



ASX / MEDIA RELEASE

24 AUGUST 2016

RedHill Education Limited FY2016 Preliminary Final Report

RedHill Education Limited (RedHill) today released its Preliminary Final Report for the financial year ended 30 June 2016.

1. FY2016 FINANCIAL RESULTS

The consolidated RedHill group reported the following results:

- Revenues: **\$28.3 million - 24% increase***
- EBITDA **: **\$1.5 million - 50% decrease***
- Profit after income tax: **\$0.3 million – 80% decrease***
- Cash balance: **\$4.9 million at 30 June 2016 – 27% decrease***
- Positive net cashflow from operating activities - **\$0.4 million** during the financial year

Comments on financial performance

Significant investment costs for RedHill's new Melbourne campus and for other new business development activities are included in the FY2016 results.

More details of these expansion initiatives are provided below.

RedHill expects financial performance to improve significantly in FY2017.

2. BUSINESS DEVELOPMENT ACTIVITIES

New business development activities undertaken by RedHill in FY2016 included the launch of:

- **Greenwich Management College** – delivering a range of Vocational Education and Training (VET) Certificate and Diploma qualifications to international students
- **The Left Bank School** – delivering a range of online VET and Higher Education courses in emerging digital curriculum areas
- **Coder Factory Academy** – Australia's first accredited Silicon Valley style computer coding boot camp for students seeking digital literacy or careers in the emerging innovation economy

RedHill's directors believe that these expansion investments made in FY2016 are important to increase RedHill's tertiary education sector footprint and to enhance future revenue and profit growth.

3. UPDATE ON NEW MELBOURNE CAMPUS

RedHill's new Melbourne campus is substantial and commenced operations in September 2015. All of RedHill's schools operate at the Melbourne campus.

This expansion initiative provides a major opportunity for RedHill to penetrate the Melbourne tertiary education market applying its proven approach of quality face-to-face and online teaching, extensive industry engagement, and strong student support.

Melbourne operations reduced EBITDA** by \$0.9 million in the FY2016 results.

The Melbourne campus began generating positive EBITDA** results in the fourth quarter of FY2016, and is expected to generate positive EBITDA** results in FY2017.

In order to cater for growth in student demand, RedHill has secured additional leased premises to double the size of its Melbourne campus. The expanded campus is expected to be operational from November 2016.

4. COMMENT ON AUSTRALIAN GOVERNMENT'S VET FEE-HELP EMERGENCY MEASURES

In December 2015, the Australian Government legislated changes to the VET FEE-HELP tuition loan scheme in the *Higher Education Support Amendment (VET FEE-HELP Reform) Act 2015* (the Act).

The Government acted following unacceptable abuse of the system by a number of providers who pursued strategies to enrol as many students as possible with little or no regard to the suitability of courses for the particular students or their likely ability to complete their studies.

The Government's measures were draconian and unfairly disadvantaged reputable providers. The intent is to freeze each provider's VET FEE-HELP student tuition loan payments in 2016 to approximately the amount it received in 2015.

The Act establishes a maximum VET FEE-HELP credit (known as a 'cap') for each education provider. This is the limit on the total value of VET FEE-HELP tuition loans that an education provider's students can incur.

Only 5% of RedHill's revenue was derived from VET FEE-HELP tuition loans in FY2016. The cap for RedHill for calendar year 2016 is \$1.3 million, which has been fully applied against existing students.

The Act provides for a number of possible exceptions to the application of the VET FEE-HELP cap.

RedHill is seeking several of these exceptions from the VET FEE-HELP cap, particularly for its new Coder Factory Academy diploma qualification which provides specialised computer coding training to support the Australian Government's innovation economy aspirations. The growth of this new high-quality course has been arrested, and other popular RedHill courses such as the Diploma in Digital Marketing have been stunted.

* Over the previous corresponding financial year.

** EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and Net Profit/Loss for the financial year ended 30 June 2016 is included in the attached Preliminary Final Report.

CONTACT

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Chief Executive Officer
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ABOUT REDHILL

RedHill has a portfolio of quality tertiary education businesses operating at the premium end of the 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.

