3P LEARNING PTY LIMITED

ABN 50 103 827 836

SPECIAL PURPOSE FINANCIAL REPORT
For the year ended 30 June 2012

Contents to Financial Report

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 2012.

DIRECTORS

The names 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
Pike, Katherine
Harvey, Alexander
Smith, Grant
Cooney, Belinda - alternate director to Harvey, Alexander

DIVIDENDS

The directors declared a dividend of $nil (2011: $1,423,425) for the year ended 30 June 2012.

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 Results for the Year

The profit after tax of the Group for the year ended 30 June 2012 was $5,012,342 (2011: $2,708,898).

The profit after tax of the Company for the year ended 30 June 2012 was $1,815,844 (2011: $2,227,685).

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

On 19 September 2012, the directors declared a dividend of $3,500,000. The financial impacts of the dividend payment have not been reflected in these financial statements as at 30 June 2012.

Other than the above mentioned event, there has been no other 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.

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 non-audit services provided during the year are set out below:

	2012	2011
Research & Development consultation services	54,000	64,150
Other grant consultation services	40,560	-

Signed in accordance with a resolution of the directors.

Power, Timothy
Director

Sydney, 28 March 2013

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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 2012, 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

Ernst & Young

Douglas

Doug Bain
Partner
28 March 2013

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $	PARENT 2012 $	PARENT 2011 $
Operating revenue	4(a)	**33,058,946**	28,975,731	**12,213,798**	12,366,230
Other income	4(b)	**815,842**	474,056	**483,483**	341,827
Marketing expenses		**(1,859,172)**	(1,735,750)	**(239,211)**	(398,890)
Occupancy expenses		**(1,316,777)**	(952,233)	**(589,136)**	(566,577)
Administrative expenses		**(24,413,833)**	(21,309,187)	**(11,414,985)**	(13,746,838)
Other expenses	4(e)	**(19,383)**	(546,212)	**(2)**	(254,524)
Profit/(Loss) before tax		**6,265,623**	4,906,405	**453,947**	(2,258,772)
Income tax (expense)/benefit	5	**(1,253,281)**	(2,197,507)	**1,361,897**	31,087
Profit/(Loss) for the year		**5,012,342**	2,708,898	**1,815,844**	(2,227,685)
Other comprehensive income					
Foreign currency translation gain		**21,593**	98,983	-	-
Other comprehensive income for the year		**21,593**	98,983	-	-
Total comprehensive income for the year		**5,033,935**	2,807,881	**1,815,844**	(2,227,685)
Net (loss)/profit for the year attributable to:					
Non-controlling interest		**(826,161)**	(110,567)		
Members of the Parent		**5,838,503**	2,819,465	**1,815,844**	(2,227,685)

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

Statement of Financial Position

As at 30 June 2012

	Note	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $	PARENT 2012 $	PARENT 2011 $
ASSETS					
Current Assets					
Cash and cash equivalents	7	**17,771,763**	13,867,041	**2,891,915**	5,988,703
Trade and other receivables	8	**4,295,074**	3,757,010	**5,543,923**	3,768,687
Income tax receivables		**1,130,556**	-	**520,032**	-
Other current assets	9	**155,704**	67,386	**30,727**	36,482
Total Current Assets		**23,353,097**	17,691,437	**8,986,597**	9,793,872
Non-current Assets					
Receivables	10	**1,046,819**	1,076,899	**1,046,819**	1,076,899
Investments in subsidiaries		**-**	-	**7,007,797**	6,801,323
Property, plant and equipment	11	**1,652,431**	1,693,887	**1,294,093**	1,593,601
Deferred tax assets	5	**20,332**	52,903	**-**	-
Intangible assets and goodwill	12	**4,425,834**	4,185,896	**525,103**	361,882
Total Non-current Assets		**7,145,416**	7,009,585	**9,873,812**	9,833,705
TOTAL ASSETS		**30,498,513**	24,701,022	**18,860,409**	19,627,577
LIABILITIES					
Current Liabilities					
Trade and other payables	13	**5,431,985**	5,225,050	**9,186,371**	12,804,029
Income tax payable		**1,270,959**	1,949,678	**-**	258,202
Other liabilities	14	**218,294**	215,483	**218,294**	215,483
Total Current Liabilities		**6,921,238**	7,390,211	**9,404,665**	13,277,714
Non-current Liabilities					
Deferred tax liabilities		**-**	-	**375,223**	-
Other liabilities	14	**551,599**	706,912	**506,996**	697,706
Total Non-current Liabilities		**551,599**	706,912	**882,219**	697,706
TOTAL LIABILITIES		**7,472,837**	8,097,123	**10,286,884**	13,975,420
NET ASSETS		**23,025,676**	16,603,899	**8,573,525**	5,652,157
EQUITY					
Equity attributable to equity holders					
Contributed equity	15	**2,351,645**	2,351,645	**2,351,645**	2,351,645
Retained earnings		**12,459,979**	6,621,476	**(457,914)**	(2,273,758)
Reserves	16	**6,602,780**	5,193,345	**6,679,794**	5,574,270
Parent interests		**21,414,404**	14,166,466	**8,573,525**	5,652,157
Non-controlling interest		**1,611,272**	2,437,433	**-**	-
TOTAL EQUITY		**23,025,676**	16,603,899	**8,573,525**	5,652,157

