3P Learning

Appendix 4D and Half-Year Financial Report

For the half-year ended 31 December 2021

Lodged with the ASX under Listing Rule 4.2A
3P Learning Limited ABN 50 103 827 836
www.3plearning.com

3P Learning Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	3P Learning Limited
ABN:	50 103 827 836
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	84.8%	to	44,355
Loss from ordinary activities after tax attributable to the owners of 3P Learning Limited	up	115.8%	to	(4,582)
Loss for the half-year attributable to the owners of 3P Learning Limited	up	115.8%	to	(4,582)

In accordance with International Financial Reporting Standards Interpretations Committee ('IFRIC') clarification, the Group retrospectively changed the accounting policy in relation to 'Software as a Service (SaaS)' arrangements. Refer to note 3 of the financial statement for further details.

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax and non-controlling interest amounted to $4,582,000 (31 December 2020: $2,123,000).

Refer to 'Review of operations' in the Directors' Report for detailed commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents (Restated)
Net tangible assets per ordinary security	(6.06)	2.78

Net tangible assets calculations exclude right-of-use assets and include lease receivables and lease liabilities.

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 half-year ended 31 December 2021 is attached.

6. Signed

As authorised by the Board of Directors

Signed ___________________________ Date: 24 February 2022

Matthew Sandblom
Executive Chairman
Sydney

3P Learning Limited

ABN 50 103 827 836

Half Year Financial Report - 31 December 2021

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3P Learning

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of 3P Learning Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

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 - Non-Executive Chairman (appointed on 28 May 2021); Executive Chairman (appointed on 24 August 2021)
Mark Lamont
Katherine Ostin (appointed on 6 August 2021)
Allan Brackin (appointed on 6 August 2021)
Belinda Rowe (appointed on 20 September 2021)
Samuel Weiss (Non-Executive Chairman - until 28 May 2021) (resigned on 17 September 2021)
Claire Hatton (resigned on 24 September 2021)

Principal activities

The Group operates within the education technology sector. During the financial 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.

Significant changes in the state of affairs

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

Review of operations

A summary of revenue from contracts with customers for the half-year ended 31 December 2021 is set-out below.

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Licence fees	43,441	17,963
Net commission revenue	-	5,676
Copyright licence fees	6	120
Other revenue	880	165
Revenue	44,327	23,924

Total revenue for the half-year ended 31 December 2021 was $44,327,000 (31 December 2020: $23,924,000).

Licence fees revenue increased by $25,478,000 to $43,441,000 due to the contribution made by Blake eLearning Pty Ltd (‘Blake’) that earns licence fees from the Business-to-Consumer (B2C) market and from various school distributors in the Business-to-Business Market (B2B).

Net commission revenue has dropped to $Nil at 31 December 2021 compared to $5,676,000 at 31 December 2020. In the prior period, the Group in its capacity as an agent earned net commission revenue from the sale and distribution of third-party (Blake) products. Net commission revenue was recognised at a point in time. Subsequent to the acquisition of Blake, the sale of these products is now recognised over time within licence fees revenue.

A disaggregation of revenue by operating segments is set-out below.

Revenue from external customers by subsidiary entering into transactions:

Consolidated - 31 Dec 2021	APAC $'000	Americas $'000	EMEA $'000	Total $'000
Revenue from external customers				
B2B	16,148	4,145	5,171	25,464
B2C	18,863	-	-	18,863
Total revenue from external customers	35,011	4,145	5,171	44,327

Consolidated - 31 Dec 2020	APAC $'000	Americas $'000	EMEA $'000	Total $'000
Revenue from external customers				
B2B	12,576	4,858	5,629	23,063
B2C	861	-	-	861
Total revenue from external customers	13,437	4,858	5,629	23,924

Asia-Pacific ('APAC') segment revenue for the half-year ended 31 December 2021 increased by $21,574,000 to $35,011,000 due to the $18,863,000 contribution from Blake's B2C sales and $2,747,000 contribution from Blake's B2B sales earned from various third-party school distributors. The segment revenue reported in the table above is based on the geographic location of the subsidiary entering into the transaction.

Revenue split by the geographic location of the customer has increased for all regions. Revenue from customers located in the APAC region has increased by $9,264,000 to $22,701,000, revenue from customers located in the Americas region has increased by $6,954,000 to $11,812,000 and revenue from customers located in the EMEA region has increased by $4,185,000 to $9,814,000. The increase in revenue is due to the contribution from Blake's sales which are earned from customers located in all regions.

