringement or administrative proceedings, to protect its intellectual property rights. Litigation, whether 3P is a plaintiff or a defendant, can be expensive, time-consuming, unpredictable and may divert the efforts of its technical staff and managers whether or not such litigation results in a determination that is unfavourable to 3P.

5.1.3.5 Trademark usage

3P owns or otherwise has a licence to use the registered trademarks over its key brands in Australia. However, whilst 3P holds registered trademarks over some of its key brands in some of the international jurisdictions in which it has operations, it does not have trademarks for all products in all operational territories and it may lead to some brand conflicts and the need to re-brand some of the products in some of these markets.

3P is also aware of concurrent use of the Mathletics trademark by at least two third parties in the United States and Canada, and the IntoScience trademark in Australia. Whilst 3P has taken steps to mitigate this risk (such as by seeking to enter into co-existence agreements when concurrent use has been identified), some concurrent users are yet to be approached on this basis, and it is possible that 3P's trademark registrations in these jurisdiction could be disputed, and, it may be forced to re-brand the product in some or all of these jurisdictions, and it may be liable for other costs or damages associated with the use of the brand.

5.1.3.6 Intellectual property infringement claims from third parties or employees

Other parties may develop and patent substantially similar or substitutable products, processes, or technologies as those used by 3P, and other parties may allege that 3P's products incorporate intellectual property derived from third parties without their permission. Whilst 3P has not received any claim that its processes infringe the intellectual property rights of a third party, allegations of this kind may be received in future, and if successful, injunctions may be granted against 3P which could materially affect the operation of its online products, and consequently its ability to earn revenue.

5.1.4 Risks to growth strategy

5.1.4.1 Ability to retain existing business and attract new business

3P's business is reliant on its ability to retain a reasonable proportion of existing customers. As 3P has a periodic licence fee model, it is exposed to the potential non-renewal of its licences by existing customers. 3P may fail to retain existing customers for a number of reasons such as failure to meet customer expectations, poor customer service, pricing or competition. If 3P fails to retain existing customers the Company's future operating and financial performance may be adversely impacted and its reputation may be damaged. It may also impact the Company's carrying values of intangible assets on the balance sheet and the future assessment of impairment.

There is a risk that 3P will not succeed in selling Student Licences to new schools for many reasons including failure of sales and marketing strategies, issues with the quality, usability or interoperability of the products, damage to reputation, or competition.

3P's ability to retain contracts or acquire new business may also be affected by the decisions of educational governing or coordinating bodies, such as district offices, Catholic education offices, school networks, government ministries and departments. 3P is also affected by government decisions regarding funding.

5.1.4.2 Failure to improve revenue by increasing average revenue per Student Licence and improving sales conversion rates

Historically, 3P has made minimal price increases in Australia and New Zealand. This may negatively impact on the acceptability of a price increase to customers in the future. A price increase may reduce growth in 3P's customer base because higher prices may make it more difficult to attract new customers or result in increased churn of existing customers. 3P's ability to increase prices may also be constrained by the socio-economic status of certain segments of its customer base and by the prices, quality and usability of competing products.

The FY15 Forecast assumes a 15% increase in average revenue per Australian Student Licence. Any failure to increase the average revenue per Student Licence for FY15 will impact on the FY15 Forecast.

The FY15 Forecast assumes improvements in sales conversion rates on historic averages. See section 4 for more details. Any failure to improve sales conversion rates will impact on 3P's ability to meet the FY15 Forecast.

5.1.4.3 New products or expansion into new territories may not achieve intended outcomes

When 3P introduces new product features, products or expands into new territories, there are risks that these initiatives may result in unforeseen costs, fail to achieve any revenue or may not achieve the intended outcomes. 3P's plans for growth may be constrained by unforeseen issues particular to a territory including changes to the regulatory, taxation and foreign exchange environment. In addition, growth may place strain on management and operational resources.

5.1.4.4 Speed of innovation required

As an online education provider, speed of innovation is important to 3P's success in the future. The constantly changing technology and product offerings of 3P's competitors may require 3P to adapt its products and business model to overcome these challenges and remain competitive, which may be costly or unsuccessful. 3P's ability to meet the challenges of innovation is reliant on its personnel. See section 5.1.6 for more information.

5.1.4.5 Impact of information technology infrastructure in schools

3P's products must remain compatible with the technology utilised by schools. Limited bandwidth capability into and out of schools, as well as the expense of wireless and network capacity within schools, may impact on the ability for 3P to sell its products. There is also a risk that schools may change information technology policies or equipment which could result in 3P's site becoming inaccessible to existing users.

5.1.5 Government related risks

3P may be adversely impacted by changes in government policy, regulation or legislation applying to education providers and changes to education expenditure.

Governments in different territories may encourage or mandate schools to adopt alternative products from education providers other than 3P, which would adversely impact 3P's ability to retain existing customers as well as its ability to attract new customers.

3P's ability to adapt to changes in curricula, and the associated costs in doing so, may impact on 3P's revenue and ability to retain existing customers.

A number of jurisdictions have passed laws or made policy decisions to prohibit or regulate the hosting of personal data on computers which are not within that jurisdiction, such as Nova Scotia and British Columbia in Canada. Other jurisdictions in which 3P operates or seeks to operate may enact similar legislation. 3P's current business model is to consolidate hosting facilities where practicable, rather than to distribute those facilities across multiple jurisdictions. Laws such as these inhibit the ability of 3P to earn revenue from some customers located in such jurisdictions.

The imposition of new regulation (such as the introduction of greater restrictions on the use of school or student data) may also adversely affect 3P's business.

5.1.6 Personnel related risks

If 3P is unable to retain its CEO, Tim Power, it may impact on some of 3P's relationships with key partners and customers and may result in a loss of expertise and know-how. It may also incur increased costs in finding a replacement.

The successful operation of 3P's businesses relies on 3P's ability to attract and retain experienced employees and for those personnel to continue to successfully innovate. A failure in this regard may adversely affect 3P's ability to develop its product or implement its business strategies. See section 5.1.4.4 in relation to the risks around the necessity for speed of innovation.

A significant volume of development is undertaken by 3P's development team in India. 3P may be exposed to increasing wage costs in a previously low cost market as well as local labour market conditions. 3P is also exposed to the relatively high cost of doing business currently in Australia.

5.1.7 Impact of cash flow seasonality on financial reporting

3P's operating results have historically fluctuated due to seasonality and changes in the business. Future operating results may vary significantly from quarter to quarter due to a variety of factors, including semester schedules and budgeting cycles for school customers.

While revenue is recognised across the licence periods for Student Licences and Home Licences, cash flow is concentrated in the second half of the financial year because the back to school selling period in the southern hemisphere is in February and March and northern hemisphere in April, May and June. This can have the potential to lead to cash flow constraints at other times of the year, and potentially to increase cash flow vulnerability to factors occurring at that time of year, such as economic circumstances and government announcements.

5.1.8 Additional risks that are specific to 3P's businesses

5.1.8.1 Reputation damage

Maintaining the strength of 3P's reputation is important to retaining and increasing the customer base and successfully implementing 3P's business strategy. 3P's reputation could be affected by the actions of third parties, such as business partners, technology providers and its customer base. There is also a risk that unforeseen issues or events may adversely affect 3P's reputation. This may impact on the future growth and profitability of 3P.

Any factors that diminish 3P's reputation could result in customers, service providers or partners ceasing to do business with 3P. It may also impede its ability to compete successfully, negatively affect its future business strategy and have a material adverse impact on 3P's financial position and performance.

5.1.8.2 Exposure to movements in foreign exchange rates and interest rates

A proportion of 3P's revenue is generated outside of Australia and is denominated in foreign currencies, whilst a significant proportion of its operating expenditure is denominated in Australian dollars.

Adverse movements in foreign currency markets or market interest rates, or an increase in the credit risk presented by 3P's customers could cause 3P to incur losses which may reduce its profitability and ability to pay dividends and to service any debt in may take on in the future.

To the extent that 3P's revenue is not denominated in Australian dollars, 3P is exposed to the risk that a rise or fall in the value of the Australian dollar against a foreign currency may impact the value of its internationally generated revenue and impact its ability to fulfil ongoing operating obligations. Refer to the sensitivity analysis in section 4.9.

In addition, the interest charges payable on any debt funding 3P may take on in future may be affected by movements in market interest rates, which may increase the amount of interest payable.

5.1.8.3 Inability to pay dividends or make other distributions

There is a potential risk that 3P may be restricted from paying dividends or making other distributions in the future. The ability of 3P to offer fully franked dividends is contingent on it making taxable profits. The Company's taxable profits may be volatile, making the forecasting and payment of dividends difficult and unpredictable.

5.1.8.4 Exposure to adverse macroeconomic conditions

3P's businesses are each exposed to changes in general economic conditions in Australia and internationally. For example, the global education industry is affected by such macroeconomic conditions as economic recessions, downturns or extended periods of uncertainty or volatility, which may influence Government's ability or willingness to fund public education budgets, or defer or cancel education expenditure, which may affect 3P's ability to generate revenue.

Additionally, in weaker economic environments, schools and parents may have less disposable income to spend and so may be less likely to purchase 3P's products. These factors may adversely affect 3P's financial and operating performance, the price of the Shares and 3P's ability to pay dividends.

5.1.8.5 Dependencies on third party vendors

3P contracts with a number of technology and infrastructure suppliers to conduct its business and maintain its products. There is a risk that if the services of these suppliers were interrupted, or if 3P was unable to continue to contract with these suppliers, 3P may not be able to conduct its business or maintain its products. Finding alternative suppliers may require 3P to invest time and money to establish adequate alternative arrangements.

5.1.8.6 Documentation risk

Certain collaborations between 3P and potential partners are less formal and are not documented. This may affect 3P's ability to enforce such arrangements.

5.2 General risks of an investment in 3P

5.2.1 Price of Shares

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation on the ASX, even if 3P's earnings increase. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which 3P operates; and
- general operational and business risks.

Other factors which may negatively affect investor sentiment and influence 3P specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

5.2.2 Force majeure events

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of 3P and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for 3P's goods and services and its ability to conduct business. 3P has only a limited ability to insure against some of these risks.

5.2.3 Exposure to changes in tax rules or their interpretation or to other tax liabilities

Changes in tax law (including transfer pricing, GST and stamp duties), or changes in the way tax laws are interpreted may impact the tax liabilities of 3P, Shareholder returns, the level of dividend imputation or franking, or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively. Furthermore, the status of some key tax reforms remains unclear at this stage.

In addition, tax authorities may review the tax treatment of transactions entered into by 3P in any jurisdictions in which 3P operates or has activities. Any actual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied in respect of such transactions, increase its tax liabilities or expose it to legal, regulatory or other actions.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective shareholder is encouraged to seek professional tax advice in connection with any investment in 3P.

5.2.4 Exposure to changes in accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of 3P and its Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of 3P.

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Section 6

Key People, Interests and Benefits

6. Key People, Interests and Benefits

6.1 Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Director, Position	Experience


Samuel Weiss,
Independent Non-Executive Chairperson
	– Over 20 years of experience in senior management and directorship roles
	– Broad industry experience in education, technology and retail companies in Australia, North America, Europe and Asia
	– Current directorships of ASX listed companies:
	  – Chairman of Altium Limited
	  – Independent director of OrotonGroup Limited
	  – Independent director of Breville Group Limited
	  – Independent director of iBuy Limited
	  – Other current directorships:
	  – Chairman of Open Universities Australia Pty Ltd


Tim Power,
Chief Executive Officer and Director
	– 15 years of experience in educational technology development
	– Executive Director and early stage involvement in 3P since 2004, and CEO since 2007
	– Tim was the co-founder of World Education Games, Into Science, ClickView Pty Ltd and Coraggio Pty Ltd
	– Current directorships:
	  – ClickView Pty Ltd
	  – Coraggio Pty Ltd


Roger Amos,
Independent Non-Executive Director
	– Over 25 years of experience in finance, business and accounting
	– Previously a partner at the international accounting firm KPMG for 25 years
	– Current directorships of ASX-listed companies:
	  – Non-executive director of REA Group Limited
	  – Chairman of Tyrian Diagnostics Limited
	  – Deputy Chairman of Enero Group Limited

 **Claire Hatton,** Independent Non-Executive Director	– 20 years of experience in strategy and operations – Previously held senior roles at Google Australia and New Zealand, Plan International Australia and Travelport – Current directorships: – Full Potential Labs

The composition of the Board committees and a summary of its key corporate governance policies are set out in section 6.4.

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments.

6.2 Senior management

Director, Position	Experience
Tim Power, Chief Executive Officer	– Refer to section 6.1
 **Jonathan Kenny,** Chief Financial Officer	– Responsible for the group's financial, legal, investor relations and mergers and acquisitions opportunities – Over 20 years of experience in finance and operations roles for ASX listed and multinational corporations – Broad industry experience including publishing, software, property development, data and analytics – Previously was Chief Financial Officer of ASX-listed RP Data and Bravura Solutions Pty Ltd

6.3 Interests and benefits

This section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of 3P or SaleCo;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Macquarie Capital (Australia) Limited has acted as Lead Manager to the Offer. 3P has agreed to pay Macquarie Capital (Australia) Limited the fees described in section 9.10 for these services. In addition, Macquarie Group Limited and its related bodies corporate are Selling Shareholders in relation to the Offer;
- King & Wood Mallesons (**KWM**) has acted as Australian legal adviser (other than in respect of taxation matters) to 3P in relation to the Offer and a number of related corporate transactions. 3P has paid, or agreed to pay, approximately $1.3 million (excluding GST) for these services up until Completion. Further amounts may be paid to KWM for other work in accordance with its normal time-based charges.

- Ernst & Young Transaction Advisory Services has acted as the Investigating Accountant on the Financial Information and has prepared an Independent Limited Assurance Report included in section 8. For details of the fees that 3P has paid, or agreed to pay, Ernst & Young Transaction Advisory Services for the services provided, refer to the Financial Services Guide attached to the Independent Limited Assurance Report included in section 8. Further amounts may be paid to Ernst & Young Transaction Advisory Services under time-based charge out rates.
- Ernst & Young has provided audit related services and financial and tax due diligence services for the Company in relation to the Offer. 3P has paid, or agreed to pay, fees of approximately $575,000 (excluding GST) for these services up until the Prospectus date. Further amounts may be paid to Ernst & Young under time-based charge out rates.
- Schurgott Noolan Ardagna Pty Ltd (**Schurgott**) has assisted in the preparation of 3P for Listing and 3P has paid, or agreed to pay, fees of approximately $69,000 (excluding GST).

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in section 7.1.3.