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 2012

	Contributed equity *$*	*Retained earnings* *$*	*Reserves* *$*	*Non-controlling interest* *$*	*Total* *$*
CONSOLIDATED					
At 1 July 2010	2,351,645	5,225,436	150,176	-	7,727,257
Profit for the year	-	2,819,465	-	(110,567)	2,708,898
Other comprehensive income for the year	-	-	98,983	-	98,983
Total comprehensive income for the year	-	2,819,465	98,983	(110,567)	2,807,881
Transactions with owners in their capacity as owners:					
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
At 1 July 2011	**2,351,645**	**6,621,476**	**5,193,345**	**2,437,433**	**16,603,899**
Profit for the year	-	5,838,503	-	(826,161)	5,012,342
Other comprehensive income for the year	-	-	21,593	-	21,593
Total comprehensive income for the year	-	5,838,503	21,593	(826,161)	5,033,935
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	1,387,842	-	1,387,842
At 30 June 2012	2,351,645	12,459,979	6,602,780	1,611,272	23,025,676

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

Statement of Changes in Equity (continued)

For the year ended 30 June 2012

	Contributed equity *$*	*Retained earnings* *$*	*Reserves* *$*	*Total* *$*
PARENT				
At 1 July 2010	2,351,645	(46,073)	1,260,168	3,565,740
Profit for the year	-	(2,227,685)	-	(2,227,685)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(2,227,685)	-	(2,227,685)
Transactions with owners in their capacity as owners:				
Share-based payments		-	4,314,102	4,314,102
At 1 July 2011	**2,351,645**	**(2,273,758)**	**5,574,270**	**5,652,157**
Profit for the year	-	**1,815,844**	-	**1,815,844**
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	**1,815,844**	-	**1,815,844**
Transactions with owners in their capacity as owners:				
Share-based payments		-	**1,105,524**	**1,105,524**
At 30 June 2012	**2,351,645**	**(457,914)**	**6,679,794**	**8,573,525**

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 2012

		CONSOLIDATED		PARENT	
	Note	2012 $	2011 $	2012 $	2011 $
Cash flows from operating activities					
Receipts from customers		36,211,205	30,683,382	12,872,720	8,928,918
Payments to suppliers and employees		(27,419,161)	(21,491,028)	(13,709,732)	(725,645)
Interest received		346,735	166,759	195,934	83,207
Interest paid		-	(44,032)	-	-
Income tax paid		(4,721,987)	(2,290,929)	(733,116)	(560,578)
Tax grant received		1,692,002	317,974	1,692,002	317,974
Transactions with related parties		-	-	(1,822,753)	-
Net cash flows from operating activities	17	6,108,794	7,342,126	(1,504,945)	8,043,876
Cash flows from investing activities					
Purchase of property, plant and equipment		(423,893)	(820,591)	(75,344)	(1,791,977)
Investment in subsidiaries		-	-	(206,474)	(6,800,495)
Purchase of intangible assets		(1,080,179)	(946,019)	(610,025)	(1,180,652)
Net cash flows used in investing activities		(1,504,072)	(1,766,610)	(891,843)	(9,773,124)
Cash flows from financing activities					
Payment of dividends on ordinary shares	6	(700,000)	(723,425)	(700,000)	-
Net cash flows used in financing activities		(700,000)	(723,425)	(700,000)	-
Net increase/(decrease) in cash and cash equivalents		3,904,722	4,852,091	(3,096,788)	(1,729,248)
Cash and cash equivalents at beginning of year		13,867,041	9,014,950	5,988,703	7,717,951
Cash and cash equivalents at end of year	7	17,771,763	13,867,041	2,891,915	5,988,703

