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3P Learning

Appendix 4D and Half Year Financial Report

For the half year ended 31 December 2023

ABN 50 103 827 836
3P Learning Limited

Appendix 4D

3P LEARNING LIMITED

Half year report ended 31 December 2023

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1. Company details

Name of entity:	3P Learning Limited
ABN:	50 103 827 836
Reporting period:	For the half year ended 31 December 2023
Previous period:	For the half year ended 31 December 2022

2. Results for announcement to market

				31 Dec 2023 $ '000	31 Dec 2022 $ '000
Revenues from ordinary activities	up	4%	to	53,810	51,877
(Loss)/profit from ordinary activities after tax attributable to the owners of 3P Learning Limited		NM*		(11,946)	358
(Loss)/profit for the half year attributable to the owners of 3P Learning Limited		NM*		(11,946)	358

* Not Meaningful.

Buy-back of distributor rights

On 21 December 2023, Blake eLearning Pty Ltd, a wholly owned subsidiary of 3P Learning Limited, entered into a binding agreement with Edmentum Inc. to re-acquire the US schools Distribution Rights for Reading Eggs ("Rights") effective 2 February 2024 for a fee capped at $19,952,000 (USD 13,600,000). As at 31 December 2023, the Group has estimated a total Rights cost payable to Edmentum Inc. of $13,714,000 after tax. These Rights, prior to being assigned in perpetuity to Edmentum Inc. in 2010, were an "internally generated intangible asset" which cannot be capitalised under Australian Accounting Standards irrespective of how the costs are incurred, e.g. paid to a third party (Edmentum Inc.). As a result, the total estimated Rights cost has been expensed in full during the period.

Dividends

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

Comments

The loss for the Group after providing for income tax and non-controlling interest amounted to $11,946,000 (31 December 2022: profit of $358,000). 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	**(7.19)**	(5.44)

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

4. Attachments

Details of attachments (if any):

The half year financial report of 3P Learning Limited for the period ended 31 December 2023 is attached.

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

3P LEARNING LIMITED

Half year report ended 31 December 2023

5. Signed

As authorised by the Board of Directors

Signed _____ Date: 20 February 2024
Matthew Sandblom
Executive Chairman
Sydney

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

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Directors' report

For the half year ended 31 December 2023

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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 2023 and the review report thereon.

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	
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 2023 is set out below.

	31 Dec 2023	31 Dec 2022
	$ '000	$ '000
Licence fees	**53,230**	51,143
Copyright licence fees	**6**	2
Other revenue	**574**	732
Revenue	**53,810**	51,877

Total revenue for the half year ended 31 December 2023 was $53,810,000 (31 December 2022: $51,877,000).

Licence fees revenue increased by $2,087,000 to $53,230,000 as a result of billings growth in the Business-to-Consumer ("**B2C**") segment and 12 months of Pairwise Pty Ltd ("**Brightpath**") revenue in the Business-to-School ("**B2B**") segment. The Group acquired Brightpath on 30 September 2022; refer to note 20 for details of the acquisition.

Review of operations (continued)

Reconciliation of Underlying EBITDA	31 Dec 2023 $ '000	31 Dec 2022 $ '000
(Loss)/profit before income tax benefit/(expense)	**(20,327)**	432
Buy-back of distributor rights	**19,591**	-
Corporate advisory costs	**35**	81
Depreciation and amortisation expenses	**4,780**	4,767
Finance costs	**92**	114
Interest income	**(400)**	(68)
Restructure and integration costs	**26**	32
Unrealised foreign exchange (gain)/loss	**(378)**	464
Underlying EBITDA	**3,419**	5,822

The Underlying EBITDA represents earnings before interest, tax, depreciation and amortisation, excluding unrealised foreign exchange gains and losses, corporate advisory costs, restructure and integration costs, and buy-back of distributor rights.

