



Appendix 4D and Half Year Financial Report

For the half year ended 31 December 2022

3P Learning Limited
ABN 50 103 827 836



3P Learning Limited

Appendix 4D

Half year report ended 31 December 2022

1. Company details

Name of entity: 3P Learning Limited
ABN: 50 103 827 836
Reporting period: For the half year ended 31 December 2022
Previous period: For the half year ended 31 December 2021

2. Results for announcement to market

				31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
Revenues from ordinary activities	up	17%	to	51,877	44,327
Profit from ordinary activities after tax attributable to the owners of 3P Learning Limited			NM*	358	(4,582)
Profit for the half year attributable to the owners of 3P Learning Limited			NM*	358	(4,582)

* Not Meaningful.

Dividends

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

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$358,000 (31 December 2021: loss \$4,582,000). Refer to 'Review of operations' in the Directors' report for detailed commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary share	(5.44)	(6.06)

Net tangible assets calculations exclude right-of-use assets.

4. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the half year financial report.


5. Attachments

Details of attachments (if any):

The half year financial report of 3P Learning Limited for the period ended 31 December 2022 is attached.

6. Signed

As authorised by the Board of Directors

Signed 
Matthew Sandblom
Executive Chairman
Sydney

Date: 23 February 2023

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



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3P Learning Limited

Directors' report

For the half year ended 31 December 2022

The Directors present their report, together with the consolidated financial statements of consolidated entity (referred to hereafter as 'the Group'), consisting of 3P Learning Limited (referred to hereafter as 'the Company' or 'parent entity') and its controlled entities, for the financial half year ended 31 December 2022.

General information

Information on Directors

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

Matthew Sandblom	Executive Chairman
Allan Brackin	
Craig Coleman	Appointed on 16 November 2022
Mark Lamont	
Katherine Ostin	
Belinda Rowe	

Principal activities

The Group operates within the education technology sector. During the half year, the principal continuing activities of the Group consisted of the development, sales and marketing of educational software and ebooks to schools and to parents of school-aged students, delivered via a software-as-a-service subscription model.

No significant change in the nature of these activities occurred during the half year.

Review of operations

A summary of revenue from contracts with customers for the half year ended 31 December 2022 is set-out below.

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Licence fees	51,143	43,441
Copyright licence fees	2	6
Other revenue	732	880
Revenue	51,877	44,327

Total revenue for the half year ended 31 December 2022 was \$51,877,000 (31 December 2021: \$44,327,000).

Licence fees revenue increased by \$7,702,000 to \$51,143,000. The prior period was impacted by a change in revenue recognition on Blake eLearning Pty Limited ('Blake') products sold to schools from the date of acquisition of Blake. Revenue recognition from acquisition date was recorded on a straight-line basis over the service period consistent with licence revenue, whereas previously it was recorded at the point-of-sale consistent with net commission revenue. Blake licence revenue on Blake products is recognised over time with a reset of revenue occurring in the prior period for Business-to-School ('B2B'). Business-to-Customer ('B2C') licence revenue has increased \$1,851,000 as a result of growth in Reading Eggs and Mathseeds billings.

3P Learning Limited

Directors' report

For the half year ended 31 December 2022

Review of operations

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Reconciliation of Underlying EBITDA		
Profit/(loss) before income tax benefit	432	(6,100)
Depreciation and amortisation expenses	4,767	6,543
Corporate advisory costs	81	208
Finance costs	114	96
Interest income	(68)	(28)
Restructure and integration costs	32	1,502
Unrealised foreign exchange loss/(gain)	464	(332)
Underlying EBITDA	5,822	1,889

The Underlying EBITDA represents earnings before interest, tax, depreciation and amortisation, excluding unrealised foreign exchange losses and gains, corporate advisory, and restructure and integration costs, specifically associated with the acquisition of Blake and Pairwise Pty Ltd ('Brightpath').

Unrealised foreign exchange gain was previously included in Underlying EBITDA in the comparative half year. During the current half year, the unrealised foreign exchange loss is excluded from Underlying EBITDA and the comparative has therefore been restated. Deferred contract costs are included within Underlying EBITDA for the current half year results and have been restated for the comparative half year.

