

# **3P LEARNING PTY LIMITED**

ABN 50 103 827 836

**GENERAL PURPOSE FINANCIAL REPORT**  
**For the year ended 30 June 2011**

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## Directors' Report

The directors submit their report on the consolidated entity (referred to hereafter as the "Group") consisting of 3P Learning Pty Limited (the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2011.

### DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

|                   |  |
|-------------------|--|
| Sandblom, Matthew |  |
| Power, Timothy    |  |
| Handen, Lawrence  |  |
| Palmero, Jose     |  |
| Brooks, Samuel    | (Resigned: 20 October 2010)  |
| Pike, Katherine   | (Appointed: 15 October 2010)   |
| Harvey, Alexander | (Appointed: 20 October 2010)   |
| Smith, Grant      | (Appointed: 20 October 2010)   |
| Cooney, Belinda   | (Appointed: 20 October 2010) - alternate director to Harvey, Alexander |

### DIVIDENDS

The directors declared a dividend of \$1,423,425 (2010: \$350,000) for the year ended 30 June 2011. \$723,425 was paid on 18 June 2011 (2010: 29 April 2010).

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the year was developing, sales and marketing of online educational program to schools and parents of school-aged students. There have been no significant changes in the nature of these activities during the year.

### OPERATING AND FINANCIAL REVIEW

Revenues of \$28,975,731 are up 28% on last year (2010: \$22,680,489). The profit attributable to equity holders of the Company was \$2,819,465 (2010: \$3,690,707). This profit includes \$4,356,209 share based payments expense before tax (2010: \$2,058,121), see note 5(c). The after tax operating profit before share based payments expense is \$7,065,107 (2010: 5,748,828).

### Operating Results for the Year

The profit after tax of the Group for the year ended 30 June 2011 was \$2,708,898 (2010: \$3,690,707).

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the year.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not been any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

## Directors' Report (continued)

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

### SHARE OPTIONS

No additional shares were issued in the current financial year under the share-based payment plan (2010: 10,398 shares).

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has purchased insurance premiums during the year for directors and officers.

Other than the above, no indemnities have been given or insurance premium paid, during or since the end of the financial year, for any person who is or has been an officer of the Company.

### AUDITOR INDEPENDENCE

The directors received an independence declaration from the auditor, Ernst & Young. A copy has been included on page 4 of the report.

### NON-AUDIT SERVICES

During the year Ernst & Young, the Company's auditor, has performed certain other services in addition to their statutory duties.

The directors has considered the non-audit services provided during the year by the auditor and are satisfied that the provision of those non-audit services during the year is compatible with, and not compromise, the auditor independence requirements of the *Corporation Act 2001* as the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they do not involve reviewing or auditing the auditor's own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Detail of the amount paid to the auditor of the Company, Ernst & Young and its related practices for audit and non-audit services provided during the year are set out below:

|  | 2011   | 2010   |
|--|--------|--------|
| Research & Development consultation services | 64,150 | 36,577 |

Signed in accordance with a resolution of the directors.



Power, Timothy  
Director

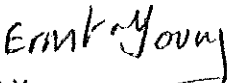
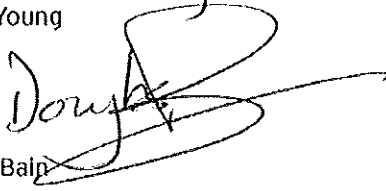
Sydney, 15 March 2012



Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001  
Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
www.ey.com/au

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

In relation to our audit of the financial report of 3P Learning Pty Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

  
Ernst & Young  
  
Douglas Bain  
Partner  
15 March 2012

## Statement of Comprehensive Income

For the year ended 30 June 2011

|   | Note | CONSOLIDATED     |                  |
|---|------|------------------|------------------|
|   |      | 2011             | 2010             |
|   |      | \$               | \$               |
| Operating revenue                               | 5(a) | 28,975,731       | 22,680,489       |
| Other income                                    | 5(b) | 474,056          | 338,300          |
| Marketing expenses                              |      | (1,735,750)      | (1,363,405)      |
| Occupancy expenses                              |      | (952,233)        | (590,598)        |
| Administrative expenses                         |      | (21,309,187)     | (15,189,591)     |
| Other expenses                                  | 5(e) | (546,212)        | (185,919)        |
| <b>Profit before income tax</b>                 |      | <b>4,906,405</b> | <b>5,689,276</b> |
| Income tax expense                              | 6    | (2,197,507)      | (1,998,569)      |
| <b>Net profit for the year</b>                  |      | <b>2,708,898</b> | <b>3,690,707</b> |
| <b>Other comprehensive income</b>               |      |                  |                  |
| Foreign currency translation gain               |      | 98,983           | 80,448           |
| <b>Other comprehensive income for the year</b>  |      | <b>98,983</b>    | <b>80,448</b>    |
| <b>Total comprehensive income for the year</b>  |      | <b>2,807,881</b> | <b>3,771,155</b> |
| Net (loss)/profit for the year attributable to: |      |                  |                  |
| Non-controlling interest                        |      | (110,567)        | -                |
| Members of the Parent                           |      | 2,819,465        | 3,690,707        |

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

## Statement of Financial Position

As at 30 June 2011

|  | Note | CONSOLIDATED      |                   |
|--|------|-------------------|-------------------|
|  |      | 2011              | 2010              |
|  |      | \$                | \$                |
| <b>ASSETS</b>  |      |                   |                   |
| <b>Current Assets</b>                                      |      |                   |                   |
| Cash and cash equivalents                                  | 8    | 13,867,041        | 9,014,950         |
| Trade and other receivables                                | 9    | 3,757,010         | 2,573,761         |
| Deferred tax assets  | 6    | 52,903            | 90,577            |
| Other current assets                                       | 10   | 67,386            | 205,803           |
| <b>Total Current Assets</b>                                |      | <b>17,744,340</b> | <b>11,885,091</b> |
| <b>Non-current Assets</b>                                  |      |                   |                   |
| Receivables  | 11   | 1,076,899         | 699,104           |
| Property, plant and equipment                              | 12   | 1,693,887         | 1,230,643         |
| Deferred tax assets  | 6    | -                 | 13,888            |
| Intangible assets and goodwill                             | 13   | 4,185,896         | 992,870           |
| <b>Total Non-current Assets</b>                            |      | <b>6,956,682</b>  | <b>2,936,505</b>  |
| <b>TOTAL ASSETS</b>  |      | <b>24,701,022</b> | <b>14,821,596</b> |
| <b>LIABILITIES</b>   |      |                   |                   |
| <b>Current Liabilities</b>                                 |      |                   |                   |
| Trade and other payables                                   | 14   | 5,225,050         | 4,602,650         |
| Income tax payable   |      | 1,949,678         | 1,477,541         |
| Other liabilities  | 15   | 215,483           | 109,955           |
| Deferred tax liabilities                                   | 6    | -                 | 154,130           |
| <b>Total Current Liabilities</b>                           |      | <b>7,390,211</b>  | <b>6,344,276</b>  |
| <b>Non-current Liabilities</b>                             |      |                   |                   |
| Deferred tax liabilities                                   | 6    | -                 | 145,017           |
| Other liabilities  | 15   | 706,912           | 605,046           |
| <b>Total Non-current Liabilities</b>                       |      | <b>706,912</b>    | <b>750,063</b>    |
| <b>TOTAL LIABILITIES</b>                                   |      | <b>8,097,123</b>  | <b>7,094,339</b>  |
| <b>NET ASSETS</b>  |      | <b>16,603,899</b> | <b>7,727,257</b>  |
| <b>EQUITY</b>  |      |                   |                   |
| <b>Equity attributable to equity holders of the parent</b> |      |                   |                   |
| Contributed equity   | 16   | 2,351,645         | 2,351,645         |
| Retained earnings  |      | 6,621,476         | 5,225,436         |
| Reserves   | 17   | 5,193,345         | 150,176           |
| <b>Parent interests</b>                                    |      | <b>14,166,466</b> | <b>7,727,257</b>  |
| Non-controlling interest                                   |      | 2,437,433         | -                 |
| <b>TOTAL EQUITY</b>  |      | <b>16,603,899</b> | <b>7,727,257</b>  |

