

RedHill Education Limited

RELEASE OF FY2019 ANNUAL REPORT

RedHill Education Limited (RedHill) is pleased to lodge its FY2019 Annual Report with ASX.

FY2019 FINANCIAL RESULTS

The consolidated RedHill group reported the following results:

- Revenues: \$59.8 million – 10% increase*
- EBITDA** \$3.9 million – 41% decrease*
- Profit after income tax: \$1.5 million – 57% decrease*
- Cash balance: \$13.0 million at 30 June 2019 – 30% increase*
- Positive net cashflow from operating activities: \$6.5 million - \$1.7 million or 20% decrease*

** 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 profit after income tax for the financial year ended 30 June 2019 is included in the attached Annual Report.*

ADJUSTMENTS BETWEEN FY2019 APPENDIX 4E AND AUDITED FINANCIAL STATEMENTS

A number of matters affecting profit after income tax expense came to the attention of RedHill's directors after the release of the company's FY2019 Preliminary Final Report which was attached to the Appendix 4E on 26 August 2019.

These matters resulted in a reduction to the company's FY2019 profit after income tax expense between the Appendix 4E and the Annual Report of \$1.5 million.

These matters included the directors becoming aware of inadvertent misinterpretations of the application of the Educational Services (Post-Secondary) Award 2010 for some employees of the consolidated entity.

A provision of \$2.8 million has been raised in FY2019 for back-payment of wages to impacted employees for the six year period up until 30 June 2019, which includes amounts for interest payments, superannuation penalties, payroll related taxes and other expected costs.

The amount of the provision which specifically related to wages for the Technology & Design division (T&D) for the financial year ended 30 June 2019 is \$0.5 million. The remainder of the provision predominantly relates to T&D wages for prior financial years and other expected costs.

In addition, the Statement of Financial Position has been adjusted to reflect the results of a technical review which determined that the manner in which the consolidated entity recognises a *contract asset* and a *contract liability* is not compliant with the new AASB 15 '*Revenue from Contracts with Customers*'. This standard does not permit the recording of both a *contract asset* and a *contract liability* on the basis of an amount having been invoiced but which is not yet due.

The company's recognition of a *contract asset* and *contract liability* in the FY2019 Appendix 4E was consistent with the approach applied in the prior financial year and for the half year ended 31 December 2018. It is a reported balance that directors believe has assisted the readers of the financial statements to gain an understanding of the future performance of the consolidated entity.

The *contract asset* and the *contract liability* balances have each reduced by \$21.1 million as at 30 June 2019 against the FY2019 Appendix 4E. The prior period balance as at 30 June 2018 has also been restated to reflect treatment under AASB 15.

Additional disclosures have been made in note 15 of the FY2019 Financial Report to reconcile the difference between the *contract liability* recognised in the FY2019 Appendix 4E and the audited financial statements.

The Directors' report included in the FY2019 Annual Report contains further details on all of the adjustments made between the Appendix 4E and the audited financial statements.

CONTACT

Glenn Elith
Chief Executive Officer
Email: 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.



REDHILL EDUCATION LIMITED

2019

ANNUAL — REPORT



REDHILL EDUCATION LIMITED

CORPORATE DIRECTORY

Directors

William J. Beerworth
Glenn Elith
William Deane
Sandra Hook
Stephen Heath

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 3, 60 Carrington Street
Sydney NSW 2000
Shareholder enquiries: 1300 787 272

Auditor

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

Stock exchange listing

RedHill Education Limited shares are listed on the
Australian Securities Exchange (ASX code: RDH)

Website


www.redhilleducation.com

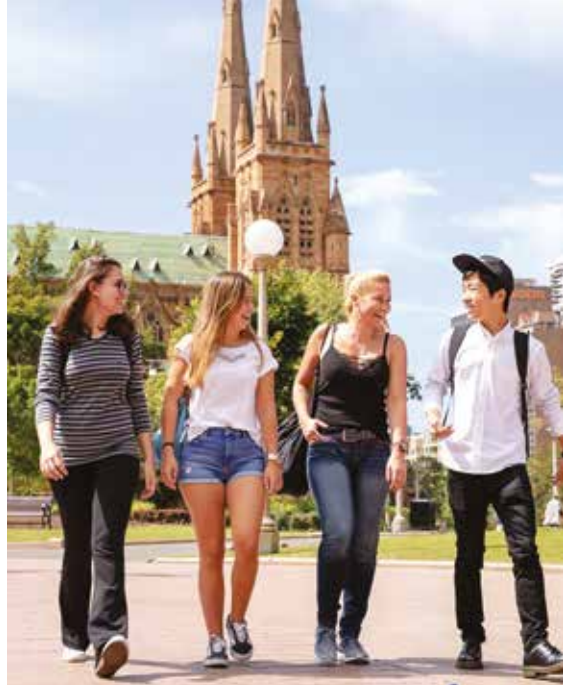
Corporate governance statement

The Statement approved on 27 September 2019 can
be found at the following URL:
www.redhilleducation.com/investor-centre/

ASIC registrations

ACN: 119 952 493
ABN: 41 119 952 493





CONTENTS

CHAIRMAN & CEO REPORT	4
GREENWICH	8
TECHNOLOGY AND DESIGN	10
GO STUDY AUSTRALIA	12
DIRECTORS' REPORT	14
REMUNERATION REPORT	27
AUDITOR'S INDEPENDENCE DECLARATION	42
FINANCIAL REPORT	43
DIRECTORS' DECLARATION	94
INDEPENDENT AUDITOR'S REPORT	95
SHAREHOLDER INFORMATION	99



CHAIRMAN & CEO REPORT

We are pleased to present RedHill Education Limited's ('RedHill's') Annual Report for the financial year ended 30 June 2019 ('FY2019').

FINANCIAL HIGHLIGHTS

THE CONSOLIDATED REDHILL GROUP REPORTED THE FOLLOWING RESULTS FOR FY2019:

Revenues	\$59.8 million – 10% increase*
EBITDA**	\$3.9 million – 41% decrease*
Profit after income tax:	\$1.5 million – 57% decrease*
Cash balance:	\$13.0 million at 30 June 2019 – 30% increase*
Positive net cashflow from operating activities:	\$6.5 million - \$1.7 million or 20% decrease*

COMMENTS ON FINANCIAL PERFORMANCE

Profitability has been impacted by important investments made in the first half of FY2019 to support future revenue and profit growth, including:

- expanding RedHill's Melbourne campus by 50% (additional rental and utility costs of approximately \$0.9 million in FY2019); and
- making new senior executive appointments in the marketing, people & culture, and regulatory compliance functions (additional salary and recruitment costs of approximately \$0.6 million in FY2019).

Profitability has also been impacted by the adjustments mentioned in the next section.

* Over the previous corresponding financial year.

** EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the statutory profit under AAS adjusted for specific non-cash and significant items. The company's directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and profit after income tax for the financial year ended 30 June 2019 is included in the Directors' report.

ADJUSTMENTS BETWEEN APPENDIX 4E AND AUDITED FINANCIAL STATEMENTS

A number of matters affecting profit after income tax expense and the statement of financial position came to the attention of the directors after the release of the company's FY2019 unaudited Appendix 4E on 26 August 2019.

These matters resulted in a net reduction to the FY2019 profit after income tax expense attributable to the shareholders of RedHill between the Appendix 4E and this report of \$1.5 million, and a reduction to the net assets as at 30 June 2019 by the same amount.

Further details of these adjustments are provided in the Directors' report.

OPERATING HIGHLIGHTS

GREENWICH CAMPUS EXPANSION IN SYDNEY

In FY2019 the Greenwich operating segment delivered revenues of \$33.5 million, which was 8% growth over the previous corresponding year.

RedHill expects Greenwich to achieve student number and revenue growth in FY2020, and commenced a lease over additional premises in Sydney nearby its existing campus in September 2019 to support the expected growth.

The new premises expand the Greenwich operations in Sydney by 16 classrooms.

Approximately \$0.4 million of additional rental and utility costs are expected to be incurred in the first half of FY2020 as a result of this campus expansion.

RedHill expects the financial performance of Greenwich's Sydney operations to improve in FY2020 over the previous corresponding year.

GROWTH OF MELBOURNE CAMPUS OPERATIONS

RedHill commenced operations at its substantial Melbourne campus in September 2015, providing a major opportunity for the group to participate in the Melbourne tertiary education market and apply its proven approach of quality face-to-face and online teaching, extensive industry engagement, and strong student support.

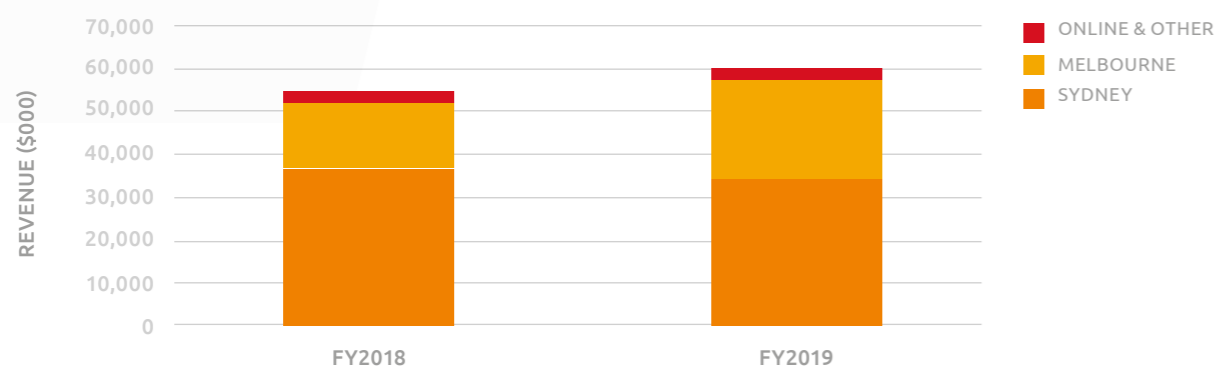
RedHill doubled the size of its Melbourne campus in January 2017, and expanded it by a further 50% in July 2018 to cater for strong growth in student demand.