Segment review

Segment revenue and other income for the year is as follows:

	31 Dec 2022	31 Dec 2021	Change	Change
	\$ '000	\$ '000	\$ '000	%
Business-to-School (B2B)	31,979	25,569	6,410	25%
Business-to-Consumer (B2C)	20,632	18,781	1,851	10%
Corporate	68	139	(71)	(51%)
Total revenue and other income	52,679	44,489	8,190	18%

Segment Underlying EBITDA is as follows:

	31 Dec 2022	31 Dec 2021	Change	Change
	\$ '000	\$ '000	\$ '000	%
Business-to-School	5,907	1,744	4,163	239%
Business-to-Consumer	1,133	2,376	(1,243)	(52%)
Corporate	(1,218)	(2,231)	1,013	45%
Total Underlying EBITDA	5,822	1,889	3,933	208%

B2B segment

Revenue and other income in the B2B segment has increased by \$6,410,000 to \$31,979,000. This increase is principally due to the change in revenue recognition impacting the prior period revenue for Blake products sold to schools from the date of the Blake acquisition. Excluding the impact of these revenue recognition changes, B2B revenue was flat on the comparative period. Underlying EBITDA of \$5,907,000 in B2B has increased \$4,163,000 principally from the change in revenue recognition impacting the prior period offset by investment in sales and marketing, product development and technology costs.

3P Learning Limited

Directors' report

For the half year ended 31 December 2022

Review of operations

B2C segment

Revenue and other income in the B2C segment has increased by \$1,851,000 as a result of growth in Reading Eggs and Mathseeds licence revenue. Underlying EBITDA of \$1,133,000 has decreased \$1,243,000 from additional investment in product development, technology and higher marketing costs.

Group performance

On 30 September 2022, the parent Company acquired a 100% interest of Brightpath which resulted in 3P Learning Limited obtaining control of Brightpath. Brightpath revenue of \$364,000 and after tax profit of \$223,000 is included in the Group results, under the B2B segment, following the consolidation of Brightpath on 30 September 2022. Refer to Note 17 for details.

Profit before income tax was \$432,000 (31 December 2021: loss of \$6,100,000). The profit for the Group after providing for income tax and non-controlling interest amounted to \$358,000 (31 December 2021: loss of \$4,582,000).

Management have concluded that this is not a 'highly seasonal' business as considered by AASB 134 'Interim Financial Reporting', and have not included additional financial information for the twelve months ending on the interim reporting date with comparative information for the prior twelve month period.

Dividends paid or recommended

No dividends were paid or declared since the start of the financial half year. No recommendation for payment of dividends has been made.

Events after the reporting date

No matter or circumstance has arisen since the end of the financial half year ended 31 December 2022 which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Rounding of amounts

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

Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial half year, for any person who is or has been an officer or auditor of 3P Learning Limited.

3P Learning Limited

Directors' report


For the half year ended 31 December 2022

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2022 has been received and can be found on page 7 of the consolidated financial report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors:

Director: 

Matthew Sandblom

Executive Chairman

23 February 2023

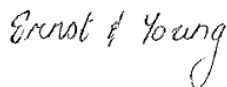
Sydney

Auditor's independence declaration to the Directors of 3P Learning Limited

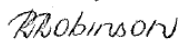
As lead auditor for the review of the half-year financial report of 3P Learning Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Renay Robinson
Partner
23 February 2023

3P Learning Limited

Consolidated statement of profit or loss and other comprehensive income For the half year ended 31 December 2022