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

## Statement of Changes in Equity

For the year ended 30 June 2011

|  | <i>Contributed<br/>equity</i> | <i>Retained<br/>earnings</i> | <i>Reserves</i>  | <i>Non-<br/>controlling<br/>interest</i> | <i>Total</i>      |
|--|-------------------------------|------------------------------|------------------|--|-------------------|
|  | \$                            | \$                           | \$               | \$                                       | \$                |
| <b>CONSOLIDATED</b>  |                               |                              |                  |  |                   |
| <b>At 1 July 2009</b>  | 2,351,645                     | 1,884,729                    | 69,728           | -  | 4,306,102         |
| Profit for the year  | -                             | 3,690,707                    | -                | -  | 3,690,707         |
| Other comprehensive income for the year                      | -                             | -                            | 80,448           | -  | 80,448            |
| <b>Total comprehensive income for the year</b>               | <b>-</b>                      | <b>3,690,707</b>             | <b>80,448</b>    | <b>-</b>                                 | <b>3,771,155</b>  |
| <b>Transactions with owners in their capacity as owners:</b> |                               |                              |                  |  |                   |
| Share buy-back (Class A shares)                              | 3,337,758                     | -                            | -                | -  | 3,337,758         |
| Share issue (Class B shares)                                 | (3,337,758)                   | -                            | -                | -  | (3,337,758)       |
| Dividends declared   | -                             | (350,000)                    | -                | -  | (350,000)         |
| <b>At 1 July 2010</b>  | <b>2,351,645</b>              | <b>5,225,436</b>             | <b>150,176</b>   | <b>-</b>                                 | <b>7,727,257</b>  |
| Profit for the year  | -                             | 2,819,465                    | -                | (110,567)                                | 2,708,898         |
| Other comprehensive income for the year                      | -                             | -                            | 98,983           | -  | 98,983            |
| <b>Total comprehensive income for the year</b>               | <b>-</b>                      | <b>2,819,465</b>             | <b>98,983</b>    | <b>(110,567)</b>                         | <b>2,807,881</b>  |
| <b>Transactions with owners in their capacity as owners:</b> |                               |                              |                  |  |                   |
| Share-based payments   | -                             | -                            | 4,944,186        | -  | 4,944,186         |
| Dividends declared   | -                             | (1,423,425)                  | -                | -  | (1,423,425)       |
| Non-controlling interest arising on business combinations    | -                             | -                            | -                | 2,548,000                                | 2,548,000         |
| <b>At 30 June 2011</b>                                       | <b>2,351,645</b>              | <b>6,621,476</b>             | <b>5,193,345</b> | <b>2,437,433</b>                         | <b>16,603,899</b> |

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



## Statement of Cash Flows

For the year ended 30 June 2011

|  | Note | CONSOLIDATED       |                    |
|--|------|--------------------|--------------------|
|  |      | 2011               | 2010               |
|  |      | \$                 | \$                 |
| <b>Cash flows from operating activities</b>        |      |                    |                    |
| Receipts from customers                            |      | 30,683,382         | 24,351,443         |
| Payments to suppliers and employees                |      | (21,682,176)       | (15,974,402)       |
| Interest received                                  |      | 166,769            | 107,165            |
| Interest paid                                      |      | (44,032)           | (54,028)           |
| Income tax paid                                    |      | (1,972,955)        | (843,449)          |
| <b>Net cash flows from operating activities</b>    | 18   | <u>7,150,978</u>   | <u>7,586,729</u>   |
| <b>Cash flows from investing activities</b>        |      |                    |                    |
| Purchase of property, plant and equipment          |      | (820,591)          | (942,356)          |
| Investment in subsidiaries                         |      | -                  | (400,000)          |
| Purchase of intangible assets                      |      | (946,019)          | (329,844)          |
| <b>Net cash flows used in investing activities</b> |      | <u>(1,766,610)</u> | <u>(1,672,200)</u> |
| <b>Cash flows from financing activities</b>        |      |                    |                    |
| Proceeds from borrowings                           |      | 191,148            | 616,513            |
| Payment of dividends on ordinary shares            | 7    | (723,425)          | (3,600,000)        |
| <b>Net cash flows used in financing activities</b> |      | <u>(532,277)</u>   | <u>(2,983,487)</u> |
| Net increase in cash and cash equivalents          |      | 4,852,091          | 2,931,042          |
| Net foreign exchange differences                   |      | -                  | 31,058             |
| Cash and cash equivalents at beginning of year     |      | 9,014,950          | 6,052,850          |
| <b>Cash and cash equivalents at end of year</b>    | 8    | <u>13,867,041</u>  | <u>9,014,950</u>   |

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

# Notes to the Financial Statements

For the year ended 30 June 2011

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## 1 CORPORATE INFORMATION

The financial report of 3P Learning Pty Limited (the "Company") and its consolidated entities (the "Group") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 15 March 2012.

3P Learning Pty Limited (the "parent") is a company limited by shares incorporated and domiciled in Australia.

The registered office of the Company is Level 2, 128-134 Crown Street, Wollongong, NSW 2500.  
The principal place of business of the Company is Level 18, 124 Walker Street, North Sydney, NSW 2060.

The nature of the operations and principal activities of the Group are described in the directors' report.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars (\$).

### (b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

### (c) New accounting standards and interpretations

#### (i) *Changes in accounting policy and disclosures.*

The accounting policies adopted are consistent with those of the previous financial year.

