ASX / MEDIA RELEASE **23 SEPTEMBER 2021**

RedHill Education Limited

Release of FY21 Annual Report

RedHill Education Limited (RedHill) today released its Annual Report for the financial year ended 30 June 2021 (FY21).

Financial results

The consolidated RedHill group reported the following results for FY21:

Revenues:	$43.5 million – 33% decrease*
Profit from ordinary activities after tax excluding one-time items:	$1.2 million – 41% increase*
Positive net cashflow from operating activities:	$9.3 million – 19% decrease*
Net loss after income tax:	$0.5 million – 98% decrease*
Cash balance at 30 June:	$23.9 million – 8% increase*

** Over the previous financial year.*

RedHill and iCollege to create a leading education provider

RedHill and iCollege Limited (iCollege) announced to the ASX on 12 August 2021 that an offer from iCollege to acquire all RedHill shares has been unanimously recommended by RedHill's Board of Directors, subject to there being no superior proposal.

The transaction proposes to bring two highly complementary businesses together to create a well-capitalised and scaled education portfolio across the student agency, ELICOS, VET and higher education sectors. The transaction will diversify RedHill's earnings base and help mitigate potential risks around ongoing international border closures.

No declaration of dividend

In view of the continuation of the extraordinary circumstances caused by the COVID-19 pandemic and associated government responses, the directors regard it as prudent to conserve cash and determined that no dividend would be declared in relation to FY21.

Authorised for release to ASX by the Board of Directors of RedHill.

CONTACTS

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Chief Executive Officer
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Michael Fahey
Chief Financial Officer
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ABOUT REDHILL

RedHill has a portfolio of quality education businesses at the premium end of the private education market to capitalise on the demand for higher education, vocational training and English language programmes. For further information refer to our website www.redhilleducation.com.

REDHILL EDUCATION

ANNUAL REPORT

30 JUNE 2021

ABN 41 119 952 493

REDHILL EDUCATION LIMITED

CORPORATE DIRECTORY

Directors	Stephen Heath Glenn Elith William Deane Sandra Hook Bill Beerworth (retired 30 November 2020)
Company secretary	Lisa Jones
Registered office	Level 2, 7 Kelly Street Ultimo NSW 2007 Head Office Telephone: +61 2 8355 3820
Principal place of business	Level 2, 7 Kelly Street Ultimo NSW 2007
Share register	Computershare Investor Services Pty Limited Level 4, 60 Carrington Street Sydney NSW 2000 Shareholder Enquiries: 1300 787 272
Auditor	RSM Australia Partners Level 13, 60 Castlereagh Street Sydney NSW 2000
Solicitors	Minter Ellison Collins Arch, 447 Collins Street Melbourne VIC 3000
Stock exchange listing	RedHill Education Limited shares are listed on the Australian Securities Exchange (ASX: RDH)
Website	www.redhilleducation.com
Corporate governance statement	The Corporate Governance Statement approved on 21 September 2021, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed was approved by the Board of Directors at the same time as the Annual Report and can be found at the following URL: **www.redhilleducation.com/investor-centre/**
ASIC registrations	ACN: 119 952 493 ABN: 41 119 952 493

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The directors present their report, together with the financial statements, on the consolidated entity (referred to as the 'consolidated entity' or 'RedHill') consisting of RedHill Education Limited (referred to as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2021 ('FY21').

DIRECTORS

The following persons were directors of the company during the whole of the financial year and up to the date of this report unless otherwise noted:

Stephen Heath – Chairman
Glenn Elith – Managing Director
William Deane
Sandra Hook
William J. Beerworth (retired on 30 November 2020)

Each of the directors is an independent director other than Glenn Elith, who is an executive director.

Name:	**Stephen Heath**
Title:	Non-executive Chairman
Qualifications:	Graduate of the Australian Institute of Company Directors (GAICD)
Experience and expertise:	Stephen is a specialist in consumer goods brand management with over twenty-five years of retail, distribution and manufacturing experience. His executive career included holding the roles of Managing Director & CEO of some of Australia's best-known consumer brand companies including Rebel Sport, Godfrey's & Fantastic Holdings with operational experience in Australia, New Zealand, and Asia.
Other current directorships:	Stephen is the non-executive Chairman of Temple & Webster Limited (ASX: TPW), Shiro Holdings Limited (ASX: SHM) and a non-executive director of Best and Less Group Holdings Limited (ASX: BST) He is also a non-executive director of private company Glasshouse Fragrances and a member of the Investment Committee of a prominent private family investment office advising and overseeing a portfolio of diversified consumer brands companies and property investments.
Former directorships (in the last 3 years):	None
Special responsibilities:	Stephen was appointed as a member of the Audit & Risk Management Committee on 22 November 2019, and of the Remuneration Committee and Nominations Committee on 22 July 2020. He is the Chair of the Remuneration Committee.
Interests in shares:	41,667 ordinary shares
Interests in options:	None

Name:	**Glenn Elith**
Title:	Managing Director and Chief Executive Officer
Qualifications:	B Bus (UTS), Chartered Accountant
Experience and expertise:	Glenn commenced his professional career in the audit division of Coopers and Lybrand (now PwC), where he obtained the chartered accounting qualification. He has developed a broad operational and strategic perspective by working across multiple business sectors including manufacturing, consumer goods, hospitality, retail and services. He has worked at large organisations including Lion Nathan Limited (now Lion Co) and George Weston Foods, and at high-growth entrepreneurial businesses including specialty retailer Macro Wholefoods Market (now owned by Woolworths Limited). Glenn joined RedHill in January 2012, and was appointed Chief Executive Officer in March of that year.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	325,000 ordinary shares
Interests in options and performance rights:	225,000 options over ordinary shares and 1,150,101 performance rights under the Employee Incentive Plan on terms approved by the company's shareholders.

Name:	**William Deane**
Title:	Non-executive Director
Qualifications:	BA (Sydney), LLB (Bond)
Experience and expertise:	Will is a managing director of Exto Partners Pty Ltd, a Sydney-based private investment firm formed in 2003. Will is a director of several of Exto Partners' unlisted investee companies and is experienced at building high growth companies. He has practised as a corporate lawyer in Australia with Ashurst (formerly Blake Dawson) and in the United States with Skadden Arps and Sidley Austin. As a lawyer he focussed on equity capital markets and mergers and acquisitions.
Other current directorships:	Managing Director of Exto Partners Pty Ltd, a venture capital firm specialising in technology investments. Non-executive Director of Building IQ Inc (ASX code: BIQ).
Former directorships (in the last 3 years):	None
Special responsibilities:	Will is a member of the Nominations Committee and is the Chair of the Audit and Risk Management Committee. He ceased being a member of the Remuneration Committee on 22 July 2020.
Interests in shares:	254,667 ordinary shares are beneficially held through Exto Partners Pty Ltd and due to the ownership structure of that company Will only claims an interest in 50% of those ordinary shares.
Interests in options:	None

Name:	**Sandra Hook**
Title:	Non-executive Director
Qualifications:	Graduate of the Australian Institute of Company Directors (GAICD)
Experience and expertise:	Sandra has over 25 years' experience in sales and marketing, building and leading commercially successful businesses, driving growth and leading change. She has a track record in delivering brand and portfolio strategies, transitioning traditional organisations in rapidly evolving environments and brings a strong focus on customer-centric growth and digital transformation at Board level. Sandra was formerly Managing Director and CEO of NewsLifeMedia, a division of News Limited; CEO of News Magazines, and various senior executive roles with Australia's largest media companies including News Limited, Foxtel, Federal Publishing Company, Murdoch Magazines and Fairfax.
Other current directorships:	Sandra is currently a non-executive director of MedAdvisor Limited (ASX: MDR), IVE Group Limited (ASX: IGL), and Sydney Fish Market Limited. She is also a Trustee of the Sydney Harbour Federation Trust.
Former directorships (in the last 3 years):	RXP Technology Limited (ASX: RXP),
Special responsibilities:	Sandra was appointed as a member of the Audit & Risk Management Committee on 22 November 2019, and of the Remuneration Committee and Nominations Committee on 22 July 2020. She is the Chair of the Nominations Committee.
Interests in shares:	41,667 ordinary shares
Interests in options:	None.

Former directorships (in the last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Lisa Jones was appointed as Company Secretary on 21 September 2017. Lisa is an experienced corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs, working with both public and private companies in Australia and in Europe. Lisa has particular experience working with high growth and emerging companies in the technology, biotech and oil & gas sectors. She was a senior associate in the corporate & commercial practice of Allen Allen & Hemsley and has held executive positions with private and public listed companies in Australia and in Italy.

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

During the financial year, RedHill's principal activities were:

- delivering high quality English language, creative digital technologies, managerial, marketing, computer coding and interior design and styling courses; and

- providing education recruitment agency services to international students.

FY21 FINANCIAL PERFORMANCE

The consolidated RedHill group reported the following results for FY21:

	Year ended 30 June 2021 $'000	Year ended 30 June 2020 $'000	Increase / (decrease)* %
Revenues from ordinary activities	43,545	64,619	(33)%
Profit from ordinary activities after tax excluding one-time items	1,200	851	41%
Loss for the year attributable to the shareholders of RedHill Education Limited	(455)	(19,645)	98%
Cash and cash equivalents	23,909	22,194	8%

** Over the previous corresponding financial year.*

Comments on financial performance

RedHill demonstrated resilience in its operating performance for the year ended 30 June 2021 despite difficult trading conditions and the extraordinary disruptive impacts of the COVID-19 pandemic.

Financial performance for the financial year ended 30 June 2021 was negatively impacted by:

- COVID-19 pandemic circumstances including international border closures and other government responses; and
- Incurring costs of $1,538,000 before tax associated with two unsolicited takeover offers, including the proposed takeover offer from iCollege limited which has been unanimously recommended by the directors.

The balance of cash and cash equivalents as at 30 June 2021 was $23,909,000 (30 June 2020 $22,194,000). In addition to cash and cash equivalents, there were term deposits of $2,471,000 (30 June 2020 $2,454,000) classified as non-current assets.

Below is a reconciliation between the loss on ordinary activities and the profit from ordinary activities excluding one-time items.

	Year ended 30 June 2021 $'000	Year ended 30 June 2020 $'000
Profit/(Loss) from ordinary activities** after tax attributable to the shareholders of RedHill Education Limited	(455)	(19,645)
Add back after-tax impact of one-time items:		
Merger and acquisition costs ($1,538 net of tax of $92)	1,446	-
Restructuring charges ($299 net of tax of $90)	209	-
Impairment charges	-	17,203
Provision for onerous contracts	-	524
Impairment of deferred tax assets	-	2,769
Profit from ordinary activities after tax attributable to the shareholders of RedHill Education Limited excluding one-time items	**1,200**	**851**

Below is a reconciliation between the loss on ordinary activities and EBITDA* excluding one-time items.

	Year ended 30 June 2021 $'000	Year ended 30 June 2020 $'000
Profit/(Loss) from ordinary activities** after tax attributable to the shareholders of RedHill Education Limited	(455)	(19,645)
Add back:		
Income tax expense including write back of deferred taxes in FY20	232	3,146
Finance costs net of interest income	2,009	2,135
Depreciation and amortisation	4,653	7,186
EBITDA including one-time items	**6,439**	**(7,178)**
One-time items pre-tax:		
Merger & acquisition costs	1,538	-
Restructuring charges	299	-
Impairment charges	-	17,203
Provision for onerous contracts	-	749
EBITDA excluding one-time items	**8,276**	**10,774**

*EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards Board (AASB) and represents the profit under AASB adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity.