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 2012

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 2012 was authorised for issue in accordance with a resolution of the directors on 28 March 2013.

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

This special purpose financial report has been prepared for distribution to the members to fulfill the directors' financial reporting requirements under the Corporations Act 2001. The accounting policies used in the preparation of this financial report, as described below, are consistent with the previous years, and are, in the opinion of the directors, appropriate to meet the needs of members:

(i) The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.

(ii) The Company and the consolidated group are not reporting entities because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs.

Accordingly, the financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Interpretations and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 '*Cash Flow Statements*', AASB 108 '*Accounting Policies, Changes in Accounting Estimates and Errors*', AASB 1031 '*Materiality and* AASB 1048 *Interpretation of Standards*' which apply to all entities required to prepare financial reports under the Corporations Act 2001.

The directors have determined that in order for the financial report to give a true and fair view of the Company's and consolidated group's performance, cash flows and financial positions, the requirements of Australian Accounting Standards and other financial reporting requirements in Australia relating to the measurement of assets, liabilities, revenues, expenses and equity should be complied with.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations

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 2012. 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.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of 3P Learning Pty Limited and its subsidiaries (the Group).

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

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

In preparing the consolidated financial statements, all intercompany balances 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

(e) 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, USA and Indian subsidaries; and Canadian branch 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 of in full, the relevant amount in the reserve would be transferred out of equity and recognised in the statement of comprehensive income.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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.

(g) 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.

(h) 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

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

(i) **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.

(j) **Goodwill**

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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

(l) 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.

(m) Interest-bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on a fixed interest rate.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Interest-bearing borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for a least 12 months after the reporting date.

(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

Equity settled transactions

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share-based payment transactions (continued)

(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.

During the prior year, the terms of the share-based payment arrangement were changed from a cash settled award to an equity settled award.

(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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 when the Company becomes entitled to the benefit and all of its obligations have been fulfilled.

(iii) Translation fee

Revenue is recognised in relation to translation of educational programs to the local language of the customer base, upon completion of the translation.

(iv) Sale of workbooks

Revenue is recognised in relation to workbook materials sold to schools and students, on sale of the items.

(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 2012

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.

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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 2012

3 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 of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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(h)
  - Goodwill - Note 2(j)
  - Intangibles - Note 2(k)
- Recognition of tax assets - Note 2(s)

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

4 REVENUE AND EXPENSES

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	$	$	$	$
(a) Operating revenue				
License fee	31,151,452	26,984,018	11,716,096	12,211,367
Sponsorship income	909,796	586,467	400,000	79,976
Translation fee	90,018	200,549	90,018	20,268
Sale of workbooks	286,809	236,507	-	-
Copyright license fee	471,841	817,161	-	492
Other	149,030	151,029	7,684	54,127
Total operating revenue	33,058,946	28,975,731	12,213,798	12,366,230
(b) Other income				
Interest	346,735	166,759	195,934	83,207
Net foreign currency gains	111,074	-	116,208	-
Other income	358,033	307,297	171,341	258,620
Total other income	815,842	474,056	483,483	341,827
(c) Employee benefits expense (included in Administration Expenses)				
Wages and salaries	11,962,169	9,282,640	5,643,014	8,984,941
Defined contribution superannuation	1,246,871	989,290	566,227	511,607
Other employee benefit expense	3,300,369	2,880,544	1,074,033	1,385,500
Share-based payments	1,387,842	4,356,209	1,018,155	-
Total employee benefits expense	17,897,251	17,508,683	8,301,429	10,882,048
(d) Depreciation and amortisation expense (included in Administration Expenses)				
Depreciation of non-current assets				
Office equipment	15,440	5,345	10,020	2,234
Computers	380,433	298,924	327,533	285,858
Furniture and fittings	69,476	53,078	37,299	50,180
Total depreciation of non-current assets	465,349	357,347	374,852	338,272
Amortisation of non-current assets				
Patents and trademarks	840,241	300,993	446,804	300,993
Total amortisation of non-current assets	840,241	300,993	446,804	300,993
Total depreciation and amortisation	1,305,590	658,340	821,656	639,265
(e) Other expenses				
Net foreign currency losses	-	509,561	-	246,747
Other expenses	19,383	36,651	2	7,777
Total other expenses	19,383	546,212	2	254,524