#### (ii) *Accounting standards and interpretations issued but not yet effective.*

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2011. The directors have not early adopted any of these new or amended standards or interpretations. The directors have not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Group) and interpretations.

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of 3P Learning Pty Limited and its subsidiaries (the Group), as outlined in note 24.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

#### (e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Foreign currency translation

##### *(i) Functional and presentation currency*

Both the functional and presentation currency of 3P Learning Pty Limited is Australian dollars (\$). The financial statements of New Zealand, United Kingdom and Indian subsidiaries; and American and Canadian branches are converted into Australian dollars for the purpose of consolidation.

##### *(ii) Transactions & balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### *(iii) Translation of Group Companies functional currency to presentation currency*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates for the year.

Foreign currency differences are recognised directly in foreign currency translation reserve in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the reserve would be transferred out of equity and recognised in the statement of comprehensive income.

#### (g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### (h) Trade receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Office equipment - over 3 to 5 years

Computers - over 3 to 5 years

Furniture & fittings - over 3 to 7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the the statement of comprehensive income.

#### (j) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

#### *Group as a lessee*

Operating lease payments are recognised as an operating expense in the the statement of comprehensive income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

#### (k) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Goodwill (continued)

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

#### (l) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Amortisation is recognised in the the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are as follows:

- Patents and trademarks - 3 years

#### (m) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### (o) Employee leave benefits

*Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

#### (p) Share-based payment transactions

##### *(i) Cash-settled transactions*

The Company provides benefits to the employees in the form of cash-settled share-based payments whereby employees render services in exchange for cash, the amount of which are determined by reference to movements in the price of the shares of the Company. These benefits were converted into equity settled transactions on 18 October 2010.

Prior to conversion to equity settled transactions, the fair value of the shares were determined and the difference in fair value from the prior reporting date to the conversion date was recognised as an expense.

The fair value of the plan is determined, initially and at each reporting date by an independent valuer using a capitalisation of earnings methodology and taking into consideration the terms and conditions on which the plan was granted, and the extent to which employees have rendered service to date. The fair value of shares granted to qualifying employees is recognised as an employee expense, with a corresponding increase in liability, over the period in which the employees become unconditionally entitled to the shares. The amount recognised is adjusted to reflect the actual number of share that vest.

##### *(ii) Equity settled transactions*

The Company provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Share-based payment transactions (continued)

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the the statement of comprehensive income is the product of:

- (i) The grant date fair value of the award;
- (ii) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) The expired portion of the vesting period.

The charge to the the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards granted by 3P Learning Pty Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by 3P Learning Pty Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.



## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (r) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *(i) Licence fee*

The Company recognises the majority of its revenue pursuant to software licence agreements. Revenue is recognised as follows:

- for licence agreements contracted for one year, the revenue is recognised upfront, when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.
- for licence agreements contracted for over one year, the revenue is recognised over the life of the contract, when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

##### *(ii) Sponsorship income*

Revenue is recognised in relation to sponsorship amounts provided by various external parties.

##### *(iii) Translation fee*

Revenue is recognised in relation to translation of the Mathletics website to the local language of the customer base.

##### *(iv) Sale of workbooks*

Revenue is recognised in relation to workbook materials sold to schools and students.

##### *(v) Copyright license fee*

Revenue is recognised in relation to copyright agency fee when the Group's materials and resources are reproduced by third parties.

##### *(vi) Interest income*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (s) Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

▶ When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

▶ When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

▶ When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

▶ When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (s) Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### *Tax consolidation legislation*

3P Learning Pty Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2006.

The head entity, 3P Learning Pty Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, 3P Learning Pty Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the tax consolidated group have not entered into a tax funding agreement. Hence no compensation is receivable or payable for any deferred tax assets or current tax payable (receivable) assumed by the head entity. Deferred tax liabilities (or assets) assumed by the head entity are recognised as equity transactions.

The distribution to the head entity and distribution from the subsidiary arising with the tax consolidated entities are recognised as equity transactions in the group.

#### (t) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- ▶ When the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- ▶ Receivables and payables, which are stated with the amount of GST/VAT included

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In accordance with the requirements of AASB 7 Financial Instrument Disclosures, the Directors have disclosed sufficient information to evaluate the significance of financial instruments on the financial position and performance of the Group as at 30 June 2011.

Exposure to credit, foreign exchange, liquidity and interest rate risks arises in the normal course of the Group's business.

The board reviews and agrees policies for managing each of these risks as summarised below.

#### Risk Exposures and Responses

##### (a) Credit risk

The Group has no significant concentrations of credit risk. The consolidated entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not require collateral in respect of financial assets. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group. At reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of the financial position.

##### (b) Foreign exchange risk

The Group is exposed to risk on receivables, payables and borrowings that are denominated in currency other than the respective functional currency of the Group entities.

The Group is exposed to foreign currency risk on its foreign currency bank balances, loans to subsidiaries denominated in NZ\$ and GBP, receivables from overseas operations customers and payables to overseas operations suppliers. The currencies giving rise to this risks are American dollars, New Zealand dollars, British pound, EURO, Hong Hong dollars, Singapore dollars and Canadian dollars. If the Australian Dollar were to weaken by 10% against the various currencies, the reporting profit would have increased by \$255,184 (2010: \$142,889). This analysis assumes all other variables, in particular interest rates, remain constant.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash reserves, bank and capital market debt. At 30 June 2011, the Group does not have a significant liquidity exposure to third party creditors.

The following are the contractual maturities of the financial liabilities:

| In AUD                   | Carrying amount | Consolidated 2011     |           |           |           |
|--------------------------|-----------------|-----------------------|-----------|-----------|-----------|
|                          |                 | Contractual cash flow | 0-1 year  | 1-2 years | 2-5 years |
| Trade and other payables | 6,147,445       | 6,147,445             | 5,440,533 | 219,329   | 487,583   |

| In AUD                   | Carrying amount | Consolidated 2010     |           |           |           |
|--------------------------|-----------------|-----------------------|-----------|-----------|-----------|
|                          |                 | Contractual cash flow | 0-1 year  | 1-2 years | 2-5 years |
| Trade and other payables | 5,317,651       | 5,317,651             | 4,712,605 | 337,666   | 267,380   |

#### (d) Interest rate risk

The Group's exposure to interest rate risk at the reporting date and in future periods is considered to be relatively small. The Group holds and is expected to maintain a net cash position. Apart from the HP loan, all other liabilities are non interest bearing. 3P Learning Pty Limited does not consider any risk associated with interest rate movements to be material to the financial position and performance of the Group.

At the reporting date, the Group has no interest bearing financial instrument, apart from the loan described in note 15.