** Profit/(Loss) from ordinary activities includes JobKeeper receipts of $5.0 million for the year ended 30 June 2021 ($2.0 million for the year ended 30 June 2020).

IMPACT OF COVID-19

The consolidated entity continues to be materially impacted by the COVID-19 pandemic. The pandemic has caused the consolidated entity to undertake a wide range of measures to ensure the safety of our employees and students, and to preserve cash so that the consolidated entity may re-invigorate when circumstances improve. These measures have included undertaking a capital raising by way of institutional placement and rights issue (see ASX announcement dated 7 July 2020), seeking rental relief from some landlords, partially standing down a large proportion of the non-teaching workforce through to 31 December 2020, and accessing government relief schemes (including JobKeeper). The consolidated entity has also focused on launching and marketing of new domestic revenue generating opportunities.

NO DECLARATION OF DIVIDEND

In view of the continuation of the extraordinary circumstances caused by the COVID-19 pandemic and government responses, the directors regard it as prudent to conserve cash and have decided that no dividend will be declared in relation to FY21.

OPERATIONAL REVIEW

Trading has been impacted by COVID-19 as discussed elsewhere in the Director's Report. FY21 revenue was $43.5 million, a reduction of 33% vs against the prior year.

Greenwich

Greenwich revenues were $24.2 million, a reduction of 40% against the prior year.

Greenwich Management student numbers grew to 3,480 in June 2021, up 34% against the prior year. This was a remarkable achievement considering that international borders remained closed for the entire year. Although student numbers increased, revenues declined by 2% due to highly competitive market pricing.

Greenwich English revenues declined by 62%, which was less than earlier estimates. Its resilience came from students choosing to continue their studies, marketing to people already in Australia seeking to apply for a student visa, and attracting students from other colleges that have ceased operations.

Greenwich remains a preferred college for both students and agency partners going into FY22 due to its leading brand reputation, industry leadership, high service levels and strong financial position.

Technology & Design

Academy of Information Technology (AIT) revenues declined by 28% against the prior year. Revenues from domestic students grew by 5% against the prior year but did not offset the decline in international student revenues.

Coder Academy revenues grew 9% and student numbers grew by 18% against the prior year. The majority of its growth was generated from its accredited software development bootcamps and cyber security courses.

Go Study

Go Study Australia revenues were down 34% against the prior year. RedHill maintained a prudent policy of not recognizing any revenue in FY21 related to offshore enrolments whilst international borders remained closed.

Go Study Australia onshore revenues proved resilient, growing 3% against the prior year and outperforming previous estimates.

Go Study Canada was launched in November 2020 to prospective students located in Europe and South America in response to Canada opening its borders to international students in late 2020. Revenues for students travelling to Canada to study commenced in the second half of FY21.

Cost management

RedHill implemented a wide range of cost reduction activities in FY21 in response to the COVID-19 pandemic.

Overall operating costs were reduced by approximately $17 million against the prior year, with reductions achieved across most cost categories. Unplanned costs of $1.5 million were incurred in relation to two unsolicited takeover offers received during the year.

Employee costs – impact of the Australian Government's JobKeeper scheme

RedHill was an eligible employer at the commencement of the JobKeeper scheme as enacted by the Coronavirus Economic Response Package (Payments and Benefits) Act 2020. The JobKeeper scheme commenced on 30 March 2020 and was originally scheduled to end on 27 September 2020 – a period of 26 weeks. On 21 July 2020, the Australian Government announced that the JobKeeper scheme would be extended for eligible businesses until 28 March 2021. RedHill continued to be an eligible employer and received approximately $5.0 million JobKeeper payments in FY21 (approximately $3.9 million in H1 and $1.1 million in H2).

Interest in tertiary education in Australia

RedHill's directors expect the private tertiary education sector in Australia to be resilient. The Australian Government has identified the resumption of international student arrivals as part of the National Plan to transition Australia's National COVID-19 Response, and RedHill has advised its willingness to governments and regulatory bodies to participate in pilot programmes to demonstrate that international students can be brought into Australia in a safe and supported manner.

RedHill continues to receive interest from prospective international students who are not yet in Australia and has a pipeline of enrolment applications from people in its key source markets who have indicated their intention to travel to Australia and undertake tertiary studies when COVID-19 pandemic conditions improve and commercial flights resume.

No further information in respect of RedHill's business strategies and prospects has been included, as the directors believe that this information is of a confidential nature in a highly competitive industry and that more detail would be likely to result in unreasonable prejudice to RedHill.

KEY RISKS TO ACHIEVING FINANCIAL OUTCOMES IN RELATION TO FUTURE PROSPECTS

This section describes some of the material business risks that are partially or completely outside of the control of RedHill and could have an adverse impact on future financial performance or outcomes. These risks have been monitored throughout FY21 by RedHill's Audit & Risk Management Committee.

The risks set out below are not exhaustive, and the likelihood of occurrence and consequences of risks may change over time.

International disruption and the impact of the coronavirus (COVID-19) pandemic: There is a risk RedHill is unable to effectively manage the impact of COVID-19 including lockdowns and travel bans.

Regulatory registrations and accreditations: There is a risk Redhill is unable to manage the impact of future regulatory changes, is unable to retain existing registrations or experiences delays in obtaining new approvals of registrations or certifications.

International student visa and immigration policies: There is a risk RedHill is unable to manage the impacts of any future changes to international student visa requriements or to Australian Immigration policies for students from RedHill's source markets.

Exposure to Australian Government funding and tuition loan arrangements: There is a risk future changes to HELP legislation or regulations, or an inability by RedHill to retain or renew Higher Education Loan Program accreditations.

Technology platforms may be disrupted, fail or be insufficient: There is a risk RedHill's critical systems, platforms and technology infrastructure are compromised by a cyber, vendor or internal event.

Protection and security of personal information and data: There is a risk RedHill fails to comply with laws, regulations or other commitments made including privacy obligations.

Competition and market disruption: There is a risk RedHill fails to anticipate or respond to changing market conditions and student expectations and preferences.

Reliance upon third party agents: There is a risk RedHill fails to maintain and develop positive relationships with a diverse mix of international student agents.

Human resources and organisational culture: There is a risk RedHill is unable to maintain and build upon an agile and resilient culture that is built upon talented people, ethical behavious and a student centric mindset.

Service delivery quality and student satisfaction: There is a risk RedHill fails to provide a positive student experience including quality learning outcomes.

Industry and brand reputation: There is a risk RedHill is unable to maintain its good reputation with other industry stakeholders or is impacted by allegations of poor practices at other industry participants.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Coronavirus (COVID-19) pandemic

The consolidated entity has been materially impacted by the COVID-19 pandemic up to 30 June 2021, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and the governments of other countries, such as social distancing requirements, quarantine requirements, vaccination requirements, travel restrictions and other economic stimulus that may be provided.

iCollege Limited and RedHill to create a leading education provider

RedHill and iCollege Limited ('iCollege') announced to the ASX on 12 August 2021 that an offer from iCollege to acquire RedHill shares has been unanimously recommended by RedHill's Board of Directors, subject to there being no superior proposal.

The iCollege offer is for 9.5 iCollege shares for each RedHill share. Following mutual due diligence, the businesses have executed a Bid Implementation Agreement ("BIA") to complete the proposed transaction by an off-market takeover. In the event the takeover does not successfully complete, a Scheme Implementation Deed is proposed to be executed on terms similar to the BIA.

Based on iCollege's closing share price of $0.130 per share on 11 August 2021, this implies a value of $1.235 per RedHill share representing a premium in the range of 53.4% to 61.4% on relative timeframes (last close on 25 June 2021, 1-month and 3-month VWAP to this date, and the undisturbed price on 11 December 2020 (prior to the earlier UCW Limited unsolicited takeover offer)).

The key conditions of the offer include a minimum acceptance condition of 90%; receipt of regulatory approvals; no prescribed occurrences; and no material adverse change. The BIA includes a customary deal protection for ICT including a break fee, no shop, no talk, exclusivity and a right to match competing proposals (subject to usual fiduciary carve-outs).

RedHill will procure the cancellation of all unlisted options with the relevant unlisted option holders for no consideration on or about the date, and subject to, the RedHill Board being reconstituted as soon as practical after the iCollege offer becomes unconditional or is declared by iCollege to be free of all conditions as noted in the BIA. These options are included in note 35.

RedHill will grant 904,417 Performance Rights before the end of the offer period as described in the BIA. Subject to the offer becoming unconditional or being declared by iCollege to be free of all conditions, approximately 67% of those Performance Rights will vest such that RedHill shares issued on vesting of the Performance Rights can be accepted into the offer. This also applied to the 1,150,101 Performance Rights already in issue (refer note 35) where approximately 77% will vest.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Commonwealth or State law.

MEETINGS OF DIRECTORS

The number of meetings of the company's directors ('the Board') and of each board committee held during the year ended 30 June 2021, and the number of meetings attended by each director are as follows:

	Board		Audit and Risk Management Committee		Remuneration Committee		Nominations Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Stephen Heath	46	46	5	5	5	5	2**	2
Glenn Elith	46	46	5**	5	2**	5	2**	2
William Deane	46	46	5	5	5**	5	2	2
Sandra Hook	46	46	5	5	5	5	2	2
William J. Beerworth	12*	12*	4*	4*	5	5	2	2

Held: represents the number of meetings held at which the director was eligible to attend, during the time the director held office or was a member of the relevant committee.

* William J. Beerworth retired from the Company on 30 November 2020.

** Attended as observer at the invitation of the committee members.

REMUNERATION REPORT (AUDITED)

The remuneration report details the director and other key management personnel ('KMP') remuneration arrangements for the consolidated entity and the parent entity.

KMP are defined as those who have the authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director of the entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional disclosures relating to key management personnel
- F Performance of the company and shareholder returns

A. Principles used to determine the nature and amount of remuneration

The objective of RedHill's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice. The directors of the company ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performing and high quality personnel.

The Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity. The Remuneration Committee from time to time use external consultants to assist in development of remuneration strategy, as detailed in the 'Use of remuneration consultants' section below.

In accordance with best practice corporate governance, the structure of executive and non-executive director remuneration is dealt with separately.

Non-executive director remuneration is structured to be aligned to shareholders' interests:

- rewards capability and experience;
- rewards contribution to growth in shareholder wealth; and
- is competitive with remuneration in listed companies of comparable size and complexity.

Executive remuneration is structured to be aligned to shareholders' interests:

- has economic profit as a core component of design;
- focuses on sustained growth in shareholder wealth through payment of dividends, growth in share price, delivering constant or increasing return on assets, and focusing the executive on key non-financial drivers of value;
- provides a clear structure for earning rewards; and
- assists with attracting and retaining high calibre executives.

Non-executive director remuneration

The approved aggregate maximum amount payable to non-executive directors as director fees (excluding salary payments to the executive directors) is $500,000 per annum.

Fees paid to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. These fees are reviewed annually to ensure they are appropriate and in line with the market.

The Chairman's fees are determined independently of the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Executive remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and level of responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other statutory components including superannuation and long service leave.

The combination of these comprises the executive's total available remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional cost to the consolidated entity and adds additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives responsible for meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product innovation management.

The directors consider that there is a positive correlation between the company's remuneration policies and its financial performance.

Use of remuneration consultants

The Remuneration Committee engaged Godfrey Remuneration Group (GRG) to review and provide recommendations in respect of the amount and elements of executive remuneration, including short-term and long-term incentive plan design.

Under the terms of the engagement, GRG provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $34,000 for these services.