6.3.2 Directors' interests and remuneration

6.3.2.1 Non-Executive Director remuneration

Under the Constitution, the Board decides the total amount paid to each Director as remuneration for their services as a Director of 3P. However, under the Listing Rules, the total amount paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by 3P's general meeting.

This amount has been fixed by 3P at $650,000 per annum. As at the date of this Prospectus, the annual Non-Executive Directors' fees agreed to be paid by 3P to the Chairman is $150,000 and each of the other Non-Executive Directors is $75,000. In addition, the chairman of the Audit and Risk Committee will be paid $20,000 annually. The chairman of the Nomination and Remuneration Committee will be paid $20,000 annually. Each member of these committees will be paid $10,000 annually. All Non-Executive Directors' fees are exclusive of superannuation contributions required by law to be made by the Company. The Board may in its discretion approve that Directors may receive Shares as part of their remuneration.

6.3.2.2 Payments and bonuses upon listing

In the event of successful Completion, Tim Power, Jonathan Kenny, the Non-Executive Directors and certain 3P employees may be eligible to receive a one-off cash payment from some or all of the Selling Shareholders. These Selling Shareholders may use part of the proceeds of the Offer that they receive from SaleCo to make these payments. A summary of these payments is set out below.

Payments to executives

On admission of 3P to the official list of the ASX, the following key executives will receive a one-off payment in cash:

- Tim Power will receive a payment of $500,000 plus the cash equivalent of 3,050 Shares (valued at the Offer Price and adjusted for the share capital restructure to take place in the conditional and deferred settlement period), which based on the midpoint of the Indicative Offer Price Range is approximately equal to $6.3 million;
- Jonathan Kenny will receive a payment of $300,000, of which $150,000 will be used by Jonathan to apply for Shares under the Offer (which will be subject to escrow arrangements as outlined in section 9.4); and
- 3P's chief operating officer will receive a payment of $250,000.

Listing bonuses for the Non-Executive Directors

Listing bonuses will be paid to the Non-Executive Directors in the following amounts:

- Samuel Weiss will receive $100,000;
- Roger Amos will receive $50,000; and
- Claire Hatton will receive $50,000.

Listing bonuses for other employees

Other 3P employees will receive a one-off listing bonus and may be entitled to apply for Shares under the Employee Gift Offer. In aggregate, the amount allocated for these listing bonuses to the other 3P employees is $1,350,000 (which includes the Shares to be issued under the Employee Gift Offer).

6.3.2.3 Deeds of access, insurance and indemnity

3P has entered into deeds of access, insurance and indemnity, with each Director which contain rights of access to certain books and records of 3P for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Pursuant to the Constitution, 3P may indemnify Directors and officers, past and present, against liabilities that arise from their position as Director or officer to the full extent permissible by law. Under the deeds of access, insurance and indemnity, 3P indemnifies each Director against all liabilities to another person that may arise from their position as a Director of 3P to the full extent permitted by law. The deed stipulates that 3P will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Pursuant to the Constitution, 3P may arrange and maintain Directors' and officers' insurance for its Directors to the full extent permissible by law. Under the deed of access, insurance and indemnity, 3P must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.3.2.4 Directors' shareholdings

The Directors are not required by the Constitution to hold any Shares. Each of Samuel Weiss, Roger Amos and Claire Hatton intend to apply for Shares under the Priority Offer. Final Directors' shareholdings will be notified to the ASX following Listing.

Directors may hold their interests directly, or through holdings by companies or trusts.

As part of the close out of 3P's share plan, 3PES Pty Ltd (the trustee of that plan), will transfer to Tim Power on Conditional Listing the number of Shares representing 3.0% of the Company prior to the share capital restructure (see section 7.1.4 and section 9.5). Tim will sell 20% of those Shares to SaleCo as a Selling Shareholder. Accordingly, on Completion, Tim Power will hold 3,036,472 Shares which will be subject to escrow arrangements as outlined in section 9.4.

6.3.2.5 Executive employment arrangements

Chief Executive Officer

The Chief Executive Officer, Tim Power, is employed by 3P under an employment agreement. Tim will receive a fixed annual remuneration of $400,000, plus superannuation at a rate in line with legislative requirements.

Tim will be eligible to receive a cash bonus of up to $100,000 or such other amount as determined by the Board for each financial year ending after 30 June 2015. Payment of the cash bonus will depend on 3P's performance and Tim's achievement of certain key performance indicators (which generally relate to qualitative and quantitative leadership performance and group financial performance), or as otherwise decided by the Board, regardless of whether Tim meets these performance indicators.

As part of a long term incentive package, Tim may be entitled to receive Shares (**Performance Shares**) up to the value of $100,000 (valued at the Offer Price). The Performance Shares will vest on or shortly after the Company's financial results for the financial year ending 30 June 2015 are approved by the Board. Tim is entitled to up to 100% of the Performance Shares if the Company exceeds the pro forma EBITDA. No Performance Shares will vest or be issued if the Company does not achieve the pro forma EBITDA. The Board may, at its absolute discretion, elect to issue some or all of these shares, regardless of whether the long term performance indicators are met. Tim's current long term incentive package will be for one year only, and it is proposed that Performance Shares to be granted under any future long term incentive plan will have a three year minimum vesting period.

Either party may terminate the employment contract by giving six months' notice in writing. 3P may terminate by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, 3P may terminate Tim's employment contract immediately by notice in writing and without payment in lieu of notice.

Upon the termination of Tim's employment contract, he will be subject to a restraint of trade period of 24 months. 3P may elect to reduce the restraint of trade period, or eliminate the period in its entirety. The enforceability of the restraint clause is subject to all usual legal requirements.

Chief Financial Officer

Jonathan Kenny is employed in the position of Chief Financial Officer and has entered into an employment contract with 3P. Jonathan will receive annual fixed remuneration of $330,000 plus superannuation at a rate in line with legislative requirements.

Jonathan will also be eligible to receive an annual cash bonus of up to $75,000 or such other amount as determined by the Board. Payment of a cash bonus will depend on Jonathan's achievement of certain key performance indicators (which generally relate to qualitative and quantitative leadership performance and group financial performance).

As part of a long term incentive package, Jonathan may be entitled to receive Performance Shares up to the value of $75,000 (valued at the Offer Price). The Performance Shares will vest on or shortly after the Company's financial results for the financial year ending 30 June 2015 are approved by the Board. Jonathan will be entitled to up to 100% of the Performance Shares if the Company exceeds the pro forma EBITDA. No Performance Shares will vest or be issued if the Company does not achieve the Pro Forma EBITDA. The Board may, at its absolute discretion, elect to issue some or all of these shares, regardless of whether the long term performance indicators are met. Jonathan's current long term incentive package will be for one year only, and it is proposed that Performance Shares to be granted under any future long term incentive plan will have a three year minimum vesting period.

Either party may terminate the employment contract by giving six months' notice in writing. 3P may terminate by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, 3P may terminate Jonathan's employment contract immediately by written notice and without payment in lieu of notice.

Jonathan's employment contract also contains a post-employment restraint of trade period of 18 months. 3P may elect to reduce the restraint of trade period, or eliminate the period in its entirety. The enforceability of the restraint clause is subject to all usual legal requirements.

6.4 Corporate governance

This section 6.4 explains how the Board intends to oversee the management of the Company. The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees development of the Company's corporate strategy. The Board is also responsible for ensuring the integrity of the Company's financial reporting and monitors the Company's financial results on a regular basis.

The main policies and practices adopted by the Company are summarised below. Copies of the Company's key policies and practices and the charters for the Board and each of its committees are available at http://www.3plearning.com/investors/governance.

6.4.1 ASX Principles

The Company will seek a listing on the ASX. The ASX Corporate Governance Council has developed and released its 3rd edition of the ASX Corporate Governance Principles and Recommendations (**ASX Principles**) for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Principles are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in either its annual report or on its website, and also in the Appendix 4G that it must lodge with the ASX at the same time as it lodges the annual report, disclosing the extent to which it has followed the ASX Principles in the reporting period. Where the Company does not follow an ASX Principle, it must identify the relevant recommendation or principle that has not been followed and give reasons for not following it.

As at the Prospectus Date, the Company will follow the majority of the ASX Principles, as listed below.

6.4.2 Roles and responsibilities

The Board has responsibility for providing overall strategic guidance for the Company and effective oversight of management. The Board ensures that the activities of the Company comply with its Constitution, from which the Board derives its authority to act, and with the relevant legal and regulatory requirements.

The Board considers that each of Samuel Weiss, Roger Amos and Claire Hatton is able to fulfil the role of independent Director for the purpose of the ASX Principles.

The Board has delegated day-to-day management of the business and affairs of the Company to executive management and will set the levels of authority for the Chief Executive Officer, Chief Financial Officer and other members of executive management. These levels will be periodically reviewed by the Board and documented.

However, there are certain matters which are reserved for the collective decision of the Board, to ensure good corporate governance by retaining Board control over significant decisions while allowing appropriate matters to be dealt with effectively under authority delegated to executive management. Most significantly, these matters include:

- providing leadership and setting the strategic objectives of the Company;
- appointing the Chair (and potentially any deputy chair);
- appointing and when necessary replacing the Chief Executive Officer;
- approving the appointment and when necessary replacement of other senior executives of the Company;
- overseeing management's implementation of the Company's strategic objectives and its performance generally;
- through the chairperson, overseeing the role of the company secretary;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- overseeing the Company's process for making timely and balanced disclosure of all material information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- ensuring that the Company has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;

- approving the Company's remuneration framework; and
- monitoring the effectiveness of the Company's governance practices.

The Board has delegated some of its functions to committees, although ultimate responsibility for those functions remains with the Board.

6.4.3 Board committees

To assist in carrying out its responsibilities, the Board has established an Audit and Risk Committee and a Nomination and Remuneration Committee.

The membership of the Audit and Risk Committee is restricted to Non-Executive Directors of the Company. The Nomination and Remuneration Committee will consist of a majority of independent Non-Executive Directors. Each of the Audit and Risk Committee and the Nomination and Remuneration Committee (and any other committee established by the Board from time to time) has terms of reference which set out the roles, responsibility, composition and processes of that committee.

6.4.4 Audit and Risk Committee

The Audit and Risk Committee is responsible for monitoring, reviewing, and reporting to the Board on the propriety of related party transactions, financial reporting matters, risk management and internal controls and external audit functions.

In addition, the Audit and Risk Committee is responsible for making recommendations to the Board in relation to the appointment of the external auditors, the approval of their remuneration and the terms of their engagement.

The Company will comply with the recommendations set by the ASX Principles in relation to the composition and operation of the audit committee. It is proposed that Roger Amos will be the chairman of the Audit and Risk Committee.

6.4.5 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for establishing, overseeing and advising the Board in relation to

a. nomination matters, being, Board succession planning, induction and continuing professional development of Directors and Board and committee performance evaluation; and
b. remuneration matters, being, remuneration arrangements and incentive plans, preparation of the annual remuneration report, assessment of management performance and other human resources related matters.

The Nomination and Remuneration Committee will be comprised solely of Non-Executive Directors. It is proposed that Samuel Weiss will be the chairman of the Nomination and Remuneration Committee.

6.4.6 Corporate governance policies

The Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX Principles. The Company's policies and corporate governance practices will continue to be reviewed regularly and will continue to be developed and refined to meet the needs of the Company and best practice.

Code of Conduct

The Company is committed to providing an ethical and legal framework within which its employees conduct the Company's business. Accordingly, the Company has adopted a Code of Conduct which sets out the values, commitments, ethical standards and policies of the Company and outlines the standards of conduct expected of the business and the Company's employees, taking into account the Company's legal and other obligations to its stakeholders.

Disclosure and Communication Policy

The Company is committed to the objective of promoting investor confidence and the rights of shareholders. The Company's Disclosure and Communications Policy details the Company's commitment through:

- complying with the continuous disclosure obligations imposed by law;
- ensuring that Company announcements are presented in a factual, clear and balanced way;
- ensuring that all shareholders have equal and timely access to material information concerning the Company; and
- communicating effectively with shareholders and making it easy for them to participate in general meetings.

Trading Policy

The Trading Policy outlines the restrictions imposed on the Directors, officers and key management personnel of the Company in dealing in the Shares, during those periods which are designated by the Trading Policy as "closed periods", any extension to a closed period, and any additional period, as specified by the Board.

The Trading Policy also sets out the restrictions imposed on any employees of the Company (including their family members or associates), in dealing in the Shares, when in possession of "inside information", being information relating to the Company which is not generally available but, if the information were generally available, would be likely to have a material effect on the price or value of the Shares.

Anti-bribery and Corruption policy

The Company has a long standing commitment to conducting its business with integrity and honestly. Accordingly, the Company has adopted an Anti-bribery and Corruption policy which strictly prohibits the offer, provision, solicitation or acceptance of bribes.

This policy sets out the Company's standards and guidelines on the following in connection with anti-bribery and corruption:

- offering, accepting and providing gifts and hospitality;
- participating in tenders and procuring goods and services;
- providing donations and political contributions;
- appointment/engagement of business partners;
- facilitation payments;
- mergers and acquisitions; and
- accounting and record keeping.

Privacy Policy

The Company is committed to protecting the safety and security of its registered users of its sites and is sensitive to their concerns about the safety of their personal information provided to the Company. The Privacy Policy details how any personal information collected by the Company is used.

3P Learning

Section 7

Details of the Offer

7. Details of the Offer

7.1 Description of the Offer

The Offer comprises the issue of Shares by 3P and the transfer of Shares by SaleCo. A description of the role of SaleCo in the Offer is set out in section 7.1.5.

In total, 113.1 million Shares are being offered under the Broker Firm Offer, Employee Gift Offer, the Employee Offer, the Priority Offer and the Institutional Offer. All Shares will be issued or transferred at the Offer Price.

On Completion, 21.9 million Shares will be held by Escrowed Shareholders and subject to escrow agreements described in section 9.4. The total number of Shares on issue at the Completion of this Offer will be 134.8 million. All Shares will rank equally with each other.

The Offer has been fully underwritten by the Lead Manager.

7.1.1 Structure of the Offer

The Offer comprises:

- the Retail Offer, consisting of the:
  - Broker Firm Offer;
  - Employee Gift Offer;
  - Employee Offer; and
  - Priority Offer; and
- the Institutional Offer.

There is no general public offer of Shares.

The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Lead Manager, and 3P, having regard to the allocation policies outlined in section 7.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- provide 3P with a liquid market for its Shares;
- provide an opportunity for Selling Shareholders to realise their investment in 3P;
- raise funds to pay the expenses of the Offer; and
- provide additional financial flexibility to pursue the growth strategy outlined in section 3.6 through improved access to capital markets.