The Group's underlying EBITDA (earnings before interest, tax, depreciation and amortisation, restructure and integration costs, amortisation of deferred contract costs, and corporate advisory costs) was $3,739,000 an increase of $1,984,000 compared to the prior half-year due to realised synergies in the combined business, and positive contribution from Blake.

Loss before income tax was $6,100,000 (31 December 2020: $3,428,000). Performance for the period was impacted by an increase in employee retention and restructure expenses, and depreciation and amortisation expense. The depreciation and amortisation expense included $3,991,000 amortisation on product development, customer contracts and distributor relationships recognised on the acquisition of Blake.

The loss for the Group after providing for income tax and non-controlling interest amounted to $4,582,000 (31 December 2020: $2,123,000).

Management have concluded that this is not a 'highly seasonal' business as considered by AASB 134 'Interim Financial Reporting'.

Matters subsequent to the end of the financial half-year
No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors.

Matthew Sandblom
Executive Chairman

24 February 2022

Ernst & Young
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Sydney NSW 2000 Australia
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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 2021, 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

Ernst & Young

RRobinson

Renay Robinson
Partner
24 February 2022

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3P Learning Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000 (Restated)*
Revenue	5	44,327	23,924
Other income		134	7
Interest revenue calculated using the effective interest method		28	79
Expenses			
Employee benefits expense	6	(24,865)	(16,954)
Depreciation and amortisation expense	6	(6,543)	(4,147)
Amortisation of deferred contract costs	8	(1,519)	-
Professional fees	6	(1,214)	(1,490)
Technology costs		(3,322)	(1,743)
Marketing expenses		(8,007)	(868)
Occupancy expenses		(643)	(292)
Administrative expenses and foreign exchange	6	(4,380)	(1,812)
Finance costs	6	(96)	(132)
Loss before income tax benefit		(6,100)	(3,428)
Income tax benefit		1,494	1,305
Loss after income tax benefit for the half-year		(4,606)	(2,123)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(296)	1,048
Other comprehensive income/(loss) for the half-year, net of tax		(296)	1,048
Total comprehensive income for the half-year		(4,902)	(1,075)
Loss for the half-year is attributable to:			
Non-controlling interest		(24)	-
Owners of 3P Learning Limited		(4,582)	(2,123)
		(4,606)	(2,123)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(24)	-
Owners of 3P Learning Limited		(4,878)	(1,075)
		(4,902)	(1,075)
		Cents	**Cents**
Basic earnings per share	15	(1.66)	(1.52)
Diluted earnings per share	15	(1.66)	(1.52)

* Refer to note 3 for detailed information on Restatement of comparatives.

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

3P Learning Limited
Statement of financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	30 June 2021 $'000 (Restated)*
Assets			
Current assets			
Cash and cash equivalents		20,200	24,906
Trade and other receivables	7	11,989	11,655
Inventories		263	282
Lease receivables		685	739
Income tax receivable		235	-
Deferred contract costs	8	2,824	-
Other assets		1,941	2,163
Total current assets		38,137	39,745
Non-current assets			
Plant and equipment		644	652
Intangibles	9	204,662	207,094
Right-of-use assets		1,985	1,612
Lease receivables		257	538
Deferred tax		7,798	6,147
Deferred contract costs	8	387	-
Other assets		320	352
Total non-current assets		216,053	216,395
Total assets		254,190	256,140
Liabilities			
Current liabilities			
Trade and other payables	10	13,884	11,651
Contract liabilities		38,754	36,138
Lease liabilities		1,760	1,627
Income tax payable		358	2,038
Provisions		3,521	4,323
Total current liabilities		58,277	55,777
Non-current liabilities			
Contract liabilities		3,831	3,170
Lease liabilities		1,320	1,497
Provisions		881	854
Total non-current liabilities		6,032	5,521
Total liabilities		64,309	61,298
Net assets		189,881	194,842
Equity			
Issued capital		216,589	216,589
Reserves		8,095	8,450
Accumulated losses		(34,789)	(30,207)
Equity attributable to the owners of 3P Learning Limited		189,895	194,832
Non-controlling interest		(14)	10
Total equity		189,881	194,842

* Refer to note 3 for detailed information on Restatement of comparatives.