GRG was engaged by, and reported directly to, the Chair of the Remuneration Committee. The report containing the remuneration recommendations was provided by GRG directly to the Chair of the Remuneration Committee. The Board is satisfied that the recommendations were made free from undue influence from any members of the Key Management Personnel.

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) are set out in the following tables.

The key management personnel of the consolidated entity during the year ended 30 June 2021 comprised the directors of RedHill Education Limited, including Glenn Elith who is an executive director, and Michael Fahey, the Chief Financial Officer.

		Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
2021	**Cash salary and fees** $**	**Annual leave** $**	**Bonus* $**	**Super-annuation $**	**Long service leave *** $**	**Equity-settled**** $**	**Total $**
Non-Executive Directors:							
William J. Beerworth	120,000	-	-	-	-	-	120,000
William Deane	95,000	-	-	-	-	-	95,000
Sandra Hook	70,000	-	-	-	-	-	70,000
Stephen Heath	91,936	-	-	-	-	-	91,936
Executive Directors:							
Glenn Elith*	407,457	34,414	50,000	21,694	39,458	162,072	715,095
Other Key Management Personnel:							
Michael Fahey	291,256	24,898	30,000	21,694	-	-	367,848
	1,075,649	59,312	80,000	43,388	39,458	162,072	1,459,879

* Bonus payments were assessed and paid on a performance basis.

** Cash salary and fees represent base salary, including a reduction in salary effective 01 April 2020 until December 2020 as a response to COVID-19 Pandemic for both Mr Elith and Mr Fahey. Annual leave amounts represent movements in the annual leave provision.

*** Other long-term benefits as per Corporations Regulation 2M.3.03(1) Item 8. The amounts disclosed in this column represent the movements in the long service leave provision.

**** This represents amounts in relation to the performance rights and options granted to Mr Elith which have been expensed for accounting purposes, and for which no amounts have been paid.

The accounting expense related to the performance rights comprises:

	FY21 ($)	FY20 ($)
Performance rights - tranche 1 (lapsed)	-	11,874
Performance rights - tranche 2 (lapsed)	-	5,089
Performance rights - tranche 3	58,352	58,352
Performance rights - tranche 4	47,496	47,496
Performance Share Appreciation Rights	16,478	-
Performance Rights EPS	24,112	-
Performance Rights - Strategic	15.634	-
Options	-	862
Total share based payments expense	162,072	123,673

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	**Cash salary and fees*** $**	**Annual leave*** $**	**Bonus* $**	**Super-annuation $**	**Long service leave **** $**	**Equity-settled***** $**	**Total $**
Non-Executive Directors:							
William J. Beerworth	120,000	-	-	-	-	-	120,000
William Deane	71,250	-	-	-	-	-	71,250
Sandra Hook	40,835	-	-	-	-	-	40,835
Stephen Heath	40,835	-	-	-	-	-	40,835
Executive Directors:							
Glenn Elith*	404,732	24,605	65,000	21,003	7,599	123,673	646,612
Other Key Management Personnel:							
Michael Fahey**	252,936	19,340	-	19,310	-	-	291,586
	930,588	43,945	65,000	40,313	7,599	123,673	1,211,118

* Bonus payments were assessed and paid on a performance basis. $35,000 was paid in September 2019 and $30,000 was paid in April 2020.

** Michael Fahey was appointed as Chief Financial Officer effective 19 August 2019.

*** Cash salary and fees represent base salary, including a reduction in salary effective 01 April 2020 as a response to COVID-19 Pandemic for both Mr Elith and Mr Fahey. New directors Sandra Hook and Stephen Heath were appointed as of September 2019. Non-executive director forfeited their fees for Q4 of FY20. Annual leave amounts represent movements in the annual leave provision.

**** Other long-term benefits as per Corporations Regulation 2M.3.03(1) Item 8. The amounts disclosed in this column represent the movements in the long service leave provision.

***** This represents amounts in relation to the performance rights and options granted to Mr Elith which have been expensed for accounting purposes, and for which no amounts have been paid.

Testing of performance rights Tranches 1 and 2 was undertaken during FY20. The performance hurdles for neither tranche was met and those rights lapsed.

C. Service agreements

Remuneration and other terms of employment for continuing key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Glenn Elith
Title:	Chief Executive Officer
Agreement commenced:	1 May 2012
Term of agreement:	Mr Elith is employed under a continuing contract with no fixed term.
Details:	Gross salary per annum of $425,000 plus statutory superannuation. 12 weeks termination notice by either party.

Name:	Michael Fahey
Title:	Chief Financial Officer
Agreement commenced:	19 August 2019
Term of agreement:	Mr Fahey is employed under a continuing contract with no fixed term.
Details:	Gross salary per annum of $307,497 plus statutory superannuation. 4 weeks termination notice by either party.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D. Share-based compensation

Issue of shares

During the year ended 30 June 2021 no directors or KMP were issued shares.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Grant date	Number of options	Vesting and exercise date	Expiry date	Exercise price	Fair value at grant date *
12/12/2016	75,000	25/11/2017	12/12/2021	$1.25	$0.044
12/12/2016	75,000	25/11/2018	12/12/2021	$1.75	$0.007
12/12/2016	75,000	25/11/2019	12/12/2021	$2.25	$0.0003

* Fair value per option at grant date is an estimate only using the Black-Scholes methodology.

Options granted carry no dividend or voting rights.

Performance rights

The company implemented the RedHill Education Limited Rights Plan (Rights Plan) following shareholder approval at the November 2020 Annual General Meeting. The company's shareholders also approved the grant of 810,843 performance rights to Mr Glenn Elith at the same meeting.

The performance rights granted to Mr Elith are subject to the performance measures outlined below:

Tranche 1 - 402,257 Performance Share Appreciation Rights (PSAR's) with an Absolute Total Shareholder Return (ATSR) Vesting Condition and an Exercise Price equal to the Share Price used in the grant calculation of $0.5685. The vesting condition will be based on the Total Shareholder Return (TSR) of RedHill over the Measurement Period (equivalent to the change in Share Price, plus dividends declared and assumed to be reinvested). Vesting will be determined according to the following scale:

Performance Level	RDH Annualised TSR CAGR (Compound Annual Growth Rate)	% of Tranche Vesting
Stretch - Incentive/Upside	≥70% TSR CAGR	100%
Target - Expected Outcome/At-Risk	**=45% TSR CAGR**	**50%**
Threshold - Minimum Acceptable Outcome	=25% TSR CAGR	25%
Below Threshold	<25% TSR CAGR	0%

Pro-rata outcomes apply between the specified levels.

Tranche 2 – 220,008 Performance Rights (PRs) with an Earnings Per Share Vesting Condition. The vesting condition will be based on the statutory Earnings Per Share declared for the final year of the 3 year Measurement Period. Vesting will be determined according to the following scale:

Performance Level	RDH Earnings Per Share (EPS) in Final Year	% of Tranche Vesting
Stretch - Incentive/Upside	≥$0.044	100%
Target - Expected Outcome/At-Risk	**=$0.033**	**50%**
Threshold - Minimum Acceptable Outcome	=$0.022	25%
Below Threshold	<$0.022	0%

Pro-rata outcomes apply between the specified levels.

Tranche 3 – 188,578 PRs with a strategic milestones Vesting Condition. The vesting condition will be based on the achievement of strategic objectives set by the Board each year and assessed retrospectively over the 3 years, according to the following scale:

Performance Level	Strategic Scorecard Result	% of Tranche Vesting
Stretch - Incentive/Upside	≥90%	100%
Target - Expected Outcome/At-Risk	**=80%**	**50%**
Threshold - Minimum Acceptable Outcome	=$75%	25%
Below Threshold	< 75%	0%

Pro-rata outcomes apply between the specified levels.

The company's Employee Incentive Plan (Former Plan) was amended at the Annual General Meeting held in November 2018 to include the grant of performance rights to certain eligible employees.

The company's shareholders approved the grant of 508,888 performance rights to Mr Glenn Elith at the Annual General Meeting in November 2018. Full details were provided in the FY19 Remuneration Report.

Tranches 1 and 2 of the performance rights granted to Mr Elith were tested in FY21, the hurdles were not met and the performance rights lapsed.

Tranches 3 and 4 of the grant entitles Mr Elith to one share in RedHill at the time of vesting subject to the conditions outlined below:

Grant date	Number of rights	Performance period	Testing date	Holding lock	Fair value at grant date*
26/03/2019	169,629	36 months ending 30/9/21	15/10/2021	2 years post vesting	$0.86
26/03/2019	169,629	36 months ending 30/9/21	15/10/2021	2 years post vesting	$0.70

* Fair value per performance right at grant date is an estimate only using a Monte Carlo simulation.

Tranches 3 and 4 of the performance rights granted to Mr Elith are subject to the performance measures outlined below:

Tranche 3 – Growth in share price relative to the S&P/ASX Small Ordinaries Index (Index) over a three year period ending 30 September 2021

Growth of Company Share price relative to Index	Percentage and / or number of rights that will vest
Less than 100%	Nil
100%	50% of Tranche 3 Equity Performance Rights (84,815) vest
Between 100% and 200%	Pro-rate straight line vesting between 50% and 100% of the remainder of Tranche 3 Equity Performance Rights vest
200%	100% of Tranche 3 Equity Performance Rights (169,629) vest

Tranche 4 – CAGR Total Shareholder Return over a three year period ending 30 September 2021

Total Shareholder Return growth	Percentage and / or number of rights that will vest
Less than 15%	Nil
15% or more	50% of Tranche 4 Equity Performance Rights (84,815) vest
Between 15% and 25%	Pro-rate straight line vesting between 50% and 100% of the remainder of Tranche 4 Equity Performance Rights vest
25% or more	100% of Tranche 4 Equity Performance Rights (169,629) vest

Performance rights granted carry no dividend or voting rights.

Performance rights granted to Mr Elith are subject to the following conditions:

- No amount will be payable in respect of the grant;
- No loan has been made in relation to the grant;
- No amount is payable upon vesting of a performance rights; and
- Upon vesting, shares in the company will be issued that carry the same rights as other shares in the company except that they will be subject to a holding lock and restrictions on dealing for a period of two years following the issue.

Performance Testing

Testing of the performance conditions will occur in respect of Tranches 3 and 4 on or before 15 October 2021.

Granting and vesting of performance rights and options

The number of options over ordinary shares granted to and vested by directors and other KMP as part of compensation during the year ended 30 June 2021 are set out below:

Name	Number of options granted in 2021	Number of options granted in 2020	Number of rights granted in 2021	Number of rights granted 2020	Number of options vested 2021	Number of options vested 2020	Number of rights vested 2021	Number of Rights vested 2020
Glenn Elith	-	-	810,843	-	-	-	-	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other KMP as part of compensation during the year ended 30 June 2021are set out below:

Name	Value of* options granted in 2021 $	Value of* options exercised in 2021 $	Value of* options lapsed in 2021 $	Value of** rights granted in 2021 $	Value of** rights exercised in 2021 $	Value of** rights lapsed in 2021 $
Glenn Elith	-	-	-	259,408	-	-

* Fair value is an estimate only using the Black-Scholes methodology at the grant date.