7.1.3 Sources and uses of funds

The total gross proceeds of the Offer will be equal to the number of Shares issued by 3P and transferred by SaleCo under the Offer multiplied by the Offer Price.

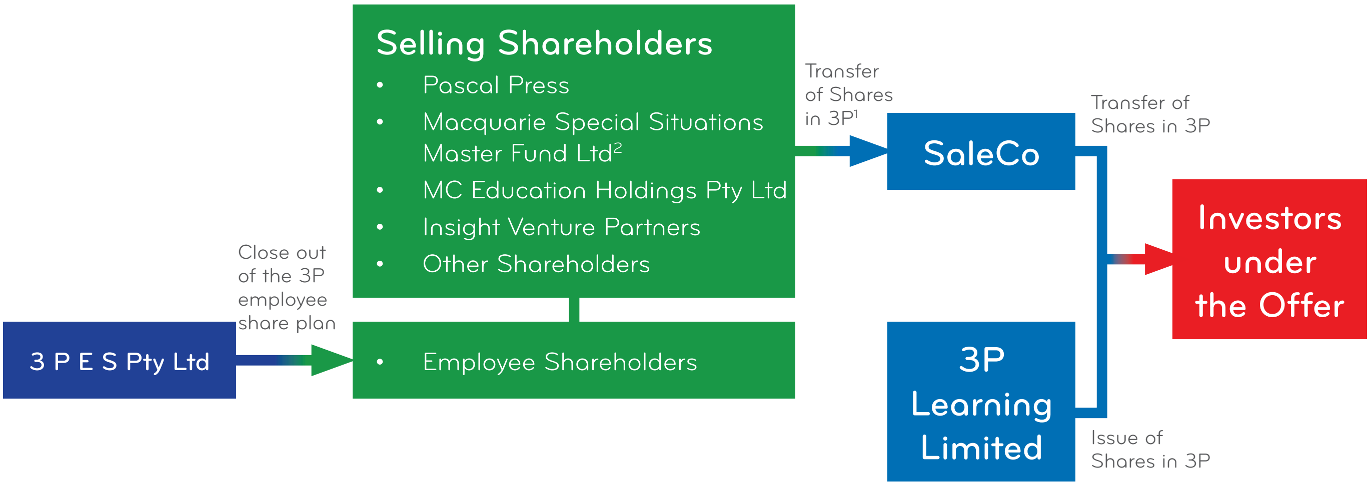
The Offer Proceeds will total $282.7 million. Those proceeds will be applied to the following:

Sources		Uses	
Cash proceeds received from transfer of Shares by SaleCo	$259.2 million	Payment of proceeds to SaleCo	$259.2 million
Cash proceeds received from issue of New Shares by 3P	$23.5 million	Payment of costs of the Offer	$14.8 million
		Increase in cash and cash equivalents	$8.7 million
Total sources	**$282.7 million**	**Total uses**	**$282.7 million**

7.1.4 Restructure during Conditional Listing

On Conditional Listing, the following key steps will occur:

- 3PES Pty Ltd (trustee of 3P's employee share plan) to transfer its Shares to Employee Shareholders as part of the close out of 3P's employee share plan;
- Existing Shareholders and Selling Shareholders will receive payment of a pre-IPO dividend of $12.5 million in respect of the operation of the business prior to Listing;
- A share capital restructure of 3P will be undertaken;
- SaleCo to accept the Selling Shareholders' offer, and the Selling Shareholders to transfer the Shares that they have agreed to sell to SaleCo;
- SaleCo to transfer these Shares, and 3P to issue New Shares, to investors under the Offer.



1 Except for Shares being retained by the Escrowed Shareholders that are subject to voluntary escrow arrangements described in section 9.4.
2 Macquarie Special Situations Master Fund Ltd has entered into a sale agreement to sell all of its shares in 3P to Macquarie Special Situations Limited, a related party as part of its internal restructure. Macquarie Special Situations Master Fund Ltd still remains the legal owner of the shares, and Macquarie Special Situations Limited is the beneficial owner.

7.1.5 Exit by Selling Shareholders

SaleCo, a special purpose vehicle, was incorporated on 14 May 2014. The Selling Shareholders have executed a deed poll in favour of, and for the benefit of, SaleCo and 3P under which they irrevocably offer to sell Shares to SaleCo free from encumbrances and third party rights and conditional on Listing.

The Sale Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo for these Sale Shares is the Offer Price.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement, and the deed poll described above.

The directors of SaleCo are Samuel Weiss, Roger Amos, Claire Hatton and Tim Power. The sole shareholder of SaleCo is Tim Power.

3P and SaleCo have entered into a deed of indemnity, under which 3P is to indemnify SaleCo and each of its directors for, and hold them harmless against, any losses incurred by them (whether directly or indirectly) in respect of the Offer, as a result of:

- any misleading or deceptive statement (including by omission) in the Prospectus or any other public information and advertising (including any roadshow materials) in connection with the Offer;
- a breach by 3P of its obligations under the deed of indemnity or any other binding obligation on the Company in respect of the Prospectus or the Offer;
- the distribution of the Prospectus and the making of the Offer;
- the allotment and issue of the New Shares and the transfer of the Shares under the Offer;
- any claims that SaleCo or any of its directors has any liability under the relevant provisions of the Corporations Act or other applicable law; and
- any review, inquiry or investigation undertaken by ASIC, the ASX, the ATO or any other regulatory or government agency in relation to the Offer or the Prospectus.

7.1.6 Pro forma historical consolidated balance sheet

3P's pro forma balance sheet following Completion, including details of the pro forma adjustments is set out in section 4.

7.1.7 Capitalisation and indebtedness

3P's pro forma capitalisation and indebtedness as at 31 December 2013, before and following Completion, is set out in section 4.

7.1.8 Shareholding structure

The details of the ownership of Shares on Completion of the Offer are set out below:

Shares on issue	Million	%
Shares on issue on Completion of the Offer	134.8	100%
Made up of:		
Shares transferred by SaleCo	103.7	77%
Shares issued under the Offer	9.4	7%
Shares held by Existing Shareholders	21.7	16%

7.1.9 Control implications of the Offer

The Directors do not expect any Shareholder to have a controlling interest in 3P immediately after Completion.

7.1.10 Capital adequacy

The Directors believe that on Completion, 3P will have sufficient funds available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet 3P's stated business objectives.

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the issued capital of 3P).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in section 9.6.
What is the consideration payable for each security being offered?	The Offer Price is $2.50 per Share.
What are the cash proceeds to be raised?	$23.5 million will be raised by 3P through the Offer. $259.2 million will be raised by SaleCo through the Offer. The proceeds received by SaleCo (less agreed deductions for Offer costs) will be paid to the Selling Shareholders.
What is the minimum and maximum Application size under each component of the Retail Offer?	The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for up to $1,000 worth of Shares at no cost. The minimum Application size under the Employee Offer is $2,000 and in multiples of $500 thereafter. The Employee Offer will be limited to $800,000 in aggregate proceeds. The minimum Application size under the Priority Offer is $2,000, and in multiples of $500 thereafter. Under the Priority Offer, Applicants are able to apply for Shares up to the value provided on their personalised invitation. The Lead Manager, in consultation with 3P, reserves the right to reject any Application made under the Retail Offer or to allocate a lesser number of Shares than that applied for. In addition, the Company and the Lead Manager reserves the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Retail Offer which are for more than $100,000.
What is the allocation policy?	The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Lead Manager, and 3P having regard to the allocation policy outlined in section 7. With respect to the Broker Firm Offer, it is a matter for Brokers how they allocate Shares among eligible retail clients. As noted above, all Eligible Employees will be offered the opportunity to apply for up to $1,000 worth of Shares each for no consideration. For further information on the Employee Gift Offer, refer to section 7.4. With respect to the Employee Offer, it is at the absolute discretion of 3P. With respect to the Priority Offer, it is at the absolute discretion of 3P, provided that those allocations (in aggregate) do not exceed $3.2 million. The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager, in consultation with 3P. For further information on the Institutional Offer, refer to section 7.7.

Topic	Summary
Will the Shares be listed?	3P will apply within seven days of the Prospectus Date, for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code 3PL (which may be changed prior to Listing)). Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on Wednesday, 9 July 2014, initially on a conditional and deferred settlement basis. Shares will commence trading on the ASX on an unconditional and normal settlement basis about or on Wednesday, 16 July 2014. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. 3P, SaleCo and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the 3P IPO Information Line, by a Broker or otherwise.
Is the Offer underwritten?	Yes, the Lead Manager has fully underwritten the Offer. Details are provided in section 9.10.
Are there any escrow arrangements?	Yes, details of escrow arrangements are provided in section 9.4.
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes, 3P has applied for ASIC relief and ASX confirmations. Details are provided in section 9.12.
What are the tax implications of investing in the Shares?	Given that the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of the investors to make their own enquiries concerning the taxation consequences of an investment in 3P. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser. An overview of the tax treatment for Australian resident investors is included in section 9.15.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
What should you do with any enquiries?	If you require more information about this Prospectus or the Offer, call the 3P IPO Information Line on 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) from 8.30am to 5.30pm (Sydney Time), Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether 3P is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 Broker Firm Offer

7.3.1 Who can apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have received a firm allocation of Shares from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer.

7.3.2 How to apply

Applications for Shares may only be made on a Broker Firm Application Form attached to or accompanying this Prospectus or in its paper copy form which may be downloaded in its entirety from http://www.3plearning.com/. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received your firm allocation. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Application Form.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is $2,000 worth of Shares and in multiples of $500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, 3P and the Lead Manager reserves the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer which are for more than $100,000. 3P may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Broker Firm Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Application Forms to the Share Registry.

The Broker Firm Offer opens at 9.00am (Sydney Time) on Friday, 27 June 2014 and is expected to close at 5.00pm (Sydney Time) on Friday, 4 July 2014. 3P, SaleCo and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier Closing Date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.3.1 Application Monies

3P reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Amount by the Offer Price. Where the Offer Price does not divide evenly into the Application Amount, the number of Shares to be allocated will be determined by the Applicant's Broker.

Cheque(s) or bank draft(s) must be in Australian Dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable in accordance with the directions of the Broker from whom the Applicant received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on your Broker Firm Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Broker Firm Application Form) or your Application may be rejected.

7.3.4 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to 3P to subscribe for or purchase Shares for all or any of the Application amount specified in and accompanying the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form (and including the acknowledgements in section 9.18). To the extent permitted by law, an Application is irrevocable.

3P reserves the right to decline any Application in whole or in part, without giving any reason. An Application may be accepted by 3P and the Lead Manager in respect of the full number of Shares specified in the Broker Firm Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.3.5 Allocation policy

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not 3P, or the Lead Manager) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

7.3.6 Announcement of final allocation policy

To assist Applicants in determining their allocation prior to receipt of a holding statement, 3P expects to announce the final allocation policy and basis for allocations under the Broker Firm Offer in various newspapers on or about Wednesday, 9 July 2014. Applicants in the Broker Firm Offer should confirm their invitation with the Broker from whom they received their invitation. They may also call the 3P IPO Information Line on 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) 8.30am to 5.30pm (Sydney Time), Monday to Friday to confirm their allocations. If you sell Shares before receiving a holding statement, you do so at your own risk, even if you have confirmed your invitation with your Broker or obtained details of your holding from the 3P IPO Information Line.

7.4 Employee Gift Offer

7.4.1 Who can apply

All Eligible Employees are entitled to participate in the Employee Gift Offer. Eligible Employees are all permanent full-time and permanent part-time employees of 3P resident in Australia who have been employed by 3P for at least one month as at 5.00pm (Sydney Time) on Thursday, 19 June 2014 (provided that they remain so employed at Friday, 4 July 2014).

7.4.2 How to apply

If you are an Eligible Employee, you should have received a letter of offer detailing the terms of the Employee Gift Offer, together with this Prospectus.

7.4.3 Application Monies

No payment is required for the Employee Gift Offer.

7.4.4 Allocation policy

Employee Gift Offer Applicants who are successful will receive a guaranteed allocation of $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

7.4.4.1 Further information about the Employee Gift Offer

An employee participating in the Employee Gift Offer may be eligible for concessional tax treatment. See section 9.15 for an overview of the potential taxation implications of participating in the Employee Gift Offer.

7.5 Employee Offer

7.5.1 Who can apply

All Eligible Employees are entitled to participate in the Employee Offer. Eligible Employees are all permanent full-time and permanent part-time employees of 3P resident in Australia who have been employed by 3P for at least one month as at 5.00pm (Sydney Time) on Thursday, 19 June 2014 (provided that they remain so employed at Friday, 4 July 2014).

7.5.2 How to apply

If you are an Eligible Employee, you should have received a letter of offer detailing the terms of the Employee Offer, together with this Prospectus.

The minimum Application under the Employee Offer is $2,000 worth of Shares and in multiples of $500 thereafter. The Employee Offer will be limited to $800,000 in aggregate proceeds.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

7.5.3 How to pay

Applicants under the Employee Offer must pay their Application Monies by BPAY in accordance with the instructions on the online Application Form.

When completing your BPAY payment, please make sure to use the specific biller code and unique Customer Reference Number (**CRN**) provided to you or generated by the online Application Form. Application Monies paid via BPAY must be received by the Share Registry by no later than 5.00pm (Sydney Time) on Friday, 4 July 2014 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither 3P nor the Lead Manager takes any responsibility for any failure to receive Application Monies or payment by BPAY before the Employee Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

For more details, prospective Applicants should refer to http://www.3plearning.com/ or contact the 3P IPO Information Line on 1800 132 875 (within Australia) or +61 1800 132 875 (from outside Australia) 8.30am to 5.30pm (Sydney Time), Monday to Friday.

7.5.4 Application Monies

3P reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Employee Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Amount by the Offer Price. Where the Offer Price does not divide evenly into the Application Amount, the number of Shares to be allocated will be determined by the Lead Manager.

If the amount of your BPAY payment for Application Monies is insufficient to pay for the number of Shares you have applied for, you may be taken to have applied for such lower number of Shares as your cleared Application Monies will pay for, or your Application may be rejected.

7.5.5 Acceptance of Applications

An Application in the Employee Offer is an offer by the Applicant to 3P to subscribe for or purchase Shares for all or any of the Application amount specified in and accompanying the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form (and including the acknowledgements in section 9.18). To the extent permitted by law, an Application is irrevocable.

3P reserves the right to decline any Application in whole or in part, without giving any reason. An Application may be accepted by 3P and the Lead Manager in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.5.6 Allocation policy

The allocation of Shares under the Employee Offer will be determined by the Lead Manager, in consultation with 3P. The Lead Manager, in consultation with 3P will have absolute discretion regarding the basis of allocation of Shares and there is no assurance that an Eligible Employee will receive the number of Shares applied for under the Employee Offer.