Buy-back of distributor rights

On 21 December 2023, Blake eLearning Pty Ltd, a wholly owned subsidiary of 3P Learning Limited, entered into a binding agreement with Edmentum Inc. to re-acquire the US schools Distribution Rights for Reading Eggs ("**Rights**") effective 2 February 2024 for a fee capped at $19,952,000 (USD 13,600,000). The fee is payable in two instalments: the first $14,964,000 (USD 10,200,000) is payable on 2 April 2024 and the final instalment on 30 April 2024. The final instalment is subject to various minor adjustments which can only be determined closer to April 2024. As at 31 December 2023, the Group has estimated a total Rights cost payable to Edmentum Inc. of $19,591,000 (USD 13,354,000). These Rights, prior to being assigned in perpetuity to Edmentum Inc. in 2010, were an "internally generated intangible asset" which cannot be capitalised under Australian Accounting Standards irrespective of how the costs are incurred, e.g. paid to a third party (Edmentum Inc.). As a result, the total estimated Rights cost has been expensed in full during the period.

Segment review

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

	31 Dec 2023 $ '000	31 Dec 2022 $ '000	Change $ '000	Change %
Business-to-School (B2B)	**32,186**	31,979	207	1%
Business-to-Consumer (B2C)	**21,684**	20,632	1,052	5%
Total revenue and other income	**53,870**	52,611	1,259	2%

Segment Underlying EBITDA is as follows:

	31 Dec 2023 $ '000	31 Dec 2022 $ '000	Change $ '000	Change %
Business-to-School	**884**	5,907	(5,023)	(85%)
Business-to-Consumer	**3,720**	1,133	2,587	228%
Corporate	**(1,185)**	(1,218)	33	3%
Total Underlying EBITDA	**3,419**	5,822	(2,403)	(41%)

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Review of operations (continued)

B2B segment

Revenue and other income in the B2B segment has increased by $207,000 to $32,186,000 due to 12 months of Brightpath revenue and well performing Asia-Pacific ("**APAC**") and Europe, Middle-East and Africa ("**EMEA**") regions. The increase in revenue and other income is partially offset by higher than anticipated churn rates and overall new business performance in North and South America ("**AMER**").

Underlying EBITDA of $884,000 in the B2B segment has decreased by $5,023,000 due to significant people investment across sales and marketing, product and technology departments for all products, as well as go-to-market costs for new products. There were an additional 27 full time equivalent ("**FTE**") employees at 31 December 2023 compared to 31 December 2022.

B2C segment

Revenue and other income in the B2C segment has increased by $1,052,000 as a result of growth in Reading Eggs and Mathseeds billings, as well as new pricing introduced in January 2023.

Underlying EBITDA of $3,720,000 increased by $2,587,000 from the prior period, principally as a result of the shift of investment in product and technology from B2C to B2B, including New Mathletics and Writing Legends.

Group performance

Loss before income tax was $20,327,000 (31 December 2022: profit of $432,000). The loss for the Group after providing for income tax and non-controlling interest amounted to $11,946,000 (31 December 2022: profit of $358,000).

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 12 months ending on the interim reporting date with comparative information for the prior 12 month period.

The Group commenced an on-market buy-back of its ordinary shares up to a maximum value of $10,000,000 (excluding transaction costs) on 23 August 2023 for a period up to 12 months ("**buy-back**"). In accordance with the ASX Listing Rules, the prices paid for shares purchased under the buy-back will be no more than 5% above the volume-weighted average price of 3PL shares over the five trading days prior to purchase. The buy-back is limited to a maximum of 10% of the smallest number of voting shares on issue during the last 12 months, as permitted under the *Corporations Act 2001 (Cth)*, and therefore did not require shareholder approval.

Shares bought back are cancelled on acquisition, so that the total number of shares on issue reduce accordingly, and this results in a consequential adjustment to the voting power of remaining shareholders. During the period the Group bought back 1,816,006 ordinary shares at a cost of $2,265,000 (excluding transaction costs). As at 31 December 2023 the number of ordinary shares on issue was 274,668,164, down by 1,816,006 ordinary shares on issue as at 30 June 2023. The Group reserves the right to vary, suspend or terminate the buy-back at any time, subject to and in accordance with applicable legal requirements. There can be no certainty that the Group will buy back any or all of the shares announced under the buy-back.

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 2023 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.