		31 Dec 2022	31 Dec 2021
	Note	\$ '000	\$ '000
Revenue	4	51,877	44,327
Other income	5	734	134
Interest revenue calculated using the effective interest method		68	28
Expenses			
Administrative expenses	6	(1,745)	(1,796)
Deferred contract costs	12	(2,780)	(1,519)
Depreciation and amortisation expenses	7	(4,767)	(6,543)
Employee expenses	8	(25,782)	(23,363)
Finance costs		(114)	(96)
Marketing expenses	9	(11,623)	(10,591)
Occupancy expenses		(510)	(643)
Professional fees		(1,062)	(1,006)
Professional fees - corporate advisory costs		(81)	(208)
Restructure and integration costs		(32)	(1,502)
Technology costs		(3,751)	(3,322)
Total expenses		(52,247)	(50,589)
Profit/(loss) before income tax benefit		432	(6,100)
Income tax (expense)/benefit		(80)	1,494
Profit/(loss) after income tax benefit for the half year		352	(4,606)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		189	(296)
Other comprehensive income/(loss) for the half year, net of tax		189	(296)
Total comprehensive income/(loss) for the half year		541	(4,902)
Profit/loss attributable to:			
Owners of 3P Learning Limited		358	(4,582)
Non-controlling interest		(6)	(24)
		352	(4,606)
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		547	(4,878)
Non-controlling interest		(6)	(24)
		541	(4,902)
		Cents	Cents
Basic earnings per share	10	0.13	(1.66)
Diluted earnings per share	10	0.13	(1.66)

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

3P Learning Limited

Consolidated statement of financial position

As at 31 December 2022

	Note	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
Assets			
Current assets			
Cash and cash equivalents		11,408	31,127
Trade and other receivables	11	11,312	6,764
Inventories		434	277
Lease receivable		274	595
Deferred contract costs	12	3,788	1,807
Other assets	13	5,592	3,364
Income tax receivable		518	1,648
Total current assets		33,326	45,582
Non-current assets			
Plant and equipment		935	671
Intangible assets	14	207,977	200,947
Right-of-use assets		1,774	1,503
Deferred contract costs	12	762	632
Other assets		256	283
Deferred tax assets		7,405	8,119
Total non-current assets		219,109	212,155
Total assets		252,435	257,737
Liabilities			
Current liabilities			
Trade and other payables	15	7,365	11,188
Contract liabilities	16	40,447	43,463
Lease liabilities		1,195	1,121
Provisions		3,442	3,625
Income tax payable		-	121
Total current liabilities		52,449	59,518
Non-current liabilities			
Contract liabilities	16	3,456	2,657
Lease liabilities		1,017	1,039
Provisions		802	639
Total non-current liabilities		5,275	4,335
Total liabilities		57,724	63,853
Net assets		194,711	193,884
Equity			
Issued capital		216,589	216,589
Reserves		8,530	8,055
Accumulated losses		(30,385)	(30,743)
Equity attributable to the owners of 3P Learning Limited		194,734	193,901
Non-controlling interest		(23)	(17)
Total equity		194,711	193,884

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

3P Learning Limited

Consolidated statement of changes in equity

For the half year ended 31 December 2022

	Issued capital \$ '000	Reserves \$ '000	Accumulated losses \$ '000	Non- controlling interests \$ '000	Total \$ '000
Balance at 1 July 2022	216,589	8,055	(30,743)	(17)	193,884
Profit/(loss) after income tax expense for the half year	-	-	358	(6)	352
Other comprehensive income for the half year, net of tax	-	189	-	-	189
Total comprehensive income/(loss) for the half year	-	189	358	(6)	541
<i>Transactions with owners in their capacity as owners</i>					
Share based payment transactions	-	286	-	-	286
Balance at 31 December 2022	216,589	8,530	(30,385)	(23)	194,711
Balance at 1 July 2021	216,589	8,450	(30,207)	10	194,842
Loss after income tax benefit for the half year	-	-	(4,582)	(24)	(4,606)
Other comprehensive loss for the half year, net of tax	-	(296)	-	-	(296)
Total comprehensive income for the half year	-	(296)	(4,582)	(24)	(4,902)
<i>Transactions with owners in their capacity as owners</i>					
Share based payment transactions	-	(59)	-	-	(59)
Balance at 31 December 2021	216,589	8,095	(34,789)	(14)	189,881

