



**REDHILL** EDUCATION

ASX / MEDIA RELEASE

21 FEBRUARY 2019

## **RedHill Education Limited FY2019 Interim Financial Report**

RedHill Education Limited (RedHill) today released its Interim Financial Report for the half-year ended 31 December 2018.

### **1. FY2019 HALF-YEAR RESULTS**

The consolidated RedHill group reported the following results:

- Revenues: \$28.76 million – 10.8% increase\*
- EBITDA\*\*: \$2.52 million – 7.2% decrease\*
- Profit after income tax: \$1.09 million – \$0.27 million decrease\*
- Cash flows from operating activities: \$0.35 million – \$3.53 million decrease\*
- Cash balance: \$8.71 million at 31 December 2018 – \$0.38 million decrease\*

### **2. INTERIM DIVIDEND DECLARATION**

RedHill's directors are pleased to have declared a fully franked dividend of \$0.02 per ordinary share, payable on 2 April 2019, out of retained profits at 31 December 2018.

*\* Over the previous corresponding half-year financial period.*

*\*\* 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 statutory profit after tax attributable to the shareholders of RedHill and EBITDA for the half-year ended 31 December 2018 is included in the attached Interim Financial Report.*

### **CONTACT**

**Glenn Elith**  
**Chief Executive Officer**  
**Email: [gelith@redhilleducation.com](mailto:gelith@redhilleducation.com)**

### **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](http://www.redhilleducation.com).

# Appendix 4D

## Interim Financial Report

### 1. Company details

<b>Name of entity:</b>	<b>RedHill Education Limited and Controlled Entities</b>
<b>ABN:</b>	<b>41 119 952 493</b>
<b>Reporting period:</b>	<b>Half-year ended 31 December 2018</b>
<b>Corresponding period:</b>	<b>Half-year ended 31 December 2017</b>

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### 2. Results for announcement to the market

The consolidated entity adopted Accounting Standards *AASB 9 'Financial Instruments'* and *AASB 15 'Revenue from Contracts with Customers'* for the half-year ended 31 December 2018. The Accounting Standards were adopted from 1 July 2018 and comparative periods have been restated to comply with transitional requirements.

	<b>Half-year ended 31 Dec 2018 \$'000</b>	<b>Half-year ended 31 Dec 2017 \$'000</b>	<b>Change %</b>	
Revenues from ordinary activities	28,763	25,949	10.8%	increase
EBITDA	2,520	2,715	7.2%	decrease
Profit from ordinary activities after tax attributable to the shareholders of RedHill Education Limited	1,094	1,359	19.5%	decrease
Profit for the period attributable to the shareholders of RedHill Education Limited	1,094	1,359	19.5%	decrease
Cash and cash equivalents	8,705	9,085	4.2%	decrease

#### *Comments on financial performance*

The profit for the consolidated entity after providing for income tax amounted to \$1,094,000 (31 December 2017: \$1,359,000).

The consolidated earnings before interest, tax, depreciation and amortisation ('EBITDA') was \$2,520,000 (31 December 2017: \$2,715,000).

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.

	<b>Consolidated</b>	
	<b>Half-year ended 31 Dec 2018 \$'000</b>	<b>Half-year ended 31 Dec 2017 \$'000</b>
<b>EBITDA</b>	2,520	2,715
Less: Depreciation and amortisation	(934)	(916)
Less: Finance cost	-	(1)
Add: Interest income	48	70
<b>Profit before income tax expense</b>	1,634	1,868
Income tax expense	(540)	(509)
<b>Profit after income tax</b>	<u>1,094</u>	<u>1,359</u>

#### *Interim dividend declaration*

A fully franked dividend of \$0.02 per ordinary share was declared on 21 February 2019, payable on 2 April 2019, out of retained profits at 31 December 2018. For the purposes of determining the entitlement of this dividend, the record date has been set as 15 March 2019.

### **3. Net tangible assets**

	<b>Half-year ended 31 Dec 2018 Cents</b>	<b>Half-year ended 31 Dec 2017 Cents</b>
Net tangible assets per ordinary security	<u>35.89</u>	<u>28.84</u>

#### 4. Dividends

##### *Current period*

	Amount per security Cents	Franked amount per security Cents
Dividends paid during the half-year	<u>2.000</u>	<u>2.000</u>

A fully franked dividend of \$0.02 per ordinary share was paid on 26 September 2018 out of retained profits. For the purposes of determining the entitlement to the dividend, the record date was 7 September 2018.