7.6 The Priority Offer

7.6.1 Who can apply

The Priority Offer is open to investors who have received a personalised invitation to participate in the Offer from 3P and who have a registered address in Australia.

If you have been invited by 3P to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of those shares that are allocated to you.

7.6.2 How to apply

If you have received a Priority Offer invitation and you wish to apply for Shares, you should follow the instructions on your personalised invitation.

The minimum Application under the Priority Offer is $2,000 worth of Shares and in multiples of $500 thereafter. You may apply for an amount up to the amount indicated on your personalised invitation.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

7.6.3 How to pay

Applicants under the Priority Offer must pay their Application Monies by BPAY in accordance with the instructions on the online Application Form.

When completing your BPAY payment, please make sure to use the specific biller code and unique Customer Reference Number (**CRN**) provided to you or generated by the online Application Form. Application Monies paid via BPAY must be received by the Share Registry by no later than 5.00pm (Sydney Time) on Friday, 4 July 2014 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither 3P nor the Lead Manager takes any responsibility for any failure to receive Application Monies or payment by BPAY before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

For more details, prospective Applicants should refer to http://www.3plearning.com/ or contact the 3P IPO Information Line on 1800 132 875 (within Australia) or +61 1800 132 875 (from outside Australia) 8.30am to 5.30pm (Sydney Time), Monday to Friday.

7.6.4 Application Monies

Subject to section 7.6.6, 3P reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Amount by the Offer Price. Where the Offer Price does not divide evenly into the Application Amount, the number of Shares to be allocated will be determined by the Lead Manager.

If the amount of your BPAY payment for Application Monies is insufficient to pay for the number of Shares you have applied for, you may be taken to have applied for such lower number of Shares as your cleared Application Monies will pay for, or your Application may be rejected.

7.6.5 Acceptance of Applications

An Application in the Priority Offer is an offer by the Applicant to 3P to subscribe for or purchase Shares for all or any of the Application amount specified in and accompanying the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form (and including the acknowledgements in section 9.18). To the extent permitted by law, an Application is irrevocable.

3P reserves the right to decline any Application in whole or in part, without giving any reason. An Application may be accepted by 3P and the Lead Manager in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.6.6 Allocation policy

Priority Offer applicants will receive a guaranteed allocation of Shares in the amount notified on their personalised invitation. Beyond this, the allocation of Shares under the Priority Offer will be at the absolute discretion of 3P, provided that those allocations (in aggregate) do not exceed $3.2 million. Shares which have been allocated to Applicants under the Priority Offer will be issued to the Applicants who have received a valid allocation of Shares from 3P.

7.7 Institutional Offer

7.7.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.7.2 Allocation policy under the Institutional Offer process and the Indicative Price Range

The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager, 3P and SaleCo. The Lead Manager in consultation with 3P and SaleCo had absolute discretion regarding the basis of allocation of Shares among Institutional Investors, and there was no assurance that any Institutional Investor would be allocated any Shares, or the number of Shares for which it bid.

The allocation policy was influenced by, but not constrained by, the following factors:

- the price and number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- 3P's desire for an informed and active trading market following listing on the ASX;
- 3P's desire to establish a wide spread of institutional shareholders;
- the overall level of demand under the Broker Firm Offer, Priority Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders would be long term Shareholders; and
- any other factors that the Lead Manager and the Company considered appropriate.

7.8 Underwriting Agreement

3P, SaleCo and the Lead Manager entered into an Underwriting Agreement on Thursday, 19 June 2014. Under the Underwriting Agreement, 3P and SaleCo appointed Macquarie Capital as Lead Manager, bookrunner and underwriter of the Offer. The Lead Manager agrees, subject to the certain conditions and termination events, to underwrite severally Applications for all Shares under the Offer in equal proportions. The Underwriting Agreement sets out a number of circumstances under which the Lead Manager may terminate the agreement and the underwriting obligations. A summary of certain terms and provisions, including the termination provisions, is provided in section 9.10.

7.9 Discretion regarding the Offer

3P and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

3P, SaleCo and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.10 ASX listing, registers and holding statements, conditional and deferred settlement trading

7.10.1 Application to the ASX for listing of the Company and quotation of Shares

3P will apply for admission to the Official List and quotation of the Shares on the ASX within seven days of the Prospectus Date. 3P's expected ASX code will be 3PL (which may be changed prior to Listing).

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit 3P to the Official List is not to be taken as an indication of the merits of 3P or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by 3P will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by 3P from time to time), 3P will be required to comply with the ASX Listing Rules.

7.10.2 CHESS and issuer sponsored holdings

3P will apply to participate in the ASX's Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. 3P and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.10.3 Conditional and deferred settlement trading and selling Shares on market

It is expected that the Shares will commence trading on the ASX on Wednesday, 9 July 2014, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications and bids in the bookbuild will be conditional on the ASX agreeing to quote the Shares on the ASX, and on settlement occurring under the Underwriting Agreement (**Settlement**). Trades occurring on the ASX before Settlement will be conditional on Settlement occurring.

If the Offer is withdrawn after Shares have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of the Shares on the ASX would be cancelled and any Application Monies received would be refunded as soon as possible (without interest).

Conditional trading will continue until 3P has advised the ASX that Settlement has occurred, which is expected to be on Friday, 11 July 2014. Trading will then be on an unconditional but deferred delivery basis until the Company has advised the ASX that holding statements have been despatched to Shareholders which will be about or on Tuesday, 15 July 2014. Normal settlement trading (that is, trading on a T+3 settlement basis) is expected to commence on Wednesday, 16 July 2014.

If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of Applications and bids will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

To assist Applicants in determining their allocation prior to receipt of a holding statement, 3P will announce details of pricing and the basis of allocations in various newspapers on Wednesday, 9 July 2014. After the basis for allocations has been determined, Applicants will also be able to call the 3P IPO Information Line, open from 8.30am to 5.30pm (Sydney Time) Monday to Friday until Completion or their Broker to confirm their allocations.

It is the responsibility of each Applicant or bidder to confirm their holding before trading in Shares. Applicants or bidders who sell Shares before they receive an initial statement of holding do so at their own risk. The Company, SaleCo, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them or by the 3P IPO Information Line.

7.11 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

Each Applicant in the Retail Offer and each person in Australia to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

3P Learning

Section 8

Independent Limited Assurance Report on Financial Information

8. Independent Limited Assurance Report on Financial Information

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19 June 2014

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

The Directors
3P Learning SaleCo Limited
Level 18, 124 Walker Street
North Sydney
NSW 2060

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON STATUTORY HISTORICAL FINANCIAL INFORMATION, PRO FORMA HISTORICAL FINANCIAL INFORMATION, STATUTORY FORECAST FINANCIAL INFORMATION AND PRO FORMA FORECAST FINANCIAL INFORMATION

1. Introduction

We have been engaged by 3P Learning Limited ("3P") and 3P Learning SaleCo Limited ("SaleCo") to report on the statutory historical financial information, pro forma historical financial information, statutory forecast financial information and pro forma forecast financial information of 3P for inclusion in the Prospectus ("Prospectus") to be dated on or around 19 June 2014, and to be issued by 3P and SaleCo, in respect of the issue of new shares by 3P and the transfer of existing shares in 3P by SaleCo and a listing of 3P on the Australian Securities Exchange (the "Offer").

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Bryan Zekulich is a Director and Representative of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Statutory Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following statutory historical financial information of 3P included in the Prospectus:

- summary statutory consolidated historical income statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 as presented in Appendix C of the Prospectus;
- summary statutory consolidated historical cash flow statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 as presented in Appendix C of the Prospectus; and
- statutory consolidated historical balance sheet as at 31 December 2013 as presented in Table 4.7 in section 4.4.1 of the Prospectus.

(Hereafter the "Statutory Historical Financial Information")

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Ernst & Young Transaction Advisory Services Limited, ABN 87 003 599 844
Australian Financial Services Licence No. 240585

The Statutory Historical Financial Information for FY11, FY12 and FY13 has been derived from the audited consolidated special purpose financial statements of 3P which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these annual financial statements.

The Statutory Historical Financial Information for 1HFY13 and 1HFY14 has been derived from the 1HFY14 consolidated interim financial statements, which includes comparative financial information for 1HFY13, which were reviewed by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified limited assurance conclusion on these interim financial statements.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation as set out in section 4.2.2 of the Prospectus, being in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the Australian Accounting Standards Board ("AASB"), which are consistent with IFRS and interpretations issued by the International Accounting Standards Board ("IASB"), and 3P's adopted accounting policies.

Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information of 3P included in the Prospectus:

- summary pro forma consolidated historical income statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 as presented in section 4.3.1 of the Prospectus;
- summary pro forma consolidated historical cash flow statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 as presented in section 4.5.1 of the Prospectus; and
- pro forma consolidated historical balance sheet as at 31 December 2013 as presented in Table 4.7 in section 4.4.1 of the Prospectus.

(Hereafter the "Pro Forma Historical Financial Information")

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of 3P, and adjusted for the effects of pro forma adjustments described in sections 4.3.2, 4.4.1 and 4.5.2 of the Prospectus.

The stated basis of preparation used in the preparation of the Pro Forma Historical Financial Information is set out in section 4.2.2 of the Prospectus, being in a manner consistent with the recognition and measurement principles of Australian Accounting Standards, issued by the AASB which are consistent with IFRS and interpretations issued by the IASB, adjusted for pro forma adjustments set out in sections 4.3.2, 4.4.1 and 4.5.2 of the Prospectus, as if those events or transactions had occurred from 1 July 2010 and as if the Offer had occurred on 31 December 2013.

Due to its nature, the Pro Forma Historical Financial Information does not represent 3P's actual or prospective financial position, financial performance and/or cash flows.

Statutory Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following statutory forecast financial information of 3P included in the Prospectus:

- summary statutory consolidated forecast income statements for FY14 and FY15 as presented in Table 4.1 in section 4.3.1 of the Prospectus; and
- summary statutory consolidated forecast cash flow statements for FY14 and FY15 as presented in Table 4.9 in section 4.5.1 of the Prospectus.

(Hereafter the "Statutory Forecast Financial Information")

The Directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in section 4.8.1 and 4.8.2 of the Prospectus.

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The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is set out in section 4.2.3 of the Prospectus being in accordance with the recognition and measurement principles of Australian Accounting Standards, issued by the AASB which are consistent with IFRS and interpretations issued by the IASB, and 3P's adopted accounting policies from 1 July 2013.

Pro Forma Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma forecast financial information of 3P included in the Prospectus:

- summary pro forma consolidated forecast income statements for FY14 and FY15 as presented in Table 4.1 in section 4.3.1 of the Prospectus; and
- summary pro forma consolidated forecast cash flow statements for FY14 and FY15 as presented in Table 4.9 in section 4.5.1 of the Prospectus.

(Hereafter the "Pro Forma Forecast Financial Information")

(Collectively the "Financial Information")

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in sections 4.3.2 and 4.5.2 of the Prospectus.

The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is set out in section 4.2.3 of the Prospectus being in a manner consistent with the recognition and measurement principles of Australian Accounting Standards, issued by the AASB which are consistent with IFRS and interpretations issued by the IASB, adjusted for pro forma adjustments set out in sections 4.3.2 and 4.5.2 of the Prospectus, as if those events or transactions had occurred from 1 July 2010.

Due to its nature, the Pro Forma Forecast Financial Information does not represent 3P's actual prospective financial performance and cash flows for FY14 and FY15.

The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

Statutory Historical Financial Information and Pro Forma Historical Financial Information

The Directors of 3P are responsible for the preparation and presentation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Directors of 3P are responsible for the preparation and presentation of the Statutory Forecast Financial Information for FY14 and FY15, including the basis of preparation, the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation and presentation of the Pro Forma Forecast Financial Information for FY14 and FY15, including the basis of preparation, the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes

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responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Statutory Historical Financial Information and Pro Forma Historical Financial Information

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

Our responsibility is to express a limited assurance conclusion on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our limited assurance engagement.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance report on any financial information used as a source of the Financial Information.

5. Conclusions

Statutory Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information comprising:

- summary statutory consolidated historical income statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 as presented in Appendix C of the Prospectus;
- summary statutory consolidated historical cash flow statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 as presented in Appendix C of the Prospectus; and
- statutory consolidated historical balance sheet as at 31 December 2013 as presented in Table 4.7 in section 4.4.1 of the Prospectus,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.2 of the Prospectus.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

- summary pro forma consolidated historical income statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 as presented in section 4.3.1 of the Prospectus;
- summary pro forma consolidated historical cash flow statements for FY11, FY12, FY13, 1HFY13 and 1HFY14 as presented in section 4.5.1 of the Prospectus; and

- pro forma consolidated historical balance sheet as at 31 December 2013 as presented in Table 4.7 in section 4.4.1 of the Prospectus,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2.2 of the Prospectus.

Statutory Forecast Financial Information

Based on our limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information; and

- in all material respects, the Statutory Forecast Financial Information:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in sections 4.8.1 and 4.8.2 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation as described in section 4.2.3 of the Prospectus; and

- the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and

- in all material respects, the Pro Forma Forecast Financial Information:
  - is not prepared on the basis of the Directors' best estimate assumptions as described in sections 4.8.1 and 4.8.2 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.3 of the Prospectus, adjusted for the pro forma adjustment set out in sections 4.3.2 and 4.5.2 of the Prospectus as if those events or transactions had occurred from 1 July 2010; and

- the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast and Pro Forma Forecast Financial Information

The Statutory Forecast and Pro Forma Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance and cash flows of 3P for FY14 and FY15. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results will be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of 3P. Evidence may be available to support the Directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusions expressed in this report have been formed on the above basis.

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Prospective investors should be aware of the material risks and uncertainties in relation to an investment in 3P, which are detailed in the Prospectus and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 5 and 4.9 respectively of the Prospectus. The sensitivity analysis described in section 4.9 of the Prospectus demonstrates the impact on the FY15 statutory forecast net profit after tax of changes in key best-estimate assumptions. We express no opinion as to whether the statutory forecast or pro forma forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of 3P, that all material information concerning the prospects and proposed operations of 3P have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

6. Restriction on Use

Without modifying our conclusions, we draw attention to section 4.2.1 of the Prospectus which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this independent limited assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Bryan Zekulich
Director and Representative

Building a better working world

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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT ASSURANCE REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $75,000 (inclusive of GST).