APPENDIX 4E

PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	RedHill Education Limited and its Controlled Entities
ABN:	41 119 952 493
Reporting period:	For the year ended 30 June 2016
Previous period:	For the year ended 30 June 2015

2. Results for announcement to the market

	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000	% change
Revenues	28,320	22,794	24%
EBITDA	1,504	3,010	(50%)
Profit from ordinary activities after tax attributable to the shareholders of RedHill Education Limited	330	1,652	(80%)
Profit for the year attributable to the shareholders of RedHill Education Limited	330	1,652	(80%)
Cash and cash equivalents	4,868	6,661	(27%)

Comments on financial performance

The profit for the consolidated entity after providing for income tax amounted to \$330,000 (30 June 2015: \$1,652,000).

The consolidated earnings before interest, tax, depreciation and amortisation ('EBITDA') was \$1,504,000 (30 June 2015: \$3,010,000).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity. The following table summarises reconciling items between statutory profit after tax attributable to the shareholders of RedHill Education Limited and EBITDA.

	Consolidated	
	2016 \$'000	2015 \$'000
EBITDA	1,504	3,010
Less: Depreciation and amortisation	(1,345)	(730)
Less: Finance cost	(8)	(8)
Add: Interest income	51	143
Profit before income tax	202	2,415
Income tax benefit/(expense)	128	(763)
Profit after income tax	<u>330</u>	<u>1,652</u>

Significant investment costs for RedHill's new Melbourne campus and for other new business development activities are included in the FY2016 results.

RedHill expects financial performance to improve significantly in FY2017.

RedHill Education Limited
Appendix 4E
Preliminary final report

Business development activities

New business development activities undertaken by RedHill in FY2016 included the launch of:

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- **The Left Bank School** – delivering a range of online VET and Higher Education courses in emerging digital curriculum areas
- **Coder Factory Academy** – Australia's first accredited Silicon Valley style computer coding boot camp for students seeking digital literacy or careers in the emerging innovation economy

RedHill's directors believe that these expansion investments made in FY2016 are important to increase RedHill's tertiary education sector footprint and to enhance future revenue and profit growth.

Update on new Melbourne campus

RedHill's new Melbourne campus is substantial and commenced operations in September 2015. All of RedHill's schools operate at the Melbourne campus.

This expansion initiative provides a major opportunity for RedHill to penetrate the Melbourne tertiary education market applying its proven approach of quality face-to-face and online teaching, extensive industry engagement, and strong student support.

Melbourne operations reduced EBITDA by \$0.9 million in the FY2016 results.

The Melbourne campus began generating positive EBITDA results in the fourth quarter of FY2016, and is expected to generate positive EBITDA results in FY2017.

In order to cater for growth in student demand, RedHill has secured additional leased premises to double the size of its Melbourne campus. The expanded campus is expected to be operational from November 2016.

Comment on Australian Government's VET FEE-HELP emergency measures

In December 2015, the Australian Government legislated changes to the VET FEE-HELP tuition loan scheme in the *Higher Education Support Amendment (VET FEE-HELP Reform) Act 2015* (the Act).

The Government acted following unacceptable abuse of the system by a number of providers who pursued strategies to enrol as many students as possible with little or no regard to the suitability of courses for the particular students or their likely ability to complete their studies.

The Government's measures were draconian and unfairly disadvantaged reputable providers. The intent is to freeze each provider's VET FEE-HELP student tuition loan payments in 2016 to approximately the amount it received in 2015.

The Act establishes a maximum VET FEE-HELP credit (known as a 'cap') for each education provider. This is the limit on the total value of VET FEE-HELP tuition loans that an education provider's students can incur.

Only 5% of RedHill's revenue was derived from VET FEE-HELP tuition loans in FY2016. The cap for RedHill for calendar year 2016 is \$1.3 million, which has been fully applied against existing students.

The Act provides for a number of possible exceptions to the application of the VET FEE-HELP cap.