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

3P Learning Limited
Statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2020	34,494	7,954	(20,838)	-	21,610
Loss after income tax benefit for the half-year	-	-	(2,123)	-	(2,123)
Other comprehensive income for the half-year, net of tax	-	1,048	-	-	1,048
Total comprehensive income/(loss) for the half-year - restated	-	1,048	(2,123)	-	(1,075)
Transactions with owners in their capacity as owners:					
Share-based payments	-	(15)	-	-	(15)
Balance at 31 December 2020	34,494	8,987	(22,961)	-	20,520

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
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 income for the half-year, net of tax	-	(296)	-	-	(296)
Total comprehensive income for the half-year	-	(296)	(4,582)	(24)	(4,902)
Transactions with owners in their capacity as owners:					
Share-based payments	-	(59)	-	-	(59)
Balance at 31 December 2021	216,589	8,095	(34,789)	(14)	189,881

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

3P Learning Limited
Statement of cash flows
For the half-year ended 31 December 2021

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000 (Restated)*
Cash flows from operating activities		
Receipts from customers	43,973	22,582
Payments to suppliers and employees	(42,220)	(30,360)
Interest received	28	98
Interest and other finance costs paid	(75)	(132)
Income taxes paid	(2,393)	(772)
Net cash used in operating activities	(687)	(8,584)
Cash flows from investing activities		
Payments for plant and equipment	(173)	(54)
Payments for intangibles	(3,323)	(3,199)
Proceeds from sub-leases	334	248
Payment for prior year business combination	(189)	-
Net cash used in investing activities	(3,351)	(3,005)
Cash flows from financing activities		
Repayment of lease liabilities	(866)	(754)
Net cash used in financing activities	(866)	(754)
Net decrease in cash and cash equivalents	(4,904)	(12,343)
Cash and cash equivalents at the beginning of the financial half-year	24,906	27,083
Effects of exchange rate changes on cash and cash equivalents	198	281
Cash and cash equivalents at the end of the financial half-year	20,200	15,021

* Refer to note 3 for detailed information on Restatement of comparatives.

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

Note 1. General information

The financial statements cover 3P Learning Limited as a Group consisting of 3P Learning Limited (the 'Company' or 'parent entity') and the entities it controlled 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:

Level 18, 124 Walker Street
North Sydney NSW 2060

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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 not yet mandatory have not been early adopted.

Net current asset deficiency

As at 31 December 2021, the Group was in a net current liability position of $20,140,000 (30 June 2021: $16,032,000) of which $38,754,000 (30 June 2021: $36,138,000) are contract liabilities which are expected to be recognised as revenue in the next 12 months with no further cash outflows to the Group. Accordingly, the financial statements continue to be prepared on a going concern basis.

Note 3. Restatement of comparatives

Change in accounting policy - Software as a Service (SaaS) arrangements

The Group's accounting policy has historically been to capitalise costs related to the customisation and configuration of SaaS arrangements as intangible assets in the statement of financial position. During the previous financial year, the International Financial Reporting Standards Interpretations Committee ('IFRIC') issued a clarification regarding accounting for expenses due to SaaS arrangements. In accordance with IFRIC clarification, the Group has changed its accounting policy retrospectively to account for customisation and configuration costs incurred in relation to these arrangements as an expense in the statement of profit or loss, when the Group does not control the customisation being performed.

The impact of the IFRIC interpretation on the comparative period statement of financial position has been included in the annual report for the year ended 30 June 2021 and incorporated within the 30 June 2021 statement of financial position. The impact of the retrospective adoption of the IFRIC interpretation on the statement of profit or loss and other comprehensive income and statement of cash flows are summarised below:

Note 3. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income

	Consolidated		
Extract	31 Dec 2020 $'000 Reported	$'000 Adjustment	31 Dec 2020 $'000 Restated
Expenses			
Employee benefits expense	(14,324)	(2,630)	(16,954)
Depreciation and amortisation expense	(5,920)	1,773	(4,147)
Loss before income tax benefit	(2,571)	(857)	(3,428)
Income tax benefit	1,048	257	1,305
Loss after income tax benefit for the half-year	(1,523)	(600)	(2,123)
Other comprehensive income for the half-year, net of tax	1,048	-	1,048
Total comprehensive income for the half-year	(475)	(600)	(1,075)
	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	(1.09)	(0.43)	(1.52)
Diluted earnings per share	(1.09)	(0.43)	(1.52)

Statement of cash flows
In accordance with the above, comparatives in the statement of cash flows have been restated to reflect changes in accounting policy with regard to recognition of Software as a Service (SaaS) arrangements. Accordingly, payments for intangibles have been reduced by $2,630,000 with a corresponding increase in payments to suppliers and employees. As a result of this, net cash used in operating activities increased by $2,630,000 with a corresponding impact on net cash used in investing activities.