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Directors' report

For the half year ended 31 December 2023

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

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Lead 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 2023 has been received and can be found on page 8 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
20 February 2024
Sydney

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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of 3P Learning Limited

I declare that, to the best of my knowledge and belief, in relation to the review of 3P Learning Limited for the half year ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Daniel Robinson

Partner

Sydney

20 February 2024

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3P Learning Limited

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2023

	Note	31 Dec 2023 $ '000	31 Dec 2022 $ '000
Revenue	4	**53,810**	51,877
Other income	5	**60**	734
Expenses			
Administrative expenses	6	**(1,527)**	(2,193)
Buy-back of distributor rights	7	**(19,591)**	-
Corporate advisory costs		**(35)**	(81)
Depreciation and amortisation expenses	8	**(4,780)**	(4,767)
Deferred contract costs	15	**(5,005)**	(2,780)
Employee expenses	9	**(28,536)**	(25,782)
Marketing expenses	10	**(8,798)**	(11,178)
Occupancy expenses		**(403)**	(510)
Professional fees		**(1,480)**	(1,059)
Restructure and integration costs		**(26)**	(32)
Technology costs		**(4,324)**	(3,751)
Total expenses		**(74,505)**	(52,133)
Total operating (loss)/profit		**(20,635)**	478
Interest revenue calculated using the effective interest method		**400**	68
Finance costs		**(92)**	(114)
(Loss)/profit before income tax benefit/(expense)		**(20,327)**	432
Income tax benefit/(expense)	11	**8,376**	(80)
(Loss)/profit after income tax benefit/(expense) for the half year		**(11,951)**	352
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(362)**	189
Other comprehensive (loss)/income for the half year, net of tax		**(362)**	189
Total comprehensive (loss)/income for the half year		**(12,313)**	541
(Loss)/profit attributable to:			
Owners of 3P Learning Limited		**(11,946)**	358
Non-controlling interest		**(5)**	(6)
		(11,951)	352
Total comprehensive (loss)/income attributable to:			
Members of the parent entity		**(12,308)**	547
Non-controlling interest		**(5)**	(6)
		(12,313)	541
		Cents	Cents
Basic earnings per share	12	**(4.34)**	0.13
Diluted earnings per share	12	**(4.34)**	0.13

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

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3P Learning Limited

Consolidated statement of financial position

As at 31 December 2023

	Note	31 Dec 2023 $ '000	30 Jun 2023 $ '000
Assets			
Current assets			
Cash and cash equivalents		**12,070**	14,010
Term deposits	13	**500**	7,000
Trade and other receivables	14	**13,976**	8,393
Inventories		**333**	410
Deferred contract costs	15	**4,454**	2,690
Other assets	16	**9,062**	9,586
Income tax receivable		**465**	685
Total current assets		**40,860**	42,774
Non-current assets			
Plant and equipment		**1,212**	1,304
Intangible assets	17	**203,736**	205,813
Right-of-use assets		**2,303**	1,472
Deferred contract costs	15	**1,085**	911
Other assets	16	**205**	300
Deferred tax assets		**19,378**	10,161
Total non-current assets		**227,919**	219,961
Total assets		**268,779**	262,735
Liabilities			
Current liabilities			
Trade and other payables	18	**28,219**	7,472
Contract liabilities	19	**43,303**	45,625
Lease liabilities		**810**	686
Provisions		**3,790**	3,891
Income tax payable		**42**	83
Total current liabilities		**76,164**	57,757
Non-current liabilities			
Contract liabilities	19	**3,969**	2,861
Lease liabilities		**1,578**	855
Provisions		**781**	613
Total non-current liabilities		**6,328**	4,329
Total liabilities		**82,492**	62,086
Net assets		**186,287**	200,649
Equity			
Issued capital		**214,324**	216,589
Reserves		**8,329**	8,475
Accumulated losses		**(36,319)**	(24,373)
Equity attributable to the owners of 3P Learning Limited		**186,334**	200,691
Non-controlling interest		**(47)**	(42)
Total equity		**186,287**	200,649