In FY2019 the Melbourne campus delivered revenues of approximately \$20.4 million, which was 30% growth over the previous corresponding year.

The Melbourne campus has 58 classrooms and is currently utilising approximately 90% of its current classroom capacity on weekdays during the daytime. There is lower levels of utilisation in the evenings and on weekends.

RedHill expects the financial performance of its Melbourne campus operations to improve in FY2020 over the previous corresponding year.

REVENUE BY LOCATION



APPOINTMENT OF NON-EXECUTIVE DIRECTORS

RedHill was pleased to announce the appointment of Ms Sandra Hook and Mr Stephen Heath to its Board with effect from 1 September 2019. We are confident that their deep organisational leadership and ASX experience, customer-centric approach, and focus on digital innovations will deliver a complementary skillset to the existing Board and that they will make significant contributions to RedHill's future.

DIVIDEND DECLARATION

RedHill's directors were pleased to have announced the declaration of a fully franked dividend of two cents per share, payable on 30 September 2019, out of retained profits at 30 June 2019. For the purpose of determining any entitlement to the dividend, the record date was set at 11 September 2019.

WILLIAM J. BEERWORTH
Chairman

GLENN ELITH
Chief Executive Officer

27 September 2019

Sydney



GREENWICH

GREENWICH OPERATING SEGMENT

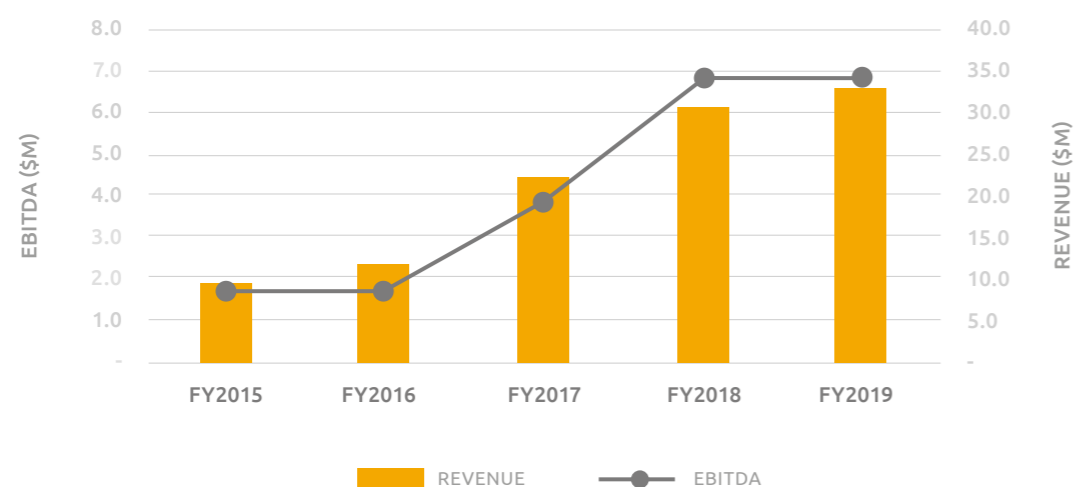
GREENWICH IS THE COMBINATION OF THE FOLLOWING:

- Greenwich English College ('GEC'), which delivers a range of courses and examinations in the English Language Intensive Courses for Overseas Students ('ELICOS') sector of the private education market; and
- Greenwich Management College ('GMC'), which delivers a range of business curriculum Vocational certificate and diploma qualifications to international students.

Greenwich achieved 8% growth in revenues in FY2019 against the prior year, and 2% decline in operating segment EBITDA over the same period.

The decline in EBITDA in FY2019 against the prior year resulted from the incremental rent and other costs associated with the expansion of RedHill's Melbourne campus in July 2018. Classroom utilisation of the expanded campus improved in H2 of FY2019.

REVENUE AND EBITDA



Greenwich commenced a lease over additional premises in Sydney nearby its existing campus in September 2019 to support expected future growth. The new premises expand its Sydney operations by 16 classrooms.

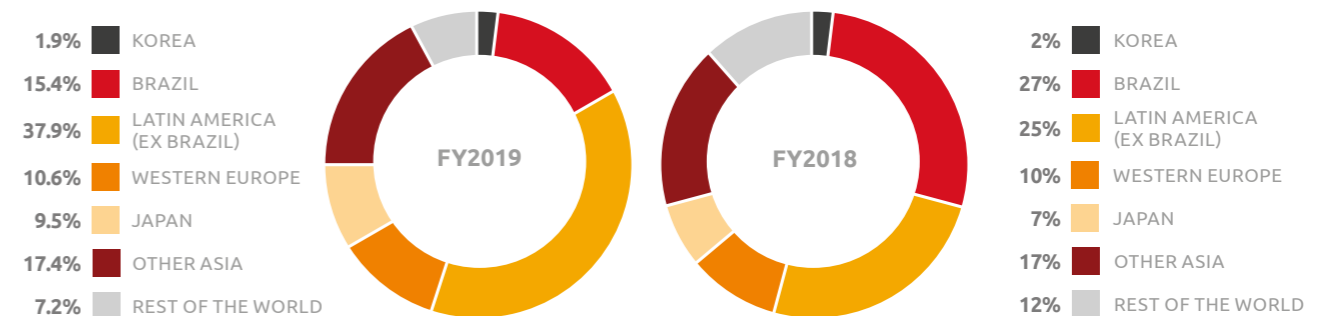
Approximately \$0.4 million of additional rental and utility costs are expected to be incurred in the first half of FY2020 as a result of the Sydney campus expansion.

RedHill expects the financial performance of Greenwich Sydney operations to improve in FY2020 over the previous corresponding year.

Greenwich has continued to perform in line with our expectations in the early months of FY2020.

Greenwich sourced students in FY2019 from approximately 450 international student recruitment agent businesses, and the broad mix of nationalities in its student population has created a vibrant and friendly learning environment.

STUDENT NATIONALITY MIX



In FY2019 GMC delivered revenues of approximately \$11.7 million, which was approximately 36% growth over the previous corresponding year.

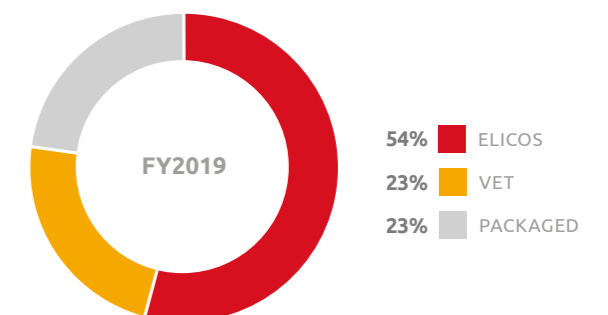
In FY2019 approximately 23% of Greenwich students enrolled into a study package to undertake both GEC and GMC courses. Packaging students into more than one Greenwich course remains focus area in FY2020 to deliver revenue and profit growth.

GMC has continued to perform in line with our expectations in the early months of FY2020.

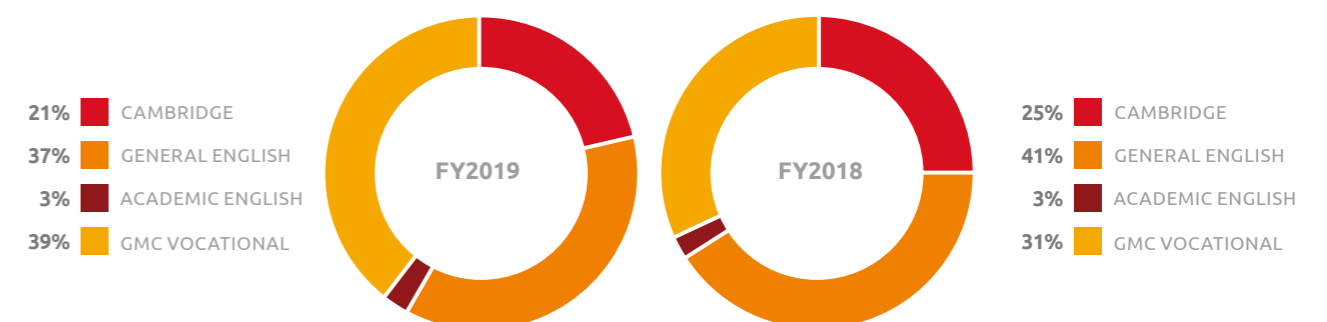
Greenwich has a strong partnership relationship with Cambridge University's English Language Assessment business. In FY2019 Cambridge courses and examinations represented 21% of Greenwich's revenues.