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Ernst & Young Transaction Advisory Services Limited, ABN 87 003 599 844
Australian Financial Services Licence No. 240585

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Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

3P Learning

Section 9

Additional Information

9. Additional Information

9.1 Registration

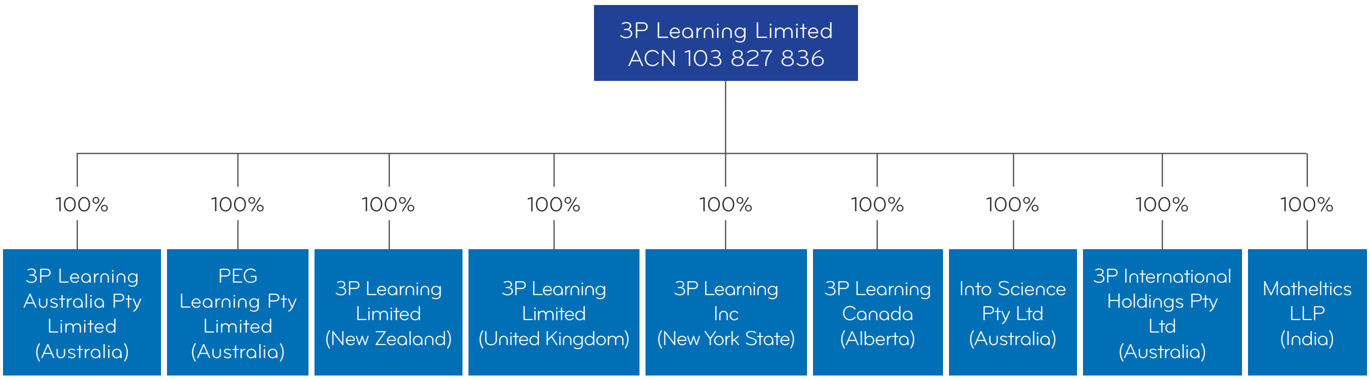
The Company was registered in New South Wales on 21 February 2003, and was converted from a proprietary company into a public company limited by shares on 30 May 2014.

9.2 Company tax status

The Company is and will be subject to tax at the Australian corporate tax rate on its taxable income.

9.3 Corporate Structure

The following diagram shows the entities in the corporate structure of the Group at the date of Listing:



See section 9.8 for more information about the holdings of Into Science, the Mathletics LLP arrangements and the acquisition and holding of the business of Whatiph.

9.4 Escrow arrangements

The Escrowed Shareholders have agreed to enter into voluntary escrow arrangements with 3P under which they will be restricted from dealing with Shares they hold on Completion (**Escrow Shares**) until the first trading day after the announcement to the ASX of 3P's audited financial results for the financial year ending on 30 June 2015.

The escrow arrangements are affected by an application for relief from ASIC. See section 9.12.1 for more information about the ASIC relief. If the ASIC relief is not granted, the escrow arrangements may not be applied or may be applied in a more limited form.

There are limited circumstances in which an escrow may be released, namely:

- to allow the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Shares and holders if at least half of the Shares which are subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid;
- to allow the Shares held by the Escrowed Shareholder to be transferred or cancelled as part of a merger or scheme of arrangement under Part 5.1 of the Corporations Act; or
- the death or incapacity of the Escrowed Shareholder

During the above escrow period, the Escrowed Shareholders whose Shares are subject to escrow, may deal in any of their Shares to the extent the dealing is required by applicable law (including an order of court of competent jurisdiction). The restriction on 'dealing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares or agreeing to do any of those things.

The Escrowed Shareholders are permitted to grant security interests over the Shares that they hold in favour of financial institutions, provided that the security interests do not constitute a direct or indirect disposal of the economic interests that the Escrowed Shareholders have and no Shares are to be transferred or delivered to the relevant financial institution.

9.5 Employee and executive incentive plans

The Company has incentive packages for certain individuals including Tim Power and Jonathan Kenny (see section 6.3).

The Company has a sales incentive scheme for its sales staff based on the achievement of individual performance targets.

The Company's current share plan for employees is being closed out as part of the IPO arrangements. In due course 3P may put in place equity incentive plans after the FY15 Forecast period. 3P has not yet determined the terms of those plans.

9.6 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

9.6.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of 3P; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

Upon Conditional Listing, 3P's Constitution will be amended with automatic effect so as to contain provisions consistent with 3P being an ASX listed company. Accordingly, the summary assumes that 3P is admitted to the Official List.

9.6.2 Voting at a general meeting

At a general meeting of 3P, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid Share held and in respect of each partly paid Share, entitled to a fraction of a vote equivalent to the proportion which the amount paid up (excluding any amount credited as paid up) on that partly paid Share bears to the total issue price of that Share. Amounts paid in advance of a call are ignored when calculating the proportion.

9.6.3 Meetings of members

Each Shareholder is entitled to receive written notice of, and except in certain circumstances to attend and vote at, general meetings of 3P and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

9.6.4 Dividends

Subject to the Corporations Act, the Constitution and the terms of issue or rights of any shares with special rights to dividends, the Directors may determine that a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by the Company to, or at the direction of, each member entitled to that dividend.

A dividend may only be paid in accordance with the Corporations Act.

9.6.5 Transfer of shares

Subject to the Constitution, Shares may be transferred by:

- a written instrument of transfer which complies with the Constitution;
- a proper transfer effected in accordance with the ASX Settlement Operating Rules; or
- any other method permitted by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares:

- if permitted to do so under the Constitution or under the ASX Listing Rules; or
- on which 3P has a lien or which are subject to forfeiture.

The Board must refuse to register any transfer of Shares if the registration of the transfer would result in a breach of, or failure to observe, the provisions of any applicable law, the ASX Listing Rules or a restriction agreement.

9.6.6 Issue of further shares

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board has full discretion to issue additional shares or other equity securities and determine the terms of such issue.

9.6.7 Winding up

If 3P is wound up, the liquidator may, with the sanction of a special resolution of the Company or with the written consent of all Shareholders entitled to vote on the matter:

- divide the surplus assets of the Company remaining after payment of its debts among 3P's shareholders in proportion to the number of shares held by them (with partly paid shares counted as fractions of fully paid shares);
- for that purpose, fix the value of assets (as the liquidator considers to be fair) and determine how the division is to be carried out between the shareholders and different classes of shareholders; and
- vest assets of the Company in trustees on any trusts determined by the liquidator for the benefit of the contributories.

9.6.8 Sale of non-marketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

9.6.9 Share buy-backs

3P may in accordance with the Corporations Act buy back its own shares.

9.6.10 Variation of class rights

At present, 3P's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of 3P is divided into different classes of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the written consent of the holders of not less than 75% of the issued shares of that class; or
- the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

In either case, in accordance with the Corporations Act, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

9.6.11 Conversion or reduction of share capital

Subject to the Corporations Act, 3P may convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting or with the written consent of all members entitled to vote on the matter.

3P may reduce its share capital in any way permissible by the Corporations Act.

9.6.12 Election to reinvest dividend

The Constitution allows the Board to grant to Shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. It is not currently intended that a dividend reinvestment plan will be implemented at or prior to Completion.

9.6.13 Directors – appointment and removal

Under the Constitution, 3P will have at least three Directors, unless otherwise provided by the Corporations Act. There is a maximum of eight Directors prescribed in the Constitution. Directors are elected at annual general meetings of 3P. Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any chief executive officer) faces re-election. The Directors may also appoint a Director to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the next annual general meeting of 3P and is then eligible for election at that meeting.

9.6.14 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes cast by Directors present and entitled to vote at a meeting at which a quorum is present. If an equal number of votes are cast for and against a resolution, the chairperson does not have a casting vote in addition to the chairperson's vote as a Director and the resolution is not passed.

9.6.15 Directors – remuneration

See section 6.3.2 for a description of the remuneration arrangements for Directors.

9.6.16 Indemnity and insurance

The Company, to the fullest extent permitted by the Corporations Act, may indemnify any current or former Director, or officer, of the Company or its subsidiaries against any liability incurred by that person in that capacity, including certain legal costs.

The Company, to the fullest extent permitted by the Corporations Act, may enter into and pay premiums on a contract insuring any current or former Director, or officer, of the Company or its subsidiaries against any liability incurred by that person in that capacity, including legal costs.

Under the Constitution, the Company must provide indemnification and may obtain insurance for each Director, or officer, of the Company or its subsidiaries during their period of office and for a certain period after the person ceases to be a Director, or officer, of the Company or its subsidiaries.

The Company has entered into deeds of access and indemnity with each Director and the Company Secretary. These are summarised above in section 6.3.2.3.

9.6.17 Variation of the Constitution

The Constitution can only be amended by special resolution passed by at least three-quarters of the votes cast by shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of 3P.

3P must give at least 28 days written notice of a general meeting of 3P.

9.7 Related party agreements

9.7.1 Sales agency agreement with the Blake Group

Reading Eggs and Reading Eggspress

A former Director of 3P, Matthew Sandblom, is a director of certain entities within the Blake Group. The Blake Group owns the intellectual property rights to Reading Eggs and Reading Eggspress products.

Under the sales agency agreement between 3P and the Blake Group, 3P is given the right to sell, as agent for the Blake Group, either directly or via the appointment of third parties, Reading Eggs and Reading Eggspress (including other online services or applications containing substantially the same functionality as these products such as iOS/Android apps) in Australia, New Zealand, the United Kingdom, Ireland, Malaysia, South Africa, Singapore, Hong Kong, Pakistan, the Arabic speaking word, International Schools worldwide (excluding the United States and Canada), and other markets as may be agreed between the parties on a case by case basis (**Territories**). 3P's rights to sell these products in Canada are contingent on the Blake Group being able to terminate its current distribution arrangement with a third party in Canada. Under the arrangements, 3P has, among other rights:

- the right to sell Student Licences for the use of the Reading Eggs website and the Reading Eggspress website (and associated applications) to schools for grades K-12 on an exclusive basis in the Territories to public, private, parochial and virtual schools; and
- the right to sell Student Licences for the use of the Reading Eggs website and the Reading Eggspress website (and associated applications) to pre-schools (for children aged less than 6) in Australia, New Zealand and the United Kingdom on a non-exclusive basis.

3P's sales rights under this agreement do not cover the home market.

The agreement is on arms' length terms. 3P is required to pay a royalty of 40% of sales and to meet agreed royalty minimums, and if it fails to do so the agreement may be terminated by either party. The Blake Group is required to host the online platforms on which the above products operate, and 3P is entitled to royalty credits where particular service levels are not met. There are also standard termination rights, for example, each party may terminate for material breach of the agreements or if an insolvency-related event occurs in relation to the other party. The agreement has an indefinite duration until otherwise terminated.

Accompanying the agreement is a trade mark licence allowing 3P to use the 'Reading Eggs', 'Reading Eggspress' and ABC 'wave' word marks and logos in relation to the distribution of the relevant products. Rights to use the Blake trademark is on a non-exclusive basis.

In FY13, $2.9 million was paid by 3P in relation to the arrangements between 3P and members of the Blake Group in respect of Reading Eggs Products. This amount may vary from year to year and in particular may increase in the short term due to the expansion of the agreement to include additional territories.

Mathseeds and Wordflyers

3P has entered into similar sales agency agreements with the Blake Group in respect of its online products known as Mathseeds and Wordflyers as entered into for the Reading Eggs and Reading Eggspress products. These will take effect from July 2015 (and in respect of the Wordflyers products, is dependent on 3P exercising an option to act as sales agent for these products).

9.7.2 ClickView and VEA Video agreements

Tim Power, a Director of 3P, is a director and shareholder of Clickview Pty Limited (**ClickView**). Matthew Sandblom, co-founder and former Director of 3P is also a director and shareholder of ClickView. 3P and ClickView are parties to an agreement in which 3P is licensed to utilise the ClickView technology for its video storage, management, and delivery needs. ClickView also provides a range of services to 3P in connection with the technology. In consideration, 3P has agreed to work with ClickView to facilitate sales lead opportunities which may arise from the use of the ClickView technology by schools, students and teachers. No fee is payable to ClickView. The term of the agreement is three years from 9 January 2014 and it contains standard termination rights.

Matthew Sandblom is a director of VEA Video Education Australasia Pty Limited (**VEA**). 3P and VEA are parties to an agreement in which 3P is licensed to use and exploit video footage on the Mathletics websites. After an initial period of exclusivity, the licence to exploit this footage is now non-exclusive. In consideration, 3P made two payments to VEA in 2009. The agreements with ClickView and VEA Video were entered into on arms' length terms.

9.7.3 Release from obligations to pay copyright fees

3P and members of the Blake Group are parties to a range of agreements under which 3P is given a non-exclusive licence to use, produce, publish, or sell particular educational content (such as practice tests and teaching resources) for the duration of the life of the copyright in the content. When educational institutions in Australia copy materials under a statutory licence, the institutions must pay remuneration to a collecting society, Copyright Agency Limited. The collecting society apportions that remuneration amongst its members (copyright owners). Under the historical agreements with Blake Group, 3P agreed to remit to Blake Group revenue received by 3P from the collecting society in respect of the copying of Blake Group's educational content that is reproduced within 3P's products.

To simplify administration, 3P has agreed to pay a lump sum of $300,000 to release 3P from any obligations to remit to the Blake Group any "copyright fees" from the collecting society in respect of relevant copyright works licensed to 3P. The consequence is that 3P will retain any ongoing revenues from the collecting society as a result of copying of 3P's products under the statutory licence regime that applies to copying by educational institutions, despite the possibility that some of the content copied is owned by the Blake Group.

9.8 Material contracts

9.8.1 Mathletics limited liability partnership agreement

The Company holds a 60% partnership interest in the Indian limited liability partnership Mathletics LLP. The remaining 40% of the partnership interests is held in equal proportions by each of Devaki Nandan Dhanuka and Akhil Dhanuka respectively.

The rights and obligations of the parties, in their capacities as partners of Mathletics LLP are governed by a limited liability partnership agreement. The agreement includes a number of provisions which protect 3P's majority interest in the partnership ,including pre-emptive rights, tag along and drag along rights and compulsory transfers on a breach by one of the partners of the provisions of the agreement, or on insolvency of one of the partners; a call option in favour of 3P to acquire the partnership interests of the other partners should Akhil Dhanuka no longer work for 3P or its related bodies corporate, the agreement and adoption by the partners of an annual business plan, a list of restricted matters which require the approval of 3P and at least one of the other partners (including competing with the business of the partnership, ceasing or materially changing the nature of its business, entering into transactions or incurring indebtedness above a specified amount and employment or dismissal of employees (save, in the case of key employees, if provided for in the current business plan)); a right for 3P to acquire all of the partnership interests of the other partners if, following the death of one of the partners, 3P or Mathletics LLP are no longer able to comply with India's foreign ownership regulations and, to protect the partnership and 3P's intellectual property rights, a requirement that all new employees execute employment agreements which are in standard form approved by 3P. It is intended that, under the employment agreements, it will be explicit that all intellectual property created by the employees will remain the property of the partnership.