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 2023

	Issued capital	Reserves	Accumulated losses	Non-controlling interests	Total
	$ '000	$ '000	$ '000	$ '000	$ '000
Balance at 1 July 2023	**216,589**	**8,475**	**(24,373)**	**(42)**	**200,649**
Loss after income tax benefit for the half year	**-**	**-**	**(11,946)**	**(5)**	**(11,951)**
Other comprehensive loss for the half year, net of tax	**-**	**(362)**	**-**	**-**	**(362)**
Total comprehensive loss for the half year	**-**	**(362)**	**(11,946)**	**(5)**	**(12,313)**
Transactions with owners in their capacity as owners					
Share based payment transactions	**-**	**216**	**-**	**-**	**216**
Shares bought back during the year	**(2,265)**	**-**	**-**	**-**	**(2,265)**
Balance at 31 December 2023	**214,324**	**8,329**	**(36,319)**	**(47)**	**186,287**
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 for the half year	-	189	358	(6)	541
Transactions with owners in their capacity as owners					
Share based payment transactions	-	286	-	-	286
Balance at 31 December 2022	216,589	8,530	(30,385)	(23)	194,711

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

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3P Learning Limited

Consolidated statement of cash flows

For the half year ended 31 December 2023

	Note	31 Dec 2023 $ '000	31 Dec 2022 $ '000
Cash flows from operating activities:			
Receipts from customers		**43,368**	41,226
Payments to suppliers and employees		**(46,703)**	(48,340)
Interest received		**334**	68
Interest and other finance costs paid		**(92)**	(117)
Income taxes (paid)/refund		**(592)**	509
Net cash used in operating activities		**(3,685)**	(6,654)
Cash flows from investing activities:			
Payment for intangible asset	17	**(1,985)**	(1,149)
Purchase of plant and equipment		**(205)**	(493)
Payment for purchase of business, net of cash acquired[(i)]	20	**-**	(8,507)
Proceeds from sub-leases		**-**	45
Withdrawal of term deposits[(ii)]	13	**6,500**	-
Holding deposit (payment)/proceeds	16	**(2)**	63
Proceeds/(investment) in restricted cash[(iii)]		**213**	(2,875)
Net cash used in investing activities		**4,521**	(12,916)
Cash flows from financing activities:			
Share buy-back payment		**(2,184)**	-
Repayment of lease liabilities		**(389)**	(254)
Net cash used in financing activities		**(2,573)**	(254)
Effects of exchange rate changes on cash and cash equivalents		**(203)**	105
Net decrease in cash and cash equivalents held		**(1,940)**	(19,719)
Cash and cash equivalents at beginning of half year		**14,010**	31,127
Cash and cash equivalents at end of the half year		**12,070**	11,408

i. Net cash paid for business combination of $8,507,000 comprises $9,000,000 payment less acquired cash balances of $493,000; refer to note 20.

ii. Short-term deposits with a maturity date of more than three months is classified as term deposit; refer to note 13.

iii. Restricted cash is classified as other assets; refer to note 16.

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

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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 consolidated 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 consolidated financial statements.

The consolidated financial statements were authorised for issue, in accordance with a resolution of Directors on 20 February 2024.

2 Summary of material accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2023 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 ("**IFRS**") 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 2023 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.

Change in accounting policy

The Group changed its accounting policy relating to deferred contract costs, which is cost to obtain a contract.

The Group previously elected to apply the optional practical expedient for B2C service provider costs. This allowed the Group to immediately expense the B2C service provider costs (included under marketing expenses) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

During the current year the Group changed the accounting policy to no longer apply the practical expedient. Service provider costs are capitalised and expensed over the period of the customer contract.

The aggregate effect of the change in accounting policy on the consolidated financial statements for the half year ended 31 December 2023 of an additional $335,000 was capitalised to deferred contract costs to increase the deferred contract costs asset and reduce the deferred contract costs expense in the consolidated statement of profit or loss and other comprehensive income; refer to note 15. Management has determined that the change in accounting policy does not result in a material impact, therefore the comparative period result is not restated.

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2 Summary of material accounting policies (continued)

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.

The Group adopted Disclosure of Accounting Policies (Amendments to AASB 101 and IFRS Practice Statement 2) effective for annual reporting periods starting after 1 January 2023. The amendments did not result in any changes to the accounting policies and accounting policy information disclosed in the financial statements.