Dividends are fully franked based on a tax rate of 30%.

##### *Previous period*

	Amount per security Cents	Franked amount per security Cents
Dividends paid during the half-year	<u>2.000</u>	<u>2.000</u>

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#### 5. Audit qualification or review

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

The financial statements were reviewed by the company's auditors whose unmodified report is attached as part of the Interim Financial Report for the half-year ended 31 December 2018.

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#### 6. Attachments

##### *Details of attachments (if any):*

Interim Financial Report of RedHill Education Limited and Controlled Entities for the half-year ended 31 December 2018.

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#### 7. Signed

Signed  \_\_\_\_\_

21 February 2019

William J. Beerworth  
Chairman  
Sydney



**REDHILL** EDUCATION

**RedHill Education Limited  
and Controlled Entities**  
ABN 41 119 952 493

**Interim Financial Report  
for the Half-Year Ended  
31 December 2018**

## RedHill Education Limited and Controlled Entities

### Corporate directory

Directors	William J. Beerworth Glenn Elith William Deane Dr Christopher Clark
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 Shareholders enquiries: 1300 787 272
Auditor	Grant Thornton Audit Pty Ltd Level 17 383 Kent Street Sydney, NSW 2000
Solicitors	Norton Rose Fulbright Level 18 225 George Street Sydney, NSW 2000
Stock exchange listing	RedHill Education Limited shares are listed on the Australian Securities Exchange (ASX: RDH)
Website	<a href="http://www.redhilleducation.com">www.redhilleducation.com</a>

## **RedHill Education Limited and Controlled Entities**

### **Directors' report**

#### **for the half-year ended 31 December 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of RedHill Education Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2018.

### **Directors**

The following persons were directors of RedHill Education Limited during the whole of the financial half-year and up to the date of this report.

William J. Beerworth - Chairman

Glenn Elith - Managing Director

William Deane

Dr Christopher Clark

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

### **Company Secretary**

Lisa Jones

### **Principal activities**

During the financial half-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.

### **Review of operations**

The half-year profit for the consolidated entity after providing for income tax amounted to \$1,094,000 (31 December 2017: \$1,359,000).

The consolidated earnings before interest, tax, depreciation and amortisation ('EBITDA') was \$2,520,000 (31 December 2017: \$2,715,000).

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 key reconciling items between statutory profit after tax attributable to the shareholders of the consolidated entity and EBITDA.

**RedHill Education Limited and Controlled Entities**  
**Directors' report**  
**for the half-year ended 31 December 2018**

	<b>Consolidated</b>	
	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>EBITDA</b>	2,520	2,715
Less: Depreciation and amortisation	(934)	(916)
Less: Finance cost	-	(1)
Add: Interest income	48	70
<b>Profit before income tax expense</b>	1,634	1,868
Income tax expense	(540)	(509)
<b>Profit after income tax</b>	<u>1,094</u>	<u>1,359</u>

The balance of cash and cash equivalents at 31 December 2018 was \$8,705,000 (30 June 2018: \$9,980,000).

Net cash flows generated in operating activities were \$348,000 for the half-year period ended 31 December 2018 (31 December 2017: \$3,878,000).

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year ended 31 December 2018.

**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.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



William J. Beerworth  
Chairman

21 February 2019  
Sydney



## Auditor's Independence Declaration

### To the Directors of Redhill Education Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Redhill Education Limited for the half-year ended 31 December 2018. I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A L Spowart  
Partner – Audit & Assurance

Sydney, 21 February 2019

**RedHill Education Limited and Controlled Entities**  
**Interim Financial Report**  
**for the half-year ended 31 December 2018**

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**General information**

The Interim Financial Report covers RedHill Education Limited as a consolidated entity consisting of RedHill Education Limited and the entities it controlled. The Interim Financial Report is presented in Australian dollars, which is RedHill Education Limited's functional and presentation currency.

The Interim Financial Report consists of the financial statements, notes to the financial statements and the directors' declaration.

RedHill Education Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2  
7 Kelly Street  
Ultimo NSW 2007

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the Interim Financial Report.

The Interim Financial Report was authorised for issue, in accordance with a resolution of directors, on 21 February 2019.