** Fair value per performance right at grant date is an estimate only using a Monte Carlo simulation.

E. Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Ordinary shares					
Stephen Heath	41,667	-	-	-	41,667
William Deane*	254,667	-	-	-	254,667
Sandra Hook	41,667	-	-	-	41,667
Glenn Elith	325,000	-	-	-	325,000
Michael Fahey	33,334	-	-	-	33,334
	696,335	-	-	-	696,335

* William Deane holds the beneficial interest in ordinary shares through Exto Partners Australia Pty Ltd and due to the ownership structure of that company, he only claims an interest in 50% of these ordinary shares.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Glenn Elith	225,000	-	-	-	225,000
	225,000	-	-	-	225,000

Performance rights holding

The number of performance rights in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Performance rights					
Glenn Elith	339,258	810,843	-	-	1,150,101
	339,258	810,843	-	-	1,150,101

F. Performance of the company and shareholder returns

RedHill's performance is impacted by market factors and employee performance.

The application of RedHill's executive reward framework has regard to the following shareholder return indices in respect of each financial year.

	2021 $'000	2020 $'000	2019 Restated $'000	2018 $'000	2017 $'000
Revenue	43,545	64,619	58,868	54,594	41,468
% growth in revenue over prior period	(33)%	10%	8%	32%	46%
Net profit after income tax	(455)	(19,645)	347	3,510	1,737

	2021	2020	2019 Restated	2018	2017
Basic earnings per share (cps)	(0.90)	(63.11)	1.13	11.53	5.73
Diluted earnings per share (cps)	(0.90)	(63.11)	1.12	11.41	5.70
Share price at financial year end ($)	0.88	0.62	2.15	3.15	1.26
% increase / (decrease) in share price over prior period	42%	(71%)	(32%)	150%	48%

The directors consider that there is a positive correlation between RedHill's performance and its remuneration policies.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of RedHill Education Limited under option at the date of this report are as follows:

Grant date	Number under option	Vesting and Exercisable date	Expiry date	Exercise price
12/12/2016	75,000	12/12/2017	12/12/2021	$1.25
12/12/2016	75,000	12/12/2018	12/12/2021	$1.75
12/12/2016	75,000	13/12/2019	12/12/2021	$2.25
08/11/2017	80,000	09/11/2019	09/11/2021	$1.40
08/11/2017	80,000	09/11/2020	09/11/2022	$1.60
08/11/2017	80,000	09/11/2021	09/11/2023	$1.80
	465,000			

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where the liability arises out of conduct involving a lack of good faith.

During the financial year, the company paid an insurance premium in respect of a directors’ and officers’ liability insurance policy to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related party against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF RSM AUSTRALIA PTY LTD

There are no officers of the company who are former audit partners of RSM Australia Pty Ltd.

ROUNDING OF AMOUNTS

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

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

AUDITOR

RSM Australia Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors:

Stephen Heath
Chairman
23 September 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of RedHill Education Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 23 September 2021

REDHILL EDUCATION LIMITED & ITS CONTROLLED ENTITIES

FINANCIAL REPORT 30 JUNE 2021

RedHill Education Limited and its Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue from contracts with customers	4	43,545	64,619
Other income	5	5,127	1,966
Interest revenue		24	103
Expenses			
Salaries and employee benefits expense		(25,679)	(34,899)
Cost of services		(7,904)	(11,913)
Depreciation and amortisation expense	6	(4,653)	(7,186)
Impairment of assets	37	-	(17,203)
Impairment of receivables	9	(364)	(733)
Property and occupancy costs		(1,739)	(2,804)
Professional and consulting fees		(560)	(545)
Marketing expenses		(1,473)	(1,834)
Public company related costs		(799)	(688)
Merger and acquisition costs		(1,538)	-
Onerous contract expense		-	(749)
Other expenses		(2,177)	(2,395)
Finance costs		(2,033)	(2,238)
Loss before income tax expense		(223)	(16,499)
Income tax expense	7	(232)	(3,146)
Loss after income tax expense for the year attributable to the shareholders of RedHill Education Limited	22	(455)	(19,645)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		19	10
Other comprehensive income for the year, net of tax		19	10
Total comprehensive loss for the year attributable to the shareholders of RedHill Education Limited		(436)	(19,635)
		Cents	**Cents**
Basic earnings per share	34	(0.90)	(63.11)
Diluted earnings per share	34	(0.90)	(63.11)

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

RedHill Education Limited and its Controlled Entities
Consolidated statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	8	23,909	22,194
Trade receivables	9	8,795	7,322
Income tax refund due		-	568
Prepayments and other assets	10	1,332	2,531
Total current assets		34,036	32,615
Non-current assets			
Property, plant and equipment	11	3,452	4,409
Right-of-use assets	12	9,931	12,707
Intangibles	13	710	693
Prepayments and other assets	10	2,471	2,454
Total non-current assets		16,564	20,263
Total assets		50,600	52,878
Liabilities			
Current liabilities			
Trade and other payables	15	5,886	4,630
Contract liabilities	16	16,374	17,518
Lease liabilities	18	5,237	4,674
Income tax		54	-
Employee benefits	19	1,687	1,350
Provisions	17	101	-
Total current liabilities		29,339	28,172
Non-current liabilities			
Lease liabilities	18	14,733	19,587
Employee benefits	19	131	90
Provisions	17	1,167	1,575
Total non-current liabilities		16,031	21,252
Total liabilities		45,370	49,424
Net assets		5,230	3,454
Equity			
Issued capital	20	30,592	28,557
Reserves	21	384	188
Accumulated losses	22	(25,746)	(25,291)
Total equity		5,230	3,454

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

RedHill Education Limited and its Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital $'000	Share-based payments reserves $'000	Foreign currency translation reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	19,166	22	-	(5,034)	14,154
Loss after income tax expense for the year	-	-	-	(19,645)	(19,645)
Other comprehensive income for the year, net of tax	-	-	10	-	10
Total comprehensive income/(loss) for the year	-	-	10	(19,645)	(19,635)
Transactions with shareholders in their capacity as owners:					
Contributions of equity, net of transaction costs (note 20)	9,391	-	-	-	9,391
Share-based payments (note 35)	-	29	-	-	29
Transfer back lapsed options	-	(35)	-	-	(35)
Fair value of exercised options	-	(4)	-	4	-
Share rights reserve	-	166	-	-	166
Dividends paid (note 23)	-	-	-	(616)	(616)
Balance at 30 June 2020	28,557	178	10	(25,291)	3,454

Consolidated	Issued capital $'000	Share-based payments reserves $'000	Foreign currency translation reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	28,557	178	10	(25,291)	3,454
Loss after income tax expense for the year	-	-	-	(455)	(455)
Other comprehensive income for the year, net of tax	-	-	19	-	19
Total comprehensive income/(loss) for the year	-	-	19	(455)	(436)
Transactions with shareholders in their capacity as owners:					
Contributions of equity, net of transaction costs (note 20)	2,035	-	-	-	2,035
Share-based payments (note 35)	-	21	-	-	21
Transfer back lapsed options	-	(6)	-	-	(6)
Share rights reserve	-	162	-	-	162
Balance at 30 June 2021	30,592	355	29	(25,746)	5,230

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

RedHill Education Limited and its Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		40,610	63,666
Receipts from government (Jobkeeper and similar schemes in offshore locations)		5,127	1,316
Payments to suppliers and employees (inclusive of GST)		(39,273)	(55,663)
		6,464	9,319
Interest received		19	71
Income taxes refunded/(paid)		390	(33)
Net cash from operating activities	32	6,873	9,357
Cash flows from investing activities			
Proceeds/(payments) from release of security deposits		(17)	(65)
Payments for property, plant and equipment		(308)	(2,736)
Payments for intangibles		(378)	(518)
Net cash used in investing activities		(703)	(3,319)
Cash flows from financing activities			
Proceeds from issue of shares	20	2,035	9,213
Repayments made under finance leases		-	(16)
Dividends paid		-	(616)
Repayment of lease liabilities - interest component	33	(1,948)	(2,164)
Repayment of lease liabilities - principal component	33	(4,542)	(3,215)
Net cash from/(used in) financing activities		(4,455)	3,202
Net increase in cash and cash equivalents		1,715	9,240
Cash and cash equivalents at the beginning of the financial year		22,194	12,954
Cash and cash equivalents at the end of the financial year	8	23,909	22,194

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Going concern
The spread of COVID-19 was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and impacted industries.

The consolidated entity continued to be impacted by the COVID-19 pandemic in the financial year ended 30 June 2021. The pandemic has caused the consolidated entity to undertake a wide range of measures to ensure the safety of our employees and students, and to preserve cash so that the consolidated entity may re-invigorate when circumstances improve. As at 30 June 2021, the consolidated entity held $23,909,000 of cash and cash equivalents (30 June 2020: $22,194,000), had cash inflow from ordinary activities of $6,873,000 (30 June 2021: $9,357,000) and net assets of $5,230,000 (30 June 2020: $3,454,000).

The directors have considered cash flow forecast scenarios for the consolidated entity taking into consideration the likely continued negative impacts of COVID-19. These forecast scenarios indicate that the consolidated entity is expected to continue to operate within the limits of its available cash reserves at least until the end of 2022 calendar year. Key variables considered in the forecast scenarios included when international students would be able to resume travel to Australia, the timeframe for the recovery of student numbers once international travel is possible, and the provision of ongoing government support.

The directors believe it remains appropriate to prepare the financial statements on a going concern basis and have a reasonable expectation that the consolidated entity has sufficient funds on hands to pay its debts as and when they fall due over the next twelve months.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Note 1. Significant accounting policies (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RedHill Education Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. RedHill Education Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is RedHill Education Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Tuition related revenue
Tuition revenue and other education material related revenue are recognised when the consolidated entity satisfies its performance obligation by delivering tuition services and other educational material to the student over time.

Commission revenue
Commission revenue is recognised at the point in time at which the consolidated entity is deemed to have fulfilled its commitment as an agent by placing the student in the course of their choice. This usually occurs upon commencement of the course by the student, at which point in time non-refundable enrolment and tuition fees have been paid by them to the education provider.

Interest
Interest 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.

Government grants
Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

RedHill Education Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the parent entity.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 1. Significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5-10 years
Plant and equipment	2-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. Any landlord incentives that are specific to leasehold improvements have offset against the costs of those assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity.

Assets under construction
This expenditure includes net direct costs of construction, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads.

Once a project is complete and is ready for operations, all aggregated costs of construction are transferred to either leasehold improvements or plant and equipment as appropriate.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Note 1. Significant accounting policies (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested for impairment (if not already fully impaired) annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of between two and three years.

Copyrights and licenses
Course development expenditure includes copyrights and licenses which are recognised as an asset at cost less any impairment losses. Once delivery of the course to which the development costs relate has commenced the associated costs are amortised over the life of the accreditation, being their finite useful life between two and three years.

Impairment of non-financial assets
Goodwill is not subject to amortisation and, if not already fully impaired, is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Significant accounting policies (continued)

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities
Contract liabilities relate to tuition fees invoiced but not yet earned in relation to all student tuition invoices. These invoiced tuition fees are recognised as revenue in monthly increments as education services are provided to the student. This was previously known as deferred revenue.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries and other employee benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits
Employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 1. Significant accounting policies (continued)

Share-based payments
Share based compensation benefits are provided to employees via the RedHill Education Limited Employee Incentive Plan.

Equity-settled transactions are awards of shares, performance rights or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions. For equity-settled transactions with market conditions, fair value is independently determined using the Monte-Carlo simulation.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods. For equity-settled transactions with market conditions, the expense is recognised over the vesting period regardless of whether the market conditions are met since market conditions are taken into account when determining the fair value at grant date.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

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

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

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Note 1. Significant accounting policies (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the shareholders of RedHill Education Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential on ordinary shares at balance date and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares during the financial year.