Impact of fair value adjustment to comparative year business combinations:
The values identified in relation to the acquisition of Blake eLearning Pty Ltd ('Blake') as at 30 June 2021 were provisional. These values remain provisional as at 31 December 2021, however fair values have been updated and the comparative figures as at 30 June 2021 restated to reflect any known information which has become available since 30 June 2021. There was no impact on the comparative period statement of profit or loss and other comprehensive income or the opening retained earnings. Refer to the note 14 'Business combination' for the restatement arising on the fair value adjustment on the business acquisition. The impact of the business combination restatement on the statement of financial position as at 30 June 2021 is detailed below.

Note 3. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	Consolidated		
Extract	30 June 2021 $'000 Reported	$'000 Adjustment	30 June 2021 $'000 Restated
Assets			
Non-current assets			
Intangibles	207,653	(559)	207,094
Deferred tax	5,304	843	6,147
Total non-current assets	216,111	284	216,395
Total assets	255,856	284	256,140
Liabilities			
Current liabilities			
Trade and other payables	11,874	(223)	11,651
Contract liabilities	35,631	507	36,138
Total current liabilities	55,493	284	55,777
Total liabilities	61,014	284	61,298
Net assets	194,842	-	194,842

Note 4. Operating segments

Identification of reportable operating segments
The Group is organised into geographic operating segments based on the location of the subsidiary that enters the transaction: Asia-Pacific ('APAC'), the United States of America, Canada and South America ('Americas') and Europe, Middle-East and Africa ('EMEA'). These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews underlying EBITDA (earnings before interest, tax, depreciation and amortisation), which is EBITDA adjusted for interest revenue, restructure and integration costs, amortisation of deferred contract costs and corporate advisory costs. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis. The CODM does not regularly review segment assets and segment liabilities. Refer to statement of financial position for assets and liabilities.

Intersegment transactions
Intersegment transactions were made at market rates. Intersegment transactions 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 2021 and 31 December 2020.

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2021	APAC $'000	Americas $'000	EMEA $'000	Total $'000
Revenue				
Sales to external customers*	35,011	4,145	5,171	44,327
Interest revenue	5	18	5	28
Total revenue	35,016	4,163	5,176	44,355
Underlying EBITDA**	4,395	(1,008)	352	3,739
Depreciation and amortisation				(6,543)
Deferred contract cost amortisation				(1,519)
Interest revenue				28
Finance costs				(96)
Restructure and integration costs***				(1,502)
Corporate advisory costs				(207)
Loss before income tax benefit				(6,100)
Income tax benefit				1,494
Loss after income tax benefit				(4,606)

* Revenue generated from Blake eLearning Pty Ltd and its controlled entities is included within the APAC segment.

** Underlying EBITDA for the Group is after eliminating inter-segment royalty income earned by the APAC operating segment of $3,449,000, and after eliminating inter-segment royalty expense incurred by Americas operating segment of $1,404,000 and EMEA operating segment of $2,045,000. The APAC operating segment includes inter-segment royalty income of $3,449,000, the Americas operating segment includes $1,404,000 of intersegment royalty expense and the EMEA operating segment includes $2,045,000 of inter-segment royalty expense.

*** Restructure and integration costs are included in employee benefits expense within the statement of profit or loss and other comprehensive income.