9.8.2 Into Science acquisition

3P has acquired the remaining 35% of Into Science which it did not own. As a result of the acquisition, Into Science has become a wholly owned subsidiary of 3P and 3P is entitled (subject to stamping) to be registered as the legal owner of the shares in Into Science. As part of the acquisition and the closing out of the Into Science share plan, two of Into Science's existing employees (**Into Science Employees**) have agreed to use the sale proceeds distributed to them by the trustee of the Into Science Employee Share Trust, of which they were beneficiaries, to subscribe for Shares in the Company under the Offer. The Into Science Employees have agreed to escrow arrangements in respect of these Shares for a period ending no sooner than the first trading day of the Shares on the ASX following the public announcement by 3P of its audited financial statements for the financial year ending 30 June 2015. In addition, in recognition of their performance, Into Science will pay the Into Science employees a cash bonus. The Into Science employees have agreed to use a portion of the bonus to subscribe for Shares in the Company. These Shares will be subject to the same escrow arrangements described above.

9.8.3 Whatiph acquisition (South Africa)

Products including Mathletics and Spellodrome are currently being distributed in South Africa by Whatiph Business Consultants CC (**Whatiph**) under distribution agreements between Whatiph and 3P.

3P International Holdings Pty Ltd (**3P International**) and Whatiph have entered into binding transaction documents for the acquisition by 3P International of the business of Whatiph. It is estimated that the acquisition will complete in the first half of FY15. As part of the acquisition, Robert Antony Masefield, the current owner of 100% of the members' interest in Whatiph, will become an employee of 3P International and its chief executive officer for South African operations. In addition distribution agreements will be executed between 3P and 3P International for the distribution of products including Mathletics and Spellodrome in South Africa, and between 3P and Whatiph for the distribution of those products in Southern Africa (excluding South Africa).

9.8.4 Sponsorship for the World Education Games by Macquarie

3P are in discussions with a member of the Macquarie Group in order to receive sponsorship for a total of $1,500,000 over three years under which the Macquarie Group would be identified as a sponsor of the World Education Games. 3P anticipates that the World Education Games will be staged in FY15-16 and periodically thereafter. For the forecast year ended 30 June 2015, $375,000 has been included in forecast revenue.

9.8.5 Services agreement with Mathletics LLP

3P is the majority shareholder in an Indian-based partnership, Mathletics LLP. 3P and Mathletics LLP are parties to a services agreement under which Mathletics LLP provides a range of information technology development and related services to 3P. All intellectual property rights developed by Mathletics LLP on behalf of 3P vest in 3P. Mathletics LLP is also subject to confidentiality obligations which restrict it from using any of 3P's confidential information for purposes other than as permitted under the services agreement.

9.9 Distribution agreements

3P has agreements and arrangements in place with its subsidiaries in the territories in which it has established operations and with third party distribution partners for the territories in which it does not have established operations. See section 3.3.2 for more information.

9.9.1 Distribution arrangements with subsidiaries

3P has distribution and trade mark licence agreements and arrangements with its subsidiaries in Australia, the United States, New Zealand, Canada, and the United Kingdom.

Under these agreements and arrangements, 3P grants its subsidiaries rights over the promotion and distribution of licences for use of certain products for distribution into certain schools and the home market (excluding Reading Eggs Products) within the relevant jurisdiction, and licences the non-exclusive use of its trademarks. 3P's subsidiaries do not otherwise have any right, title or interest in the products that are the subject of the relevant agreement, and are required to pay 3P royalty payments.

9.9.2 Third party distribution arrangements

3P has entered into distribution agreements with third parties located in territories in which it does not have established operations, including Hong Kong and Pakistan. Under these agreements, 3P grants the distributors rights over the distribution of licences for use of certain products for distribution into certain schools within the relevant jurisdiction, and licences the non-exclusive use of its trademarks. The distributors do not otherwise have any right, title or interest in the products that are the subject of the relevant agreement. The distributors are required to pay 3P royalty payments. Each distributor is required to meet agreed sales hurdles and minimum royalty guarantees under the agreement and if it fails to do so, the relevant agreement may be terminated. These agreements also contain standard termination rights.

9.10 Underwriting Agreement

The Offer is being underwritten by the Lead Manager pursuant to an underwriting agreement dated Thursday, 19 June 2014 between 3P, SaleCo and the Lead Manager (**Underwriting Agreement**). Under the Underwriting Agreement, the Lead Manager has agreed to manage and underwrite the Offer.

9.10.1 Commission, fees and expenses

The Company has agreed to pay the Lead Manager an underwriting fee equal to 3.0% of the funds raised under the Offer. The underwriting fee will become payable by the Company on Settlement. The Company may also pay an incentive fee to the Lead Manager of up to 0.5% of the funds raised under the Offer. Payment of the incentive fee is at the Company's absolute discretion.

In addition to the fees above, the Company has agreed to reimburse the Lead Manager for certain agreed costs and expenses, including legal expenses, incurred by the Lead Manager in relation to the Offer.

9.10.2 Termination events

The Underwriting Agreement is subject to customary termination events. The Lead Manager may, at any time after the date of the Underwriting Agreement and on or before Settlement (without cost or liability to the Lead Manager, by notice to the Company and SaleCo), terminate the Underwriting Agreement if any of the following events occur:

- the Lead Manager believes, based on reasonable grounds and acting in good faith, that a statement contained in the Prospectus or the Pathfinder is or becomes misleading or deceptive, or a matter required to be included is omitted from the Prospectus (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act);
- approval for quotation of the Shares is refused or not granted by the ASX, other than standard conditions customarily imposed, or otherwise, if approval is granted, then such approval is subsequently withdrawn, qualified or withheld before completion of the Offer;
- if the S&P/ASX 200 Index is, for three consecutive Trading Days after the date of the Underwriting Agreement prior to Settlement, for the two consecutive Trading Days before Settlement, or for the one Trading Day before Settlement, more than 15% below the level of that Index at the close of ASX trading on the Trading Day before the date of lodgement of the Prospectus;

- the Company and SaleCo withdraw the Prospectus or terminate the Offer or any part of the Offer, or indicate that they intend to do any of these things;
- the Company or SaleCo do not provide a certificate in the manner required by the Underwriting Agreement, or a statement in that certificate is untrue in any material respect, incorrect or misleading or deceptive;
- the Company or SaleCo or a material member of the 3P group is or becomes unable to pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act or is presumed to be insolvent under the Corporations Act;
- ASIC makes an interim order (other than an interim order that does not become public and is dismissed or withdrawn by ASIC within two Business Days) or final stop order in relation to the Prospectus under section 739 of the Corporations Act, or holds a hearing (other than a hearing which does not become public and is dismissed or withdrawn by ASIC within two Business Days) under section 739(2) of the Corporations Act in relation to the Prospectus, or makes an application under section 1324 or 1324B of the Corporations Act.
- any person gives a notice under section 733(3) Corporations Act or any person who has previously consented to the inclusion of their name in the Prospectus (or any Supplementary Prospectus) or to be named in the Prospectus withdraws their consent after lodgement
- application is made by ASIC for an order under Part 9.5 Corporations Act in relation to the Prospectus (other than an application which does not become public and is dismissed or withdrawn by ASIC within two Business Days) or ASIC commences any investigation or hearing under Part 3 Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus;
- the Company lodges a Supplementary Prospectus without the consent of the Lead Manager, or that the Lead Manager believes, based on reasonable grounds and acting in good faith, that the Company becomes required to lodge a Supplementary Prospectus because of a circumstance set out in section 719(1) of the Corporations Act;
- a change in the Directors, the CEO or the CFO of the Company is announced or occurs without the written consent of the Lead Manager;
- termination (other than those that terminate due to the effluxion of time), material breach or a material amendment of any Material Contract occurs;
- any ASIC modifications will not be granted or if granted will be withdrawn (without candidate replacement);
- a Director or senior member of management of the Company engages in any fraudulent conduct or activity;
- the Company and SaleCo are or will be (in circumstances which are not resolved within three Business Days) prevented from conducting or completing the Offer (including issuing the Shares) by or in accordance with the Listing Rules, ASIC, the ASX, any applicable laws or an order of a court of competent jurisdiction, or otherwise are or will become unable or unwilling to do any of these things;
- an event specified in the timetable is delayed for more than one Business Day other than for the Lead Manager's breach of the Underwriting Agreement or due to requirements of the ASX; or
- a Restriction Agreement is terminated or materially breached by any party to it.

9.10.3 Termination events subject to materiality

The Lead Manager may terminate the Underwriting Agreement at any time from the date of the Underwriting Agreement and on or before Settlement (without cost or liability by notice to the Company and SaleCo) if any of the following events occur and the Lead Manager has reasonable grounds to believe the event (i) has or is likely to have a material adverse effect on the financial condition, financial position or financial prospects of the Company or the success, or outcome of the Offer, the ability of the Lead Manager to settle the Offer or the potential market price for the Offer,; or (ii) there is a reasonable possibility that that the Lead Manager will contravene of any applicable law or incur a liability under the Corporations Act.

- any of the following occurs which does or is likely to prohibit, restrict or regulate the Offer or materially reduce the likely level of valid Applications or affects the financial position of the Company:
  - the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia; or
  - the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory or the Reserve Bank of Australia; or
  - the adoption by the ASX or their respective delegates of any regulations or policy;
- hostilities political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Indonesia, Singapore, Malaysia, Hong Kong, North Korea or the Peoples Republic of China or a significant terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- trading in securities generally has been suspended or materially limited, for at least one trading day, by any of the New York Stock Exchange, the London Stock Exchange or the ASX;
- any of the following occurs:
  - legal proceedings are commenced against the Company or SaleCo; or
  - any Director is charged with an indictable offence or any regulatory body commenced any public action against the Director or announced that it intends to take any such action;
  - any Director is disqualified from managing a corporation under section 206A, 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act; or
- a contravention by the Company or SaleCo of the Corporations Act, the Listing Rules, its constitution or any other applicable law or regulation;
- the Prospectus, or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- there are not or there cease to be reasonable grounds (in the reasonable opinion of the Lead Manager) for any statement in the Prospectus which relates to future matters (including financial forecasts);
- the Company or SaleCo breaches any of its obligations under the Underwriting Agreement; or
- any representation or warranty contained in the Underwriting Agreement on the part of the Company or SaleCo is breached or becomes false, misleading or incorrect.

9.10.4 Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Lead Manager, as well as common conditions precedent, including that the Company and SaleCo must provide to the Lead Manager the Report of the DDC, and all relevant annexures, entry into voluntary escrow agreement by each of the Escrowed Shareholders, ASIC and the ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable. The representations and warranties given by the Company and SaleCo relate to matters such as the conduct of the Company and SaleCo, power and authorisations, information provided by the Company and SaleCo, financial information, information in the Pathfinder and the Prospectus, the conduct of the Offer and compliance with laws, the ASX Listing Rules and other legally binding requirements. The Company also provides additional representations and warranties in connection with matters including in relation to its assets, material contracts, insurance, litigation, information technology systems, intellectual property, authorisations, eligibility for Listing and internal accounting controls.

The Company undertakings include that it will not, during the period following the date of the Underwriting agreement:

- and up until 60 days after Settlement, dispose or charge (or agree to do so) the whole or any part of the business without the prior consent of the Lead Manager (not to be unreasonably withheld or delayed),
- and up until 120 days after Settlement, not issue any equity securities or securities that are convertible into equity or alter its capital structure without the consent of the Lead Manager (not to be unreasonably withheld or delayed), other than an issue of securities by the Company pursuant to a share purchase plan, a dividend or distribution plan, or any employee security plan approved by securityholders of the Company;
- and up until 90 days after completion of the Offer, vary the terms of the constitution without the consent of the Lead Manager (not to be unreasonably withheld or delayed); or
- and up until the issue of the Shares under the Offer, alter the capital structure of the Company without the consent of the Lead Manager without the prior consent of the Lead Manager (not to be unreasonably withheld or delayed); or
- and up until the 120 days after Settlement, vary a material contract in a material respect without the prior consent of the Lead Manager (not to be unreasonably withheld or delayed).

9.10.5 Indemnity

The Company agrees to keep the Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer. There are certain carve-outs to the indemnity, including fraud, wilful misconduct or recklessness of an indemnified party.

9.11 Description of the syndicate

The Lead Manager to the Offer is Macquarie Capital (Australia) Limited.

See section 9.10 for further information on the fees the Lead Manager will be paid.

9.12 Regulatory relief

9.12.1 ASIC exemptions and relief

The Company has applied for certain relief from, and modifications to, the following provisions of the Corporations Act:

- relief so that that the takeovers provisions of the Corporations Act will not apply to certain relevant interests that the Company would otherwise acquire in those Shares held by Escrowed Shareholders by reason of the escrow arrangements in relation to those Shares, as described in section 9.4.

9.12.2 ASX waivers and confirmation

The Company has applied to the ASX for a number of confirmations in connection with its application to the ASX for admission to the Official List, including:

- confirmation that admission of the Company to the Official List and quotation of the Shares will be granted by the ASX on the basis of the profits test; and
- confirmation of the proposed timetable for the Offer.

9.13 Ownership restrictions

The sale and purchase of Shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in contribution with others). This section 9.13 contains a general description of these laws.

9.13.1 Foreign Acquisitions and Takeovers Act 1975 (Cth) and Australian Government Foreign Investment Policy

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (Substantial Interest), or 40% or more by two or more unassociated foreign persons and their associates (Aggregate Substantial Interest).

Where an acquisition of a Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy (Policy) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy:

- investments by any foreign person of 5% or more in shares or other securities of any entity that is in the media sector (which would include 3P) must be notified to the Foreign Investment Review Board for approval, irrespective of value; and
- acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the Policy, a 'direct investment' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include an investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

9.13.2 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in 3P either themselves or through an associate.

9.14 Legal proceedings

So far as the Directors are aware, other than as described elsewhere in this Prospectus, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which 3P is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of 3P.

9.15 Taxation considerations

9.15.1 Taxation considerations generally

The following comments provide a general summary of Australian tax issues for Australian tax resident shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation entities that hold their shares on capital account.

This summary does not consider the consequences for foreign resident Shareholders, insurance companies, banks, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or "TOFA" regime). Shareholders who are subject to TOFA should obtain their own tax advice as to the implications under TOFA (if any).