RedHill is seeking several of these exceptions from the VET FEE-HELP cap, particularly for its new Coder Factory Academy diploma qualification which provides specialised computer coding training to support the Australian Government's innovation economy aspirations. The growth of this new high-quality course has been arrested, and other popular RedHill courses such as the Diploma in Digital Marketing have been stunted.

RedHill Education Limited
Appendix 4E
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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>19.89</u>	<u>19.21</u>

4. Dividends

Current period

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

Previous period

There were no dividends paid or declared during the previous financial period.

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited, but no material adjustment or qualification is expected.

6. Attachments

Details of attachments (if any):

The Preliminary Financial Report of RedHill Education Limited and its Controlled Entities for the year ended 30 June 2016 is attached.

7. Signed



Signed _____

Date: 24 August 2016

William J. Beerworth
Chairman
Sydney



REDHILL EDUCATION

**RedHill Education Limited
and Controlled Entities**

ABN 41 119 952 493

**Preliminary Financial Report
for the Year Ended
30 June 2016**

RedHill Education Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

		Consolidated	
	Note	2016	2015
		\$'000	\$'000
Revenue	1	28,320	22,794
Expenses			
Salaries and employee benefits expense		(15,016)	(11,255)
Cost of services		(3,921)	(2,586)
Depreciation and amortisation expense		(1,345)	(730)
Property and occupancy costs		(3,945)	(2,727)
Professional and consulting fees		(349)	(389)
Marketing expenses		(1,816)	(1,360)
Public company related costs		(487)	(454)
Other expenses		(1,231)	(870)
Finance costs		(8)	(8)
Profit before income tax benefit/(expense)		202	2,415
Income tax benefit/(expense)	2	128	(763)
Profit after income tax benefit/(expense) for the year attributable to the owners of RedHill Education Limited		330	1,652
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of RedHill Education Limited		330	1,652
		Cents	Cents
Basic earnings per share	15	1.09	5.47
Diluted earnings per share	15	1.09	5.45

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

RedHill Education Limited
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 \$'000	2015 \$'000
Assets			
Current assets			
Cash and cash equivalents		4,868	6,661
Trade and other receivables	4	6,624	3,293
Prepayments and other assets		920	934
Total current assets		<u>12,412</u>	<u>10,888</u>
Non-current assets			
Property, plant and equipment	5	3,007	2,453
Intangibles	6	6,681	6,513
Deferred tax	7	2,049	1,912
Other financial assets		1,757	1,840
Total non-current assets		<u>13,494</u>	<u>12,718</u>
Total assets		<u>25,906</u>	<u>23,606</u>
Liabilities			
Current liabilities			
Trade and other payables	8	11,488	8,733
Finance lease		76	92
Employee benefits		496	315
Other provisions	9	358	386
Total current liabilities		<u>12,418</u>	<u>9,526</u>
Non-current liabilities			
Finance lease		31	107
Employee benefits		85	133
Other provisions	10	667	1,524
Total non-current liabilities		<u>783</u>	<u>1,764</u>
Total liabilities		<u>13,201</u>	<u>11,290</u>
Net assets		<u><u>12,705</u></u>	<u><u>12,316</u></u>
Equity			
Issued capital	11	18,770	18,752
Reserves		81	40
Accumulated losses		(6,146)	(6,476)
Total equity		<u><u>12,705</u></u>	<u><u>12,316</u></u>

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

RedHill Education Limited
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2014	18,747	86	(8,175)	10,658
Profit after income tax expense for the year	-	-	1,652	1,652
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,652	1,652
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	5	-	-	5
Share-based payments	-	1	-	1
Recycling of lapsed and exercised options	-	(47)	47	-
Balance at 30 June 2015	<u>18,752</u>	<u>40</u>	<u>(6,476)</u>	<u>12,316</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2015	18,752	40	(6,476)	12,316
Profit after income tax benefit for the year	-	-	330	330
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	330	330
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	18	-	-	18
Share-based payments	-	41	-	41
Balance at 30 June 2016	<u>18,770</u>	<u>81</u>	<u>(6,146)</u>	<u>12,705</u>