#### (e) Fair value

The net fair value of all financial assets and financial liabilities in the financial statements approximates their carrying value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

| Accounts                    | Note |
|-----------------------------|------|
| Cash and cash equivalents   | 8    |
| Trade and other receivables | 9    |
| Trade and other payables    | 14   |

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

- Asset useful lives and impairment of assets
  - Property, plant and equipment - Note 2(i)
  - Goodwill - Note 2(k)
  - Intangibles - Note 2(l)
- Recognition of tax assets - Note 2(s)

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 5 REVENUE AND EXPENSES

|  | CONSOLIDATED      |                   |
|--|-------------------|-------------------|
|  | 2011              | 2010              |
|  | \$                | \$                |
| <b>(a) Operating revenue</b>   |                   |                   |
| License fee  | 26,984,018        | 22,195,178        |
| Sponsorship income   | 586,467           | 100,543           |
| Translation fee  | 200,549           | -                 |
| Sale of workbooks  | 236,507           | -                 |
| Copyright license fee  | 817,161           | 90,118            |
| Other  | 151,029           | 294,650           |
| <b>Total operating revenue</b>   | <b>28,975,731</b> | <b>22,680,489</b> |
| <b>(b) Other income</b>  |                   |                   |
| Interest   | 166,759           | 107,165           |
| Other income   | 307,297           | 231,135           |
| <b>Total other income</b>  | <b>474,056</b>    | <b>338,300</b>    |
| <b>(c) Employee benefits expense (included in Administration Expenses)</b>             |                   |                   |
| Wages and salaries   | 9,282,640         | 6,899,317         |
| Defined contribution superannuation  | 989,290           | 740,883           |
| Other employee benefit expense   | 2,880,544         | 2,280,866         |
| Share-based payments   | 4,356,209         | 2,058,121         |
| <b>Total employee benefits expense</b>   | <b>17,508,683</b> | <b>11,979,187</b> |
| <b>(d) Depreciation and amortisation expense (included in Administration Expenses)</b> |                   |                   |
| Depreciation of non-current assets   |                   |                   |
| Office equipment   | 5,345             | 12,606            |
| Computers  | 298,924           | 301,523           |
| Furniture and fittings   | 53,078            | 19,554            |
| <b>Total depreciation of non-current assets</b>  | <b>357,347</b>    | <b>333,683</b>    |
| Amortisation of non-current assets   |                   |                   |
| Patents and trademarks   | 300,993           | 166,564           |
| <b>Total amortisation of non-current assets</b>  | <b>300,993</b>    | <b>166,564</b>    |
| <b>Total depreciation and amortisation</b>   | <b>658,340</b>    | <b>500,247</b>    |
| <b>(e) Other expenses</b>  |                   |                   |
| Net foreign currency losses  | 509,561           | 180,008           |
| Other expenses   | 36,651            | 5,911             |
| <b>Total other expenses</b>  | <b>546,212</b>    | <b>185,919</b>    |

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 6 INCOME TAX

|  | CONSOLIDATED     |                  |
|--|------------------|------------------|
|  | 2011             | 2010             |
|  | \$               | \$               |
| <b>(a) Income tax expense</b>  |                  |                  |
| The major components of income tax                                   |                  |                  |
| <i>Statement of Comprehensive Income</i>                             |                  |                  |
| <i>Current income tax</i>  |                  |                  |
| Current income tax charge  | 2,197,507        | 1,607,230        |
| Adjustments in respect of current income tax of previous years       | -                | 92,192           |
| <i>Deferred income tax</i>   |                  |                  |
| Relating to origination and reversal of temporary differences        | -                | 299,147          |
| Income tax expense reported in the statement of comprehensive income | <u>2,197,507</u> | <u>1,998,569</u> |

**(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate**

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

|   |                  |                  |
|---|------------------|------------------|
| Accounting profit before income tax                     | <u>4,906,405</u> | <u>5,689,276</u> |
| At Group's statutory income tax rate of 30% (2010: 30%) | 1,471,922        | 1,706,783        |
| Non-deductible expenses                                 | 98,695           | 38,093           |
| Share-based payments                                    | 1,222,118        | 299,147          |
| Unrealised foreign exchange loss                        | 79,272           | 38,946           |
| Bonus provisions  | -                | (150,000)        |
| Deferred tax assets utilised in current year            | (52,903)         | -                |
| Other items (net)                                       | (4,476)          | (26,592)         |
| Research and development deduction                      | (317,974)        | -                |
| Deferred tax liabilities derecognised in current year   | (299,147)        | -                |
| Under provision of previous year                        | -                | 92,192           |
| Aggregate income tax expense                            | <u>2,197,507</u> | <u>1,998,569</u> |

**(c) Recognised deferred tax assets and deferred tax liabilities**

Deferred income tax at 30 June relates to the following:

**STATEMENT OF FINANCIAL POSITION**

*(i) Deferred tax liabilities*

|                                |   |                |
|--------------------------------|---|----------------|
| Share-based payments           | - | 299,147        |
| Gross deferred tax liabilities | - | <u>299,147</u> |

|                                |   |                |
|--------------------------------|---|----------------|
| Current                        | - | 154,130        |
| Non-current                    | - | 145,017        |
| Gross deferred tax liabilities | - | <u>299,147</u> |



## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 6 INCOME TAX (continued)

#### (c) Recognised deferred tax assets and deferred tax liabilities (continued)

|                                 | CONSOLIDATED  |                |
|---------------------------------|---------------|----------------|
|                                 | 2011          | 2010           |
|                                 | \$            | \$             |
| <i>(ii) Deferred tax assets</i> |               |                |
| 3P Learning Ltd (UK)            | 52,903        | 104,465        |
| Gross deferred tax assets       | <u>52,903</u> | <u>104,465</u> |
| Current                         | 52,903        | 90,577         |
| Non-current                     | -             | 13,888         |
| Gross deferred tax assets       | <u>52,903</u> | <u>104,465</u> |

#### (d) Franking credit balance

|   | PARENT           |                  |
|---|------------------|------------------|
|   | 2011             | 2010             |
|   | \$               | \$               |
| The amount of franking credits available<br>– franking account balance as at the end<br>of the financial year at 30% (2010: 30%). | <u>2,611,782</u> | <u>1,394,173</u> |
|   | 2,611,782        | 1,394,173        |

### 7 DIVIDENDS

|                               | CONSOLIDATED     |                |
|-------------------------------|------------------|----------------|
|                               | 2011             | 2010           |
|                               | \$               | \$             |
| <b>(a) Recognised amounts</b> |                  |                |
| Dividends on ordinary shares: |                  |                |
| Dividend paid                 | 723,425          | 350,000        |
| Dividend declared             | 700,000          | -              |
|                               | <u>1,423,425</u> | <u>350,000</u> |

#### (b) Tax rates

The tax rate at which paid dividends have been franked is 30% (2010: 30%).