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

3P Learning Limited

Consolidated statement of cash flows

For the half year ended 31 December 2022

	Note	31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
Cash flows from operating activities:			
Receipts from customers		41,226	43,973
Payments to suppliers and employees		(48,340)	(42,202)
Interest received		68	28
Interest and other finance costs paid		(117)	(75)
Income taxes refund/(paid)		509	(2,393)
Net cash used in operating activities		(6,654)	(669)
Cash flows from investing activities:			
Payment for intangible asset	14	(1,149)	(3,323)
Purchase of plant and equipment		(493)	(173)
Payment for purchase of business, net of cash acquired	17	(8,507)	(189)
Proceeds from sub-leases		45	334
Payment of holding deposit*	13	(2,812)	(18)
Net cash used in investing activities		(12,916)	(3,369)
Cash flows from financing activities:			
Repayment of lease liabilities		(254)	(866)
Net cash used in financing activities		(254)	(866)
Effects of exchange rate changes on cash and cash equivalents		105	198
Net decrease in cash and cash equivalents held		(19,719)	(4,706)
Cash and cash equivalents at beginning of half year		31,127	24,906
Cash and cash equivalents at end of the half year		11,408	20,200

* Security holding deposit paid in relation to banking facilities are categorised as other assets on the consolidated statement of financial position, refer to Note 13.

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

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

1 General information

The consolidated financial statements cover 3P Learning Limited as a group consisting of 3P Learning Limited (the 'Company' or 'parent entity') and its controlled entities ('the Group') at the end of, or during, the half year. The financial statements are presented in Australian dollars, which is 3P Learning Limited's functional and presentation currency.

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

655 Parramatta Road, Leichhardt
NSW 2040

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

The financial statements were authorised for issue, in accordance with a resolution of Directors on 23 February 2023.

2 Summary of significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are mandatory and relevant to the Group for the current reporting period have not been early adopted.

Net current asset deficiency

As at 31 December 2022, the Group was in a net current liability position of \$19,123,000 (30 June 2022: \$13,936,000) of which \$40,447,000 (30 June 2022: \$43,463,000) are contract liabilities which are expected to be recognised as revenue in the next 12 months with no further cash outflows to the Group. Furthermore, the net cash used in operating activities of \$6,654,000 is primarily representative of the commencement of the school year, particularly in Australia which commences in January. It is expected that the Group will generate cash from operations for the 12 months to 30 June 2023. Accordingly, the financial statements continue to be prepared on a going concern basis.

Comparatives

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

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

3 Operating segments

Identification of reportable segments

The Group is organised into two operating segments based on end-users or customers: Business-to-School ('B2B') and Business-to-Consumer ('B2C'). Items not attributable to individual segments are shown as Corporate income and expenses. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors and Chief Executive Officer (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews Underlying EBITDA (earnings before interest, tax, depreciation and amortisation). The Underlying EBITDA represents earnings before interest, tax, depreciation and amortisation, excluding unrealised foreign exchange losses and gains, corporate advisory, and restructure and integration costs, specifically associated with the acquisition of Blake eLearning Pty Limited ('Blake') and Pairwise Pty Ltd ('Brightpath').

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis. The CODM does not regularly review segment assets and segment liabilities. Refer to statement of financial position for assets and liabilities.

Change in the operating segments

On 28 May 2021, the Group acquired Blake and its controlled entities. As a result of this significant acquisition, the Group reviewed and aligned the reporting segments into B2B and B2C in line with the internal reports provided to the CODM. Accordingly, 31 December 2021 comparative segment disclosures have been realigned to the current year's presentation.

Products and services

Refer to Note 4 for information on the Group's products and services.

Intersegment transactions

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

Major customers

There are no major customers that contributed more than 10% of revenue to the Group recognised for the half year ended 31 December 2022 or 31 December 2021.

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

3 Operating segments

Operating segment information

Consolidated - 31 Dec 2022	B2B \$ '000	B2C \$ '000	Corporate \$ '000	Total \$ '000
Revenue				
Sales to external customers	31,722	20,155	-	51,877
Other income	257	477	-	734
Interest income	-	-	68	68
Total income	31,979	20,632	68	52,679
Underlying EBITDA	5,907	1,133	(1,218)	5,822
Depreciation and amortisation expenses	-	-	-	(4,767)
Corporate advisory costs	-	-	-	(81)
Finance costs	-	-	-	(114)
Interest income	-	-	-	68
Restructure and integration costs	-	-	-	(32)
Unrealised foreign exchange loss	-	-	-	(464)
Profit before income tax expense				432
Income tax expense				(80)
Profit after income tax expense				352