Comparatives
Certain comparatives have been reclassified where necessary, to align with current year presentation and include notes 7, and 14. There was no net effect on the consolidated profit or net assets. The comparatives of the parent entity were restated to correct a recording error and to recognise an impairment of investment in subsidiaries that should have been recorded in the 30 June 2020 financial statements when the CGU impairment was recorded.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 1. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical 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, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill
The consolidated entity assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. The directors have assessed the carrying value of non-financial assets other than goodwill in the consolidated entity as appropriate as at 30 June 2021.

The Directors have specifically considered the continued impact of COVID-19 in assessing potential triggers of impairment or impairment reversals to determine the recoverable amount. The key factors of when international students would be able to resume travel to Australia and the timeframe for the recovery of student numbers once international travel is possible remains critical in the forecast scenarios. The Delta variant of COVID-19 continues to present challenges to State and Federal Governments in executing the four phase COVID recovery plan.

These factors impact the valuations significantly depending on the scenario evaluated. The Directors have determined it is appropriate to hold the carrying values of the non-current assets as stated in the financial statements and to continue to regularly review key factors in assessing recoverability of assets.

The Group considered the following key inputs and sensitivities in the assessment at 30 June 2021:

Inputs
Post tax WACC of 17%
Return of international students mid 2022 calendar year
Terminal growth rate of 0%

Key sensitivities

The table below show the impact on valuation of the key sensitivities (in $000's):

	WACC rate	
	+1%	**-1%**
Greenwich	1,609	(1,439)
Technology & Design	1,168	(2,613)
Go Study	333	(300)
Total	**3,110**	**(4,352)**

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management have exercised their judgement in determining that it is probable that sufficient future taxable income will be available to utilise all tax losses. The directors have assessed the carrying value of deferred tax assets in the consolidated entity as appropriate at 30 June 2021. Refer to note 7 and 14 for further details.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset, if applicable, and provision.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into three operating segments: Technology & Design, Greenwich and Go Study. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer who is identified as the Chief Operating Decision Maker (‘CODM’) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation (‘EBITDA’) and profit before income tax.

The information reported to the CODM is on at least a monthly basis.

Note 3. Operating segments (continued)

Types of products and services
The principal products and services of each of these operating segments are as follows:

Technology & Design	A provider of face-to-face and online courses in information technology, digital design, interactive multimedia, computer coding, digital marketing, games and apps programming, and interior design.
Greenwich	An Australian provider of English Language Intensive Courses for Overseas Students ('ELICOS'), and Vocational Education and Training ('VET') courses for overseas students.
Go Study	An international student advisory recruitment agency with operations in Australia (Sydney, Melbourne, Brisbane, Gold Coast, Perth), Europe (Spain, France, Italy) and South America (Colombia, Chile).

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

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers
The consolidated entity has no significant individual customers.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 2021	Technology & Design $'000	Greenwich $'000	Go Study $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue					
Sales to external customers	15,669	24,234	3,642	-	43,545
Intersegment sales	-	-	565	(565)	-
Total sales revenue	15,669	24,234	4,207	(565)	43,545
Government grants	-	-	125	5,002	5,127
Total revenue	15,669	24,234	4,332	4,437	48,672
Segment operating result	3,191	5,967	127	5,002	14,287
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(4,215)	(4,215)
Professional and consulting fees	-	-	-	(376)	(376)
Public company related costs				(799)	(799)
Merger and acquisition costs	-	-	-	(1,538)	(1,538)
Property and occupancy costs	-	-	-	(69)	(69)
Other expenses	-	-	-	(851)	(851)
Depreciation and amortisation	(1,303)	(221)	12	(3,141)	(4,653)
Finance cost	-	-	-	(2,033)	(2,033)
Interest revenue	-	-	-	24	24
Profit/(loss) before income tax expense	1,888	5,746	139	(7,996)	(223)
Income tax expense					(232)
Loss after income tax expense					(455)
Assets					
Segment assets	12,749	36,672	4,647	-	54,068
Intersegment eliminations					(3,765)
Unallocated assets					297
Total assets					50,600
Liabilities					
Segment liabilities	11,025	29,088	2,253	-	42,366
Unallocated liabilities					3,004
Total liabilities					45,370

Note 3. Operating segments (continued)

Consolidated - 2020	Technology & Design $'000	Greenwich $'000	Go Study $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue					
Sales to external customers	19,009	40,381	5,229	-	64,619
Intersegment sales	-	-	1,109	(1,109)	-
Total sales revenue	19,009	40,381	6,338	(1,109)	64,619
Government grants (JobKeeper)	-	-	19	1,947	1,966
Total revenue	19,009	40,381	6,357	838	66,585
Segment operating result	4,134	11,110	469	1,951	17,664
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(4,807)	(4,807)
Professional and consulting fees	-	-	-	(349)	(349)
Public company related costs				(688)	(688)
Merger and acquisition costs	-	-	-	0	0
Property and occupancy costs	-	-	-	(231)	(231)
Other expenses	-	-	-	(815)	(815)
Depreciation and amortisation	(2,519)	(3,430)	(288)	(949)	(7,186)
Finance cost	-	-	-	(2,238)	(2,238)
Interest revenue	-	-	-	103	103
Onerous contract expense	(749)	-	-	-	(749)
Impairment of assets	(8,020)	(8,787)	(396)	-	(17,203)
Loss before income tax expense	(7,154)	(1,107)	(215)	(8,023)	(16,499)
Income tax expense					(3,146)
Loss after income tax expense					(19,645)
Assets					
Segment assets	10,122	33,767	3,877	-	47,766
Intersegment eliminations					(3,767)
Unallocated assets					8,879
Total assets					52,878
Liabilities					
Segment liabilities	9,212	29,789	1,121	-	40,122
Unallocated liabilities					9,302
Total liabilities					49,424

Note 4. Revenue from contracts with customers

	Consolidated 2021 $'000	Consolidated 2020 $'000
Tuition related revenue	39,903	59,389
Commission revenue	3,642	5,230
Revenue from contracts with customers	43,545	64,619

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Geographical revenue from contracts with customers		
Australia	43,545	62,968
Europe	-	1,504
South America	-	147
	43,545	64,619
Timing of revenue recognition from contracts with customers		
Services transferred over time	39,903	59,389
Services transferred at a point in time	3,642	5,230
	43,545	64,619

Note 5. Other income

	Consolidated 2021 $'000	Consolidated 2020 $'000
Government grants	5,127	1,966

Government grants
During the COVID-19 pandemic, the consolidated entity has received JobKeeper support payments from the Australian Government of $5,002,000 (2020: $1,966,000) which are passed on to eligible employees and stimulus support payments of $125,000 (2020: $nil) from the Italian Government. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related expenses are recognised. The JobKeeper payment scheme in its current form ran each fortnight from 30 March until 28 September 2020 and were extended until 28 March 2021.

Note 6. Expenses

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	421	1,031
Plant and equipment	844	865
Land and buildings right-of-use assets	3,020	4,887
Office equipment right-of-use assets	7	7
Total depreciation	4,292	6,790
Amortisation		
Copyrights	361	396
Total depreciation and amortisation	4,653	7,186
Finance costs		
Unwind of the discount of provisions	85	74
Interest and finance charges paid/payable on lease liabilities	1,948	2,164
Finance costs expensed	2,033	2,238
Leases		
Short-term lease payments	196	380
Low-value assets lease payments	30	76
	226	456
Superannuation expense		
Defined contribution superannuation expense	1,887	2,791

Note 7. Income tax expense

	Consolidated 2021 $'000	Consolidated 2020 $'000
Income tax expense		
Current tax	54	1,348
Deferred tax - origination/(reversal) of temporary differences	291	(4,288)
Deferred tax assets write down / (reversal)	(291)	6,086
Prior year under provision	178	-
Aggregate income tax expense	232	3,146
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 14)	291	(4,288)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(223)	(16,499)
Tax at the statutory tax rate of 30%	(67)	(4,950)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Deferred tax assets write down / (reversal)	(291)	6,086
- Impairment of goodwill	-	1,844
- Foreign branch losses	341	94
- Prior year under provision	178	-
- Share-based payments	53	48
- Other	18	24
Income tax expense	232	3,146

	Consolidated 2021 $'000	Consolidated 2020 $'000
Amounts credited directly to equity		
Deferred tax assets (note 14)	-	(142)

Recognition of deferred tax assets

The consolidated entity is required to re-assess both recognised and unrecognised deferred tax assets at the end of each reporting period. A deferred tax asset is recognised to the extent that it is probable that future tax profits will be available to against which the temporary difference can be utilised.

Deferred tax assets relating to unused tax losses are recognised only to the extent there is convincing evidence that the consolidated entity will have sufficient taxable profits in the foreseeable short term to use those unused tax losses.

The directors have considered the recognition of a deferred tax asset for the consolidated entity as at 30 June 2021 and have decided that given the consolidated entity is not expected to make tax payments in the foreseeable future they would not recognise the deferred tax balance of $5,795,000 (30 June 2020: $6,086,000) (note 14), which is the balance the consolidated entity would have otherwise recognised as at 30 June 2021.

Note 8. Cash and cash equivalents

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Cash at bank and on hand	23,909	22,194

Note 9. Trade receivables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Trade receivables	10,044	8,189
Less: Allowance for expected credit losses	(1,249)	(867)
	8,795	7,322

Allowance for expected credit losses

The consolidated entity has recognised a loss of $364,000 in profit or loss in respect of impairment of receivables for the year ended 30 June 2021 (2020: $733,000). The consolidated entity has adopted the simplified approach to expected credit losses (ECL) under AASB 9, which requires the recognition of lifetime ECL at all times.

Consolidated - Greenwich	Expected credit loss rate 2021 %	Carrying amount 2021 $'000	Allowance for expected credit losses 2021 $'000	Expected credit loss rate 2020 %	Carrying amount 2020 $'000	Allowance for expected credit losses 2020 $'000
Current		5,982			5,551	
0 to 6 months overdue		1,233			917	
Over 6 months overdue		583			572	
	7.1%	7,798	556	9.6%	7,040	674

Consolidated - Technology and design	Expected credit loss rate 2021 %	Carrying amount 2021 $'000	Allowance for expected credit losses 2021 $'000	Expected credit loss rate 2020 %	Carrying amount 2020 $'000	Expected credit loss rate 2020 $'000
Course to commence		93			155	
Active Students		1,311			479	
Inactive Students		629			304	
	31.2%	2,033	635	15.2%	938	143

Note 9. Trade receivables (continued)

Consolidated - Go Study	Expected credit loss rate 2021 %	Carrying amount 2021 $'000	Allowance for expected credit losses 2021 $'000	Expected credit loss rate 2020 %	Carrying amount 2020 $'000	Allowance for expected credit losses 2020 $'000
Over 6 months overdue	27.2%	213	58	23.7%	211	50

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to COVID-19 pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2021 and rates have revised for each operating segments based on experience and economic factors.

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Opening balance	867	899
Additional provisions recognised	364	733
Expected credit loss adjustment (refer to Note 16)	565	-
Receivables written off during the year as uncollectable	(547)	(765)
Closing balance	1,249	867

Note 10. Prepayments and other assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Prepayments	327	716
Deposits	118	158
Other current assets	887	1,657
	1,332	2,531
Non-current assets		
Deposits	2,471	2,454
	3,803	4,985

Other current assets represents student acquisition costs which are treated as prepayments and are fully refundable until the date the students commence their studies.