Dividends proposed will be franked at the rate of 30% (2010: 30%).

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 8 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

|                          | CONSOLIDATED      |                  |
|--------------------------|-------------------|------------------|
|                          | 2011              | 2010             |
|                          | \$                | \$               |
| Cash at bank and in hand | 6,530,270         | 6,048,084        |
| Short-term deposits      | 7,336,771         | 2,966,866        |
|                          | <u>13,867,041</u> | <u>9,014,950</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. As at 30 June 2011 the Company has \$125,000 (2010: \$125,000) term deposits pledged for Merchant services facility and \$316,051 (2010: \$316,051) term deposit pledged as security for bank guarantee for the office building at Walker Street, North Sydney. The average interest rate for cash balances was 4.30% (2010: 3.18%) and for short term deposits was 5.00% (2010: 5.10%).

### 9 TRADE AND OTHER RECEIVABLES (CURRENT)

|  | CONSOLIDATED     |                  |
|--|------------------|------------------|
|  | 2011             | 2010             |
|  | \$               | \$               |
| Trade receivables                              | 2,983,882        | 1,837,300        |
| Allowance for impairment loss                  | (16,627)         | -                |
|  | <u>2,967,255</u> | <u>1,837,300</u> |
| Sundry debtors                                 | 520,755          | 37,357           |
| Advertising consideration (a)                  | 269,000          | 699,104          |
| Carrying amount of trade and other receivables | <u>3,757,010</u> | <u>2,573,761</u> |

Trade receivables are non-interest bearing and are generally on 30 day terms.

Aging of the Group trade receivables at the reporting date was:

| Consolidated<br>In AUD | Gross<br>2011 | Impairment<br>2011 | Gross<br>2010 | Impairment<br>2010 |
|------------------------|---------------|--------------------|---------------|--------------------|
| 0 - 30 days            | 1,920,730     | -                  | 1,228,744     | -                  |
| 31 - 60 days           | 356,344       | -                  | 237,782       | -                  |
| Greater than 60 days   | 706,808       | 16,627             | 370,774       | -                  |

No amount owing from any particular school is considered significant.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 9 TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

#### (a) Advertising consideration

This account relates to the current portion of advertising consideration receivable from ACP Magazines Limited and Ninemsn Pty Limited for advertising expenditure. The amount can be utilised until 30 June 2016. The non-current portion of receivable is recognised as non-current receivables (note 11).

#### (b) Fair value and foreign exchange risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

Detail regarding foreign exchange risk exposure is disclosed in note 3.

### 10 OTHER CURRENT ASSETS

|             | CONSOLIDATED  |                |
|-------------|---------------|----------------|
|             | 2011          | 2010           |
|             | \$            | \$             |
| Deposits    | 67,386        | 35,008         |
| Prepayments | -             | 170,795        |
|             | <u>67,386</u> | <u>205,803</u> |

### 11 RECEIVABLES (NON-CURRENT)

|                           | CONSOLIDATED     |                |
|---------------------------|------------------|----------------|
|                           | 2011             | 2010           |
|                           | \$               | \$             |
| Advertising consideration | 1,076,899        | 699,104        |
|                           | <u>1,076,899</u> | <u>699,104</u> |

#### (a) Advertising consideration

This account relates to the non-current portion of advertising consideration receivable from ACP Magazines Limited and Ninemsn Pty Limited for advertising expenditure. The amount can be utilised until 30 June 2016 and are non-interest bearing. The current portion of receivables is recognised as current receivables (note 9).

#### (b) Credit risk

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables. No collateral is held as security.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 12 PROPERTY, PLANT AND EQUIPMENT

|  | CONSOLIDATED     |                  |
|--|------------------|------------------|
|  | 2011             | 2010             |
|  | \$               | \$               |
| <i>Office equipment</i>  |                  |                  |
| At cost  | 73,060           | 68,572           |
| Accumulated depreciation   | (60,343)         | (46,293)         |
| Net carrying amount  | <u>22,717</u>    | <u>22,279</u>    |
| <i>Computers</i>   |                  |                  |
| At cost  | 2,460,671        | 1,779,482        |
| Accumulated depreciation   | (1,121,790)      | (827,052)        |
| Net carrying amount  | <u>1,338,881</u> | <u>952,430</u>   |
| <i>Furniture and fittings</i>  |                  |                  |
| At cost  | 405,721          | 279,443          |
| Accumulated depreciation   | (73,432)         | (23,509)         |
| Net carrying amount  | <u>332,289</u>   | <u>255,934</u>   |
| <b>Total property, plant and equipment</b>                                       |                  |                  |
| At cost  | 2,939,452        | 2,127,497        |
| Accumulated depreciation   | (1,245,565)      | (896,854)        |
| Net carrying amount  | <u>1,693,887</u> | <u>1,230,643</u> |
| <b>Reconciliation of carrying amounts at the beginning and end of the period</b> |                  |                  |
| <i>Office equipment</i>  |                  |                  |
| Balance at the beginning of the year   |                  |                  |
| At cost  | 68,572           | 65,201           |
| Accumulated depreciation   | (46,293)         | (33,795)         |
| Net carrying amount  | <u>22,279</u>    | <u>31,406</u>    |
| Additions  | 4,380            | 3,371            |
| Exchange differences   | 1,403            | 108              |
| Depreciation charge for the year   | (5,345)          | (12,606)         |
| Balance at the end of the year - Net carrying amount                             | <u>22,717</u>    | <u>22,279</u>    |
| <i>Computers</i>   |                  |                  |
| Balance at the beginning of the year   |                  |                  |
| At cost  | 1,779,482        | 1,043,239        |
| Accumulated depreciation   | (827,052)        | (529,172)        |
| Net carrying amount  | <u>952,430</u>   | <u>514,067</u>   |
| Additions  | 677,546          | 736,243          |
| Exchange differences   | 7,829            | 3,643            |
| Depreciation charge for the year   | (298,924)        | (301,523)        |
| Balance at the end of the year - Net carrying amount                             | <u>1,338,881</u> | <u>952,430</u>   |

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 12 PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying amounts at the beginning and end of the period (continued)

|  | CONSOLIDATED |           |
|--|--------------|-----------|
|  | 2011         | 2010      |
|  | \$           | \$        |
| <i>Furniture and fittings</i>              |              |           |
| Balance at the beginning of the year       |              |           |
| At cost                                    | 279,443      | 76,701    |
| Accumulated depreciation                   | (23,609)     | (4,850)   |
| Net carrying amount                        | 255,934      | 71,851    |
| Additions                                  | 125,383      | 202,742   |
| Exchange differences                       | 4,050        | 895       |
| Depreciation charge for the year           | (53,078)     | (19,554)  |
| Balance at the end of the year - Net       | 332,289      | 255,934   |
| <i>Total property, plant and equipment</i> |              |           |
| Balance at the beginning of the year       |              |           |
| At cost                                    | 2,127,497    | 1,185,141 |
| Accumulated depreciation                   | (896,854)    | (567,817) |
| Net carrying amount                        | 1,230,643    | 617,324   |
| Additions                                  | 807,309      | 942,356   |
| Exchange differences                       | 13,282       | 4,646     |
| Depreciation charge for the year           | (357,347)    | (333,683) |
| Balance at the end of the year - Net       | 1,693,887    | 1,230,643 |