Consolidated - 31 Dec 2021	B2B \$ '000	B2C \$ '000	Corporate \$ '000	Total \$ '000
Revenue				
Sales to external customers	25,546	18,781	-	44,327
Other income	23	-	111	134
Interest income	-	-	28	28
Total income	25,569	18,781	139	44,489
Underlying EBITDA	1,744	2,376	(2,231)	1,889
Depreciation and amortisation expenses	-	-	-	(6,543)
Corporate advisory costs	-	-	-	(208)
Finance costs	-	-	-	(96)
Interest income	-	-	-	28
Restructure and integration costs	-	-	-	(1,502)
Unrealised foreign exchange gain	-	-	-	332
Loss before income tax benefit				(6,100)
Income tax benefit				1,494
Loss after income tax benefit				(4,606)

Unrealised foreign exchange gain was previously included in Underlying EBITDA in the comparative half year. During the current half year, the unrealised foreign exchange loss is excluded from Underlying EBITDA and the comparative has therefore been restated. Deferred contract costs are included within Underlying EBITDA for the current half year results and have been restated for the comparative half year.

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

4 Revenue

Revenue from contracts with customers is disaggregated into the following categories:

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Licence fees	51,143	43,441
Copyright licence fees	2	6
Other revenue	732	880
Total revenue	51,877	44,327

Revenue by geographic regions

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Asia-Pacific ('APAC')	26,549	22,701
North and South America ('Americas')	14,504	11,812
Europe, Middle-East and Africa ('EMEA')	10,824	9,814
	51,877	44,327

The relationship between the disaggregated revenue information set out above and the segment information is explained below:

The segment revenue disclosed in Note 3 is based on the end-users or customers. The Group's main revenue-generating activity is the worldwide sale of online educational programs via licence fees and the sale of these products are recognised over time within licence fees.

The Group generates revenue licence fees in the B2B and B2C operating segments. Copyright licence fees and ancillary revenue streams are generated only in the B2B operating segment. Other revenue includes the sale of workbooks, ebooks and professional learning generated in the B2B and B2C operating segments.

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

The revenue recognised in the half year that was included in the contract liabilities balance at the beginning of the period was \$30,260,000 (31 December 2021: \$24,556,000). Contract liabilities are generally incurred at the beginning of the contract period. Refer to Note 16 for details on contract liabilities.

5 Other income

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Other income	519	23
Gain on disposal of fixed assets	215	-
Net foreign exchange gain	-	111
	734	134

Other income includes \$470,000 for the release of United Kingdom and South African Value Added Tax ('VAT') liabilities acquired in the Blake acquisition. The full VAT liabilities were settled during the half year and the over accrual reversed to other income.

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

6 Administrative expenses

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Bad debts recovered	(9)	(117)
Insurance expenses	480	548
Net foreign exchange loss	209	-
Other operating expenses	642	784
Travel expenses	423	581
	<u>1,745</u>	<u>1,796</u>

7 Depreciation and amortisation expenses

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Amortisation of intangible assets	729	1,928
Amortisation of other intangible assets from business combination	3,394	3,991
Amortisation of right-of-use assets	416	440
Depreciation of plant and equipment	228	184
	<u>4,767</u>	<u>6,543</u>

8 Employee expenses

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Bonus expenses	1,086	1,055
Defined contribution superannuation expenses	2,406	2,104
Salaries and other short-term benefits	22,971	20,747
Staff costs capitalised	(681)	(543)
	<u>25,782</u>	<u>23,363</u>

9 Marketing expenses

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Advertising expenses	8,451	7,553
Commission paid on applicable sales	2,591	2,584
Other marketing expenses	581	454
	<u>11,623</u>	<u>10,591</u>

10 Earnings per share

Reconciliation of earnings to profit or loss from continuing operations

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Profit/(loss) after income tax	352	(4,606)
Non-controlling interest	6	24
Earnings used to calculate basic earnings per share ('EPS')	<u>358</u>	<u>(4,582)</u>