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

5 INCOME TAX

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $	PARENT 2012 $	PARENT 2011 $
(a) Income tax expense				
The major components of income tax				
Statement of Comprehensive Income				
Current income tax				
Current income tax charge	**1,273,613**	2,549,557	**(1,437,973)**	268,060
Deferred income tax				
Relating to origination and reversal of temporary differences	**(20,332)**	(352,050)	**76,076**	(299,147)
Income tax expense reported in the statement of comprehensive income	**1,253,281**	2,197,507	**(1,361,897)**	(31,087)

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive

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:

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $	PARENT 2012 $	PARENT 2011 $
Accounting profit before income tax	**6,265,623**	4,906,405	**453,947**	(2,258,772)
At Group's statutory income tax rate of 30% (2011: 30%)	**1,879,687**	1,471,922	**136,184**	(677,632)
Non-deductible expenses	**302,388**	1,400,085	**152,810**	1,195,602
Deferred tax movements in current year	**(20,332)**	(352,050)	**76,076**	(299,147)
Other items (net)	**-**	(4,476)	**(34,965)**	68,064
Research and development deduction	**(1,692,002)**	(317,974)	**(1,692,002)**	(317,974)
Tax losses not recognised	**796,861**	-	**-**	-
Effect of difference in tax rates	**(13,321)**	-	**-**	
Aggregate income tax expense	**1,253,281**	2,197,507	**(1,361,897)**	(31,087)

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

6 DIVIDENDS

	CONSOLIDATED		*PARENT*	
	2012	*2011*	***2012***	*2011*
	$	*$*	***$***	*$*
(a) Recognised amounts				
Dividends on ordinary shares:				
Dividend paid	**700,000**	723,425	**700,000**	1,423,425
Dividend declared	**-**	700,000	**-**	700,000
	700,000	1,423,425	**700,000**	2,123,425

(b) Tax rates

The tax rate at which paid dividends have been franked is 30% (2011: 30%).

Dividends proposed will be franked at the rate of 30% (2011: 30%).

7 CASH AND CASH EQUIVALENTS

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

	CONSOLIDATED		*PARENT*	
	2012	*2011*	***2012***	*2011*
	$	*$*	***$***	*$*
Cash at bank and in hand	**6,688,273**	6,530,270	**1,767,655**	2,787,743
Short-term deposits	**11,083,490**	7,336,771	**1,124,260**	3,200,960
	17,771,763	13,867,041	**2,891,915**	5,988,703

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.

8 TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED		*PARENT*	
	2012	*2011*	***2012***	*2011*
	$	*$*	***$***	*$*
Trade receivables	**3,345,380**	2,983,882	**723,176**	901,606
Allowance for impairment loss	**-**	(16,627)	**-**	-
	3,345,380	2,967,255	**723,176**	901,606
Sundry debtors	**687,989**	520,755	**627,901**	526,633
Advertising consideration	**261,705**	269,000	**261,705**	269,000
Goods and services tax	**-**	-	**6,860**	-
Related party receivables:				
3P Learning Limited (NZ)	**-**	-	**603,276**	312,879
3P Learning Limited (UK)	**-**	-	**2,766,597**	1,758,569
Other related parties	**-**	-	**554,408**	-
	-	-	**3,924,281**	2,071,448
Carrying amount of trade and other receivables	**4,295,074**	3,757,010	**5,543,923**	3,768,687