REVENUE BY COURSE TYPE

ELICOS ONLY / VET ONLY / PACKAGED ELICOS +VET



REVENUE BY SOURCE



For further information on GEC visit its website at www.greenwichcollege.edu.au

TECHNOLOGY & DESIGN

TECHNOLOGY & DESIGN ('T&D') IS THE COMBINATION OF THE FOLLOWING:

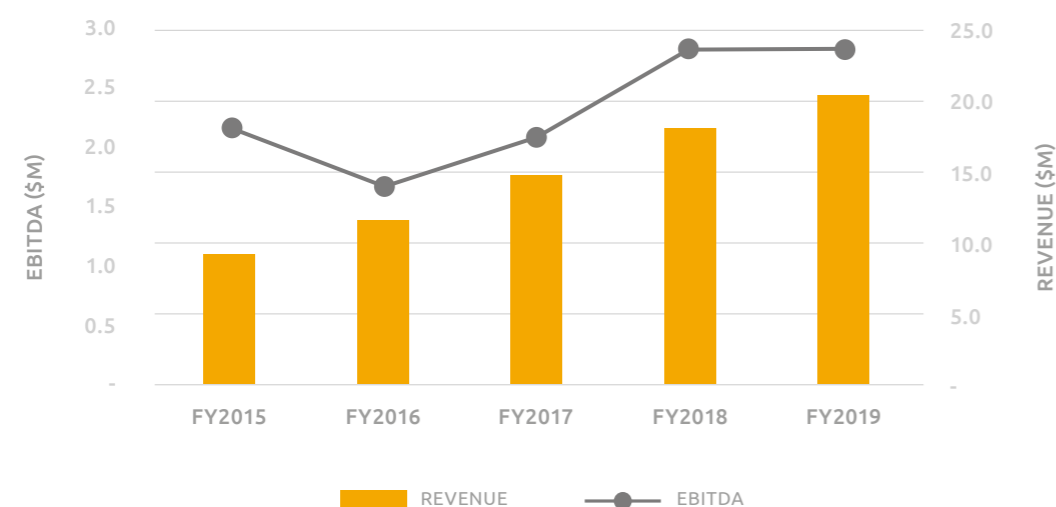
- Academy of Information Technology ('AIT'), a provider of face-to-face and online courses in information technology, digital design, interactive multimedia, computer coding, digital marketing and games and apps programming; and
- International School of Colour and Design ('ISCD'), a provider of face-to-face and online courses in interior design and styling.

Trading brands operated by AIT include Left Bank ('LB') and Coder Academy ('CA').

T&D achieved 13% growth in revenues in FY2019 against the prior year, and a 1% decline in operating EBITDA over the same period.

T&D has continued to perform in line with our expectations in the early months of FY2020.

REVENUE AND EBITDA



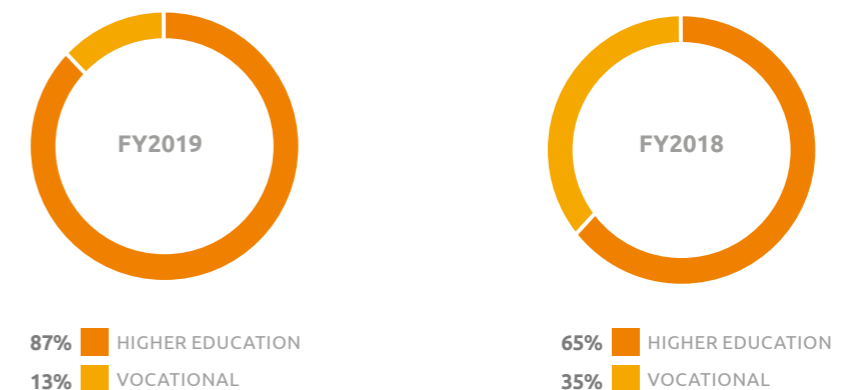
In FY2019 T&D grew its revenues for both domestic and international students, and expanded the nationality mix of its international students. There were 36 different nationalities represented in the T&D student population in FY2019.

STUDENT NATIONALITY MIX



T&D increased its proportion of Higher Education revenues in FY2019 against the prior year. The Vocational sector for domestic students seeking access to Australian Government tuition loan support remains constrained.

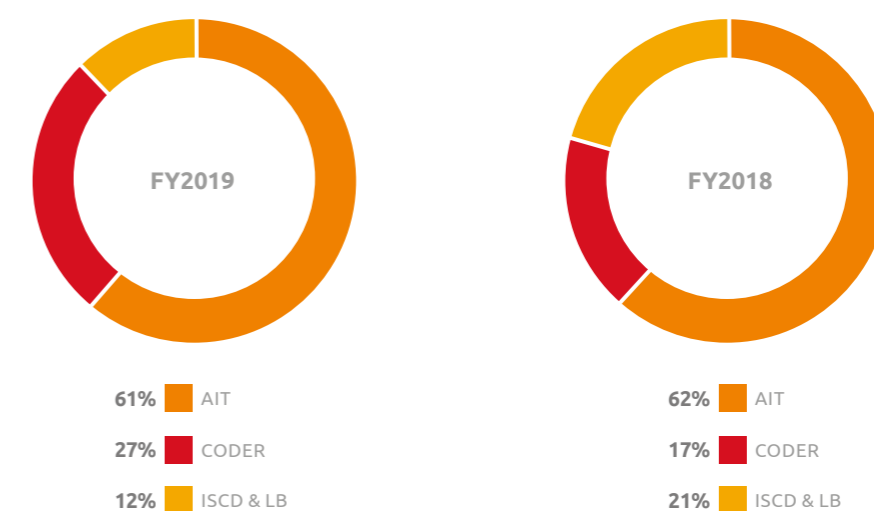
REVENUE BY SOURCE



T&D achieved strong growth of its CA brand, which represented 27% of its revenues in FY2019.

CA has continued to perform in line with our expectations in the early months of FY2020.

REVENUE BY BRAND



For further information on AIT visit its website at www.ait.edu.au

For further information on CA visit its website at www.coderacademy.edu.au

For further information on LB visit its website at www.theleftbank.edu.au

For further information on ISCD visit its website at www.iscd.edu.au

GO STUDY AUSTRALIA

Go Study Australia ('Go Study') is an international tertiary student recruitment agency business with offices in Italy, Spain, France, Colombia, Chile and Australia.

Go Study has built a strong brand presence and quality reputation for recruiting international students to study in Australia, and has partnership relationships with over 160 different tertiary education providers across Australia for enrolment of students into their courses.

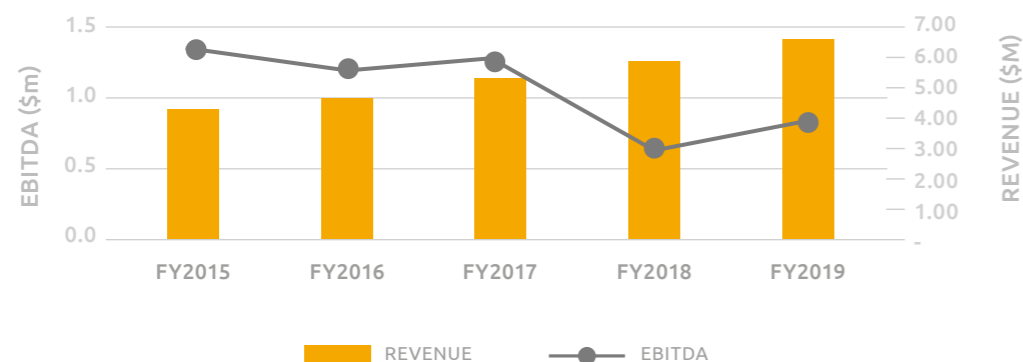
Go Study achieved 14% growth in revenues in FY2019 against the prior year, and 23% growth in operating segment EBITDA over the same period. The increase in profitability was the result of the impact of various expansion initiatives.

Go Study opened a new office in Chile in July 2019, and expects that South American source markets will present future growth opportunities.

Go Study opened a new office in the Gold Coast in early FY2019. Providing localised support in Australia is an important way to manage student retention and to ensure a quality student experience.

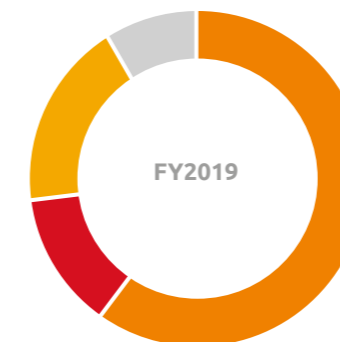
Go Study has continued to perform in line with our expectations in the early months of FY2020.

REVENUE AND EBITDA

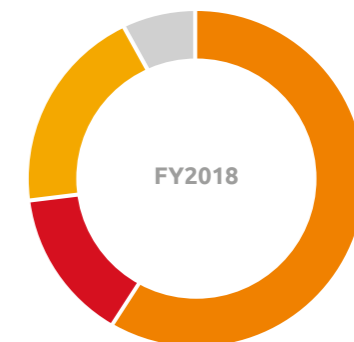


Australia has demonstrated resilience in recent years and remains a compelling choice as a study destination for international students from Go Study's target markets.