Note 11. Property, plant and equipment

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Leasehold improvements - at cost	10,107	9,980
Less: Accumulated depreciation	(5,482)	(5,061)
Less: Accumulated impairment	(2,657)	(2,657)
	1,968	2,262
Plant and equipment - at cost	7,075	6,703
Less: Accumulated depreciation	(5,718)	(4,874)
	1,357	1,829
Assets under construction - at cost *	127	318
	3,452	4,409

*The asset under construction represents systems projects (2020: campus improvements projects) yet to be finalised.

Reconciliations

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Assets under construction $'000	Total $'000
Balance at 1 July 2019	4,300	1,314	614	6,228
Additions	1,650	982	102	2,734
Impairment of assets	(2,657)	-	-	(2,657)
Transfers in/(out)	-	398	(398)	-
Depreciation expense	(1,031)	(865)	-	(1,896)
Balance at 30 June 2020	2,262	1,829	318	4,409
Additions	18	273	17	308
Transfers in/(out)	109	99	(208)	-
Depreciation expense	(421)	(844)	-	(1,265)
Balance at 30 June 2021	1,968	1,357	127	3,452

Note 12. Right-of-use assets

	Consolidated	
	2021	2020
	$'000	$'000
Non-current assets		
Land and buildings - right-of-use	34,134	33,883
Less: Accumulated depreciation	(16,035)	(13,015)
Less: Accumulated impairment	(8,196)	(8,196)
	9,903	12,672
Office equipment - right-of-use	42	42
Less: Accumulated depreciation	(14)	(7)
	28	35
	9,931	12,707

Additions to the right-of-use assets during the year were $251,000 (30 June 2020: $10,266,000) prior to depreciation and impairment.

The consolidated entity leases land and buildings for its campuses under agreements of between 1 to 6 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases IT equipment under agreements expiring within 3 years.

For other AASB 16 lease related disclosures refer to the following:
- note 6 for details of interest on lease liabilities and other lease payments;
- note 18 for lease liabilities at the end of the reporting period and maturity analysis; and
- note 33 for repayment of lease liabilities.

Note 13. Intangibles

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Customer contracts - at cost	406	406
Less: Accumulated amortisation	(406)	(406)
	-	-
Software - at cost	470	470
Less: Accumulated amortisation	(470)	(470)
	-	-
Copyrights - at cost	7,415	7,037
Less: Accumulated amortisation	(6,500)	(6,139)
Less: Accumulated impairment	(205)	(205)
	710	693
Licenses - at cost	20	20
Less: Accumulated amortisation	(20)	(20)
	-	-
	710	693

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

Consolidated	Goodwill $'000	Copyrights $'000	Total $'000
Balance at 1 July 2019	6,145	777	6,922
Additions	-	517	517
Impairment of assets	(6,145)	(205)	(6,350)
Amortisation expense	-	(396)	(396)
Balance at 30 June 2020	-	693	693
Additions	-	378	378
Amortisation expense	-	(361)	(361)
Balance at 30 June 2021	-	710	710

Impairment tests for goodwill
The goodwill has been written down to $nil and no further impairment testing is necessary.

Note 14. Deferred tax

	Consolidated 2021 $'000	Consolidated 2020 $'000
Deferred tax assets comprise temporary differences attributable to:		
Right of use assets	(218)	719
Deferred student acquisition costs	218	453
Intangible assets	-	(1,172)
Deferred tax asset	-	-

	Consolidated 2021 $'000	Consolidated 2020 $'000
Unrecognised deferred tax assets comprise temporary differences attributable to:		
Intangible assets	1,077	-
Lease liabilities	2,499	3,950
Property, plant and equipment	280	797
Employee benefits	492	428
Accrued expenses	539	453
Allowance for expected credit losses	376	261
Other	532	197
	5,795	6,086
Movements:		
Opening balance	-	1,894
Credited/(charged) to profit or loss (note 7)	(291)	4,288
Credited to equity (note 7)	-	142
Deferred tax assets (write down) / reversal	291	(6,086)
Other	-	(238)
Closing balance	-	-

Refer to note 7 on Recognition of deferred tax assets.

Note 15. Trade and other payables

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Current liabilities		
Trade payables	1,407	2,558
Payroll accruals	1,750	1,524
Other payables	2,729	548
	5,886	4,630

Refer to note 24 for further information on financial instruments.

Note 16. Contract liabilities

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Current liabilities		
Contract liabilities	16,374	17,518

Tuition related performance obligations
Contract liabilities relates to tuition fees in relation to domestic and international students where an agreement has been signed and a payment plan is in place with students for studies which are expected to be undertaken after the balance date. The aggregate amount of the transaction price allocated to tuition related services, which are paid in advance or due for payment and are yet to be delivered at balance date was $16,374,000 as at 30 June 2021 (2020: $17,518,000) and is expected to be recognised as revenue in future periods. The duration of study is used to measure the progress of the performance obligation to determine how much revenue should be recognised, and that revenue is recognised as the performance obligation is satisfied. The expected performance obligation of contract liabilities is within 12 months.

The movements in the contract liabilities are as follows:

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Opening balance	17,518	15,547
New contract sales net of reversals	38,797	58,980
Revenue recognised	(39,376)	(57,009)
Expected credit loss adjustment (refer note 9)	(565)	-
Closing balance	16,374	17,518

Note 16. Contract liabilities (continued)

	Consolidated	
	2021	2020
	$'000	$'000
Contract liabilities consists of:		
Contract liabilities paid, and due for payment	16,374	17,518
Contract liabilities not yet due for payment	20,253	19,412
Total contract liabilities	36,627	36,930

Note 17. Provisions

	Consolidated	
	2021	2020
	$'000	$'000
Current liabilities		
Lease make good	101	-
Non-current liabilities		
Provision for make good	795	826
Onerous contract provisions	372	749
	1,167	1,575
	1,268	1,575

The provisions represent the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms and an onerous contract raised in June 2020.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2021	Lease make good $'000	Onerous contracts $'000
Carrying amount at the start of the year	826	749
Additional provisions recognised	70	-
Payments	-	(251)
Unused amounts reversed	-	(126)
Carrying amount at the end of the year	896	372

Note 18. Lease liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Lease liability	5,237	4,674
Non-current liabilities		
Lease liability	14,733	19,587
	19,970	24,261

The remaining contractual maturities of lease liabilities is outlined below:

	Average interest rate %	Less than 1 year	Between 1 and 2 years	Between 2 and 7 years	Total contractual maturity
2021					
Undiscounted lease payments	9.72%	6,761	5,380	12,251	24,392
2020					
Undiscounted lease payments	9.83%	6,845	6,840	18,546	32,231

Note 19. Employee benefits

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Annual leave	1,318	1,100
Long service leave	369	250
	1,687	1,350
Non-current liabilities		
Long service leave	131	90
	1,818	1,440

Note 20. Issued capital

	Consolidated 2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares - fully paid	50,852,123	47,156,520	30,592	28,557

Note 20. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	30,815,885		19,166
Shares issued on the exercise of options	6 January 2020	4,167	$1.200	5
Shares issued through placement	24 June 2020	7,703,975	$0.600	4,622
Shares issued through Institutional Entitlement Offer	24 June 2020	8,632,493	$0.600	5,179
Share issue cost, net of tax		-	$0.000	(415)
Balance	30 June 2020	47,156,520		28,557
Shares issued through Retail Entitlement Offer	9 July 2020	3,695,603	$0.600	2,217
Share issue cost, net of tax		-	$0.000	(182)
Balance	30 June 2021	50,852,123		30,592

Reconciliation of shares issued to the statement of cash flow:

	Consolidated	
	2021 $'000	2020 $'000
Shares issued through placement	-	4,622
Shares issued through Entitlement Offer	2,217	5,179
Less share issue costs nets of tax (FY2021) pre-tax (FY2020)	(182)	(588)
Gross proceeds per Cash Flow Statement	2,035	9,213
Tax deduction benefit related to share issue costs		173
Net proceeds from issue of shares	2,035	9,386

Ordinary shares
Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares.

Note 20. Issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

Note 21. Reserves

	Consolidated	
	2021 $'000	2020 $'000
Foreign currency reserve	29	10
Share-based payments reserve	355	178
	384	188

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services under the consolidated entity's Employee Incentive Plan.

Note 21. Reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency translation $'000	Share-based payments $'000
Balance at 1 July 2019	-	22
Foreign currency translation	10	-
Share-based payments	-	29
Transfer back of lapsed options	-	(35)
Fair value of exercised options	-	(4)
Performance rights and Options expense	-	166
Balance at 30 June 2020	10	178
Foreign currency translation	19	-
Share-based payments	-	21
Transfer back of lapsed options	-	(6)
Performance rights and Options expense	-	162
Balance at 30 June 2021	29	355

Note 22. Accumulated losses

	Consolidated	
	2021 $'000	2020 $'000
Accumulated losses at the beginning of the financial year	(25,291)	(5,034)
Loss after income tax expense for the year	(455)	(19,645)
Dividends paid (note 23)	-	(616)
Transfer from share-based payment reserve	-	4
Accumulated losses at the end of the financial year	(25,746)	(25,291)

Note 23. Dividends

	Consolidated	
	2021	2020
	$'000	$'000
Dividends paid during the reporting period	-	616

Franking credits

	Consolidated	
	2021	2020
	$'000	$'000
Franking credits available at the reporting date based on a tax rate of 30%	1,911	1,911
Franking credits available for subsequent financial years based on a tax rate of 30%	1,911	1,911

Note 24. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and foreign currency risk, and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity is not exposed to significant foreign currency risk. Management follow the trend in the Australian dollar to ensure that pricing implications for international students undertaking the consolidated entity’s courses is understood, as all courses are paid for in Australian dollars.

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
Interest rate risk arises from fluctuations in interest bearing financial assets or liabilities that the consolidated entity may have. The consolidated entity's main interest rate risk arises from its cash at bank and cash equivalents.

Note 24. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following cash and cash equivalents and term deposits:

	2021		2020	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Cash and cash equivalents	0.06%	23,909	0.13%	22,194
Term Deposits - Restricted Cash (note 10)	0.28%	2,471	1.02%	2,454
Net exposure to cash flow interest rate risk		26,380		24,648

An official increase/decrease in interest rates of 25 (2020: 25) basis points would have favourable/adverse effect on profit before tax of $66,000 (2020: favourable/adverse $62,000) and favourable/adverse effect on equity of $46,000 (2020: adverse/favourable $43,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 9, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2021

The consolidated entity has no significant credit risk exposure to any individual receivable.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 24. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives					
Non-interest bearing					
Trade payables	1,407	-	-	-	1,407
Payroll accruals	1,750	-	-	-	1,750
Other payables	2,729	-	-	-	2,729
Total non-derivatives	5,886	-	-	-	5,886

Consolidated - 2020	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives					
Non-interest bearing					
Trade payables	2,558	-	-	-	2,558
Payroll accruals	1,524	-	-	-	1,524
Other payables	548	-	-	-	548
Total non-derivatives	4,630	-	-	-	4,630

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

Contractual maturities related to lease liabilities are disclosed in Note 18.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 25. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2021	**2020**
	$	**$**
Short-term employee benefits	1,214,961	1,039,532
Post-employment benefits	43,388	40,312
Long-term benefits	201,530	131,274
	1,459,879	1,211,118

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the current auditors of consolidated entity:

	Consolidated	
	2021	**2020**
	$	**$**
Audit services - RSM Australia Partners		
Audit or review of the financial statements	130,000	144,350
Other services - RSM Australia Partners		
Tax services	19,000	15,000
	149,000	159,350
Other services - RSM Australia Partners		
Preparation of the tax return	12,500	3,150

Note 27. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2021 $4,241,000 of $ (2020: $4,280,000) to various lessors.