### 13 INTANGIBLE ASSETS AND GOODWILL

|   | CONSOLIDATED |           |
|---|--------------|-----------|
|   | 2011         | 2010      |
|   | \$           | \$        |
| <i>Patents and trademarks</i>               |              |           |
| At cost                                     | 1,414,957    | 769,931   |
| Accumulated amortisation and impairment     | (241,357)    | (241,357) |
| Net carrying amount                         | 1,173,600    | 528,574   |
| <i>Goodwill</i>                             |              |           |
| Cost (gross carrying amount)                | 3,012,296    | 464,296   |
| Net carrying amount                         | 3,012,296    | 464,296   |
| <i>Total intangible assets and goodwill</i> |              |           |
| Cost (gross carrying amount)                | 4,427,253    | 1,234,227 |
| Accumulated amortisation and impairment     | (241,357)    | (241,357) |
| Net carrying amount                         | 4,185,896    | 992,870   |

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 13 INTANGIBLE ASSETS AND GOODWILL

#### (a) Reconciliation of carrying amount at beginning and end of the period

|   | CONSOLIDATED |           |
|---|--------------|-----------|
|   | 2011         | 2010      |
|   | \$           | \$        |
| <i>Patents and trademarks</i>               |              |           |
| Balance at the beginning of the year        |              |           |
| At cost                                     | 769,931      | 440,087   |
| Accumulated amortisation and impairment     | (241,357)    | (74,793)  |
| Net carrying amount                         | 528,574      | 365,294   |
| Additions                                   | 946,019      | 329,844   |
| Amortisation                                | (300,993)    | (166,564) |
| Balance at the end of the year - Net        | 1,173,600    | 528,574   |
| <i>Goodwill</i>                             |              |           |
| Carrying amount - opening                   | 464,296      | -         |
| Additions                                   | 2,548,000    | 464,296   |
| Carrying amount - closing                   | 3,012,296    | 464,296   |
| <i>Total intangible assets and goodwill</i> |              |           |
| Balance at the beginning of the year        |              |           |
| Cost (gross carrying amount)                | 1,234,227    | 440,087   |
| Accumulated amortisation and impairment     | (241,357)    | (74,793)  |
| Carrying amount - opening                   | 992,870      | 365,294   |
| Additions                                   | 3,494,019    | 794,140   |
| Amortisation                                | (300,993)    | (166,564) |
| Carrying amount - closing                   | 4,185,896    | 992,870   |

#### (b) Description of the Group's Intangible assets and goodwill

##### *Patents and trademarks*

Patents and trademarks primarily relate to the purchase of domain names, trademark applications and online contents.

##### *Goodwill*

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

#### (c) Impairment tests for Intangibles and goodwill

##### *Patents and trademarks*

An impairment test has been performed and amortisation expense has been recognised.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 13 INTANGIBLE ASSETS AND GOODWILL (continued)

#### (c) Impairment tests for Intangibles and goodwill (continued)

##### Goodwill

Goodwill is subject to impairment testing on an annual basis or whenever there is an indication of impairment, except for unallocated goodwill arising from the acquisition of Info Science Pty Ltd (note 20).

The recoverable amount has been determined based on a value in use calculation using cash flows projection based on the one year financial budget approved by the Board extrapolated for four years.

The discount rate applied to cash flows projection is a rate of 12% and the cash flows beyond the approved budget are extrapolated using 2% growth rate. A reasonable possible change in growth rate and discount rate would not result in impairment.

### 14 TRADE AND OTHER PAYABLES (CURRENT)

|                              | CONSOLIDATED     |                  |
|------------------------------|------------------|------------------|
|                              | 2011             | 2010             |
|                              | \$               | \$               |
| Trade payables               | 2,390,334        | 817,449          |
| Other payables               | 512,075          | 1,066,182        |
| Accrued expenses             | 510,631          | 210,808          |
| Share-based payment payables | -                | 2,058,121        |
| Goods and services tax       | 355,207          | 238,158          |
| Dividend payable             | 700,000          | -                |
| Annual leave accrued         | 550,000          | 62,000           |
| Deferred revenue             | 206,803          | 149,932          |
|                              | <u>5,225,050</u> | <u>4,602,650</u> |

#### (a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

### 15 OTHER LIABILITIES

|                       | CONSOLIDATED   |                |
|-----------------------|----------------|----------------|
|                       | 2011           | 2010           |
|                       | \$             | \$             |
| <b>Current</b>        |                |                |
| Interest bearing loan | 215,483        | 109,955        |
|                       | <u>215,483</u> | <u>109,955</u> |
| <b>Non Current</b>    |                |                |
| Deferred revenue      | 9,206          | 98,488         |
| Interest bearing loan | 697,706        | 506,558        |
|                       | <u>706,912</u> | <u>605,046</u> |

#### (a) Foreign exchange and liquidity risk

Information regarding the foreign exchange and liquidity risk exposure is set out in note 3.

#### (b) Interest bearing loan

The account represent the non-current portion of the unsecured loan which was provided to acquire servers and equipment. The facility was drawn down on 1 July 2010 and will be fully amortised by 1 June 2015 at a fixed interest rate of 5.6%.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 16 CONTRIBUTED EQUITY

|                       | CONSOLIDATED |           |
|-----------------------|--------------|-----------|
|                       | 2011         | 2010      |
|                       | \$           | \$        |
| (a) Ordinary shares   |              |           |
| Issued and fully paid | 2,351,645    | 2,351,645 |

Fully paid ordinary class A shares carry one vote per share and carry the right to dividends.