REVENUE BY COUNTRY



59% AUSTRALIA
14% ITALY
17% SPAIN
10% FRANCE

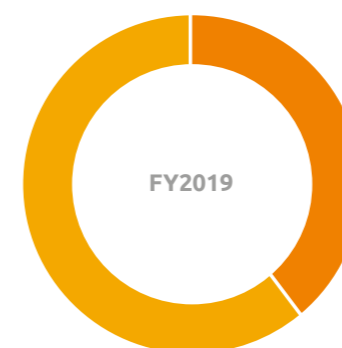


58% AUSTRALIA
15% ITALY
20% SPAIN
7% FRANCE

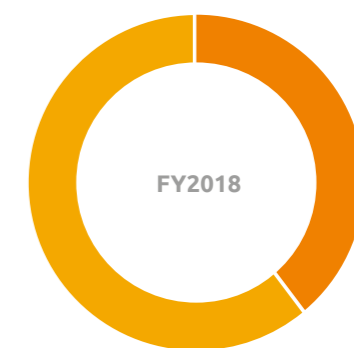
Go Study increased the number of students it recruited into both ELICOS and Vocational courses in FY2019, and the proportional mix between these two course types remained consistent with the prior year.

Go Study anticipates that the market for recruitment of international students studying in Australia will remain competitive.

REVENUE BY COURSE TYPE



39% ELICOS COURSES
61% VOCATIONAL COURSES



39% ELICOS COURSES
61% VOCATIONAL COURSES

For more information on Go Study visit its website at www.gostudy.com.au

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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 2019 ('FY2019').

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:

William J. Beerworth – Chairman

Glenn Elith – Managing Director

William Deane

Sandra Hook (appointed on 1 September 2019)

Stephen Heath (appointed on 1 September 2019)

Dr Christopher Clark (resigned on 30 June 2019)

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

Dr Christopher Clark who joined the Board on 25 November 2011, resigned from the board on 30 June 2019.

RedHill was pleased to announce the appointment of Ms Sandra Hook and Mr Stephen Heath to its Board with effect from 1 September 2019. RedHill is confident their deep organisational leadership and ASX experience, customer-centric approach, and focus on digital innovations will deliver a complementary skillset to the existing Board and they will make significant contributions to RedHill's future.

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.

FINANCIAL OVERVIEW

THE CONSOLIDATED REDHILL GROUP REPORTED THE FOLLOWING RESULTS:

Revenues	\$59.8 million – 10% increase*
EBITDA**	\$3.9 million – 41% decrease*
Profit after income tax:	\$1.5 million – 57% decrease*
Cash balance:	\$13.0 million at 30 June 2019 – 30% increase*
Positive net cashflow from operating activities:	\$6.5 million - \$1.7 million or 20% decrease*

COMMENTS ON FINANCIAL PERFORMANCE

Profitability has been impacted by important investments made in the first half of FY2019 to support future revenue and profit growth, including:

- expanding RedHill's Melbourne campus by 50% (additional rental and utility costs of approximately \$0.9 million in FY2019); and
- making new senior executive appointments in the marketing, people & culture, and regulatory compliance functions (additional salary and recruitment costs of approximately \$0.6 million in FY2019).

* Over the previous corresponding financial year.

** EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the statutory profit under AAS adjusted for specific non-cash and significant items. The company's directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and profit after income tax for the financial year ended 30 June 2019 is included in this Report.

NET PROFIT ADJUSTMENTS BETWEEN APPENDIX 4E AND AUDITED FINANCIAL STATEMENTS

A number of matters affecting profit after income tax expense came to the attention of the directors after the release of the company's FY2019 unaudited Appendix 4E on 26 August 2019.

The following table summarises key reconciling items between the EBITDA and profit after income tax expense attributable to the shareholders of RedHill reported in the FY2019 Appendix 4E and in this report.

	2019 (\$'000)	
	EBITDA	Profit after income tax
REPORTED IN APPENDIX 4E	6,216	2,971
Less: Provision for historical employee wages	(2,816)	(1,971)
Add: Capitalisation of IT software project costs	506	354
Add: Reduction to income tax expense		153
REPORTED IN AUDITED FINANCIAL STATEMENTS	3,906	1,507

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

PROVISION FOR HISTORICAL EMPLOYEE WAGES

It came to the attention of the directors of the company that there had been inadvertent misinterpretations of the application of the Educational Services (Post-Secondary Education) Award 2010 (the Award) for some employees of the consolidated entity.

A provision of \$2.8 million has been raised in FY2019 for back-payment of wages to impacted employees for the six year period up until 30 June 2019, which includes amounts for interest payments, superannuation penalties, payroll related taxes and other expected costs.

The amount of the provision which specifically related to wages for the Technology & Design division (T&D) for the financial year ended 30 June 2019 is \$0.5 million. The T&D operating segment result in the accompanying financial report for the year ended 30 June 2019 has been amended by this amount. The remainder of the provision predominantly relates to T&D wages for prior financial years and other expected costs.

Impacted employees are in the process of being advised of any entitlement to back-payments of wages, superannuation and interest.

CAPITALISATION OF IT SOFTWARE PROJECT COSTS

During the financial year ended 30 June 2019, the company undertook a number of important IT system projects to improve operations and to enhance system-related process efficiencies. These projects included customisation and configuration costs in preparation for the migration to a new General Ledger accounting system and associated business intelligence tools, and customisation and configuration costs in preparation for the migration of the Go Study Australia customer relationship management and operating system.

In the FY2019 Appendix 4E, the customisation, configuration and software license costs in relation to these IT projects had been expensed in the year ended 30 June 2019. The majority of these costs were incurred in the half year period ended 30 June 2019.

Each of these new IT system tools went 'live' in the early months of FY2020, and it was determined that the customisation, configuration and software license costs incurred should properly be classified as fixed assets as at 30 June 2019, in accordance with AASB 138 'Intangible Assets'.

REDUCTION TO INCOME TAX EXPENSE

In the FY2019 Appendix 4E, an incentive received in relation to an operating lease entered into by the company for a campus facility was incorrectly treated as a permanent difference in the taxation working papers. The incentive has now been correctly classified as a timing difference, which has resulted in a reduction to the income tax expense for the financial year ended 30 June 2019 of \$153,000.

STATEMENT OF FINANCIAL POSITION ADJUSTMENTS BETWEEN APPENDIX 4E AND AUDITED FINANCIAL STATEMENTS

A number of matters affecting the statement of financial position as at 30 June 2019 came to the attention of the directors after the release of the company's FY2019 unaudited Appendix 4E on 26 August 2019.

The following table summarises key reconciling items between the statement of financial position as reported in the FY2019 Appendix 4E and this report.

	FY2019 per Appendix 4E	FY2019 per audited financial statements	Changes
Contract assets and trade receivables – current & non current	23,334	2,186	(21,148)
Property, plant and equipment	6,326	6,748	422
Prepayments	4,290	4,373	83
Income tax refund due	–	616	616
Deferred tax	1,350	1,513	163
All other assets	23,036	23,036	–
Total assets	58,336	38,472	(19,864)
Contract liabilities – current and non current	33,457	12,309	(21,148)
Income taxes	68	–	(68)
Trade and other payables	2,580	5,396	2,816
All other liabilities	3,464	3,464	–
Total liabilities	39,569	21,169	(18,400)
Net assets	18,767	17,303	(1,464)
Issued capital	19,166	19,166	–
Reserves	22	22	–
Accumulated losses	(421)	(1,885)	(1,464)
Total equity	18,767	17,303	(1,464)

CONTRACT ASSETS AND TRADE RECEIVABLES

In the FY2019 Appendix 4E, the company recognised as a contract asset future tuition-related revenues for outstanding invoiced amounts where a student had signed an agreement and a payment plan was in place as at 30 June 2019.

A corresponding contract liability (deferred revenue) was recognised at 30 June 2019 for tuition-related revenues for invoiced amounts where an agreement had been signed and a payment plan was in place with students as at 30 June 2019 for studies which are expected to be undertaken after the balance date.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The company's recognition of a contract asset and a contract liability as described above as at 30 June 2019 was consistent with the approach applied in the prior financial year and for the half year ended 31 December 2018. It is a reported balance that directors believe has assisted the readers of the financial statements to gain an understanding of the future performance of the consolidated entity.

A technical review was undertaken after the release of the FY2019 Appendix 4E, where it was determined that the disclosure of contract assets and contract liabilities in the statement of financial position in this manner is not compliant with the new AASB 15 '*Revenue from Contracts with Customers*', which does not permit the recording of both a contract asset and a contract liability for the same item on the basis of amounts having been invoiced but are not yet due. Further explanation is provided in notes 1 and 15 of the accompanying financial report for the year ended 30 June 2019.

PROPERTY PLANT AND EQUIPMENT AND PREPAYMENTS

The movements between the FY2019 Appendix 4E and the audited financial statements reflect the capitalisation of IT software projects discussed above.

PROVISION FOR EMPLOYEE BENEFITS

Provision created in relation to the back-payment of wages as discussed above.

PROVISION FOR INCOME TAX AND DEFERRED TAXES

Current and deferred taxation changes in relation to the classification of lease incentives as discussed above.

DIVIDENDS

RedHill's directors were pleased to have announced the declaration of a fully franked dividend of two cents per share, payable on 30 September 2019, out of retained profits at 30 June 2019. For the purpose of determining any entitlement to the dividend, the record date was set at 11 September 2019.