The consolidated entity has a bank guarantee facility with a limit of $4,500,000 with National Australia Bank (NAB). The consolidated entity has term deposits of $2,471,000 classified within non-current assets to support this facility. The consolidated entity is required to maintain a minimum cash balance of 100% of the bank guarantee facility with NAB, inclusive of amounts held as term deposits.

Note 28. Related party transactions

Parent entity
RedHill Education Limited is the parent entity.

Note 28. Related party transactions (continued)

Subsidiaries
Interests in subsidiaries are set out in note 30.

Key management personnel
Disclosures relating to key management personnel are set out in note 25.

Transactions with related parties
In addition to the remuneration paid to KMP, amounts to related parties of the directors totalling $63,180 were paid during the period for administrative support services (year ended 30 June 2020: $65,425).

All transactions were undertaken on an arm's length basis.

Receivable from and payable to related parties
There were no trade receivables from related parties during the current and previous reporting period.

Amounts payable totalling $74,708 for Director's Fees, were due and payable as at 30 June 2021 (year ended 30 June 2020: $5,833)

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	**2020**
	$'000	**$'000**
Loss after income tax[1]	(4,490)	(19,780)
Total comprehensive income loss[1]	(4,490)	(19,780)

The 2020 loss after income tax and total comprehensive income loss was restated due to correction of an error identified and the impairment of investments in subsidiaries of $14,902,000 as a result of the CGU impairment review in June 2020.

Note 29. Parent entity information (continued)

Statement of financial position

	Parent	
	2021	**2020**
	$'000	**$'000**
Total current assets	461	13,571
Total assets	13,168	29,366
Total current liabilities	19,025	31,182
Total liabilities	30,768	44,688
Equity		
Issued capital	30,592	28,557
Share-based payments reserve	355	178
Accumulated losses	(48,547)	(44,057)
Total deficiency in equity	(17,600)	(15,322)

Contingent liabilities
The parent entity has given bank guarantees as at 30 June 2021 of $4,241,000 of (2020: $4,280,000) to various lessors in respect of the consolidated entity's operations. Refer to note 27 for further information in relation to the bank guarantees.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment; and
- Dividends received from subsidiaries are recognised as income in the parent entity.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
	Principal place of business /	2021	2020
Name	**Country of incorporation**	**%**	**%**
Go Study Australia Pty Limited	Australia	100%	100%
Academy of Information Technology Pty Ltd	Australia	100%	100%
International School of Colour and Design Pty Ltd	Australia	100%	100%
Greenwich English College Pty Ltd	Australia	100%	100%
Go Study Australia Intercambio Cultural Ltda *	Brazil	100%	100%
Go Study Australia S.A.C. *	Peru	100%	100%
Go Study Australia Sociedad Limitada **	Spain	100%	100%

* 75% owned by Go Study Australia Pty Limited and 25% owned by RedHill Education Limited
** 100% owned by Go Study Australia Pty Limited

Note 31. Deed of cross guarantee

Pursuant to ASIC Class Order 2016/785, the wholly-owned subsidiaries as mentioned below are relieved from the Corporation Act 2001 requirements for preparation, audit, and lodgement of financial reports and directors' report.

As a condition of the Class Order, RedHill Education Limited and its subsidiaries (closed group) entered into a Deed of Cross Guarantee. The effect of the Deed is that RedHill Education Limited has guaranteed to pay any deficiency in the event of the winding up of any of those subsidiaries.

Those subsidiaries have also given a similar guarantee in the event that RedHill Education Limited is wound up.

The deed was executed on 30 June 2017.

The subsidiaries subject to the Deed at the end of the reporting period are:

- RedHill Education Limited
- Go Study Australia Pty Limited
- Academy of Information Technology Pty Limited
- International School of Colour and Design Pty Limited
- Greenwich English College Pty Limited

The above companies represent a 'closed group' for the purposes of the Class Order.

Note 31. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2021 $'000	2020 $'000
Revenue	43,586	62,472
Other income	5,002	1,947
Salaries and employee benefits expense	(24,848)	(32,972)
Cost of services	(7,904)	(11,913)
Depreciation and amortisation expense	(4,644)	(7,176)
Impairment of assets	-	(17,203)
Impairment of receivables	(364)	(733)
Property and occupancy costs	(1,669)	(2,613)
Professional and consulting fees	(510)	(494)
Marketing expenses	(1,448)	(1,665)
Public company related costs	(739)	(688)
Merger and acquisition costs	(1,598)	-
Onerous contract expense	-	(749)
Other expenses	(1,922)	(2,175)
Finance costs	(2,033)	(2,238)
Profit/(loss) before income tax expense	909	(16,200)
Income tax expense	(216)	(3,116)
Profit/(loss) after income tax expense	693	(19,316)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income/(loss) for the year	693	(19,316)

Equity - accumulated losses	2021 $'000	2020 $'000
Accumulated losses at the beginning of the financial year	(25,490)	(5,562)
Profit/(loss) after income tax expense	693	(19,316)
Dividends paid	-	(616)
Transfer from share-based payment reserve	-	4
Accumulated losses at the end of the financial year	(24,797)	(25,490)

Note 31. Deed of cross guarantee (continued)

Statement of financial position	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	23,783	22,157
Trade receivables	9,350	7,200
Income tax refund due	-	568
Prepayments and other assets	1,351	2,508
	34,484	32,433
Non-current assets		
Property, plant and equipment	3,430	4,378
Right-of-use assets	9,931	12,707
Intangibles	710	693
Prepayments and other assets	2,471	2,454
	16,542	20,232
Total assets	51,026	52,665
Current liabilities		
Trade and other payables	5,639	4,844
Contract liabilities	16,374	17,518
Lease liabilities	5,296	4,674
Income tax	54	-
Employee benefits	1,440	1,136
Provisions	42	-
	28,845	28,172
Non-current liabilities		
Lease liabilities	14,733	19,587
Employee benefits	131	90
Provisions	1,167	1,575
	16,031	21,252
Total liabilities	44,876	49,424
Net assets	6,150	3,241
Equity		
Issued capital	30,592	28,557
Reserves	355	174
Accumulated losses	(24,797)	(25,490)
Total equity	6,150	3,241

Note 32. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Loss after income tax expense for the year	(455)	(19,645)
Adjustments for:		
Depreciation and amortisation	4,653	7,186
Share-based payments	177	156
Impairment of assets	-	17,203
Onerous contract non-cash expense / (reversal)	(126)	749
Non-cash finance costs	2,033	2,238
Other non-cash items	161	94
Change in operating assets and liabilities:		
Increase in trade receivables	(1,247)	(5,136)
Decrease in deferred tax assets	-	1,894
Decrease in prepayments	389	218
Decrease in other operating assets	810	1,502
Increase/(decrease) in trade and other payables	1,030	(769)
Increase/(decrease) in contract liabilities	(1,144)	1,972
Increase in provision for income tax	622	1,019
Increase in employee benefits	378	463
Increase/(decrease) in other provisions	(408)	213
Net cash from operating activities	6,873	9,357

Note 33. Changes in liabilities arising from financing activities

Consolidated	Lease liabilities $'000
Balance at 1 July 2019	17,210
Net cash used in financing activities	(5,379)
Acquisition of leases	10,266
Finance costs	2,164
Balance at 30 June 2020	24,261
Net cash used in financing activities	(6,490)
Finance costs	1,948
Lease modifications	251
Balance at 30 June 2021	19,970

Note 34. Earnings per share

	Consolidated	
	2021	**2020**
	$'000	**$'000**
Loss after income tax attributable to the shareholders of RedHill Education Limited	(455)	(19,645)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	50,760,999	31,130,347
Weighted average number of ordinary shares used in calculating diluted earnings per share (2)	50,760,999	31,130,347
	Cents	**Cents**
Basic earnings per share	(0.90)	(63.11)
Diluted earnings per share	(0.90)	(63.11)

Additional information about the dilutive securities

(1) All share options which the board has approved and that have past the first date in which the right can be exercised, are considered to be potential ordinary shares. These options have been included in the determination of diluted earnings per share to the extent to which they are dilutive. 465,000 options (30 June 2020: 355,000 options) were not included in the calculations of diluted earnings per share as of 30 June 2021 as they are out of the money and therefore considered anti-dilutive.

(2) The weighted average number of shares outstanding includes all dilutive options during the financial year, including share options which have expired where applicable.

Note 35. Share-based payments

The RedHill Education Limited Incentive Plan was established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Remuneration Committee, grant options over ordinary shares in the parent entity to certain key management personnel of the consolidated entity. The options are granted in accordance with performance guidelines established by the Remuneration Committee.

The RedHill Education Limited Rights Plan (Rights Plan) was approved by shareholder at the Annual General Meeting (AGM) of the company held on 19 November 2020. Additionally, at the AGM shareholders also approved the issue of 408,526 Performance Rights and 402,257 Performance Share Appreciation Rights to Managing Director, Glenn Elith, under the terms of the Rights Plan.

The Plan uses rights which may be constructed as part of the terms of an invitation as an entitlement to either a Share (classifiable as a security) or the value of the share (less any Exercise Price) which may be satisfied either in cash and/or in shares (at the Board's discretion). Generally, it is expected that exercised rights will be satisfied in shares.

The Plan allows for three classes of rights which may be appropriate forms of remuneration under various circumstances, being:

Note 35. Share-based payments (continued)

- Performance Rights which vest when performance conditions have been satisfied and will generally be used for the purpose of granting LTVR to executives;
- Service Rights which vest after completion of a period of service and which will generally be used as a retention incentive below executive level if and when appropriate, or as part of the remuneration; and
- Restricted Rights which are vested at grant date but which may have Exercise Restrictions and or Specified Disposal Restrictions that extend to the shares that result from the exercise rights (Restricted Shares), and will generally be used to defer earned remuneration from time to time.

The Measurement Period is the period over which vesting conditions are assessed and may be determined by the Board as part of each invitation but will generally be three years for Performance Rights, starting from the beginning of the first financial year in the Measurement Period.

Vesting conditions are to be determined by the Board as part of each invitation.

Set out below are summaries of options granted under the plan:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
12/12/2016	12/12/2021	$1.250	75,000	-	-	-	75,000
12/12/2016	12/12/2021	$1.750	75,000	-	-	-	75,000
12/12/2016	12/12/2021	$2.250	75,000	-	-	-	75,000
08/11/2017	09/11/2020	$1.200	40,000	-	-	(40,000)	-
08/11/2017	09/11/2021	$1.400	110,000	-	-	(30,000)	80,000
08/11/2017	09/11/2022	$1.600	110,000	-	-	(30,000)	80,000
08/11/2017	09/11/2023	$1.800	110,000	-	-	(30,000)	80,000
			595,000	-	-	(130,000)	465,000

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
12/12/2016	12/12/2021	$1.250	75,000	-	-	-	75,000
12/12/2016	12/12/2021	$1.750	75,000	-	-	-	75,000
12/12/2016	12/12/2021	$2.250	75,000	-	-	-	75,000
08/11/2017	09/11/2020	$1.200	69,167	-	(4,167)	(25,000)	40,000
08/11/2017	09/11/2021	$1.400	170,000	-	-	(60,000)	110,000
08/11/2017	09/11/2022	$1.600	170,000	-	-	(60,000)	110,000
08/11/2017	09/11/2023	$1.800	170,000	-	-	(60,000)	110,000
			804,167	-	(4,167)	(205,000)	595,000

The weighted average share price during the financial year was $0.70 (2020: $1.08).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.92 years (2020: 1.69 years).