This summary is based on the Income Tax Assessment Act 1936 (1936 Act), the Income Tax Assessment Act 1997 (1997 Act), the New Tax System (Goods and Services Tax) Act 1999 (GST Act), applicable case law and published Australian Taxation Office rulings, determinations and administrative practice in force at the Prospectus Date. This summary does not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. Australian tax laws are complex. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Shareholders should seek professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

9.15.1.1 Income tax treatment of dividends received by Australian tax resident Shareholders

Australian resident individuals and complying superannuation entities

Where dividends on a Share are paid by the Company, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a 'qualified person' (refer to further comments below). The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income (at their prevailing marginal tax rate). Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

Where a dividend paid by the Company is unfranked, the Shareholder will generally be taxed at their prevailing marginal rate on the dividend received with no tax offset.

Corporate shareholders

Corporate shareholders are also required to include both the dividend and associated franking credit in their assessable income. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership as the case may be.

Shares held at risk

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and, if necessary, the related payment rule. The holding period rule requires a Shareholder to hold the Shares 'at risk' for more than 45 days continuously, measured as the period commencing the day after the Shareholder acquires the Shares and ending on the 45th day after the Shares become ex-dividend. The dates the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the Shares (e.g. through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares 'at risk'.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend paid by the Company. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Practically, this should not impact Shareholders who continue to hold Shares and also do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if these requirements have been satisfied.

On 14 May 2013, the Australian Government announced changes that will apply to 'dividend washing' arrangements and the amendments are proposed to be made through the 45 day 'holding period rule'. On 24 March 2014 the Australian Government released for public comment draft legislation to amend the 1997 Act to prevent "dividend washing". The amendments to Section 207 of the 1997 Act are proposed to apply to distributions made on or after 1 July 2013. Shareholders should consider the impact of this proposed change given their own personal circumstances. On 30 April 2014 the ATO released Tax Determination TD 2014/10 "Income tax: can section 177EA of the Income Tax Assessment Act 1936 apply to a 'dividend washing' scheme of the type described in this Taxation Determination" which states that Part IVA of the 1936 Act (being the general anti-avoidance rules) will generally apply to "dividend washing" schemes. Shareholders should consider the impact of this Tax Determination given their own personal circumstances.

9.15.1.2 Capital gains tax (CGT) implications for Australian tax resident Shareholders

The disposal of a Share by an Australian tax resident Shareholder will be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs incurred in relation to the acquisition or disposal of the Shares). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the Shares.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.15.1.3 Tax file numbers (TFNs)

Shareholders are not required to quote their TFN to the Company. However, if a valid TFN or exemption details are not provided, Australian tax will be required to be deducted by the Company from distributions and/or dividends at the maximum marginal tax rate plus the Medicare levy. Australian tax should not be required to be deducted by the Company in respect of fully franked dividends. A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number instead of their TFN. Non-residents are exempt from this requirement.

9.15.1.4 GST implications

Shareholders should not be liable for GST in respect of their acquisition of the Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect.

9.15.1.5 Stamp duty

Shareholders should not be liable for stamp duty in respect of the acquisition of their Shares, unless they acquire, either alone or with an associated person, an interest of 90% or more. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of their Shares.

9.15.2 Taxation considerations specifically applicable to the Employee Gift Offer

9.15.2.1 Taxation considerations

The initial offer under the Employee Gift Offer will involve Eligible Employees resident in Australia being offered the opportunity to acquire, at no cost, the nearest number of whole Shares (rounded down, based on the Offer Price) up to the value of $1,000. The following taxation summary addresses the general tax implications to Eligible Employees who are residents of Australia for Australian tax purposes and who are offered the opportunity to acquire Shares through the Employee Gift Offer. Participating in the Employee Gift Offer will have tax consequences that will affect each employee's personal tax situation.

This taxation summary is not intended to be an authoritative or complete statement of the applicable law.

As the precise tax consequences of participation in the offers will be affected by a participant's personal circumstances and the precise terms of the taxation law at the time, it is recommended that participants obtain independent professional advice.

This taxation summary sets out some general guidelines about the tax implications for residents of Australia participating in the Employee Gift Offer. The information in this summary reflects the relevant legislation as at the Prospectus Date and assumes employees are residents of Australia (though not temporary residents) for tax purposes. There are specific rules regarding temporary residents and those whose residency status changes. These rules need to be considered on a case-by-case basis and employees should consult their own professional tax adviser in these circumstances.

This summary does not constitute financial product advice as defined in the Corporations Act. This summary is confined to taxation issues and is only one of the matters employees need to consider when making a decision about their investments. Before making any decisions concerning participation in the Employee Gift Offer, employees are strongly encouraged to consult a licensed adviser.

9.15.2.2 Discount at allocation

An employee participating in the Employee Gift Offer may be eligible for concessional tax treatment if certain criteria are met. Under the current tax laws, an employee can access concessional tax treatment of up to $1,000 in relation to the Employee Gift Offer if the participant meets both the Income Test and the 5% Shareholding Test.

If the participant is an employee and meets both tests, the participant may acquire up to $1,000 of Shares under the Employee Gift Offer tax free.

If a participant cannot meet both tests, the participant will be assessed on the full market value of the Shares acquired under the Employee Gift offer (at their marginal rate of tax plus the Medicare levy), calculated at the allocation date.

Further, in order to obtain the above concessional tax treatment, the conditions of the offer must require that, a participant in the Employee Gift Offer cannot sell, assign, transfer or otherwise deal with, or grant a security interest over, a Share acquired under the Employee Gift Offer before the earlier of:

a. the end of the period three years after the issue of the Shares to the participant; and
b. the time when the participant is not or no longer employed by 3P or any 3P Group member, subject to a minimum holding period in this instance of 18 months from the date of issue of the Shares.

3P will implement the arrangements (including a holding lock) as it determines are necessary to enforce this restriction.

What is the 'Income Test'?

To access the tax concession, the employee's adjusted taxable income (ATI) can be no more than $180,000 for the year ended 30 June 2015 (FY15). ATI is calculated as the sum of:

- taxable income for FY15;
- the value of the Share allocation under the Employee Gift Offer (approximately $1,000);
- reportable fringe benefits for FY15;
- 'reportable' superannuation contributions for FY15; and
- total net investment loss for FY15 (if any).

What is the '5% Shareholding Test'?

Employees who would immediately after acquisition of the offered Shares:

1. hold a beneficial interest in more than 5% of 3P's issued share capital; or
2. be in a position to cast, or control the casting of, more than 5% of the maximum number of votes that might be cast at a general meeting of 3P, will be ineligible for the tax concession.

9.15.2.3 Acquisition of Shares and CGT cost base

For CGT purposes, the cost base will be the market value of the Shares allocated on the date of allocation (i.e., approximately $1,000), whether or not the participant meets the criteria to access the $1,000 tax concession.

9.15.2.4 Reporting and tax withholding

The Company is not obliged to withhold any taxes under the Employee Gift Offer provided the participant has notified the Company of his or her tax file number (TFN).

Where a participant has not given his or her TFN to the Company, withholding of tax may be required.

The Company will be required to provide the Australian Taxation Office (ATO) with a statement containing details of the Shares each participant has acquired under the Employee Gift Offer.

Employees will need to declare the market value (as at the allocation date) of any allocation of Shares received under the Employee Gift Offer in the tax year of the allocation (FY15). The ATO will determine whether each employee is entitled to the $1,000 exemption following submission of their individual tax return and will calculate each employee's total tax liabilities/refund accordingly. If the employee is eligible for the reduction in assessable income (that is, the concessional tax "exemption" of up to $1,000), this will automatically be incorporated into the ATO's tax liability/refund calculations.

Non-employee participants will need to declare the market value (as at the allocation date) of any allocation of Shares received under the Employee Gift Offer in the tax year of the allocation (FY15) as ordinary taxable income.

9.16 Consent to be named and statement of disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Macquarie Capital (Australia) Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the Lead Manager to the Offer;
- King & Wood Mallesons has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian legal advisor (other than in relation to taxation matters) to the Company in relation to the Offer in the form and context in which it is named;
- Ernst & Young Transaction Advisory Services has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Limited Assurance Report in the form and context in which it is included;
- Ernst & Young has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in the Prospectus as provider of financial and tax due diligence for the Company in relation to the Offer in the form and context in which it is included;
- Ernst & Young has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as auditor to the Company including auditing 3P's FY11, FY12, and FY13 consolidated financial reports and having reviewed 3P's 1HFY14 consolidated half year report, in the form and context in which it is named and has given and not withdrawn its consent to be named as auditor in the form and context in which it is included;
- Link Market Services Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company; and
- Schurgott has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as a legal advisor to the Company in relation to the Offer in the form and context in which it is named.

No entity or person referred to above in this section 9.16 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this section 9.16 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this section 9.16.

9.17 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales, and each Applicant under this Prospectus and bidder submits to the non-exclusive jurisdiction of the courts of New South Wales.

9.18 Statement of directors

This Prospectus is authorised by each director of the Company and SaleCo who consents to its lodgement with ASIC and its issue.

9.19 Expenses of the Offer

If the Offer proceeds, the total estimated costs in connection with the Offer, including advisory, legal, accounting, tax, listing and administrative fees as well as non-cash share-based payments, estimated non-recoverable GST, printing, advertising and other expenses are currently estimated to be approximately $14.8 million.

9.20 Foreign selling restrictions

Hong Kong

WARNING: This document is strictly confidential to the person to whom it is addressed. If you are not the intended recipient of this document, you are hereby notified that any review, dissemination, distribution or reproduction (in whole or in part) of this document is strictly prohibited. This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of the laws of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance) (**Professional Investor**).

No advertisement, invitation or document relating to the offer for subscription or purchase of the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors. No person allotted Shares may sell, or offer to sell, such Shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document is not a prospectus or investment statement for the purposes of the Securities Act 1978 (New Zealand) and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand). The Shares are not being offered or sold in New Zealand, or allotted with a view to being offered for sale in New Zealand, and the only persons in New Zealand who may subscribe for the Shares are:

- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money for the purposes of section 3(2)(a)(ii) of the Securities Act 1978 (New Zealand);
- persons who are each required to pay a minimum subscription price of at least NZ$500,000 for the Shares before allotment of those Shares for the purposes of section 3(2)(a)(iia) of the Securities Act 1978 (New Zealand); or
- persons who are eligible persons within the meaning of section 5(2CC) of the Securities Act 1978 (New Zealand).

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer, or invitation for subscription, of Shares may not be issued, circulated or distributed, nor may the shares be offered, or be made the subject of an invitation for subscription, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division I, Part XIII of the Securities and Futures Act Chapter 289 of Singapore (**SFA**) or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

By accepting this document, you represent and warrant that you are entitled to receive the document in accordance with the foregoing restrictions and agree to be bound by such limitations. Any failure to comply with the limitations may constitute a violation of law.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to 'qualified investors' (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company or SaleCo.

In the United Kingdom, this document is being distributed only to, and is directed at, persons: (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (**FPO**); (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of the FPO; or (iii) to whom it may otherwise be lawfully communicated (together the Relevant Persons). The investments to which this document relates are available only to, and any invitation, offeror agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

3P Learning

Appendix A

Glossary

A. Glossary

1H	First half of the relevant financial year
2H	Second half of the relevant financial year
3P	3P Learning Limited ACN 103 827 836
AASB	Australian Accounting Standards Board
Agile	a software development methodology that is aligned with the concepts of the Agile Manifesto, which promotes a project environment of adaptation, teamwork, self-organisation, rapid delivery and client focus
Applicant	a person who submits an Application
Application	an application made to subscribe for Shares offered under this Prospectus
Application Form	the application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Amount or Application Monies	the amount of money accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules or Listing Rules	the rules of the ASX that govern the admission, quotation and removal of securities from the ASX official list as amended, varied or waived from time to time
ASX Settlement Operating Rules	the settlement rules of the ASX as amended, varied or waived from time to time
AUD, A$ or $	Australian dollar
Australian Accounting Standards or Accounting Standards	Accounting Standards as defined in the Corporations Act 2001
Blake Group	Blake eLearning Pty Ltd, Blake Publishing Pty Ltd, Blake Education Pty Ltd, Pascal Press and each of their respective related bodies corporate
Board	the board of directors
bps	basis points
Broker	any ASX participating organisation selected by the Lead Manager and 3P to act as a broker to the Offer
Broker Firm Offer	the offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker provided that such clients are not in the United States
Business Day	has the meaning given in the Listing Rules
CAD or C$	Canadian dollar
CAGR	compound annual growth rate
CHESS	Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules
Closing Date	the date on which the Offer is expected to close, being Friday, 4 July 2014 in respect of the Retail Offer and Wednesday, 18 June 2014 in respect of the Institutional Offer. These dates may be varied without prior notice
Company	3P Learning Limited ACN 103 827 836

Completion	the completion of the Offer, being the date upon which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer
Conditional Listing	means trading of the Shares on the ASX on a conditional and deferred settlement basis
Constitution	the constitution of 3P
Corporations Act	Corporations Act 2001 (Cth)
Directors	each of the directors of 3P from time to time
EBIT	earnings before interest and tax including share of associates' NPAT
EBITDA	earnings before interest, tax, depreciation and amortisation including share of associates' NPAT
Eligible Employee	means a permanent full-time or part-time employee of 3P and who has been employed by 3P for at least one month as at 5.00pm (Sydney Time) on Thursday, 19 June 2014 (provided that they remain so employed at 5.00pm (Sydney Time) on Friday, 4 July 2014) and is resident in Australia and is not a Director
Employee Gift Offer	the offer of Shares to Eligible Employees as described in section 7.4
Employee Offer	has the meaning as described in section 7.5
Employee Shareholders	employees who have been transferred Shares as a result of the closing out of the 3P share plan as part of the IPO arrangements
Escrowed Shareholders	means: • Existing Shareholders; • Into Science Employees; and • Jonathon Kenny as set out in section 6.3.2.2
Existing Shareholders	those persons holding Shares immediately prior to Completion which includes: • Pascal Education Services Pty Limited; • Wendy Beckett; • Katherine Pike; and • the Employee Shareholders and two 3P emplyees who hold direct parcels of Shares, who have retained a portion of their Shares
Exposure Period	the seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days, during which an Application must not be accepted
Financial Information	has the meaning given in section 4
Fiscal Year or FY	year to 30 June
Forecast Financial Information	has the meaning given in section 4
FY15 Forecast	the Forecast Financial Information for FY15
GBP	Great Britain pound
IFRS	International Financial Reporting Standards
Historical Financial Information	has the meaning given in section 4
Home Licence	licence that provides an individual student with access to a 3P product, sold directly to students or parents and which has not expired
INR	Indian rupee
Insight Venture Partners	Insight Venture Partners VI, LP; Insight Venture Partners VI (Co-investors), LP; Insight 3P Math, LLC