Consolidated - 31 Dec 2020 - Restated	APAC $'000	Americas $'000	EMEA $'000	Total $'000
Revenue				
Sales to external customers	13,437	4,858	5,629	23,924
Interest revenue	40	29	10	79
Total revenue	13,477	4,887	5,639	24,003
Underlying EBITDA*	1,109	14	632	1,755
Depreciation and amortisation				(4,147)
Interest revenue				79
Finance costs				(132)
Corporate advisory costs				(983)
Loss before income tax benefit				(3,428)
Income tax benefit				1,305
Loss after income tax benefit				(2,123)

* Underlying EBITDA for the Group is after eliminating inter-segment royalty income earned by the APAC operating segment of $2,904,000, and after eliminating inter-segment royalty expense incurred by Americas operating segment of $1,091,000 and EMEA operating segment of $1,813,000. The APAC operating segment includes inter-segment royalty income of $2,904,000, the Americas operating segment includes $1,091,000 of intersegment royalty expense and the EMEA operating segment includes $1,813,000 of inter-segment royalty expense.

Note 5. Revenue

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Licence fees	43,441	17,963
Net commission revenue	-	5,676
Copyright licence fees	6	120
Other revenue	880	165
Revenue	44,327	23,924

Revenue from external customers by geographic regions based on customer location is $22,701,000 in APAC, $11,812,000 in Americas and $9,814,000 in EMEA. The relationship between the disaggregated revenue information set out above and the segment information is explained below:

The segment revenue disclosed in note 4 above is based on the location of subsidiaries. The Group's main revenue-generating activity is the worldwide sale of online educational programs via licence fees. In the prior period, the Group in its capacity as an agent, earned net commission revenue from the sale and distribution of third party (Blake eLearning Pty Ltd) products. Net commission revenue was recognised at a point in time. Subsequent to the business combination on 28 May 2021 with Blake eLearning Pty Ltd, the sale of these products is now recognised over time within licence fees.

The Group generates revenue licence fees in all operating segments (geographic regions). Copyright licence fees and ancillary revenue streams are generated only in the APAC operating segment. Other revenue includes the sale of workbooks, ebooks and professional learning generated in all operating segments.

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

The revenue recognised in the reporting period that was included in the contract liabilities balance at the beginning of the period was $24,556,000 (31 December 2020: $16,108,000). Contract liabilities are generally incurred at the beginning of the contract period.

Note 6. Expenses

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000 (Restated)
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Depreciation and amortisation expense - other intangible assets from prior year business combination	3,991	-
Depreciation and amortisation expense - other	2,552	4,147
Total depreciation and amortisation expense	6,543	4,147
Finance costs		
Interest and finance charges paid/payable on borrowings	9	54
Interest and finance charges paid/payable on lease liabilities	87	78
Finance costs expensed	96	132
Net foreign exchange (gain)/loss		
Net foreign exchange (gain)/loss	(111)	927
Employee benefits expense		
Employee benefits expense	21,259	15,435
Defined contribution superannuation expense	2,104	1,519
Employee benefits expense - restructure and integration	1,502	-
Total employee benefits expense	24,865	16,954
Professional fees - corporate advisory and integration costs	207	983
Professional fees - other	1,007	507
Total professional fees	1,214	1,490

Note 7. Trade and other receivables

	Consolidated 31 Dec 2021 $'000	Consolidated 30 June 2020 $'000
Current assets		
Trade receivables	11,434	10,161
Less: Allowance for expected credit losses	(72)	(190)
	11,362	9,971
Other receivables	627	1,684
Total trade and other receivables	11,989	11,655

Note 8. Deferred contract costs

	Consolidated 31 Dec 2021 $'000	Consolidated 30 June 2021 $'000
Current assets		
Deferred contract costs	2,824	-
Non-current assets		
Deferred contract costs	387	-
	3,211	-

Deferred contract costs represent capitalised distributor commissions incurred to obtain customer contracts. When those costs support the delivery of goods and services in the future and are expected to be recovered, they are deferred in the statement of financial position and amortised on a basis consistent with the transfer of goods and services to which these costs relate. The Group amortises deferred contract costs in 'amortisation of deferred contract costs' expense over the term that reflects the expected period of benefit of the expense.