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

RedHill Education Limited
Statement of cash flows
For the year ended 30 June 2016

		Consolidated	
	Note	2016	2015
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		28,077	22,016
Payments to suppliers and employees (inclusive of GST)		(27,755)	(19,167)
		322	2,849
Interest received		51	143
Interest and other finance costs paid		(8)	(8)
Income taxes paid		(9)	(13)
Net cash from operating activities	14	356	2,971
Cash flows from investing activities			
Payments for security deposits		(8)	(866)
Payments for property, plant and equipment	5	(1,664)	(1,179)
Payments for intangibles	6	(403)	(301)
Net cash used in investing activities		(2,075)	(2,346)
Cash flows from financing activities			
Proceeds from issue of shares		18	5
(Payments)/proceeds of leases		(92)	44
Net cash from/(used in) financing activities		(74)	49
Net increase/(decrease) in cash and cash equivalents		(1,793)	674
Cash and cash equivalents at the beginning of the financial year		6,661	5,987
Cash and cash equivalents at the end of the financial year		4,868	6,661

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

Note 1. Revenue

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Sales revenue</i>		
Tuition related revenue	24,385	19,009
Commission revenue	3,884	3,642
	<u>28,269</u>	<u>22,651</u>
<i>Other revenue</i>		
Interest	51	143
Revenue	<u>28,320</u>	<u>22,794</u>

Note 2. Income tax expense/(benefit)

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Income tax expense/(benefit)</i>		
Current tax	9	14
Deferred tax - origination and reversal of temporary differences	(137)	749
Aggregate income tax expense/(benefit)	<u>(128)</u>	<u>763</u>
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (note 7)	(137)	749
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit before income tax benefit/(expense)	202	2,415
Tax at the statutory tax rate of 30%	61	725
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Foreign branch income	(114)	(127)
- Foreign branch tax expense	9	-
- Sundry items	28	12
	(16)	610
Current year decrease/(increase) in deferred tax asset:		
- on tax losses	(138)	90
- on timing differences	26	63
Income tax expense/(benefit)	<u>(128)</u>	<u>763</u>

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into four operating segments: Information Technology, Creative Design, English Language and Student Agency. 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 a monthly basis.

Types of products and services

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

Information Technology	Academy of Information Technology, a provider of courses in information technology, digital design, interactive multimedia, and games and apps programming.
Creative Design	International School of Colour and Design, a provider of campus and distance learning in interior design and styling courses.
English Language	Greenwich English College, an Australian provider of English Language Intensive Courses for Overseas Students (ELICOS), and other English language and vocational programs.
Student Agency	Go Study Australia, an international student recruitment agency with offices in Barcelona (Spain), Brisbane (Australia), Madrid (Spain), Melbourne (Australia), Milan (Italy), Rome (Italy), Sydney (Australia), Toulouse (France), and Valencia (Spain).

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 - 2016	Information Technology \$'000	Creative Design \$'000	English Language \$'000	Student Agency \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue						
Sales to external customers	8,788	2,991	12,221	4,269	-	28,269
Intersegment sales	-	-	-	457	(457)	-
Total sales revenue	8,788	2,991	12,221	4,726	(457)	28,269
Other revenue	-	-	-	-	51	51
Total revenue	8,788	2,991	12,221	4,726	(406)	28,320
Segment operating result	1,583	95	1,779	1,245	-	4,702
Unallocated items:						
Corporate, finance and IT expenses	-	-	-	-	(1,468)	(1,468)
Professional and consulting fees	-	-	-	-	(213)	(213)
Public company related costs	-	-	-	-	(487)	(487)
Property and occupancy costs	-	-	-	-	(728)	(728)
Other expenses	-	-	-	-	(302)	(302)
EBITDA*	1,583	95	1,779	1,245	(3,198)	1,504
Depreciation and amortisation	(358)	(262)	(303)	(29)	(393)	(1,345)
Finance cost	(4)	-	-	-	(4)	(8)
Interest income-unallocated	-	-	-	-	51	51
Profit/(loss) before income tax benefit	1,221	(167)	1,476	1,216	(3,544)	202
Income tax benefit						128
Profit after income tax benefit						330
Assets						
Segment assets	9,384	2,279	10,761	4,387	(905)	25,906
Total assets						25,906
Liabilities						
Segment liabilities	2,607	1,655	7,278	247	1,414	13,201
Total liabilities						13,201