During FY2019 fully franked dividends of two cents per ordinary share were paid on 26 September 2018 and 2 April 2019 (an aggregate four cents per ordinary share).

OPERATIONAL HIGHLIGHTS

GROWTH OF MELBOURNE CAMPUS OPERATIONS

RedHill commenced operations at its substantial Melbourne campus in September 2015, providing a major opportunity for the group to participate in the Melbourne tertiary education market and apply its proven approach of quality face-to-face and online teaching, extensive industry engagement, and strong student support.

RedHill doubled the size of its Melbourne campus in January 2017, and expanded it by a further 50% in July 2018 to cater for strong growth in student demand.

In FY2019 the Melbourne campus delivered revenues of approximately \$20.4 million, which was 30% growth over the previous corresponding year.

The Melbourne campus has 58 classrooms and is currently utilising approximately 90% of its current classroom capacity on weekdays during the daytime. There is lower levels of utilisation in the evenings and on weekends.

RedHill expects the financial performance of its Melbourne campus operations to improve in FY2020 over the previous corresponding year.

OPERATIONAL DETAILS

GREENWICH OPERATING SEGMENT

Greenwich is the combination of the following:

- Greenwich English College ('GEC'), which delivers a range of courses and examinations in the English Language Intensive Courses for Overseas Students ('ELICOS') sector of the private education market; and
- Greenwich Management College ('GMC'), which delivers a range of business curriculum Vocational certificate and diploma qualifications to international students.

Greenwich achieved 8% growth in revenues in FY2019 against the prior year, and 2% decline in operating segment EBITDA over the same period. The decline in EBITDA in FY2019 against the prior year resulted from the incremental rent and other costs associated with the expansion of RedHill's Melbourne campus in July 2018. Classroom utilisation of the expanded campus improved in H2 of FY2019.

Greenwich commenced a lease over additional premises in Sydney nearby its existing campus in September 2019 to support expected future growth. The new premises expand its Sydney operations by 16 classrooms, an increase of approximately 40%. Approximately \$0.4 million of additional rental and utility costs are expected to be incurred in the first half of FY2020 as a result of this Sydney campus expansion. RedHill expects the financial performance of Greenwich Sydney operations to improve in FY2020 over the previous corresponding year.

In FY2019 GMC delivered revenues of approximately \$11.7 million, which was approximately 36% growth over the previous corresponding year. GMC has continued to perform in line with our expectations in the early months of FY2020.

Greenwich has a strong partnership relationship with Cambridge University's English Language Assessment business. In FY2019 Cambridge courses and examinations represented 21% of Greenwich's revenues.

Greenwich has continued to perform in line with our expectations in the early months of FY2020.

TECHNOLOGY & DESIGN OPERATING SEGMENT

Technology & Design ('T&D') is the combination of the following:

- Academy of Information Technology ('AIT'), a provider of face-to-face and online courses in information technology, digital design, interactive multimedia, computer coding, digital marketing and games and apps programming; and
- International School of Colour and Design ('ISCD'), a provider of face-to-face and online courses in interior design and styling.

Trading brands operated by AIT include Coder Academy ('CA'), Forge Faculty and Left Bank. T&D achieved 13% growth in revenues in FY2019 against the prior year, and a 1% decline in operating segment EBITDA over the same period.

In FY2019 T&D grew its revenues for both domestic and international students, and expanded the nationality mix of its international students. There were 36 different nationalities represented in the T&D student population in FY2019. T&D increased its proportion of Higher Education revenues in FY2019 against the prior year.

The Vocational sector for domestic students seeking access to Australian Government tuition loan support remains constrained. T&D achieved strong growth of its CA brand, which represented 27% of its revenues in FY2019.

T&D has continued to perform in line with our expectations in the early months of FY2020.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

GO STUDY OPERATING SEGMENT

Go Study Australia ('Go Study') is an international tertiary student recruitment agency business with offices in Italy, Spain, France, Colombia, Chile and Australia (Brisbane, Gold Coast, Melbourne, Perth and Sydney). Go Study has built a strong brand presence and quality reputation for recruiting international students to study in Australia, and has partner relationships with over 160 different tertiary education providers across Australia for enrolment of students into their courses. Go Study achieved 14% growth in revenues in FY2019 against the prior year, and 23% growth in operating segment EBITDA over the same period. The increase in profitability was the result of the impact of various expansion initiatives.

Go Study opened a new office in Chile in July 2019, and expects that South American source markets will present future growth opportunities. Go Study opened a new office in the Gold Coast in early FY2019. Providing localised support in Australia is an important way to manage student retention and to ensure a quality student experience.

Australia has demonstrated resilience in recent years and remains a compelling choice as a study destination for international students from Go Study's target markets.

Go Study increased the number of students it recruited into both ELICOS and Vocational courses in FY2019, and the proportional mix between these two course types remained consistent with the prior year.

Go Study anticipates the market for recruitment of international students studying in Australia will remain competitive.

Go Study has continued to perform in line with our expectations in the early months of FY2020.

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.

FINANCIAL DETAIL

The revenue for the consolidated entity grew by 10% to \$59.8 million for the year ended 30 June 2019 (30 June 2018: \$54.6 million). The profit after income tax for the consolidated entity decreased by 57% to \$1.5 million for the year ended 30 June 2019 (30 June 2018: \$3.5 million). The consolidated entity's earnings before interest, tax, depreciation and amortisation ('EBITDA') for the financial year ended 30 June 2019 decreased by 41% to \$3.9 million (30 June 2018: \$6.6 million).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the statutory profit under AAS adjusted for specific non-cash and significant items. The company's 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.

	2019 \$'000	2018 \$'000
EBITDA	3,906	6,619
Less: Depreciation and amortisation	(1,992)	(1,803)
Less: Finance cost	(4)	(1)
Add: Interest income	148	173
Profit before income tax expense	2,058	4,988
Income tax expense	(551)	(1,478)
Profit after income tax	1,507	3,510

The balance of cash and cash equivalents at 30 June 2019 was \$13.0 million (30 June 2018: \$10.0 million). There was a net increase in cash and cash equivalents for the consolidated entity for the financial year ended 30 June 2019 of \$3.0 million (30 June 2018: \$3.7 million).

Net cash used in investing activities for the consolidated entity for the financial year ended 30 June 2019 was \$2.5 million (30 June 2018: \$3.5 million). The net cash used in investing activities for the financial year ended 30 June 2019 was primarily attributed to campus fit-out and course development costs.

IMPAIRMENT OF GOODWILL

AASB 136 '*Impairment of Assets*' requires directors of the consolidated entity annually to assess the carrying value of goodwill to determine whether there is any impairment in value. This requires an assessment of the recoverable amount of the Cash Generating Unit (operating segment), being the higher of value in use and fair value. The directors have formed the view that no impairment of the carrying value of goodwill is required at 30 June 2019.

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

Apart from the dividend declaration detailed in this report, no other matter or circumstance has arisen since 30 June 2019 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

INFORMATION ON DIRECTORS

Name:	William J. Beerworth
Title:	Non-executive Chairman
Qualifications:	BA LLB (Sydney), LLM SJD (Virginia), MCom (NSW), MBA (Macquarie)
Experience and expertise:	Before founding Beerworth + Partners Limited, Bill held a number of senior positions including: Executive Director of HSBC Australia Limited and Managing Director of its corporate finance subsidiary; Senior Partner of King & Wood Mallesons where he specialised in corporate and commercial law; and Senior Assistant Secretary of the Australian Attorney-General's Department responsible for corporate and securities policy. Bill has been the Chairman or a Director of a number of listed and private companies and Advisory Boards. He has been Chairman of the Macquarie Graduate School of Management and of the Australian Commission on Safety and Quality in Health Care, a member of the Financial System Inquiry (the Wallis Committee) on the restructure of the Australian financial system, and a member of the Australian Competition Tribunal.
Other current directorships:	Managing Director of Beerworth + Partners Limited, a corporate advisory firm specialising in corporate transactions, especially in mergers and acquisitions.
Former directorships (in the last 3 years):	Experience Co Limited (ASX:EXP) (Formerly Skydive The Beach Group Limited (ASX code: SKB).
Special responsibilities:	Bill is a member of the Remuneration Committee, the Audit and Risk Management Committee and the Nominations Committee.
Interests in shares:	None
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 PricewaterhouseCoopers), 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 (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 508,888 performance rights under the Employee Incentive Plan on terms approved by the company's shareholders.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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 venture capital 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, Slate, Meagher & Flom LLP 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. Chairman of BuildingIQ Inc (ASX code: BIQ).
Former directorships (in the last 3 years):	None
Special responsibilities:	Will is a member of the Remuneration Committee and the Nominations Committee, and is the Chairman of the Audit and Risk Management Committee.
Interests in shares:	86,666 ordinary shares are beneficially held through Exto Partners Australia 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:	<p>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 innovation at Board level.</p> <p>Sandra was formerly Managing Director and CEO of NewsLifeMedia, a division of News Limited, Chief Executive Officer of News Magazines, and held various senior executive roles with Australia's largest media companies including News Limited, Foxtel, Federal Publishing Company, Murdoch Magazines and Fairfax.</p>
Other current directorships:	Sandra is currently a non-executive director of RXP Services Limited (ASX: RXP), MedAdvisor Limited (ASX: MDR) and IVE Group Limited (ASX: IGL).
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

Name:	Stephen Heath
Title:	Non-executive Director
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. His current non-executive directorship roles include Temple & Webster (ASX:TPW) Australia's leading on-line Furniture and Homewares retailer where he also holds the role of Chairman, Glasshouse Fragrances, Australia's leading Home Fragrance brand, and Total Tools, Australia's largest specialist trade tool retailer. He is also 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.
Other current directorships:	Stephen is currently a non-executive director of Temple & Webster Limited (ASX: TPW), where he is also the Chairman.
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

Dr Christopher Clark joined the Board on 25 November 2011 and resigned from the board on 30 June 2019.