Note 35. Share-based payments (continued)

Set out below are summaries of performance rights granted under the plan:

2021

Grant date	Testing date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/03/2019	15/10/2021	$0.000	169,629	-	-	-	169,629
26/03/2019	15/10/2021	$0.000	169,629	-	-	-	169,629
11/12/2020	30/06/2023	$0.569	-	402,257	-	-	402,257
11/12/2020	30/06/2023	$0.000	-	220,008	-	-	220,008
11/12/2020	30/06/2023	$0.000	-	188,578	-	-	188,578
			339,258	810,843	-	-	1,150,101

2020

Grant date	Testing date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/03/2019	15/10/2019	$0.000	84,815	-	-	(84,815)	-
26/03/2019	15/10/2019	$0.000	84,815	-	-	(84,815)	-
26/03/2019	15/10/2021	$0.000	169,629	-	-	-	169,629
26/03/2019	15/10/2021	$0.000	169,629	-	-	-	169,629
			508,888	-	-	(169,630)	339,258

The weighted average fair value of rights at grant date was $0.568 per right (2020: $0.587).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.5 years (2020: 1.29 years).

For the performance rights granted during the current financial year, the valuation model inputs used (Monte-Carlo simulation valuation) to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
11/12/2020	30/06/2023	$0.765	$0.569	55.00%	-	0.35%	$0.189
11/12/2020	30/06/2023	$0.765	$0.000	55.00%	-	0.35%	$0.765

Note 36. Events after the reporting period

Coronavirus (COVID-19) pandemic

The consolidated entity has been materially impacted by the COVID-19 pandemic up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australia Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

iCollege Limited ("ICT) and RedHill create a leading education provider

RedHill and iCollege Limited announced to the ASX on 12 August 2021 that an offer from iCollege to acquire RedHill shares has been unanimously recommended by RedHill's Board of Directors, subject to there being no superior proposal. The iCollege offer is for 9.5 iCollege shares for each RedHill share. Following mutual due diligence, the businesses have executed a Bid Implementation Agreement ("BIA") to complete the proposed transaction by an off-market takeover. In the event the takeover does not successfully complete, a Scheme Implementation Deed is proposed to be executed on terms similar to the BIA Based on ICT's closing share price of $0.130 per share on 11 August 2021, this implies a value of $1.235 per RedHill share representing a premium in the range of 53.4% to 61.4% on relative timeframes (last close on 25 June 2021, 1-month and 3-month VWAP to this date and the undisturbed price on 11 December2020 (prior to the UCW unsolicited takeover offer)).

The key conditions of the offer include a minimum acceptance condition of 90%; receipt of regulatory approvals; no prescribed occurrences; no material adverse change. The BIA includes a customary deal protection for ICT including a break fee, no shop, no talk, exclusivity and a right to match competing proposals (subject to usual fiduciary carve-outs).

RedHill will procure the cancellation of all unlisted options with the relevant unlisted option holders for no consideration on or about the date, and subject to, the RedHill Board being reconstituted as soon as practically practical after the ICT offer becomes unconditional or is declared by iCollege to be free of all conditions as noted in the BIA. These options are included in note 35.

RedHill will grant 904,417 Performance Rights before the end of the offer period in the BIA. Subject to the offer becoming unconditional or being declared by ICT to be free of all conditions, approximately 67% of the Performance Rights will vest such that shares issued on vesting of the Performance Rights can be accepted into the offer. This also applied to the 1,150,101 Performance Rights already in issue (refer note 35) where approximately 77% will vest.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 37. Impairment as at 30 June 2020

Impairment tests for goodwill and other intangibles assets and non-financial assets in June 2020

The COVID-19 pandemic has had a material adverse impact on the consolidated. The consolidated entity has undertaken detailed impairment testing and the results are set out below:

Obsolete and redundant assets

The consolidated entity operates four campuses in Sydney and one campus in Melbourne. Due to the reduction in student numbers and an increase in online course delivery following the pandemic, the North Sydney campus has been closed and students transferred to other Sydney campuses for the face-to-face components of their courses. The leased asset associated with this campus, along with non-relocatable plant and equipment has been determined to be fully impaired and has been written down to $nil.

The North Sydney campus comprises two separate leases with expiry dates of October 2021 and January 2023. The consolidated entity is seeking to sub-let the premises, but to date has not secured any suitable tenants. The financial impact of this impairment is a write-off of $1,032,000 pre-tax and comprised of:

	Consolidated 2020 $'000
Right-of-use assets	976
Property, plant and equipment	56
	1,032

Onerous contract provision related to North Sydney campus

	Consolidated 2020 $'000
Onerous contract provision	749

The consolidated entity will continue to incur costs in relation to the North Sydney leased premises including outgoings, utilities and security costs. The consolidated entity has provided for the expected costs of meeting the obligations associated with these premises for the balance of the lease terms. These costs amount to $749,000.

Consolidated summary of impairment testing

The following table summarises the impairments recognised as a result of the impairment testing:

	Technology & Design $'000	Greenwich $'000	Go Study $'000	Obsolete & redundant assets $'000	Total 2020 $'000
Goodwill	6,145	-	-	-	6,145
Right-of-use assets	583	6,493	144	976	8,196
Copyrights intangibles	54	151	-	-	205
Property, plant and equipment	206	2,143	252	56	2,657
	6,988	8,787	396	1,032	17,203

Further detail of impairments recorded in the year ended 30 June 2020 are available in the FY2020 Annual Report.

IN THE DIRECTORS' OPINION:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Stephen Heath
Chairman

23 September 2021, Sydney

RSM

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INDEPENDENT AUDITOR'S REPORT
To the Members of Redhill Education Limited

Opinion

We have audited the financial report of Redhill Education Limited. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Recognition of Revenue Refer to Note 1, Note 3, and Note 4 in the financial statements	
As at 30 June 2021, the Group had tuition related revenue of $39.9m and commission revenue $3.6m. Revenue is considered to be a Key Audit Matter because: • The process of measuring revenue is complex and involves management judgement, particularly focusing on the timing of revenue recognition in accordance with the policy and the requirement of AASB 15. • The nature of the services being invoiced or paid for in advance of the services being delivered. Revenue recognition is considered complex due to the multiple revenue streams, and the level of non-routine processes requiring manual intervention. • The significance to operations due to the high volume of transactions occurring and the judgement required in recognising revenue in relation to performance obligations for the related services to customers.	Our audit procedures included, among others: • Obtaining an understanding of the systems and procedures but in place by management in adopting AASB 15, and evaluating their effectiveness. • Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards. • Carrying out test of controls of revenue to test the effectiveness of the controls. • Performing the tests of detail on each material revenue stream on a sample basis. Designing sample testing on tuition revenue to obtain supporting documentation to gain assurance that revenue has been recognised in line with the Group's accounting policy and in accordance with the requirements of *AASB 15, Revenue from Contracts with Customers*. This testing was a dual-purpose test in which we also obtained assurance in relation to the related deferred revenue (contract liability). • Performed analytical techniques on revenue related balances. Assessing the appropriateness of the disclosures in the financial report.

Impairment assessments Refer to Note 37 in the financial statements	
On 11 March 2020, Novel Coronavirus (COVID-19) was declared a global pandemic by the World Health Organisation. The pandemic has caused difficult trading conditions which caused the directors to carefully consider the carrying values of assets in the previous financial period resulting in a significant impairment charge in the previous financial year. The quantification of the effects of this pandemic on asset valuations in the current year remain technically complex and involve significant judgements and estimation uncertainty. The Group still has property, plant and equipment, intangible assets and right of used assets with the following carrying values: • Intangible assets: $710K • Right of used assets: $9.9m • Property, Plant and Equipment: $3.4m We determined that further impairment, or potentially the reversal of historical impairments are a key audit matter due to the materiality of the potential expense or reversal, and the size of the carrying value of the assets both before and after the impairment. In addition, the directors' assessment of the recoverable amount of the cash generating units ("CGUs") involves significant judgement about the future underlying cashflows of the business and the discount rates applied to them. For the year ended 30 June 2021, management has determined that the carrying value of its assets remains appropriate under the circumstances, and there is no need to further impair assets or reverse past impairments.	Our audit procedures included, among others: • Updating our understanding of management's impairment assessment process, including management's identification of CGUs. • Assessing the reasonableness of management's assessment of the existence of further impairment or the potential reversal of historical impairments. This included an evaluation of the reasonableness of the potential triggers that might cause a potential reversal of past impairments. • Assessing the current year results versus the forecast results to evaluate management's ability to reliably forecasts its expected results and cash flows. • Assessing the adequacy of the related disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2021.pdf
This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 – 23 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Redhill Education Limited., for the year ended 30 June 2021 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM Australia Partners

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 23 September 2021

The shareholder information set out below was applicable as at 14 September 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	% of total shares issued
1 to 1,000	112	0.10
1,001 to 5,000	141	0.73
5,001 to 10,000	65	0.96
10,001 to 100,000	169	10.71
100,001 and over	39	87.50
	526	100.0
Holding less than a marketable parcel	66	0.03

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Numbers held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,476,143	32.40
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,679,413	11.17
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	3,820,632	7.51
UBS NOMINEES PTY LTD	3,297,200	6.48
BNP PARIBAS NOMS PTY LTD <DRP>	2,617,384	5.15
UBS NOMINEES PTY LIMITED <6002103 A/C>	1,277,201	2.51
SUPREME CAMILLO CAPITAL LTD	1,250,000	2.46
CITICORP NOMINEES PTY LIMITED	1,205,512	2.37
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,120,284	2.20
BNP PARIBAS NOMINEES PTY LTD <LGT BANK AG DRP>	696,383	1.37
AWJ FAMILY PTY LTD <ANGUS W JOHNSON FAMILY A/C>	603,435	1.19
AWJ FAMILY PTY LTD <ANGUS W JOHNSON FAMILY A/C>	530,000	1.04
ARREDO PTY LTD	400,000	0.79
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	395,660	0.78
MR MAZYAR MISAGHIAN	349,222	0.69
CERTANE CT PTY LTD <HAYBOROUGH OPP FUND>	330,005	0.65
MR GLENN PATRICK ELITH	325,000	0.64
SEED CAPITAL PTY LTD <FITZROY VALUE FUND A/C>	285,000	0.56
MR KEVIN ANTHONY TORPEY	280,000	0.55
BLUE BOAT HOLDINGS PTY LTD <BLUE BOAT INVESTMENT A/C>	262,000	0.52
	41,200,474	**81.02**

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	465,000	6
Performance rights	1,150,101	1

Substantial holders
Substantial holders in the company are set out below:

	Number of ordinary shares held	%
iCollege Limited*	32,203,294	63.33
Perpetual Limited and Related Bodies Corporate	6,945,023	13.66
Viburnum Funds Pty Ltd	6,504,658	12.79
Pendal Group Limited	6,292,455	12.38
Regal Funds Mangement	2,712,078	8.84
Anthony Wales	3,737,632	7.35
Acorn Capital Limited	2,625,261	5.16

*iCollege Limited's relevant interest is derived from acceptances under its off-market takeover bid and includes some of the shares held by the other substantial holders listed above. Also, the disclosed number of ordinary shares held by substantial shareholders may not be equal to the actual number of ordinary shares held as at 14 September 2021 as only movements of at least 1% are required to be notified to the Australian Securities Exchange.

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Other stock exchanges
The Company is not listed on any stock exchanges other than Australian Securities Exchange.

On-market share buy-back
Currently, there is no on-market buy-back shares.