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

Note 3. Operating segments (continued)

Consolidated - 2015	Information Technology \$'000	Creative Design \$'000	English Language \$'000	Student Agency \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue						
Sales to external customers	6,290	2,969	9,360	4,032	-	22,651
Intersegment sales	-	-	-	330	(330)	-
Total sales revenue	6,290	2,969	9,360	4,362	(330)	22,651
Other revenue	-	-	-	-	143	143
Total revenue	6,290	2,969	9,360	4,362	(187)	22,794
Segment operating result	1,722	491	1,704	1,355	-	5,272
Unallocated items:						
Corporate, finance and IT expenses	-	-	-	-	(1,313)	(1,313)
Professional and consulting fees	-	-	-	-	(249)	(249)
Public company related costs	-	-	-	-	(454)	(454)
Other expenses	-	-	-	-	(246)	(246)
EBITDA*	1,722	491	1,704	1,355	(2,262)	3,010
Depreciation and amortisation	(267)	(182)	(213)	(11)	(57)	(730)
Finance cost	(7)	-	-	-	(1)	(8)
Interest income-unallocated	-	-	-	-	143	143
Profit/(loss) before income tax expense	1,448	309	1,491	1,344	(2,177)	2,415
Income tax expense						(763)
Profit after income tax expense						1,652
Assets						
Segment assets	9,190	2,886	6,272	3,485	1,773	23,606
Total assets						23,606
Liabilities						
Segment liabilities	3,467	2,023	3,832	303	1,665	11,290
Total liabilities						11,290

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

Note 4. Current assets - trade and other receivables

	Consolidated	
	2016	2015
	\$'000	\$'000
Trade receivables	6,705	3,351
Less: Provision for impairment of receivables	(81)	(58)
	<u>6,624</u>	<u>3,293</u>

Note 5. Non-current assets - property, plant and equipment

	Consolidated	
	2016	2015
	\$'000	\$'000
Leasehold improvements - at cost	3,829	2,768
Less: Accumulated depreciation	(1,853)	(1,146)
	<u>1,976</u>	<u>1,622</u>
Plant and equipment - at cost	3,138	2,536
Less: Accumulated depreciation	(2,107)	(1,705)
	<u>1,031</u>	<u>831</u>
	<u>3,007</u>	<u>2,453</u>

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 improvement \$'000	Plant and equipment \$'000	Total \$'000
Balance at 1 July 2014	1,267	609	1,876
Additions	715	464	1,179
Depreciation expense	(361)	(241)	(602)
	<u>1,621</u>	<u>832</u>	<u>2,453</u>
Balance at 30 June 2015	1,621	832	2,453
Additions	1,061	603	1,664
Depreciation expense	(706)	(404)	(1,110)
	<u>1,976</u>	<u>1,031</u>	<u>3,007</u>

Note 6. Non-current assets - intangibles

	Consolidated	
	2016	2015
	\$'000	\$'000
Goodwill - at cost	9,145	9,145
Less: Accumulated Impairment	(3,000)	(3,000)
	<u>6,145</u>	<u>6,145</u>
Customer contracts - at cost	406	406
Less: Accumulated amortisation	(406)	(406)
	<u>-</u>	<u>-</u>
Software - at cost	470	470
Less: Accumulated amortisation	(470)	(470)
	<u>-</u>	<u>-</u>
Copyrights - at cost	5,407	5,005
Less: Accumulated amortisation	(4,871)	(4,639)
	<u>536</u>	<u>366</u>
Licenses - at cost	20	20
Less: Accumulated amortisation	(20)	(18)
	<u>-</u>	<u>2</u>
	<u><u>6,681</u></u>	<u><u>6,513</u></u>