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

10 Earnings per share

Weighted average number of ordinary shares outstanding during the half year used in calculating basic EPS

	31 Dec 2022 Number	31 Dec 2021 Number
Weighted average number of ordinary shares used in calculating basic EPS	276,484,170	276,484,170
Weighted average number of ordinary shares used in calculating diluted EPS	276,484,170	276,484,170

Basic and diluted EPS

	31 Dec 2022 Cents	31 Dec 2021 Cents
Basic earnings per share	0.13	(1.66)
Diluted earnings per share	0.13	(1.66)

11 Trade and other receivables

	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
Trade receivables	11,062	6,750
Less: Allowance for expected credit losses	(134)	(148)
Net trade receivables	10,928	6,602
GST receivable	-	15
Other receivables	384	147
Total current trade and other receivables	11,312	6,764

12 Deferred contract costs

	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
Current assets	3,788	1,807
Non-current assets	762	632
Total deferred contract costs	4,550	2,439

Reconciliation of deferred contract costs:

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

	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
Opening balance	2,439	697
Additions	4,883	5,741
Exchange differences	8	-
Deferred contract costs	(2,780)	(3,999)
Closing balance	4,550	2,439

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

13 Other assets

	31 Dec 2022	30 Jun 2022
	\$ '000	\$ '000
Prepayments	2,164	2,748
Holding deposits	3,428	616
	5,592	3,364

Holding deposits includes an increase in security deposit of \$2,875,000 for National Australia Bank merchant facilities.

14 Intangible assets

Movements in carrying amounts of intangible assets

	Goodwill	Product development	Intellectual property	Patents and trademarks	Customer contracts and distributor relationships	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
31 December 2022						
Opening balance 1 July 2022	171,293	26,391	424	165	2,674	200,947
Additions	-	929	125	95	-	1,149
Additions through business combinations	5,759	1,518	-	-	2,780	10,057
Amortisation	-	(3,394)	(80)	(7)	(642)	(4,123)
Foreign exchange movements	(53)	-	-	-	-	(53)
Closing value at 31 December 2022	176,999	25,444	469	253	4,812	207,977
31 December 2022						
Cost	176,999	44,312	704	2,110	8,190	232,315
Accumulated amortisation	-	(18,868)	(235)	(1,857)	(3,378)	(24,338)
Closing value at 31 December 2022	176,999	25,444	469	253	4,812	207,977
30 June 2022						
Opening balance 1 July 2021	171,340	29,889	481	88	5,166	206,964
Additions	-	4,484	98	91	-	4,673
Amortisation	-	(7,982)	(155)	(14)	(2,491)	(10,642)
Foreign exchange movements	(47)	-	-	-	(1)	(48)
Closing value at 30 June 2022	171,293	26,391	424	165	2,674	200,947
30 June 2022						
Cost	171,293	41,865	579	2,015	5,410	221,162
Accumulated amortisation	-	(15,474)	(155)	(1,850)	(2,736)	(20,215)
Closing value at 30 June 2022	171,293	26,391	424	165	2,674	200,947

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

14 Intangible assets

Impairment testing of intangible assets

The Group announced the acquisition of Brightpath on 30 September 2022, refer to Note 17 for details of the acquisition. The prior period goodwill related to the acquisition of Blake. Goodwill acquired through business combinations is allocated to the lowest level within the entity at which the goodwill is monitored, being the two cash-generating units, B2B and B2C.

The goodwill acquired through business combinations has been allocated to the following Cash Generating Units ('CGUs'):

	31 Dec 2022	30 Jun 2022
	\$ '000	\$ '000
B2B	89,731	84,025
B2C	87,268	87,268
	176,999	171,293

Goodwill is tested annually for impairment. At 31 December 2022 management determined there are no internal or external indicators of impairment.

15 Trade and other payables

	31 Dec 2022	30 Jun 2022
	\$ '000	\$ '000
Trade payables	3,129	2,393
Accrued expenses	3,907	8,206
GST payable	215	-
Other payables	114	589
Total trade and other payables	7,365	11,188

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

16 Contract liabilities

	31 Dec 2022	30 Jun 2022
	\$ '000	\$ '000
Current liabilities	40,447	43,463
Non-current liabilities	3,456	2,657
Total contract liabilities	43,903	46,120

Contract liabilities represent income billed in advance from the contracts with customers pertaining to licence revenue which is recognised over the period of the licence.