The directors have the power to amend and reissue the Interim Financial Report.

**RedHill Education Limited and Controlled Entities**  
**Consolidated statement of profit or loss and other comprehensive income**  
**for the half-year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from contracts with customers</b>	<b>3</b>	<b>28,763</b>	<b>25,949</b>
Interest revenue		48	-
<b>Expenses</b>			
Salaries and employee benefits expense		(14,571)	(12,734)
Cost of services		(4,870)	(4,881)
Depreciation and amortisation expense		(934)	(916)
Impairment of receivables		(159)	-
Property and occupancy costs		(3,822)	(2,830)
Professional and consulting fees		(251)	(233)
Marketing expenses		(1,057)	(1,123)
Public company related costs		(349)	(322)
Other expenses		(1,164)	(1,041)
Finance costs		-	(1)
<b>Profit before income tax expense</b>		<b>1,634</b>	<b>1,868</b>
Income tax expense		(540)	(509)
<b>Profit after income tax expense for the half-year attributable to the owners of RedHill Education Limited</b>		<b>1,094</b>	<b>1,359</b>
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the owners of RedHill Education Limited</b>		<b>1,094</b>	<b>1,359</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	9	3.57	4.48
Diluted earnings per share	9	3.51	4.36

*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 Controlled Entities**  
**Consolidated statement of financial position**  
**as at 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		8,705	9,980
Contract assets and trade receivables	4	11,886	13,286
Prepayments and other assets		3,166	2,934
<b>Total current assets</b>		<b>23,757</b>	<b>26,200</b>
<b>Non-current assets</b>			
Contract assets and trade receivables	5	9,565	11,715
Property, plant and equipment		6,348	6,493
Intangibles		6,657	6,541
Deferred tax		1,701	1,865
Other financial assets		3,135	3,454
<b>Total non-current assets</b>		<b>27,406</b>	<b>30,068</b>
<b>Total assets</b>		<b>51,163</b>	<b>56,268</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		2,620	4,621
Contract liabilities		21,106	23,050
Finance lease		4	10
Income tax		418	1,324
Employee benefits		811	744
Other provisions		74	231
<b>Total current liabilities</b>		<b>25,033</b>	<b>29,980</b>
<b>Non-current liabilities</b>			
Contract liabilities		6,526	7,482
Finance lease		32	32
Employee benefits		99	113
Other provisions		1,775	1,613
<b>Total non-current liabilities</b>		<b>8,432</b>	<b>9,240</b>
<b>Total liabilities</b>		<b>33,465</b>	<b>39,220</b>
<b>Net assets</b>		<b>17,698</b>	<b>17,048</b>
<b>Equity</b>			
Issued capital	6	19,121	19,000
Reserves		41	79
Accumulated losses		(1,464)	(2,031)
<b>Total equity</b>		<b>17,698</b>	<b>17,048</b>

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

**RedHill Education Limited and Controlled Entities**  
**Consolidated statement of changes in equity**  
**for the half-year ended 31 December 2018**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2017	18,770	111	(4,406)	14,475
Profit after income tax expense for the half-year	-	-	1,359	1,359
Other comprehensive income for the half-year, net of tax	-	-	-	-
<b>Total comprehensive income for the half-year</b>	-	-	1,359	1,359
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 6)	87	-	-	87
Share-based payments	-	18	-	18
Recycling of lapsed and exercised options	-	(20)	20	-
Dividends paid (note 7)	-	-	(606)	(606)
<b>Balance at 31 December 2017</b>	<b>18,857</b>	<b>109</b>	<b>(3,633)</b>	<b>15,333</b>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2018	19,000	79	(2,031)	17,048
Profit after income tax expense for the half-year	-	-	1,094	1,094
Other comprehensive income for the half-year, net of tax	-	-	-	-
<b>Total comprehensive income for the half-year</b>	-	-	1,094	1,094
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 6)	121	-	-	121
Share-based payments	-	48	-	48
Exercised options	-	(86)	86	-
Dividends paid (note 7)	-	-	(613)	(613)
<b>Balance at 31 December 2018</b>	<b>19,121</b>	<b>41</b>	<b>(1,464)</b>	<b>17,698</b>