Fully paid ordinary class B shares have the following additional rights:

- on the occurrence of a liquidity event, class B shares will have a priority distribution of capital
- on the sale of the assets of the Company, class B shares will have a priority distribution of capital
- If there is no qualified public offering of shares in the Company or no other sales of the shares within 5 years of the effective date, the shareholders are entitled to request the company to procure the sales of their shares. If the Company is unable to procure a sale, the shareholders may appoint a banker on behalf of the Company to sell the Company (whether by merger, sale of shares or otherwise).

|   | No. of Class<br>A shares | No. of Class<br>B shares | \$          |
|---|--------------------------|--------------------------|-------------|
| <i>Movement in ordinary shares on issue</i> |                          |                          |             |
| At 1 July 2009                              | 73,387                   | 67,317                   | 2,351,645   |
| Shares issued during the year               | 10,398                   | -                        | 3,337,758   |
| At 30 June 2010 (parent)                    | 83,785                   | 67,317                   | 5,689,403   |
| Less: Treasury shares                       | (10,398)                 | -                        | (3,337,758) |
| At 1 July 2010 (consolidated)               | 73,387                   | 67,317                   | 2,351,645   |
| At 30 June 2011 (consolidated)              | 73,387                   | 67,317                   | 2,351,645   |

#### (b) Capital management

The Board's policy is to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. The Board of Directors determines the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

No Group entities are subject to externally imposed capital requirements.



## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 17 RESERVES

|                              | CONSOLIDATED  |   |              |
|------------------------------|---|---|--------------|
|                              | <i>Foreign<br/>currency<br/>translation<br/>reserve</i> | <i>Employee<br/>equity benefits<br/>reserve</i> | <i>Total</i> |
|                              | \$  | \$  | \$           |
| At 1 July 2009               | 69,728  | -   | 69,728       |
| Foreign currency translation | 80,448  | -   | 80,448       |
| At 30 June 2010              | 150,176   | -   | 150,176      |
| Foreign currency translation | 98,983  | -   | 98,983       |
| Share based payment          | -   | 4,944,186                                       | 4,944,186    |
| At 30 June 2011              | 249,159   | 4,944,186                                       | 5,193,345    |

#### Nature and purpose of reserves

##### *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries in New Zealand, United Kingdom and India and branches in United States of America and Canada.

It is also used to record gains and losses on hedges of the net investments in foreign operations.

##### *Employee equity benefits reserve*

This reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to note 19.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 18 STATEMENT OF CASH FLOWS RECONCILIATION

|   | CONSOLIDATED     |                  |
|---|------------------|------------------|
|   | 2011             | 2010             |
|   | \$               | \$               |
| <b>Reconciliation of net profit after tax to net cash flows from operations</b> |                  |                  |
| Net profit for the year   | 2,708,898        | 3,690,707        |
| <i>Adjustments for:</i>   |                  |                  |
| Depreciation  | 357,347          | 333,683          |
| Amortisation  | 300,993          | 166,564          |
| Net loss on foreign exchange  | 509,561          | 180,008          |
| Share-based payments expense  | 4,356,209        | 2,058,121        |
| <i>Changes in assets and liabilities</i>  |                  |                  |
| (Increase)/Decrease in trade and other receivables                              | (1,462,061)      | (449,879)        |
| (Increase)/Decrease in other assets   | 138,417          | (138,312)        |
| (Increase)/Decrease in deferred tax assets                                      | 51,562           | 62,202           |
| (Decrease)/Increase in trade and other payables                                 | (88,466)         | 594,508          |
| (Decrease)/Increase in current tax liability                                    | 472,137          | 789,980          |
| (Decrease)/Increase in other liabilities  | 105,528          | -                |
| (Decrease)/Increase in deferred tax liabilities                                 | (299,147)        | 299,147          |
| Net cash flows from operating activities  | <u>7,150,978</u> | <u>7,586,729</u> |

### 19 SHARE-BASED PAYMENT PLANS

On 26 April 2010, the directors approved an employee share plan established via a unit trust, 3P E S Pty Ltd. The directors may at their discretion, grant the award of units to any qualifying employee. The plan is designed to align participants' interest with those of shareholders. The issue price of the shares issued is based on an independent valuation of \$321 per share. Subsequent to this valuation, the shares were transacted with an external party at a value of \$852 per share.

No additional shares were issued in the current financial year under this plan (2010: 10,398). All shares issued under the plan are subject to a trading restriction whereby they cannot be transferred, assigned or disposed of for a period ranging from 12 to 30 months from the date of issue depending on the class of shares. When a qualifying employee ceases employment prior to the end of the trading restriction, the trustee upon notification by the directors, will cancel the shares immediately. In the event that a person or entity attain ownership of 50% or more of the Company, the trading restriction are nullified.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 20 BUSINESS COMBINATION

#### (a) Acquisition of Into Science Pty Ltd

On 15 April 2011, 3P Learning Pty Limited acquired 51% of Into Science Pty Ltd, a company in the business of sales and marketing of online science educational programs.

The total cost of the combination was \$5,200,000 and comprised of cash consideration to be paid over the next 2 years.

The fair value of the identifiable assets and liabilities of Into Science Pty Ltd as at the date of acquisition were:

|  | 2011<br>\$       |
|--|------------------|
| Cash and cash equivalents                            | 1,050,000        |
| Receivables  | 4,150,000        |
| Liabilities  | -                |
| Share of fair value of identifiable net assets (51%) | <u>2,652,000</u> |
| Goodwill arising on acquisition                      | <u>2,548,000</u> |
| Cost of the combination:                             |                  |
| Cash paid  | 1,050,000        |
| Cash payable   | 4,150,000        |
| Direct costs relating to the acquisition             | -                |
| Total cost of the combination                        | <u>5,200,000</u> |
| The cash outflow on acquisition is as follows:       |                  |
| Net cash acquired with the subsidiary                | -                |
| Cash paid  | 1,050,000        |
| Net consolidated cash outflow                        | <u>1,050,000</u> |

The current value of the identifiable net assets at the time of acquisition represent the fair value on acquisition.

Intangibles arising from the acquisition of Into Science Pty Ltd are recognised provisionally in accordance with AASB3 Business Combination as at the reporting date. The difference between the purchase consideration and the net assets acquired is classified as goodwill and has not been allocated to identifiable cash generating units. 3P Learning Pty Limited has twelve months from acquisition date to finalise the accounting for this acquisition.

#### (b) Acquisition of Mathletics Pvt Ltd

On 2 February 2011, 3P Learning Pty Limited acquired 60% of Mathletics Pvt Ltd, a company in the business of programming online educational programs. The total cost of the combination was \$5,200 and comprise of cash consideration. No intangible has been recognised upon acquisition, as this is not material to the Group.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 21 COMMITMENTS

#### Leasing commitments

##### *Operating lease commitments – Group as lessee*

The Group has entered into commercial leases. These leases have an average life of between three and eight years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

|   | CONSOLIDATED |         |
|---|--------------|---------|
|   | 2011         | 2010    |
|   | \$           | \$      |
| Within one year                             | 685,778      | 479,951 |
| After one year but not more than five years | 245,792      | 512,839 |
| Total minimum lease payments                | 931,570      | 992,790 |

### 22 CONTINGENCIES

There have been no contingent liabilities or assets as at reporting date which would have a material effect on the Company's financial statements as at 30 June 2011 (2010: none).