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

9 OTHER CURRENT ASSETS

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	$	$	$	$
Deposits	155,704	67,386	30,727	36,482

10 RECEIVABLES (NON-CURRENT)

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	$	$	$	$
Advertising consideration	1,046,819	1,076,899	1,046,819	1,076,899
	1,046,819	1,076,899	1,046,819	1,076,899

11 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	$	$	$	$
Office equipment				
At cost	117,355	73,060	82,351	57,143
Accumulated depreciation	(65,136)	(50,343)	(51,853)	(41,829)
Net carrying amount	52,219	22,717	30,498	15,314
Computers				
At cost	2,714,255	2,460,671	2,468,465	2,349,238
Accumulated depreciation	(1,500,736)	(1,121,790)	(1,388,034)	(1,066,097)
Net carrying amount	1,213,519	1,338,881	1,080,431	1,283,141
Furniture and fittings				
At cost	530,604	405,721	258,585	358,695
Accumulated depreciation	(143,911)	(73,432)	(75,421)	(63,549)
Net carrying amount	386,693	332,289	183,164	295,146
Total property, plant and equipment				
At cost	3,362,214	2,939,452	2,809,401	2,765,076
Accumulated depreciation	(1,709,783)	(1,245,565)	(1,515,308)	(1,171,475)
Net carrying amount	1,652,431	1,693,887	1,294,093	1,593,601

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

12 INTANGIBLE ASSETS AND GOODWILL

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	$	$	$	$
Patents and trademarks				
At cost	2,756,633	1,715,950	1,474,841	864,816
Accumulated amortisation and impairment	(1,343,095)	(542,350)	(949,738)	(502,934)
Net carrying amount	1,413,538	1,173,600	525,103	361,882
Goodwill				
Cost (gross carrying amount)	3,012,296	3,012,296	-	-
Net carrying amount	3,012,296	3,012,296	-	-
Total intangible assets and goodwill				
Cost (gross carrying amount)	5,768,929	4,728,246	1,474,841	864,816
Accumulated amortisation and impairment	(1,343,095)	(542,350)	(949,738)	(502,934)
Net carrying amount	4,425,834	4,185,896	525,103	361,882

13 TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	$	$	$	$
Trade payables	2,510,110	2,390,334	1,686,637	2,308,342
Other payables	768,084	512,075	291,331	232,362
Accrued expenses	618,618	310,631	244,063	149,329
Goods and services tax	422,204	355,207	-	71,505
Dividend payable	-	700,000	-	700,000
Annual leave and long service leave accrued	953,221	750,000	569,595	550,000
Deferred revenue	159,748	206,803	8,353	6,255
	5,431,985	5,225,050	2,799,979	4,017,793
Related party payables:				
3P Learning Australia Pty Ltd	-	-	4,961,167	4,610,253
Into Science Pty Ltd	-	-	1,425,225	4,160,392
Other related parties	-	-	-	15,591
	-	-	6,386,392	8,786,236
	5,431,985	5,225,050	9,186,371	12,804,029

14 OTHER LIABILITIES

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	$	$	$	$
Current				
Interest bearing loan	218,294	215,483	218,294	215,483
	218,294	215,483	218,294	215,483
Non Current				
Deferred revenue	44,603	9,206	-	-
Interest bearing loan	506,996	697,706	506,996	697,706
	551,599	706,912	506,996	697,706

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

15 CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	$	$	$	$
Ordinary shares				
Issued and fully paid	**2,351,645**	2,351,645	**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 occurence 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 A shares	No. of Class B shares	$
Movement in ordinary shares on issue			
At 1 July 2010	83,785	67,317	2,351,645
Less: Treasury shares	(10,398)	-	-
At 30 June 2011	73,387	67,317	2,351,645
At 1 July 2011	**73,387**	**67,317**	**2,351,645**
At 30 June 2012	73,387	67,317	2,351,645

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

16 RESERVES

	CONSOLIDATED		
	Foreign currency translation reserve	*Employee equity benefits reserve*	*Total*
	$	*$*	*$*
At 1 July 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
Foreign currency translation	21,593	-	21,593
Share based payment	-	1,387,842	1,387,842
At 30 June 2012	270,752	6,332,028	6,602,780

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, India and USA and a branch in 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 18.