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.

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 2019, and the number of meetings attended by each director were:

	Board		Audit and Risk Management Committee		Remuneration Committee		Nominations Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
William J. Beerworth	9	10	2	3	4	4	3	3
Glenn Elith	10	10	3*	-	-	-	3*	-
William Deane	10	10	3	3	4	4	3	3
Dr Christopher Clark	9	10	3	3	4	4	3	3

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.

* Glenn Elith attended part of each of the Audit and Risk Management Committee and Nominations Committee meetings by 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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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 DIRECTORS 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

During the year ended 30 June 2019, Egan and Associates were engaged to provide independent recommendations on the consolidated entity's remuneration strategy. The remuneration committee along with the board are satisfied the advice obtained was independent and free from undue influence by management.

Fees paid in respect of this advice totalled \$3,095 for the year ended 30 June 2019.

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 2019 consisted of the directors of RedHill Education Limited, including Glenn Elith who is an executive director.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

2019	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus*	Super-annuation	Long service leave ***	Equity settled (options)	
	\$	\$	\$	\$	\$	\$
Non-executive Directors:						
William J. Beerworth	160,000	-	-	-	-	160,000
William Deane	95,000	-	-	-	-	95,000
Dr Christopher Clark	85,000	-	-	-	-	85,000
Executive Director:						
Glenn Elith**	427,129	70,000	20,531	3,234	6,490	527,384
	<u>767,129</u>	<u>70,000</u>	<u>20,531</u>	<u>3,234</u>	<u>6,490</u>	<u>867,384</u>

* Bonus payments assessed and paid on a performance basis. \$45,000 was paid in August 2018 and \$25,000 was paid in March 2019.

** Cash salary and fees represent Mr Elith's base salary of \$425,000 which was effective from 1 July 2018, adjusted for the net increase in his annual leave provision during the period.

*** 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.

2018	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus*	Super-annuation	Long service leave****	Equity-settled (options)	
	\$	\$	\$	\$	\$	\$
Non-executive Directors:						
William J. Beerworth	160,000	-	-	-	-	160,000
William Deane	95,000	-	-	-	-	95,000
Dr Christopher Clark	85,000	-	-	-	-	85,000
Ms Caroline Trotman**	27,083	-	-	-	-	27,083
Executive Director:						
Glenn Elith***	404,694	85,000	20,049	6,850	5,688	522,281
	<u>771,777</u>	<u>85,000</u>	<u>20,049</u>	<u>6,850</u>	<u>5,688</u>	<u>889,364</u>

* Bonus payments assessed and paid on a performance basis. \$45,000 was paid in September 2017 and \$40,000 was paid in April 2018.

** Remuneration for the period 1 July 2017 to 28 November 2017.

*** Cash salary and fees represent Mr Elith's base salary of \$400,000 adjusted for the net increase in his annual leave provision during the period.

**** 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.

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:	Glenn 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.

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

D. SHARE-BASED COMPENSATION

ISSUE OF SHARES

The company issued 50,000 shares to Glenn Elith on the exercise of options as part of compensation during the year ended 30 June 2019 and no other directors or other KMP were issued shares.

OPTIONS

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Glenn Elith in this financial year or future reporting years are as follows (no other directors or other KMP were granted options):

Grant date	Number of options	Vesting and exercise date	Expiry date	Exercise price	Fair value at grant date *
22/05/2014	100,000	23/05/2017	22/05/2019	\$0.90	\$0.130
22/05/2014	150,000	23/05/2017	22/05/2019	\$1.10	\$0.081
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's Employee Incentive 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. Each performance right entitles Mr Elith to one share in the company at the time of vesting subject to the conditions outlined below.

Grant date rights	Number of rights	Performance period	Testing date	Holding lock	Value of rights granted	Fair value at grant date*
26/03/2019	84,815	12 months ending 30/9/19	15/10/2019	2 years post vesting	\$0.28	\$0.28
26/03/2019	84,815	12 months ending 30/9/19	15/10/2019	2 years post vesting	\$0.12	\$0.12
26/03/2019	169,629	36 months ending 30/9/21	15/10/2021	2 years post vesting	\$0.86	\$0.86
26/03/2019	169,629	36 months ending 30/9/21	15/10/2021	2 years post vesting	\$0.70	\$0.70

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

Details of the performance rights granted to Mr Elith are as follows:

Overview of terms

Number of Equity Performance Rights	The grant was for a total 508,888 Equity Performance Rights representing a total of 1.63% of the fully diluted Share capital of the Company.
	The number of Equity Performance Rights has been determined by dividing Mr Elith's Total Aggregate Remuneration of \$445,531 by the volume weighted average price (VWAP) of the Company's ASX market Share price during September 2018 and multiplying that number by 4. That VWAP was \$3.5024. <ul style="list-style-type: none"> Tranche 1 is 84,815 Equity Performance Rights. Tranche 2 is 84,815 Equity Performance Rights. Tranche 3 is 169,629 Equity Performance Rights. Tranche 4 is 169,629 Equity Performance Rights.
Price payable on grant or vesting	No amount will be payable in respect of the grant of the Equity Performance Rights as they form part of Mr Elith's remuneration package. No loan has been made in relation to the grant. In addition, no amount is payable on vesting of a performance right.
Rights attaching to Equity Performance Rights	Upon vesting of the Equity Performance Rights, Mr Elith will acquire Shares in the Company 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 issue as described below.
Date of grant	26 March 2019
Performance period	The performance period for the Equity Performance Rights is:
(a)	Tranches 1 and 2 - the 12 month period commencing 1 October 2018 and ending on 30 September 2019.
(b)	Tranches 3 and 4 - the three year period commencing 1 October 2018 and ending on 30 September 2021.
Performance Measures and Vesting	Tranche 1 – Growth in Share price relative to the S&P/ASX Small Ordinaries Index (Index) over a 12 month period. <p>Tranche 1 vests if the Company achieves certain Share price growth targets as measured against the Index. The Company Share price growth is measured at the end of the 12 month period ending 30 September 2019 using a VWAP for the month of September 2019.</p>
Growth of Company Share price compared to Index	% and/or number of Equity Performance Rights which vest
Less than 75%	Nil
75%	50% of Tranche 1 Equity Performance Rights (42,407) vest.
Between 75% and 125%	Pro-rata straight line vesting of between 50% and 100% of the remainder of Tranche 1 Equity Performance Rights vest.
125%	100% of Tranche 1 Equity Performance Rights (84,815) vest.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Tranche 2 –	Total Shareholder Return (TSR)
Tranche 2 vests if the Company achieves certain total shareholder return performance targets for the 12 month period ending 30 September 2019, with TSR growth calculated as follows:	
(E - B + D) / B	
E = End market value of Shares (being the VWAP for the month of September 2019)	
B = Cost basis of Shares (being the VWAP for the month of September 2018)	
D = Dividends paid + any other distributions + value of Shares & dividends from any entity owned or controlled by the Company which is subject to a disposal transaction prior to 30 September 2019.	
TSR Growth	% and/or number of Equity Performance Rights which vest
Less than 10%	Nil
10% or more	50% of Tranche 2 Equity Performance Rights (42,407) vest.
Between 10%-15%	Pro-rata straight line vesting of between 50% and 100% of the remainder of the Tranche 2 Equity Performance Rights vest.
15% or more	100% of Tranche 2 Equity Performance Rights (84,815) vest.
Tranche 3 -	Growth in Share price relative to the S&P/ASX Small Ordinaries Index (Index) over a three year period.
Tranche 3 vests if the Company achieves certain Share price growth targets as measured against the Index. The Company Share price growth is measured at the end of the three year period ending 30 September 2021 using a VWAP for the month of September 2021.	
Growth of Company Share price compared to Index	% and/or number of Equity Performance Rights which vest
Less than 100%	Nil
100%	50% of Tranche 3 Equity Performance Rights (84,815) vest.
Between 100-200%	Pro-rata straight line vesting of between 50%-100% of Tranche 3 Equity Performance Rights.
200%	100% of Tranche 3 Equity Performance Rights (169,629) vest.
Tranche 4 –	CAGR Total Shareholder Return (CAGR TSR) over a three year period.
Tranche 4 vests if the Company achieves certain total shareholder return performance targets. The Company's CAGR TSR growth is calculated as at 30 September 2021 as follows:	

(E - B + D) / B	
E = End market value of Shares (being the VWAP for the month of September 2021)	
B = Cost basis of Shares (being the VWAP for the month of September 2018)	
D = Dividends paid + any other distributions + value of Shares & dividends from any entity or business owned or controlled by the Company which is subject to a disposal transaction prior to 30 September 2021	
CAGR TSR Growth	% and/or number of Equity Performance Rights which vest
Less than 15%	Nil
15% or more	50% of Tranche 4 Equity Performance Rights (84,815) vest.
Between 15%-25%	Pro-rata straight line vesting of between 50%-100% of Tranche 4 Equity Performance Rights.
25% or more	100% of Tranche 4 Equity Performance Rights (169,629) vest.
Performance Testing	Testing of the performance conditions will occur in respect of Tranches 1 and 2 on or before 15 October 2019 and in respect of Tranches 3 and 4 on or before 15 October 2021.
Trading Restrictions and Holding Lock	Mr Elith must not sell, transfer, encumber, hedge or otherwise deal with unvested Equity Performance Rights. Any Shares issued to Mr Elith on vesting of Equity Performance Rights will be subject to a further two year restriction on dealing and as such will be issued with a two year holding lock. The Plan Committee may determine to release the holding lock prior to the expiry of the two year period at its discretion.
Change of Control	The acquisition by a person or entity (directly or indirectly) of not less than 50% of the issued Shares in the Company, whether by private treaty or as a result of a takeover bid or a members' scheme of arrangement in accordance with applicable laws will result in the immediate vesting of 100% of any unvested Equity Performance Rights.