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

**RedHill Education Limited and Controlled Entities**  
**Consolidated statement of cash flows**  
**for the half-year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		29,401	27,364
Payments to suppliers and employees (inclusive of GST)		(27,820)	(23,548)
		1,581	3,816
Interest received		48	70
Interest and other finance costs paid		-	(1)
Income taxes paid		(1,281)	(7)
<b>Net cash from operating activities</b>		<b>348</b>	<b>3,878</b>
<b>Cash flows from investing activities</b>			
Payments for security deposits		(220)	(13)
Payments for property, plant and equipment		(667)	(375)
Payments for intangibles		(238)	(73)
<b>Net cash used in investing activities</b>		<b>(1,125)</b>	<b>(461)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	6	121	20
Payments of leases		(6)	(60)
Dividends paid	7	(613)	(606)
<b>Net cash used in financing activities</b>		<b>(498)</b>	<b>(646)</b>
Net (decrease)/increase in cash and cash equivalents		(1,275)	2,771
Cash and cash equivalents at the beginning of the financial half-year		9,980	6,314
<b>Cash and cash equivalents at the end of the financial half-year</b>		<b>8,705</b>	<b>9,085</b>

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

**RedHill Education Limited and Controlled Entities**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2018**

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard *AASB 134 'Interim Financial Reporting'* and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34 'Interim Financial Reporting'*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New 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, revised 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:

*AASB 9 Financial Instruments*

The consolidated entity has adopted this standard from 1 July 2018.

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace *AASB 39 'Financial Instruments: Recognition and Measurement'*.

AASB 9 introduces new classification and measurement models for financial assets. Relevant to the consolidated entity is the requirement for a financial asset to be measured at amortised cost when, held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and which are solely principal and interest.

There are new simpler hedge accounting requirements and an 'expected credit loss' ('ECL') model to recognise impairment allowance. The consolidated entity has adopted the simplified approach to measuring expected credit losses using a lifetime expected loss allowance calculation

There has not been a significant impact on the financial statements on the basis that the main financial assets recognised represent cash and cash equivalents and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price.

**RedHill Education Limited and Controlled Entities**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2018**

**Note 1. Significant accounting policies (continued)**

*AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted this standard from 1 July 2018.

This standard applied to the consolidated entity from 1 July 2018 and replaced *AASB 118 Revenue* which covers Revenue arising from the sale of goods and rendering of services.

The new standard provides a single standard for revenue recognition. The core principle of the standard is that the consolidated entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the consolidated entity expects to be entitled in exchange for those goods or services.

The standard requires:

- (a) contracts (either written, verbal or implied) to be identified;
- (b) separate performance obligations within the contract to be identified;
- (c) determination of the transaction price, adjusted for the time value of money excluding credit risk;
- (d) allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and
- (e) recognition of revenue when each performance obligation is satisfied, depending on whether the good or service is transferred at a point in time or over time.

Credit risk is presented separately as an expense rather than adjusted to revenue.

For all services, the performance obligation is satisfied when the service has been provided. Specifically, for tuition performance obligations that are to be satisfied over time, the consolidated entity determines the duration (period) of study to measure the progress towards satisfaction of the obligation at reporting date to determine how much revenue should be recognised.

Contracts with students where tuition fees are paid up-front are presented in the consolidated entity's statement of financial position as a deferred revenue (contract liability). A trade receivable (contract asset) is recorded as per the terms of the contract once an enrolment has been confirmed.

As a practical expedient, the consolidated entity does not adjust the transaction price for the effects of the time value of money where the consolidated entity expects, at enrolment date, that the period between when the consolidated entity transfers an agreed service to a student and when the student pays for that service will be one year or less. Where receipts have been recorded in advance of services being performed, it will be recognised as contract liabilities in the statement of financial position.

There is no significant impact to the financial statements upon adopting this standard retrospectively from 1 July 2017, as the timing of revenue recognition and measurement of revenue has remained consistent under AASB 15 with prior periods.



**RedHill Education Limited and Controlled Entities**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2018**

**Note 1. Significant accounting policies (continued)**

**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.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

*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.

*Commission revenue*

Commission revenue is recognised at the point 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 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

**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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**RedHill Education Limited and Controlled Entities**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2018**

**Note 1. Significant accounting policies (continued)**

**Contract assets**

Contract assets are recognised when the consolidated entity has transferred services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

**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.

**Note 2. 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.

*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 offices in Australia (Sydney, Melbourne, Brisbane, Gold Cost, Perth), Europe (Spain, France, Italy) and South America (Colombia).