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

17 STATEMENT OF CASH FLOWS RECONCILIATION

	CONSOLIDATED		PARENT	
	2012	2011	2012	2011
	$	$	$	$
Reconciliation of net profit after tax to net cash flows from operations				
Profit/(Loss) for the year	**5,012,342**	2,708,898	**1,815,844**	(2,227,685)
Adjustments for:				
Depreciation	**465,349**	357,347	**374,852**	338,272
Amortisation	**840,241**	300,993	**446,804**	840,241
Net loss on foreign exchange	**(89,481)**	509,561	**(116,208)**	246,747
Share-based payments expense	**1,387,842**	4,944,186	**1,105,524**	4,314,102
Changes in assets and liabilities				
(Increase)/Decrease in trade and other receivables	**(507,984)**	(1,462,061)	**(1,628,948)**	(2,188,192)
(Increase)/Decrease in other assets	**(88,318)**	138,417	**5,755**	(32,077)
(Increase)/Decrease in deferred tax assets	**32,571**	51,562	**-**	-
(Decrease)/Increase in trade and other payables	**862,696**	(485,295)	**(2,917,658)**	6,112,970
(Decrease)/Increase in current tax liability	**(1,809,275)**	472,137	**(778,234)**	(273,691)
(Decrease)/Increase in other liabilities	**2,811**	105,528	**(187,899)**	913,189
(Decrease)/Increase in deferred tax liabilities	**-**	(299,147)	**375,223**	-
Net cash flows from operating activities	**6,108,794**	7,342,126	**(1,504,945)**	8,043,876

18 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.

No additional shares were issued in the current financial year under this plan. 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 2012

19 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		PARENT	
	2012	2011	**2012**	2011
	$	$	$	$
Within one year	**805,735**	685,778	**720,299**	603,596
After one year but not more than five years	**1,383,784**	245,792	**1,276,164**	190,365
Total minimum lease payments	**2,189,519**	931,570	**1,996,463**	793,961

20 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 2012 (2011: none).

21 AUDITORS' REMUNERATION

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

	CONSOLIDATED		PARENT	
	2012	2011	**2012**	2011
	$	$	$	$
Amounts received or due and receivable by				
• An audit of the financial report of the entity and any other entity in the	**67,750**	64,500	**22,000**	22,750
• Other assurance services in relation to the entity and any other entity				
- Preparation of financial statements	**16,000**	15,500	**7,000**	7,000
• Non-audit services				
- Research and development tax consultation services	**54,000**	64,150	**54,000**	64,150
- Other grant consultation services	**40,560**	-	**40,560**	-
	178,310	144,150	**123,560**	93,900

Notes to the Financial Statements (continued)

For the year ended 30 June 2012

22 EVENTS AFTER BALANCE DATE

On 19 September 2012, the directors declared a dividend of $3,500,000. The financial impacts of the dividend payment have not been reflected in these financial statements as at 30 June 2012.

Other than the above mentioned event, there has been no other 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.

Directors' Declaration

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

In the opinion of the directors:

(a) the Company and consolidated group are not reporting entities as defined in the Australian Accounting Standards;

(b) 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 2012 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards to the extent described in Note 2 to the financial statements and complying with the *Corporations Regulations 2001;*

(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, 28 March 2013

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

We have audited the accompanying financial report, being a special purpose financial report of 3P Learning Pty Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal controls as the directors determine are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 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 of the financial report that gives a true and fair view 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.

Ernst & Young

Opinion

In our opinion the financial report of 3P Learning Pty Limited is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

b. complying with Australian Accounting Standards to the extent described in Note 2, and the *Corporations Regulations 2001*.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Ernst & Young

Ernst & Young

Douglas

Doug Bain
Partner
Sydney, Australia
28 March 2013