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	Copyrights	Licenses	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	6,145	191	4	6,340
Additions	-	301	-	301
Amortisation expense	-	(126)	(2)	(128)
	<u>6,145</u>	<u>366</u>	<u>2</u>	<u>6,513</u>
Balance at 30 June 2015	6,145	366	2	6,513
Additions	-	403	-	403
Amortisation expense	-	(233)	(2)	(235)
	<u>6,145</u>	<u>536</u>	<u>-</u>	<u>6,681</u>

Note 7. Non-current assets - deferred tax

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	411	355
Employee benefits	265	195
Provision for lease make good	33	24
Accrued expenses	125	169
Intangible assets – course materials	1,040	906
Lease incentive	102	165
Other	73	98
	<hr/>	<hr/>
Deferred tax asset	<u>2,049</u>	<u>1,912</u>
<i>Movements:</i>		
Opening balance	1,912	2,661
Credited/(charged) to profit or loss (note 2)	137	(749)
	<hr/>	<hr/>
Closing balance	<u>2,049</u>	<u>1,912</u>

Note 8. Current liabilities - trade and other payables

	Consolidated	
	2016	2015
	\$'000	\$'000
Trade payables	1,135	1,727
Deferred income	8,784	5,748
Payroll accruals	1,140	546
Other payables	429	712
	<hr/>	<hr/>
	<u>11,488</u>	<u>8,733</u>

Note 9. Current liabilities - other provisions

	Consolidated	
	2016	2015
	\$'000	\$'000
Lease incentive provision	358	386
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Refer to note 10 for further details.

Note 10. Non-current liabilities - other provisions

	Consolidated	
	2016	2015
	\$'000	\$'000
Lease make good	382	205
Lease incentive	285	1,319
	<u>667</u>	<u>1,524</u>

Lease make good

The provision represents 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.

Lease incentive

This provision represents the lease incentive received. It is released on a straight-line basis over the lease term.

Note 11. Equity - issued capital

	Consolidated			
	2016	2015	2016	2015
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>30,289,052</u>	<u>30,204,052</u>	<u>18,770</u>	<u>18,752</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2014	30,179,052		18,747
Shares issued *	17 November 2014	<u>25,000</u>	\$0.20	<u>5</u>
Balance	30 June 2015	30,204,052		18,752
Shares issued *	16 November 2015	<u>75,000</u>	\$0.20	<u>15</u>
Shares issued *	16 November 2015	<u>10,000</u>	\$0.30	<u>3</u>
Balance	30 June 2016	<u>30,289,052</u>		<u>18,770</u>

* Shares issued upon the exercise of share options issued under the RedHill Education Limited Employee Share Option Plan.

Note 12. Equity - dividends

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

Note 13. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2016 of \$1,598,000 (2015: \$1,590,000) to various lessors.

Note 14. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2016	2015
	\$'000	\$'000
Profit after income tax benefit/(expense) for the year	330	1,652
Adjustments for:		
Depreciation and amortisation	1,345	730
Share-based payments	41	1
Change in operating assets and liabilities:		
Increase in trade and other receivables	(295)	(27)
Decrease/(increase) in deferred tax assets	(137)	749
Increase in prepayments	(45)	(307)
Decrease in other operating assets	150	145
Decrease in trade and other payables	(281)	(616)
Increase in employee benefits	133	61
Increase/(decrease) in other provisions	(885)	583
Net cash from operating activities	<u>356</u>	<u>2,971</u>

Note 15. Earnings per share

	Consolidated	
	2016	2015
	\$'000	\$'000
Profit after income tax attributable to the owners of RedHill Education Limited	<u>330</u>	<u>1,652</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	30,257,003	30,194,531
Adjustments for calculation of diluted earnings per share:		
Exercisable Options	<u>90,000</u>	<u>110,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>30,347,003</u>	<u>30,304,531</u>
	Cents	Cents
Basic earnings per share	1.09	5.47
Diluted earnings per share	1.09	5.45