*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.

**RedHill Education Limited and Controlled Entities**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2018**

**Note 2. Operating segments (continued)**

*Operating segment information*

<b>Consolidated - 31 Dec 2018</b>	<b>Technology &amp; Design \$'000</b>	<b>Greenwich \$'000</b>	<b>Go Study \$'000</b>	<b>Intersegment eliminations/ unallocated \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Sales to external customers	10,150	15,683	2,930	-	28,763
Intersegment sales	-	-	253	(253)	-
Total sales revenue	10,150	15,683	3,183	(253)	28,763
Other revenue	-	-	-	48	48
<b>Total revenue</b>	<b>10,150</b>	<b>15,683</b>	<b>3,183</b>	<b>(205)</b>	<b>28,811</b>
<b>Segment operating result</b>	<b>1,620</b>	<b>3,081</b>	<b>317</b>	<b>-</b>	<b>5,018</b>
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(1,450)	(1,450)
Professional and consulting fees	-	-	-	(251)	(251)
Public company related costs	-	-	-	(349)	(349)
Property and occupancy costs	-	-	-	(172)	(172)
Other expenses	-	-	-	(276)	(276)
<b>EBITDA *</b>	<b>1,620</b>	<b>3,081</b>	<b>317</b>	<b>(2,498)</b>	<b>2,520</b>
Depreciation and amortisation	(435)	(261)	(17)	(221)	(934)
Interest income-unallocated	-	-	-	48	48
<b>Profit/(loss) before income tax expense</b>	<b>1,185</b>	<b>2,820</b>	<b>300</b>	<b>(2,671)</b>	<b>1,634</b>
Income tax expense					(540)
<b>Profit after income tax expense</b>					<b>1,094</b>
<b>Assets</b>					
Segment assets**	15,670	38,710	3,123	-	57,503
Intersegment eliminations				(3,042)	(3,042)
Unallocated assets				(3,298)	(3,298)
<b>Total Assets</b>					<b>51,163</b>
<b>Liabilities</b>					
Segment liabilities**	5,636	28,894	228	-	34,758
Intersegment eliminations				723	723
Unallocated liabilities				(2,016)	(2,016)
<b>Total Liabilities</b>					<b>33,465</b>

\* 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.

\*\* Segment assets and liabilities are not regularly reported to the chief operating decision maker.

**RedHill Education Limited and Controlled Entities**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2018**

**Note 2. Operating segments (continued)**

<b>Consolidated - 31 Dec 2017</b>	<b>Technology &amp; Design \$'000</b>	<b>Greenwich \$'000</b>	<b>Go Study \$'000</b>	<b>Intersegment eliminations/ unallocated \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Sales to external customers	8,622	14,783	2,474	-	25,879
Intersegment sales	-	-	301	(301)	-
Total sales revenue	8,622	14,783	2,775	(301)	25,879
Other revenue	-	-	-	70	70
<b>Total revenue</b>	<b>8,622</b>	<b>14,783</b>	<b>2,775</b>	<b>(231)</b>	<b>25,949</b>
<b>Segment operating result</b>	<b>968</b>	<b>3,182</b>	<b>317</b>	<b>-</b>	<b>4,467</b>
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(950)	(950)
Professional and consulting fees	-	-	-	(140)	(140)
Public company related costs	-	-	-	(322)	(322)
Property and occupancy costs	-	-	-	(93)	(93)
Other expenses	-	-	-	(247)	(247)
<b>EBITDA *</b>	<b>968</b>	<b>3,182</b>	<b>317</b>	<b>(1,752)</b>	<b>2,715</b>
Depreciation and amortisation	(350)	(210)	(20)	(336)	(916)
Finance cost	-	-	-	(1)	(1)
Interest income-unallocated	-	-	-	70	70
<b>Profit/(loss) before income tax expense</b>	<b>618</b>	<b>2,972</b>	<b>297</b>	<b>(2,019)</b>	<b>1,868</b>
Income tax expense					(509)
<b>Profit after income tax expense</b>					<b>1,359</b>
<b>Consolidated - 30 Jun 2018</b>					
<b>Assets</b>					
Segment assets**	18,836	35,587	2,772	-	57,195
Intersegment eliminations				(18,547)	(18,547)
Unallocated assets				17,620	17,620
<b>Total assets</b>					<b>56,268</b>
<b>Liabilities</b>					
Segment liabilities**	9,602	27,727	251	-	37,580
Intersegment eliminations				(15,923)	(15,923)
Unallocated liabilities				17,563	17,563
<b>Total liabilities</b>					<b>39,220</b>

\* 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.