Performance rights granted carry no dividend or voting rights.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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.

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 2019 are set out below:

Name	Number of options granted in 2019	Number of options granted in 2018	Number of rights granted in 2019	Number of rights granted in 2018	Number of options vested 2019	Number of options vested 2018	Number of rights vested 2019	Number of rights vested 2018
Glenn Elith	-	-	508,888	-	225,000	175,000	-	-

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 2019 are set out below:

Name	Value of* options granted in 2019 \$	Value of* options exercised in 2019 \$	Value of* options lapsed in 2019 \$	Value of** rights granted in 2019 \$	Value of** rights exercised in 2019 \$	Value of** rights lapsed in 2019 \$
Glenn Elith	-	6,490	18,630	298,547	-	-

* 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

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

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
<i>Ordinary shares</i>					
William Deane*	86,666	-	-	-	86,666
Glenn Elith	275,000	-	50,000	-	325,000
Dr Christopher Clark**	17,843	-	-	-	17,843
	<u>379,509</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>429,509</u>

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

** Dr Christopher Clark resigned on 30 June 2019.

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
<i>Options over ordinary shares</i>					
Glenn Elith	475,000	-	(50,000)	(200,000)	225,000
	<u>475,000</u>	<u>-</u>	<u>(50,000)</u>	<u>(200,000)</u>	<u>225,000</u>

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
<i>Performance rights</i>					
Glenn Elith	-	508,888	-	-	508,888
	<u>-</u>	<u>508,888</u>	<u>-</u>	<u>-</u>	<u>508,888</u>

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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.

THE EARNINGS OF THE CONSOLIDATED ENTITY FOR THE FOUR YEARS TO 30 JUNE 2019 ARE SUMMARISED BELOW:

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
Revenue	59,834	54,594	41,468	28,320	22,794
% growth in revenue over prior period	10%	32%	46%	24%	19%
EBITDA	3,906	6,619	3,887	1,504	3,010
Net profit after income tax	1,507	3,510	1,737	330	1,652

	2019	2018	2017	2016	2015
Basic earnings per share (cents per share)	4.90	11.53	5.73	1.09	5.47
Diluted earnings per share (cents per share)	4.87	11.41	5.70	1.09	5.45
Share price at financial year end (\$)	2.15	3.15	1.26	0.85	1.33
% increase/(decrease) in share price over prior period	(32%)	150%	48%	(36%)	23%

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	69,167	09/11/2018	09/11/2020	\$1.20
08/11/2017	170,000	09/11/2019	09/11/2021	\$1.40
08/11/2017	170,000	09/11/2020	09/11/2022	\$1.60
08/11/2017	170,000	09/11/2021	09/11/2023	\$1.80
	<u>804,167</u>			

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.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The company issued 150,833 shares on the exercise of options during the year ended 30 June 2019 and up to the date of this report (2018: 340,000).

Date options granted	Date exercised	Exercise price	Shares issued
03/12/2018	03/12/2018	\$1.20	60,000
24/12/2018	24/12/2018	\$1.20	40,833
22/05/2014	22/05/2019	\$0.90	50,000
			<u>150,833</u>

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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.

PROCEEDING 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 28 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 28 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 GRANT THORNTON AUDIT PTY LTD

There are no officers of the company who are former audit partners of Grant Thornton Audit 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.

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 on the following page.

AUDITOR

Grant Thornton Audit 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:



William J. Beerworth
Chairman

27 September 2019

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 audit of Redhill Education Limited for the year ended 30 June 2019, 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 G Rigele
Partner – Audit & Assurance

Sydney, 27 September 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

www.grantthornton.com.au

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

FINANCIAL REPORT

30 JUNE 2019

Consolidated statement of profit or loss and other comprehensive income	44
Consolidated statement of financial position	45
Consolidated statement of changes in equity	46
Consolidated statement of cash flows	47
Notes to the consolidated financial statements	48
Directors' declaration	94
Independent auditor's report to the members of RedHill Education Limited	95
Shareholders information	99

GENERAL INFORMATION

The financial report covers RedHill Education Limited as a consolidated entity consisting of RedHill Education Limited and the entities it controls. The financial report is presented in Australian dollars, which is RedHill Education Limited's functional and presentation currency. The 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 financial statements. The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 September 2019. The directors have the power to amend and reissue the financial statements.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
	Note	2019 \$'000	2018 \$'000
Revenue from contracts with customers	4	59,834	54,594
Interest revenue		148	-
Expenses			
Salaries and employee benefits expense		(31,740)	(26,413)
Cost of services		(10,153)	(9,514)
Depreciation and amortisation expense	5	(1,992)	(1,803)
Impairment of receivables	8	(887)	-
Property and occupancy costs		(7,732)	(6,170)
Professional and consulting fees		(493)	(524)
Marketing expenses		(2,058)	(2,349)
Public company related costs		(649)	(660)
Other expenses		(2,216)	(2,172)
Finance costs		(4)	(1)
Profit before income tax expense		2,058	4,988
Income tax expense	6	(551)	(1,478)
Profit after income tax expense for the year attributable to the shareholders of RedHill Education Limited	24	1,507	3,510
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the shareholders of RedHill Education Limited		1,507	3,510
		Cents	Cents
Basic earnings per share	36	4.90	11.53
Diluted earnings per share	36	4.87	11.41

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 2019

		Consolidated	
	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	12,954	9,980
Trade receivables	8	2,186	4,204
Income tax refund due		616	-
Prepayments and other assets	9	4,373	2,934
Total current assets		20,129	17,118
Non-current assets			
Property, plant and equipment	10	6,748	6,493
Intangible assets	11	6,922	6,541
Deferred tax	12	1,513	1,865
Other financial assets	13	3,160	3,454
Total non-current assets		18,343	18,353
Total assets		38,472	35,471
Liabilities			
Current liabilities			
Trade and other payables	14	5,396	4,621
Contract liabilities	15	12,309	9,735
Finance lease	16	11	10
Income tax		-	1,324
Employee benefits	17	944	744
Other provisions	18	184	231
Total current liabilities		18,844	16,665
Non-current liabilities			
Finance lease	19	20	32
Employee benefits	20	33	113
Other provisions	21	2,272	1,613
Total non-current liabilities		2,325	1,758
Total liabilities		21,169	18,423
Net assets		17,303	17,048
Equity			
Issued capital	22	19,166	19,000
Reserves	23	22	79
Accumulated losses	24	(1,885)	(2,031)
Total equity		17,303	17,048

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 2019

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	18,770	111	(4,406)	14,475
Profit after income tax expense for the year	-	-	3,510	3,510
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,510	3,510
<i>Transactions with shareholders in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 22)	230	-	-	230
Share-based payments (note 37)	-	52	-	52
Fair value of exercised options	-	(84)	84	-
Dividends paid (note 25)	-	-	(1,219)	(1,219)
Balance at 30 June 2018	<u>19,000</u>	<u>79</u>	<u>(2,031)</u>	<u>17,048</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	19,000	79	(2,031)	17,048
Effect on adoption of AASB 9 (note 1)	-	-	(246)	(246)
Balance at 1 July 2018 - restated	19,000	79	(2,277)	16,802
Profit after income tax expense for the year	-	-	1,507	1,507
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,507	1,507
<i>Transactions with shareholders in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 22)	166	-	-	166
Share-based payments (note 37)	-	57	-	57
Transfer back of forfeited options	-	(5)	5	-
Transfer back lapsed options	-	(19)	19	-
Fair value of exercised options	-	(90)	90	-
Dividends paid (note 25)	-	-	(1,229)	(1,229)
Balance at 30 June 2019	<u>19,166</u>	<u>22</u>	<u>(1,885)</u>	<u>17,303</u>

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 2019

	Note	Consolidated 2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		64,363	46,543
Payments to suppliers and employees (inclusive of GST)		(55,946)	(37,899)
		8,417	8,644
Interest received		148	81
Interest and other finance costs paid		(4)	(1)
Income taxes paid		(2,033)	(522)
Net cash from operating activities	35	<u>6,528</u>	<u>8,202</u>
Cash flows from investing activities			
Proceeds/(payments) from release of security deposits		148	(263)
Payments for property, plant and equipment	10	(1,975)	(3,043)
Payments for intangibles	11	(653)	(172)
Net cash used in investing activities		<u>(2,480)</u>	<u>(3,478)</u>
Cash flows from financing activities			
Proceeds from issue of shares	22	166	163
Drawn under finance leases		-	28
Repayments made under finance leases		(11)	(30)
		(1,229)	(1,219)
Net cash used in financing activities		<u>(1,074)</u>	<u>(1,058)</u>
Net increase in cash and cash equivalents		2,974	3,666
Cash and cash equivalents at the beginning of the financial year		<u>9,980</u>	<u>6,314</u>
Cash and cash equivalents at the end of the financial year	7	<u>12,954</u>	<u>9,980</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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:

AASB 9 FINANCIAL INSTRUMENTS

The consolidated entity has adopted this standard from 1 July 2018 with a modified retrospective approach, and comparatives have not been restated in the financial statements. 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.