The Group has also adopted Deferred Tax related to Asset and Liabilities arising from a Single Transaction (Amendments to AASB 112) effective for annual reporting periods starting after 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences, e.g. leased and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented. The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ended 30 June 2024. It is expected to have no material impact on the consolidated financial statements.

At 31 December 2023, certain accounting standards and interpretations have been published or amended which will become mandatory in future reporting periods. These new or amended accounting standards and interpretations are either not material or not applicable to the Group.

Net current asset deficiency

As at 31 December 2023, the Group was in a net current liability position of $35,304,000 (30 June 2023: $14,983,000), of which $43,303,000 (30 June 2023: $45,625,000) 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 $3,685,000 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 positive cash from operations for the period to 30 June 2024. As at 31 December 2023, management has assessed the Group's ability to meet its obligations, continue its operations and realise its assets in the ordinary course of business and determined that 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 and 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.

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.

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3 Operating 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 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 representing earnings before interest, tax, depreciation and amortisation, excluding unrealised foreign exchange gains and losses, corporate advisory costs, restructure and integration costs, and buy-back of distributor rights.

Other than the underlying adjustments above, the accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the consolidated 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 consolidated statement of financial position for assets and liabilities.

Products and services

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

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 2023 or 31 December 2022.

Operating segment information

31 December 2023	B2B $ '000	B2C $ '000	Total Segment $ '000	Corporate $ '000	Total $ '000
Revenue					
Sales to external customers	32,143	21,667	53,810	-	53,810
Other income	43	17	60	-	60
Total income	**32,186**	**21,684**	**53,870**	**-**	**53,870**
Underlying EBITDA	**884**	**3,720**	**4,604**	**(1,185)**	**3,419**
Buy-back of distributor rights					(19,591)
Corporate advisory costs					(35)
Depreciation and amortisation expenses					(4,780)
Restructure and integration costs					(26)
Unrealised foreign exchange gain					378
Total operating loss					**(20,635)**
Interest income					400
Finance costs					(92)
Loss before income tax benefit					(20,327)
Income tax benefit					8,376
Loss after income tax benefit					(11,951)

3 Operating segments (continued)

Operating segment information (continued)

31 December 2022	B2B $ '000	B2C $ '000	Total Segment $ '000	Corporate $ '000	Total $ '000
Revenue					
Sales to external customers	31,722	20,155	51,877	-	51,877
Other income	257	477	734	-	734
Total income	**31,979**	**20,632**	**52,611**	**-**	**52,611**
Underlying EBITDA	**5,907**	**1,133**	**7,040**	**(1,218)**	**5,822**
Corporate advisory costs					(81)
Depreciation and amortisation expenses					(4,767)
Restructure and integration costs					(32)
Unrealised foreign exchange loss					(464)
Total operating profit					**478**
Interest income					68
Finance costs					(114)
Profit before income tax expense					432
Income tax expense					(80)
Profit after income tax expense					352

4 Revenue

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

	31 Dec 2023 $ '000	31 Dec 2022 $ '000
Licence fees	**53,230**	51,143
Copyright licence fees	**6**	2
Other revenue	**574**	732
Total revenue	**53,810**	51,877

Revenue by geographic regions

	31 Dec 2023 $ '000	31 Dec 2022 $ '000
Asia-Pacific ("APAC")	**27,822**	26,549
North and South America ("AMER")	**14,926**	14,504
Europe, Middle-East and Africa ("EMEA")	**11,062**	10,824
	53,810	51,877

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 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.

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4 Revenue (continued)

The Group generates revenue licence fees in the B2B and B2C segments. Copyright licence fees and ancillary revenue streams are generated only in the B2B segment. Other revenue includes the sale of workbooks, ebooks and professional learning generated in the B2B and B2C 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 $32,297,000 (31 December 2022: $30,260,000). Contract liabilities are generally incurred at the beginning of the contract period. Refer to note 19 for details on contract liabilities.