Institutional Investor	an investor: • in Australia who is a "wholesale client" for the purposes of section 761G of the Corporations Act and who is either a "professional investor" or "sophisticated investor" under sections 708(11) and 708(8) of the Corporations Act; or • in certain other jurisdictions, as agreed between the Company and the Lead Manager, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company and SaleCo are willing, in their absolute discretion, to comply), • provided that in either case such investors are not in the United States
Institutional Offer	the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in section 7.7
Into Science Employees	has the meaning given in section 9.8.2
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited ABN 87 003 599 844
Invoiced Billings	means pro forma Revenue adjusted for the change in deferred revenue
Invoiced EBITDA	means pro forma EBITDA adjusted for the change in deferred revenue
K-12	Synonym for formal education from kindergarten to approximately 18 years of age
Lead Manager	Macquarie Capital (Australia) Limited ABN 79 123 199 548
LIBOR	London Interbank Offered Rate, a market-based interest rate
Licence or Total Licences	includes both Home Licences and Student Licences
Listing	the admission of the Company to the official list of the ASX and quotation of the Shares on the ASX and commencement of unconditional trading of Shares on ASX
New Shareholders	means persons acquiring Shares under the Offer (excluding any Existing Shareholders who acquire Shares under the Offer)
New Shares	the new Shares to be issued by 3P under the Offer
NPAT	net profit after tax including share of associates' NPAT
NZD or NZ$	New Zealand dollar
OECD	The Organisation for Economic Co-operation and Development
Offer	the offer under this Prospectus of New Shares for issue by 3P and of the transfer of Shares by SaleCo
Offer Period	the period from the Opening Date and ending on the Closing Date
Offer Price	$2.50 per Share
Official List	the official list of the ASX
Opening Date	the date on which the Retail Offer opens
Pascal Press	S D & M Pty Ltd ACN 002 746 474 and Pascal Educational Services Pty Ltd ACN 082 850 744
Priority Offer	has the meaning as described in section 7.6
Prospectus	this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document

Prospectus Date	the date on which a copy of this Prospectus was lodged with ASIC, being Thursday, 19 June 2014
Reading Eggs Products	comprises Reading Eggs and Reading Eggspress
Retail Offer	the Broker Firm Offer, Employee Gift Offer, Employee Offer and the Priority Offer
SaaS	Software-as-a-Service
SaleCo	3P Learning SaleCo Limited ACN 169 543 677
School Licence	provides educators at a school with access to backend functionality of a 3P product and is granted to a school when a school purchases a class or more of Student Licences and which has not expired
Selling Shareholder	includes: • Pascal Press; • MC Education Holdings Pty Ltd; • Macquarie Special Situations Master Fund Ltd, which has entered into a sale agreement to sell all of its Shares in 3P to Macquarie Special Situations Limited, a related party, as part of its internal restructure. Macquarie Special Situations Master Fund Ltd remains the legal owner of the Shares, and Macquarie Special Situations Limited is the beneficial owner; • Insight Venture Partners; • Employee Shareholders, including Tim Power; • Katherine Pike; and • Wendy Beckett each of whom have agreed to sell some or all of their Shares to SaleCo
Settlement	has the meaning given in section 7.10.3
Share	a fully paid ordinary share in the capital of 3P
Share Registry	Link Market Services Limited (ABN 54 083 214 537)
Shareholder	a holder of a Share
Student Licence	provides an individual student with access to a 3P product via a School Licence and which has not expired
Successful Applicant	an Applicant who is issued or transferred Shares under the Offer
Sydney Time	Australian Eastern Daylight Time
US or United States	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US$ or USD	US dollar
US Person	has the meaning given in Rule 902(k) of Regulation S under the US Securities Act
US Securities Act	US Securities Act of 1933, as amended
YoY/yoy	year on year
ZAR	South African rand

3P Learning

Appendix B

Significant Accounting Policies

B. Significant Accounting Policies

a. Basis of preparation

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

b. Historical cost convention

The Financial Information has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value and investments in associates which have been accounted for using the equity method.

c. New accounting standards and interpretations

The following standards, interpretations and regulations are available for early adoption in the financial year ending 30 June 2014: AASB 10, 11, 12, 13, 119, 2012-2, 1053 and Interpretation 20.

Management has not early adopted any of these new or amended standards or interpretations.

In the second half of May 2014, it is expected that International Financial Reporting Standard 15 Revenue from Contracts with Customers, a new revenue standard will be released. In 1HFY14, 3P adopted the new revenue recognition policy to align with the expected release of IFRS 15 Revenue from Contracts with Customers. This resulted in 3P recording the revenue derived from its key products over the licence period (typically 12 months from the date the licence is initiated), rather than the historical treatment which had been to recognise revenue at the date the customer is invoiced.

d. Basis of consolidation

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

e. Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

f. Foreign currency translation

i. Functional and presentation currency

Both the functional and presentation currency of 3P Learning Limited is Australian dollars ($). The financial statements of New Zealand, the United Kingdom, the United States, Canada and Indian subsidiaries and Hong Kong branch are converted into Australian dollars for the purpose of consolidation.

ii. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

iii. Translation of Group Companies functional currency to presentation currency

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates for the year.

Foreign currency differences are recognised directly in foreign currency translation reserve in equity. When a foreign operation is disposed of, in part of in full, the relevant amount in the reserve would be transferred out of equity and recognised in the statement of comprehensive income.

g. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity 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.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

h. Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

i. Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Office equipment – over three to five years
- Computers – over three to five years
- Furniture & fittings – over three to seven years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j. 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.

Group as a lessee

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

k. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

l. Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Internally generated intangible assets

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in depreciation and amortisation.

The estimated useful lives are as follows:

- Patents and trademarks – three years
- Development costs – five years

m. Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

n. Interest-bearing loans and borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on a fixed interest rate.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

o. Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised and 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.

p. Share-based payment transactions

Equity settled transactions:

The Company provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured 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.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

i. The grant date fair value of the award;
ii. The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
iii. The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards granted by 3P Learning Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by 3P Learning Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

q. 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.

r. Revenue recognition

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

i. Mathletics, Spellodrome and IntoScience licence revenue

The Group recognises the majority of its revenue pursuant to software licence agreements and it provides its customers with access to the Group's intellectual property as it exists at any given time. 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.

ii. Reading Eggs Products licence revenue

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

iii. Sponsorship income

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

iv. Translation fee

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

v. Sale of workbooks

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

vi. Copyright license fee

Revenue is recognised in relation to copyright agency fee when the Group's materials and resources are reproduced by third parties.

vii. Interest income

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.

viii. Deferred revenue

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

s. Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

i. When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

iii. When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

iv. When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

3P Learning Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 3 April 2009.

The head entity, 3P Learning Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, 3P Learning Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the tax consolidated group have not entered into a tax funding agreement. Hence no compensation is receivable or payable for any deferred tax assets or current tax payable (receivable) assumed by the head entity. Deferred tax liabilities (or assets) assumed by the head entity are recognised as equity transactions.

The distribution to the head entity and distribution from the subsidiary arising with the tax consolidated entities are recognised as equity transactions in the group.

Research and development rebates

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

t. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

i. When the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
ii. Receivables and payables, which are stated with the amount of GST included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

3P Learning

Appendix C

Additional Financial Information

C. Additional Financial Information

Statutory Historical Income Statements

Table C.1 presents the Statutory Historical Income Statements for FY11, FY12, FY13, 1HFY13 and 1HFY14.

Table C.1: Statutory Income Statements for FY11, FY12, FY13, 1HFY13 and 1HFY14

	Statutory historical			Statutory historical	
$m, June year end	FY11	FY12	FY13	1HFY13	1HFY14
Total revenue	29.3	33.4	37.2	8.5	15.2
Employee expenses	(17.8)	(18.2)	(21.7)	(10.4)	(7.1)
Marketing expenses	(1.6)	(3.2)	(4.7)	(1.9)	(2.2)
Technology and occupancy expenses	(1.9)	(2.5)	(3.2)	(1.5)	(2.1)
Other expenses	(2.6)	(2.2)	(2.3)	(1.3)	(0.8)
EBITDA	**5.4**	**7.3**	**5.4**	**(6.6)**	**3.1**
Depreciation & amortisation	(0.7)	(1.3)	(1.3)	(0.8)	(0.8)
EBIT	**4.8**	**6.0**	**4.0**	**(7.4)**	**2.3**
Interest income/(expense)	0.1	0.3	0.3	0.0	0.2
Profit before tax	**4.9**	**6.3**	**4.3**	**(7.4)**	**2.4**
Tax expense	(2.2)	(1.3)	(0.3)	2.4	(0.1)
NPAT	2.7	5.0	4.0	(5.0)	2.3

Notes:

1. Revenue in 1HFY14 recognised under the new revenue recognition accounting policy as outlined in section 4.2.2. For all other periods, revenue is recognised under the previous policy.
2. Employee expenses in 1HFY14 reflect the capitalisation of costs relating to Into Science and development teams as outlined in section 4.2.3. The amount capitalised in 1HFY14 was $3.3 million. For all other periods, employee expenses did not reflect this capitalisation.
3. NPAT is presented on a consolidated basis and therefore includes NPAT attributable to outside minority interests that existed in the historical period. Post-Offer, 3P intends to continue to hold a 60% interest in Mathletics LLP (India). The minority interest in India is not material.

Statutory Historical Cash Flows

Table C.2 presents the Statutory Historical Cash Flows for FY11, FY12, FY13, 1HFY13 and 1HFY14.

Table C.2: Statutory Historical Cash Flows for FY11, FY12, FY13, 1HFY13 and 1HFY14

	Statutory historical			Statutory historical	
$m, June year end	FY11	FY12	FY13	1HFY13	1HFY14
EBITDA	5.4	7.3	5.4	(6.6)	3.1
Non-cash expense	4.5	1.0	0.1	(0.1)	0.2
Change in working capital	(0.7)	0.8	(0.9)	(0.3)	(3.3)
Operating free cash flow before capital expenditure	**9.3**	**9.0**	**4.6**	**(7.0)**	**(0.0)**
Purchase of PP&E	(0.8)	(0.4)	(0.6)	(0.4)	(0.2)
Purchase of intangible assets	(0.9)	(1.1)	(0.0)	–	(3.3)
Operating free cash flow after capital expenditure	**7.5**	**7.5**	**4.0**	**(7.3)**	**(3.5)**
Interest received	0.2	0.4	0.4	0.2	0.2
Net interest and principal paid	(0.1)	(0.3)	(0.3)	(0.1)	(0.1)
Income tax (paid)/refunded	(2.0)	(3.0)	(2.7)	(0.2)	0.1
Short term deposits	–	–	(2.0)	(0.3)	(0.0)
Proceeds from the issue of shares	–	–	–	–	–
Share issue costs	–	–	–	–	–
Net cash flows before dividends	5.6	4.6	(0.6)	(7.8)	(3.3)

3P Learning

ABN 50 103 827 836

Broker Code

Adviser Code

Broker Firm Offer Application Form

Broker Firm Offer closes at 5.00pm (Sydney time) on Friday, 4 July 2014

This is an Application Form for Shares in 3P Learning Limited under the Broker Firm Offer on the terms set out in the Prospectus dated 19 June 2014. You may apply for a minimum of A$2,000 worth of Shares and in multiples of A$500 thereafter, as directed by your Broker. Applicants under the Broker Firm Offer must contact their Broker for information on how to submit this Application Form and application monies. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their directions to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

A Shares applied for , , at Price per Share **A$2.50**

B Application Monies **A$** , , .

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C Applicant #1

Surname/Company Name

Title First Name Middle Name

Joint Applicant #2

Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D TFN/ABN/Exemption Code

First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

E **PLEASE COMPLETE ADDRESS DETAILS**

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

F CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

G Telephone Number where you can be contacted during Business Hours ( ) Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

H Cheque or Bank Draft Number BSB - Account Number

Total Amount A$, , .

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

If you have any questions concerning the Offer, please call the 3P IPO information line on 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) from 8.30am to 5.30pm (Sydney time), Monday to Friday.

XXX BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are 3P Learning Limited ("3P") Shares. Further details about the Shares are contained in the Prospectus dated 19 June 2014 issued by 3P Learning Limited. This Prospectus expires on the date which is 13 months after the Prospectus Date ('Expiry Date') and no Shares will be issued on the basis of this Prospectus after the Expiry Date. While the Prospectus is current, 3P Learning Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request by telephoning the 3P IPO information line on 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) from 8.30am to 5.30pm (Sydney time), Monday to Friday.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

A Insert the number of Shares you wish to apply for. You may be issued all of the Shares applied for or a lesser number. You may apply for a minimum of A$2,000 worth of Shares and in multiples of A$500 thereafter, as directed by your Broker. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, 3P Learning Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from 3P Learning Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to 3P Learning Limited's issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

ACKNOWLEDGEMENTS

I/we declare that by lodging this Application Form, I/we represent and warrant that I/we have read and understood the Prospectus and subscribe for Shares on the basis of the information contained in the Prospectus.

I/we hereby authorise 3P Learning Limited to complete and execute any documents necessary to effect the allotment of any Shares to me/us.

By submitting this Application Form, I/we declare, represent and warrant that all declarations and statements made by me/us (including the declarations/statements on this Application Form) are complete and accurate. I/we agree to be bound by the constitution of 3P Learning Limited and the terms of the Offer and agree to the issue to me/us of any number of Shares equal to or less than the value indicated in section A above which may be issued to me/us pursuant to the Prospectus.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

3P Learning

ABN 50 103 827 836

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PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

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Surname/Company Name

Title First Name Middle Name

Joint Applicant #2

Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D TFN/ABN/Exemption Code

First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box ☐ Company ☐ Partnership ☐ Trust ☐ Super Fund

E **PLEASE COMPLETE ADDRESS DETAILS**

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

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Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

F CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

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Total Amount **A$** , , .

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Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate Directory

3P registered office

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

3P IPO Information Line

1800 132 875
(toll free within Australia)

+611800 132 875
(from outside Australia)

Between 8.30am and 5.30pm (Sydney Time), Monday to Friday

Offer website

www.3plearning.com

Lead Manager

Macquarie Capital (Australia) Limited
No. 1 Martin Place
Sydney NSW 2000

Australian legal adviser

King & Wood Mallesons
Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Investigating Accountant

Ernst & Young Transaction Advisory Services Limited
680 George Street
Sydney NSW 2000

Auditor

Ernst & Young
680 George Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

3P Learning