### 23 AUDITORS' REMUNERATION

The auditor of 3P Learning Pty Limited is Ernst & Young.

|   | CONSOLIDATED |        |
|---|--------------|--------|
|   | 2011         | 2010   |
|   | \$           | \$     |
| <i>Amounts received or due and receivable by Ernst &amp; Young (Australia)</i>                      |              |        |
| • An audit of the financial report of the entity and any other entity in the consolidated group     | 64,500       | 58,000 |
| • Other assurance services in relation to the entity and any other entity in the consolidated group |              |        |
| - Preparation of financial statements   | 15,500       | 15,000 |
|   | 80,000       | 73,000 |

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 24 RELATED PARTY DISCLOSURES

#### (a) Subsidiaries

The consolidated financial statements include the financial statements of 3P Learning Pty Limited and the subsidiaries listed in the following table.

| <i>Name</i>                       | <i>Country of incorporation</i> | <i>% Equity interest</i> |             | <i>Investment (\$)</i> |                |
|-----------------------------------|---------------------------------|--------------------------|-------------|------------------------|----------------|
|                                   |                                 | <i>2011</i>              | <i>2010</i> | <i>2011</i>            | <i>2010</i>    |
| 3P Learning Limited               | New Zealand                     | 100%                     | 100%        | 826                    | 826            |
| 3P Learning Limited               | United Kingdom                  | 100%                     | 100%        | 2                      | 2              |
| 3P Learning Australia Pty Limited | Australia                       | 100%                     | 100%        | 1,000                  | 1,000          |
| PEG Learning Pty Ltd              | Australia                       | 100%                     | 100%        | 500,000                | 500,000        |
| Mathletics Pvt Ltd                | India                           | 60%                      | -           | 5,200                  | -              |
| Into Science Pty Ltd              | Australia                       | 51%                      | -           | 5,200,000              | -              |
|                                   |                                 |                          |             | <b>5,707,028</b>       | <b>501,828</b> |

On 10 February 2009, the Company incorporated a branch in Canada named 3P Learning Pty Limited. No shares were issued. On 22 February 2010, the Company incorporated a branch in America named 3P Learning Pty Limited. No shares were issued.

On 27 May 2010, the Company established the 3P Employee Share Trust.

#### (b) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

| <i>Related party</i>              | <i>Transactions with related parties</i> |                  |
|-----------------------------------|--|------------------|
|                                   | <i>\$</i>                                |                  |
| <b>PARENT</b>                     |  |                  |
| 3P Learning Australia Pty Limited | <b>2011</b>                              | <b>6,090,296</b> |
| 3P Learning Australia Pty Limited | <b>2010</b>                              | <b>3,336,443</b> |
| 3P Learning Limited (NZ)          | <b>2011</b>                              | <b>602,710</b>   |
| 3P Learning Limited (NZ)          | <b>2010</b>                              | <b>245,570</b>   |
| 3P Learning Limited (UK)          | <b>2011</b>                              | <b>1,342,210</b> |
| 3P Learning Limited (UK)          | <b>2010</b>                              | <b>659,268</b>   |
| Pascal Press Pty Ltd              | <b>2011</b>                              | <b>2,400</b>     |
| Pascal Press Pty Ltd              | <b>2010</b>                              | <b>1,608</b>     |
| Kalaci Pty Ltd                    | <b>2011</b>                              | <b>13,067</b>    |
| Kalaci Pty Ltd                    | <b>2010</b>                              | <b>5,422</b>     |
| Blake Publishing Pty Ltd          | <b>2011</b>                              | <b>60,000</b>    |
| Blake Publishing Pty Ltd          | <b>2010</b>                              | <b>127,045</b>   |

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

### 24 RELATED PARTY DISCLOSURES (continued)

#### (b) Transactions with related parties (continued)

| <i>Related party</i>      |             | <i>Transactions<br/>with related<br/>parties<br/>\$</i> |
|---------------------------|-------------|---|
| <b>PARENT (continued)</b> |             |   |
| Amdon Consulting          | <b>2011</b> | <b>26,272</b>   |
| Amdon Consulting          | <b>2010</b> | -   |
| Insight Ventures VI, LP   | <b>2011</b> | <b>78,656</b>   |
| Insight Ventures VI, LP   | <b>2010</b> | <b>59,333</b>   |

### 25 EVENTS AFTER BALANCE DATE

There has not been any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

### 26 PARENT ENTITY INFORMATION

#### (a) Information relating to 3P Learning Pty Limited

The individual financial statements for the parent entity show the following aggregate amounts:

|                                       | <b>2011</b>        | <b>2010</b>      |
|---------------------------------------|--------------------|------------------|
|                                       | <b>\$</b>          | <b>\$</b>        |
| Current assets                        | <b>7,467,596</b>   | <b>5,867,348</b> |
| Total assets                          | <b>10,268,890</b>  | <b>7,500,188</b> |
| Current liabilities                   | <b>3,273,022</b>   | <b>3,140,537</b> |
| Total liabilities                     | <b>3,970,728</b>   | <b>3,439,684</b> |
| Contributed equity                    | <b>7,649,236</b>   | <b>2,351,645</b> |
| Retained earnings                     | <b>(1,351,074)</b> | <b>1,708,859</b> |
| Total shareholders' equity            | <b>6,298,162</b>   | <b>4,060,504</b> |
| Total comprehensive loss for the year | <b>(1,480,010)</b> | <b>(80,876)</b>  |

#### (b) Guarantees

The parent entity had no guarantees entered into in relation to the debts of its subsidiaries (2010: nil).

#### (c) Contingent liabilities

The parent entity had no contingent liabilities (2010: nil).

## Notes to the Financial Statements (continued)

For the year ended 30 June 2011

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### 26 PARENT ENTITY INFORMATION (continued)

#### (d) Contractual commitments

The parent entity had contractual commitments for the acquisition of computer servers and equipment as follows:

|                              | 2011 | 2010      |
|------------------------------|------|-----------|
|                              | \$   | \$        |
| Within one year              | -    | 200,696   |
| More than one year           | -    | 1,090,973 |
| Total minimum lease payments | -    | 1,291,669 |

## Directors' Declaration

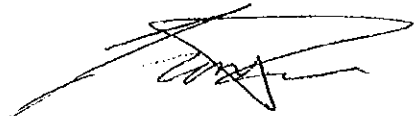
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In accordance with a resolution of the directors of 3P Learning Pty Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated group are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and consolidated group's financial positions as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Power, Timothy  
Director

Sydney, 15 March 2012



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

### Report on the financial report

We have audited the accompanying financial report of 3P Learning Pty Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

**Opinion**

In our opinion:

- a. the financial report of 3P Learning Pty Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Ernst & Young

Ernst & Young

Douglas Bain

Douglas Bain  
Partner  
Sydney  
15 March 2012