5 Other income

	31 Dec 2023	31 Dec 2022
	$ '000	$ '000
Other income	**60**	519
Gain on disposal of fixed assets	**-**	215
	60	734

Other income in the comparative period includes $470,000 for the release of United Kingdom and South Africa Value Added Tax ("**VAT**") liabilities acquired in the Blake eLearning Pty Limited ("**Blake**") acquisition. The full VAT liabilities were settled during the comparative period and the over accrual reversed to other income.

6 Administrative expenses

	31 Dec 2023	31 Dec 2022
	$ '000	$ '000
Bad debts recovered	**(36)**	(9)
Insurance expenses	**339**	480
Net foreign exchange (gain)/loss	**(398)**	209
Other operating expenses	**1,241**	1,090
Travel expenses	**381**	423
	1,527	2,193

7 Buy-back of distributor rights

	31 Dec 2023	31 Dec 2022
	$ '000	$ '000
Buy-back of distributor rights	**19,591**	-
	19,591	-

On 21 December 2023, Blake eLearning Pty Ltd, a wholly owned subsidiary of 3P Learning Limited, entered into a binding agreement with Edmentum Inc. to re-acquire the US schools Distribution Rights for Reading Eggs ("**Rights**") effective 2 February 2024 for a fee capped at $19,952,000 (USD 13,600,000). The fee is payable in two instalments: the first $14,964,000 (USD 10,200,000) is payable on 2 April 2024 and the final instalment on 30 April 2024. The final instalment is subject to various minor adjustments which can only be determined closer to April 2024. As at 31 December 2023, the Group has estimated a total Rights cost payable to Edmentum Inc. of $19,591,000 (USD 13,354,000). These Rights, prior to being assigned in perpetuity to Edmentum Inc. in 2010, were an "internally generated intangible asset" which cannot be capitalised under Australian Accounting Standards irrespective of how the costs are incurred, e.g. paid to a third party (Edmentum Inc.). As a result, the total estimated Rights cost has been expensed in full during the period.

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8 Depreciation and amortisation expenses

	31 Dec 2023	31 Dec 2022
	$ '000	$ '000
Amortisation of intangible assets	**545**	729
Amortisation of other intangible assets from business combination	**3,517**	3,394
Amortisation of right-of-use assets	**430**	416
Depreciation of plant and equipment	**288**	228
	4,780	4,767

9 Employee expenses

	31 Dec 2023	31 Dec 2022
	$ '000	$ '000
Bonus expenses	**1,170**	1,086
Defined contribution superannuation expenses	**2,824**	2,406
Salaries and other short-term benefits	**26,235**	22,971
Staff costs capitalised	**(1,693)**	(681)
	28,536	25,782

10 Marketing expenses

	31 Dec 2023	31 Dec 2022
	$ '000	$ '000
Advertising expenses	**7,879**	8,451
Commission paid on applicable sales	**-**	2,146
Other marketing expenses	**919**	581
	8,798	11,178

In the comparative period, commission paid on applicable sales is B2C service provider costs. During the comparative period the Group elected to apply the optional practical expedient approach and expense the B2C service provider costs. As of 31 December 2023, the Group no longer applies the optional practical expedient. The B2C service provider costs were capitalised and included in the movement and reconciliation of deferred contract costs; refer to note 15. Management has determined that the change in accounting policy does not result in a material impact, therefore the comparative period result is not restated.

11 Taxation

The effective tax rate of 41% for the half year ended 31 December 2023 is due to the recognition of tax losses not previously recognised and adjustments relating to prior year tax estimates.

12 Earnings per share

Reconciliation of earnings to profit or loss from continuing operations

	31 Dec 2023	31 Dec 2022
	$ '000	$ '000
(Loss)/profit after income tax	**(11,951)**	352
Non-controlling interest	**5**	6
Earnings used to calculate basic earnings per share ("EPS")	**(11,946)**	358

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

	31 Dec 2023	31 Dec 2022
	Number	Number
Weighted average number of ordinary shares used in calculating basic EPS	**275,565,323**	276,484,170
Weighted average number of ordinary shares used in calculating diluted EPS	**275,565,323**	276,484,170

Basic and diluted earnings per share

	31 Dec 2023	31 Dec 2022
	Cents	Cents
Basic earnings per share	**(4.34)**	0.13
Diluted earnings per share	**(4.34)**	0.13

The Group commenced an on-market buy-back of its ordinary shares up to a maximum value of $10,000,000 (excluding transaction costs) on 23 August 2023 for a period up to 12 months ("**buy-back**"). In accordance with the ASX Listing Rules, the prices paid for shares purchased under the buy-back will be no more than 5% above the volume-weighted average price of 3PL shares over the five trading days prior to purchase. The buy-back is limited to a maximum of 10% of the smallest number of voting shares on issue during the last 12 months, as permitted under the *Corporations Act 2001 (Cth)*, and therefore did not require shareholder approval.