\*\* Segment assets and liabilities are not regularly reported to the chief operating decision maker.

**RedHill Education Limited and Controlled Entities**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2018**

**Note 3. Revenue from contracts with customers**

	<b>Consolidated</b>	
	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Revenue from contracts with customers</i>		
Tuition related revenue	25,833	23,405
Commission revenue	2,930	2,474
	<u>28,763</u>	<u>25,879</u>
<i>Other revenue</i>		
Interest*	-	70
Revenue from contracts with customers	<u>28,763</u>	<u>25,949</u>

\* Interest has been disclosed as per the transitional arrangements for AASB 9 'Financial Instruments'.

*Disaggregation of revenue*

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

	<b>Consolidated</b>	
	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Geographical regions</i>		
Australia	28,022	25,049
Europe	722	830
South America	19	-
	<u>28,763</u>	<u>25,879</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	3,955	3,499
Services transferred over time	24,808	22,380
	<u>28,763</u>	<u>25,879</u>

**Note 4. Current assets – contract assets and trade receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	996	1,623
Contract assets	11,155	11,884
Less: Allowance for expected credit losses	(265)	(221)
	<u>11,886</u>	<u>13,286</u>

**RedHill Education Limited and Controlled Entities**

**Notes to the financial statements**

**for the half-year ended 31 December 2018**

**Note 5. Non-current assets – contract assets and trade receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Contract assets	9,565	11,715

**Note 6. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	30,765,885	30,665,052	19,121	19,000

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 July 2018	30,665,052		19,000
Shares issued	3 December 2018	60,000	\$1.20	72
Shares issued	24 December 2018	40,833	\$1.20	49
Balance	31 December 2018	30,765,885		19,121

**RedHill Education Limited and Controlled Entities**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2018**

**Note 7. Equity - dividends**

Dividends paid during the financial half-year were as follows:

	<b>Consolidated</b>	
	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Dividends paid during the reporting period	613	606
Dividends not recognised at the end of the reporting period	615	608
	<u>1,228</u>	<u>1,214</u>

On 21 February 2019, the directors declared a fully franked dividend of \$0.02 cents per ordinary share, payable on 2 April 2019, out of retained profits at 31 December 2018. For the purpose of determining the entitlement to this dividend, the record date has been set as 15 March 2019.

The financial effect of dividends declared after the reporting date are not reflected in these financial statements and will be recognised in subsequent financial statements.

*Franking credits*

	<b>Consolidated</b>	
	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Franking credits available at the reporting date based on a tax rate of 30%	<u>1,702</u>	<u>377</u>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>1,702</u>	<u>377</u>

**Note 8. Contingent liabilities**

There were no contingent liabilities as at 31 December 2018.

The consolidated entity has given bank guarantees as at 31 December 2018 of \$3,334,000 (30 June 2018: \$2,473,600) to various lessors.

**RedHill Education Limited and Controlled Entities**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2018**

**Note 9. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax attributable to the owners of RedHill Education Limited	<u>1,094</u>	<u>1,359</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	30,676,284	30,315,319
Adjustments for calculation of diluted earnings per share:		
Exercisable options	<u>469,167</u>	<u>600,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>31,145,451</u>	<u>31,178,430</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	3.57	4.48
Diluted earnings per share	3.51	4.36

**Note 10. Events after the reporting period**

Apart from the dividend declared as disclosed in note 7, no other matter or circumstance has arisen since 31 December 2018 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.



**RedHill Education Limited and Controlled Entities**

**Directors' declaration**

**for the half-year ended 31 December 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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William J. Beerworth  
Chairman

21 February 2019  
Sydney

# Independent Auditor's Review Report

## To the Members of Redhill Education Limited

### Report on the review of the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of Redhill Education Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Redhill Education Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

#### Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Redhill Education Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A L Spowart  
Partner – Audit & Assurance

Sydney, 21 February 2019