Reconciliation of deferred contract costs:
A reconciliation of the written down values at the beginning and end of the current financial half-year is set out below:

	Consolidated 31 Dec 2021 $'000
Balance at 1 July 2021	-
Additions	4,470
Exchange differences	260
Amortisation expense	(1,519)
Balance at 31 December 2021	3,211

Note 9. Intangibles

	Consolidated 31 Dec 2021 $'000	Consolidated 30 June 2021 $'000 (Restated)
Non-current assets		
Goodwill - at cost	171,341	171,436
Product development - at cost	40,915	37,382
Less: Accumulated amortisation and impairment	(12,002)	(7,493)
	28,913	29,889
Intellectual property - at cost	541	489
Less: Accumulated amortisation	(87)	(8)
	454	481
Patents and trademarks - at cost	1,953	1,924
Less: Accumulated amortisation	(1,843)	(1,836)
	110	88
Customer contracts and distributor relationships- at cost	5,411	5,794
Less: Accumulated amortisation	(1,567)	(594)
	3,844	5,200
Total intangibles	204,662	207,094

Reconciliations

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

Consolidated	Goodwill $'000	Product development $'000	Intellectual property $'000	Patents and trademarks $'000	Customer contracts and distributor relationships $'000	Total $'000
Balance at 1 July 2021 (restated)	171,436	29,889	481	88	5,200	207,094
Additions*	-	3,533	52	29	-	3,614
Exchange differences	(95)	-	-	-	(34)	(129)
Amortisation expense	-	(4,509)	(79)	(7)	(1,322)	(5,917)
Balance at 31 December 2021	171,341	28,913	454	110	3,844	204,662

* Total product development additions of $3,533,000 includes acquired product development of $2,500,000 for writing skills programs.

Note 10. Trade and other payables

	Consolidated	
	31 Dec 2021 $'000	30 June 2021 $'000
Current liabilities		
Trade payables	4,081	1,779
Accrued expenses	8,907	9,034
Goods and service tax	141	230
Other payables	755	608
Total trade and other payables	13,884	11,651

Note 11. Borrowings

Banking guarantee and ancillary facilities
Bank guarantee and ancillary facility of $115,000 are available to the Group which is subject to a regular review.

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

	Consolidated	
	31 Dec 2021 $'000	30 June 2021 $'000
Total facilities		
Bank guarantee and ancillary facility	115	114
Used at the reporting date		
Bank guarantee and ancillary facility	19	18
Unused at the reporting date		
Bank guarantee and ancillary facility	96	96

As at the reporting date, there is an outstanding bank guarantee of $1,458,000 with the bank. There are ongoing negotiations with the bank to extend this facility.

Note 12. Dividends

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

Note 13. Fair value measurement

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

Note 14. Business combinations (prior year acquisition)

The values identified in relation to the acquisition of Blake eLearning Pty Ltd ('Blake') as at 30 June 2021 were provisional. These values remain provisional as at 31 December 2021, however fair values have been updated and the comparative figures as at 30 June 2021 restated to reflect any known information which has become available since 30 June 2021.

The changes to fair values resulted in a decrease in other payables by $412,000; an increase in other payables due to working capital adjustment to vendors amounting to $189,000, an increase in contract liabilities by $507,000 and a decrease in deferred tax liability by $843,000. As a result, goodwill on acquisition decreased by $559,000. There was no impact on the comparative period statement of profit or loss and other comprehensive income or the opening retained earnings. The fair value table below and the comparative year statement of financial position as at 30 June 2021 have been adjusted accordingly.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	3,605
Trade receivables	4,032
Inventories	217
Prepayments	219
Other receivables	411
Plant and equipment	103
Other intangible assets	32,363
Trade payables	(2,393)
Other payables	(2,478)
Contract liabilities	(12,810)
Provision for income tax	(1,750)
Deferred tax liability	(4,365)
Employee benefits	(1,923)
Net assets acquired	15,231
Goodwill	166,990
Acquisition-date fair value of the total consideration transferred	182,221

Note 15. Earnings per share

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Loss after income tax	(4,606)	(2,123)
Non-controlling interest	24	-
Loss after income tax attributable to the owners of 3P Learning Limited	(4,582)	(2,123)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	276,484,170	139,484,170
Weighted average number of ordinary shares used in calculating diluted earnings per share	276,484,170	139,484,170

	Cents	Cents
Basic earnings per share	(1.66)	(1.52)
Diluted earnings per share	(1.66)	(1.52)

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

3P Learning Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Matthew Sandblom
Executive Chairman

24 February 2022

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Building a better working world

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 2021, 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, 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 the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 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 2021 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*.

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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

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
24 February 2022

3P Learning

the award-winning team behind

Mathletics

Reading eggs

Mathseeds

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