Shares bought back are cancelled on acquisition, so that the total number of shares on issue reduce accordingly, and this results in a consequential adjustment to the voting power of remaining shareholders. During the period the Group bought back 1,816,006 ordinary shares at a cost of $2,265,000 (excluding transaction costs). As at 31 December 2023 the number of ordinary shares on issue was 274,668,164, down by 1,816,006 ordinary shares on issue as at 30 June 2023. The Group reserves the right to vary, suspend or terminate the buy-back at any time, subject to and in accordance with applicable legal requirements. There can be no certainty that the Group will buy back any or all of the shares announced under the buy-back.

13 Term deposits

	31 Dec 2023	30 Jun 2023
	$ '000	$ '000
Term deposits	**500**	7,000
Total term deposits	**500**	7,000

Term deposits relate to short-term, highly liquid investments with original maturities of more than three months. Term deposits are subject to an insignificant risk of changes in values.

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14 Trade and other receivables

	31 Dec 2023	30 Jun 2023
	$ '000	$ '000
Trade receivables	**13,773**	8,218
Less: Allowance for expected credit losses	**(80)**	(118)
Net trade receivables	**13,693**	8,100
GST receivable	**-**	225
Other receivables	**283**	68
Total current trade and other receivables	**13,976**	8,393

15 Deferred contract costs

	31 Dec 2023	30 Jun 2023
	$ '000	$ '000
Current assets	**4,454**	2,690
Non-current assets	**1,085**	911
Total deferred contract costs	**5,539**	3,601

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 2023	30 Jun 2023
	$ '000	$ '000
Opening balance	**3,601**	2,439
Additions	**6,943**	6,853
Deferred contract costs	**(5,005)**	(5,691)
Closing balance	**5,539**	3,601

Change in accounting policy

As of 30 June 2023, the Group elected to apply the optional practical expedient for B2C service provider costs. As of 31 December 2023, the Group no longer applies the optional practical expedient for B2C service provider costs. The B2C service provider costs were capitalised and included in the movement and the reconciliation of deferred contract costs. Management has determined that the change in accounting policy does not result in a material impact therefore the comparative period result is not restated.

16 Other assets

	31 Dec 2023	30 Jun 2023
	$ '000	$ '000
Current assets		
Prepayments	**2,972**	3,285
Holding deposits	**297**	295
Restricted cash	**5,793**	6,006
Total current assets	**9,062**	9,586
Non-current assets		
Prepayments	**205**	300

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16 Other assets (continued)

Restricted cash refers to security deposits held by Westpac Banking Corporation and National Australia Bank in relation to merchant banking facilities.

17 Intangible assets

Movements in carrying amounts of intangible assets

	Goodwill	Product develop-ment	Intellectual property	Patents and trademarks	Customer contracts and distributor relation-ships	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
31 December 2023						
Opening balance	**177,052**	**23,884**	**430**	**265**	**4,182**	**205,813**
Additions	**-**	**1,906**	**56**	**23**	**-**	**1,985**
Amortisation	**-**	**(3,264)**	**(90)**	**(11)**	**(697)**	**(4,062)**
Closing value at 31 December 2023	**177,052**	**22,526**	**396**	**277**	**3,485**	**203,736**
31 December 2023						
Cost	**177,052**	**42,144**	**781**	**363**	**8,190**	**228,530**
Accumulated amortisation	**-**	**(19,618)**	**(385)**	**(86)**	**(4,705)**	**(24,794)**
Closing value at 31 December 2023	**177,052**	**22,526**	**396**	**277**	**3,485**	**203,736**