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

17 Business combinations

On 30 September 2022, the parent Company acquired a 100% interest of Brightpath and resulted in 3P Learning Limited obtaining control of Brightpath.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date. These amounts have been determined on a provisional basis only.

	Acquiree's carrying amount \$ '000	Fair value \$ '000
Purchase consideration:		
Cash		9,000
Total purchase consideration		9,000
Assets or liabilities acquired:		
Cash	493	493
Trade receivables	10	10
Intangible assets	-	4,298
Trade payables	(546)	(546)
Contract liabilities	(120)	(120)
Provisions	(27)	(27)
Deferred tax liability	-	(791)
Income tax liabilities	(76)	(76)
Total net identifiable assets	(266)	3,241
Identifiable assets acquired and liabilities assumed	(266)	3,241
Consideration paid		9,000
Less: Identifiable assets acquired		3,241
Goodwill		5,759

A further payment to the sellers may be due subject to the achievement of certain future 12-month revenue targets for four years from the date of acquisition. This payment will be accrued if deemed probable. As of 31 December 2022, no future contingent payment amounts have been included in consideration paid.

Brightpath revenue of \$364,000 and after tax profit of \$223,000 is included in the Group results following the consolidation of Brightpath on 30 September 2022.

Brightpath was established in 2014 and the assessment software builds on years of research and software development undertaken at the University of Western Australia.

Assessment is a key part of the overall learning solution that will help improve educational outcomes in the foundational academic skills of reading, writing and numeracy. The purchase of Brightpath accelerates the Group's entrance into the assessment market by several years with a proven product backed by over 10 years research.

The initial accounting for the acquisition of Brightpath has only provisionally been determined as at 31 December 2022. At the date of the finalisation of the 31 December 2022 financial statements, the necessary market valuations and other calculations have not been finalised, and the fair value of the assets and liabilities, including deferred tax balances and goodwill, have therefore only provisionally been determined based on the directors' best estimate of the likely value. In accordance with AASB 3 'Business Combination', the Group has 12 months from the date of acquisition to finalise the purchase price accounting and the allocation of fair value to goodwill and other intangible assets.

3P Learning Limited

Notes to the consolidated financial statements

For the half year ended 31 December 2022

17 Business combinations

Acquisition related costs

	31 Dec 2022
	\$ '000
Professional fees - corporate advisory costs	81

18 Dividends

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

19 Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

20 Contingencies

In the opinion of the Directors, at 31 December 2022 (30 June 2022: None) a \$1,000,000 contingent liability exists in relation to the acquisition of Brightpath. As announced to the Australian Securities Exchange on 30 September 2022, in addition to the \$9,000,000 payment made on 30 September 2022 in relation to the acquisition of Brightpath, an additional \$1,000,000 would be payable contingent on several financial and non-financial conditions being met in the 12 months to 30 September 2023. As at 31 December 2022 some of these conditions are yet to be met.

21 Events occurring after the reporting date

The consolidated financial report was authorised for issue on 23 February 2023 by the Board of Directors.

No matter or circumstance has arisen since the end of the financial half year ended 31 December 2022 which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

3P Learning Limited

Directors' declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes for the half year ended 31 December 2022 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 

Dated: 23 February 2023

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

Conclusion

We have reviewed the accompanying half-year financial report of 3P Learning Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, other information as set out in Appendix 4D to the Australian Securities Exchange (ASX) Listing Rules and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with:

- a. The *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
 - ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. The ASX Listing Rules as they relate to Appendix 4D.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

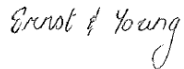
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

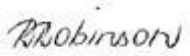
Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its

performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and whether the half-year financial report is not in accordance with the ASX Listing Rules as they relate to Appendix 4D.

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



Ernst & Young



Renay Robinson
Partner
Sydney
23 February 2023



The award-winning team behind



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