	Goodwill	Product develop-ment	Intellectual property	Patents and trademarks	Customer contracts and distributor relation-ships	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
30 June 2023						
Opening balance	171,293	26,391	424	165	2,674	200,947
Additions	-	2,595	172	117	-	2,884
Additions through business combinations	5,759	1,518	-	-	2,780	10,057
Amortisation	-	(6,620)	(166)	(17)	(1,272)	(8,075)
Closing value at 30 June 2023	177,052	23,884	430	265	4,182	205,813
30 June 2023						
Cost	177,052	40,238	725	340	8,190	226,545
Accumulated amortisation	-	(16,354)	(295)	(75)	(4,008)	(20,732)
Closing value at 30 June 2023	177,052	23,884	430	265	4,182	205,813

17 Intangible assets (continued)

Impairment testing of intangible assets

Goodwill is related to the acquisition of Blake and Pairwise Pty Ltd ("**Brightpath**"). The Group acquired Brightpath on 30 September 2022; refer to note 20 for details of the acquisition. 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:

	31 Dec 2023	30 Jun 2023
	$ '000	$ '000
B2B	**89,784**	89,784
B2C	**87,268**	87,268
	177,052	177,052

Goodwill is tested annually for impairment. At 31 December 2023, management determined there are no internal or external indicators of impairment.

18 Trade and other payables

	31 Dec 2023	30 Jun 2023
	$ '000	$ '000
Trade payables	**3,674**	2,821
Accrued expenses	**23,348**	4,633
GST payable	**705**	-
Other payables	**492**	18
Total trade and other payables	**28,219**	7,472

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.

19 Contract liabilities

	31 Dec 2023	30 Jun 2023
	$ '000	$ '000
Current liabilities	**43,303**	45,625
Non-current liabilities	**3,969**	2,861
Total contract liabilities	**47,272**	48,486

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.

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20 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.

	Acquiree's carrying amount	Fair value
	$ '000	$ '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

In addition to the $9,000,000 payment made on 30 September 2022 in relation to the acquisition of Brightpath, a $1,000,000 earn-out amount was payable contingent on several financial and non-financial conditions being met. As at 30 June 2023, these conditions were met and an accrual was raised for this amount. The earn-out amount was paid in October 2023.

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 2023, no future contingent payment amounts have been included in consideration paid.

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 of research.

20 Business combinations (continued)

At 30 June 2023, the accounting for the acquisition of Brightpath was finalised with no changes to the initial business combination accounting.

Acquisition related costs

	30 Jun 2023
	$ '000
Restructure and integration costs	288

21 Dividends

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

22 Fair value measurement

The carrying amounts of cash and cash equivalents, term deposits, 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.

23 Contingencies

In the opinion of the Directors, at 31 December 2023 (30 June 2023: $1,000,000) a $1,000,000 contingent liability exists in relation to the acquisition of Brightpath. 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 2023, no future contingent payment amounts have been included in the consideration paid.

24 Events occurring after the reporting date

The consolidated financial report was authorised for issue on 20 February 2024 by the Board of Directors.

No matter or circumstance has arisen since the end of the financial half year ended 31 December 2023 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.

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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 2023 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.

Matthew Sandblom
Executive Chairman

Dated: 20 February 2024

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Independent Auditor's Review Report

To the shareholders of 3P Learning Limited

Report on the Half year report

Conclusion

We have reviewed the accompanying ***Half year report*** of 3P Learning Limited.

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 report of 3P Learning Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half year report*** comprises:

- Consolidated statement of financial position as at 31 December 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half year ended on that date
- Notes 1 to 24 comprising material accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises 3P Learning Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

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*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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 these requirements.

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Responsibilities of the Directors for the Half year report

The Directors of the Company are responsible for:

- the preparation of the Half year report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- 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 report

Our responsibility is to express a conclusion on the Half year 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 report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half year 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.

KPMG

Daniel Robinson

Partner

Sydney

20 February 2024

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3P Learning

The award-winning team behind

Mathseeds

Reading eggs

Mathletics

Writing Legends

Mathseeds PRIME

brightpath PROGRESS

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