Under AASB 139, these financial assets were classified and measured at amortised cost and this treatment remains consistent under AASB 9.

Upon the adoption of AASB 9, an amount of \$246,000 relating to a revaluation of receivables relating to the prior period has been recognised in opening retained earnings.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The consolidated entity has adopted this standard from 1 July 2018 with a full retrospective approach, and comparatives have been restated to reflect this standard in the financial statements.

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces 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:

- Contracts (either written, verbal or implied) to be identified.
- Separate performance obligations within the contract to be identified.
- Determination of the transaction price, adjusted for the time value of money excluding credit risk.
- 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.
- 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 related 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 contract liability (deferred revenue). A trade receivable is recorded as per the terms of the contract once an enrolment has been confirmed and the student has fallen behind the payment plan.

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 consolidated profit or loss statement 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. The adoption of AASB 15 did significantly impact the presentation of the Statement of Financial Position.

In prior periods, the company recognised as a contract asset future tuition-related revenues for outstanding invoiced amounts where a student had signed an agreement and a payment plan was in place. A corresponding contract liability (deferred revenue) was recognised for tuition-related revenues for invoiced amounts where an agreement had been signed and a payment plan was in place with students as at year-end for studies which are expected to be undertaken after the balance date.

Under AASB 15 *Revenue from Contracts with Customers*, the recording of both a contract asset and a contract liability for the same revenue item is no longer permitted. The effect is to effectively set off contract assets with contract liabilities and present a net contract liability position, which represents only payments made in advance (or due) prior to the commencement of the tuition.

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.

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 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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 2019 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.

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 overtime.

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits. Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term. Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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 annually for impairment, 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 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.

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 paid in advance or due for payment 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.

FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on finance leases.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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 using the projected unit credit method. 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.

SHARE-BASED PAYMENTS

Share based compensation benefits are provided to employees via the RedHill Education Limited Employee Share Option Plan. Equity-settled transactions are awards of shares, 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.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

ISSUED CAPITAL

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

BUSINESS COMBINATIONS

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

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.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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. 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 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 LEASES

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces *AASB 117 'Leases'* and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. The consolidated entity will adopt this standard from 1 July 2019. Management are currently determining the transitional arrangements under the standard and it is estimated that the effect of the adoption of this standard is likely to result in an increase in liabilities of approximately \$18.2 million and the creation of a corresponding right to use asset of approximately \$16.4 million.

NEW CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of *AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*, also applicable from 1 January 2020, includes such amendments. Where the consolidated entity has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the consolidated entity will apply the revised Conceptual Framework from 1 July 2020.

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.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, AND ASSUMPTIONS

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 and historical collection rates.

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.

GOODWILL

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The directors have assessed the carrying value of goodwill in the consolidated entity as appropriate as at 30 June 2019. Refer to note 11 for further details.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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.

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.

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.

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 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

Operating segment information

	Technology & Design \$'000	Greenwich \$'000	Go Study \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 2019					
Revenue					
Sales to external customers	20,414	33,523	5,897	-	59,834
Intersegment sales	-	-	709	(709)	-
Total revenue	<u>20,414</u>	<u>33,523</u>	<u>6,606</u>	<u>(709)</u>	<u>59,834</u>
Segment operating result	<u>2,800</u>	<u>6,825</u>	<u>920</u>	<u>-</u>	<u>10,545</u>
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(4,333)	(4,333)
Professional and consulting fees	-	-	-	(493)	(493)
Public company related costs	-	-	-	(649)	(649)
Property and occupancy costs	-	-	-	(353)	(353)
Other expenses	-	-	-	(811)	(811)
EBITDA *	<u>2,800</u>	<u>6,825</u>	<u>920</u>	<u>(6,639)</u>	<u>3,906</u>
Depreciation and amortisation	(838)	(569)	(42)	(543)	(1,992)
Finance cost	-	(4)	-	-	(4)
Interest revenue	45	41	30	32	148
Profit/(loss) before income tax expense	<u>2,007</u>	<u>6,293</u>	<u>908</u>	<u>(7,150)</u>	<u>2,058</u>
Income tax expense					(551)
Profit after income tax expense					<u>1,507</u>
Assets					
Segment assets	18,311	26,627	3,926	-	48,864
Intersegment eliminations					(3,409)
Unallocated assets					(6,983)
Total assets					<u>38,472</u>
Liabilities					
Segment liabilities	7,754	14,655	649	-	23,058
Intersegment eliminations					356
Unallocated assets					(2,245)
Total liabilities					<u>21,169</u>

* 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.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	Technology & Design \$'000	Greenwich \$'000	Go Study \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 2018					
Revenue					
Sales to external customers	18,143	30,949	5,329	-	54,421
Intersegment sales	-	-	482	(482)	-
Total sales revenue	18,143	30,949	5,811	(482)	54,421
Other revenue	-	-	-	173	173
Total revenue	18,143	30,949	5,811	(309)	54,594
Segment operating result	2,833	6,972	748	-	10,553
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(2,189)	(2,189)
Professional and consulting fees	-	-	-	(330)	(330)
Public company related costs	-	-	-	(660)	(660)
Property and occupancy costs	-	-	-	(310)	(310)
Other expenses	-	-	-	(445)	(445)
EBITDA *	2,833	6,972	748	(3,934)	6,619
Depreciation and amortisation	(758)	(364)	(42)	(639)	(1,803)
Finance cost	-	-	-	(1)	(1)
Interest revenue	57	51	11	54	173
Profit/(loss) before income tax expense	2,132	6,659	717	(4,520)	4,988
Income tax expense					(1,478)
Profit after income tax expense					3,510
Assets					
Segment assets	15,544	18,082	2,772	-	36,398
Intersegment eliminations					(18,547)
Unallocated assets					17,620
Total assets					35,471
Liabilities					
Segment liabilities	6,310	10,222	251	-	16,783
Intersegment eliminations					(15,923)
Unallocated liabilities					17,563
Total liabilities					18,423

* 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. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Revenue from contracts with customers</i>		
Tuition related revenue	53,930	49,092
Commission revenue	5,904	5,329
	<u>59,834</u>	<u>54,421</u>
<i>Other revenue</i>		
Interest *	-	173
Revenue from contracts with customers	<u>59,834</u>	<u>54,594</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:

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Geographical revenue from contracts with customers</i>		
Australia	58,258	52,786
Europe	1,534	1,612
South America	42	23
	<u>59,834</u>	<u>54,421</u>
<i>Timing of revenue recognition from contracts with customers</i>		
Services transferred over time	53,930	49,092
Services transferred at a point in time	5,904	5,329
	<u>59,834</u>	<u>54,421</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5. EXPENSES

Profit before income tax includes the following specific expenses:

Depreciation

Leasehold improvements

Plant and equipment

Total depreciation

Amortisation

Copyrights

Total depreciation and amortisation

Rental expense relating to operating leases

Minimum lease payments

Superannuation expense

Defined contribution superannuation expense

	Consolidated	
	2019 \$'000	2018 \$'000
Leasehold improvements	1,006	864
Plant and equipment	714	658
Total depreciation	1,720	1,522
Copyrights	272	281
Total depreciation and amortisation	1,992	1,803
Minimum lease payments	5,662	4,608
Defined contribution superannuation expense	2,160	1,889

NOTE 6. INCOME TAX EXPENSE

Income tax expense

Current tax

Deferred tax - origination/(reversal) of temporary differences

Adjustment recognised for prior periods

Aggregate income tax expense

Deferred tax included in income tax expense comprises:

Decrease/(increase) in deferred tax assets (note 12)

Numerical reconciliation of income tax expense and tax at the statutory rate

Profit before income tax expense

Tax at the statutory tax rate of 30%

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

- Share-based payments

- Foreign branch income

- Foreign branch tax expense

- Sundry items

Adjustments to opening deferred tax asset:

- on tax losses

- on timing differences

Income tax expense

	Consolidated	
	2019 \$'000	2018 \$'000
Current tax	199	1,803
Deferred tax - origination/(reversal) of temporary differences	352	(368)
Adjustment recognised for prior periods	-	43
Aggregate income tax expense	551	1,478
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 12)	352	(368)
Profit before income tax expense	2,058	4,988
Tax at the statutory tax rate of 30%	617	1,496
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	17	16
- Foreign branch income	(109)	(114)
- Foreign branch tax expense	7	8
- Sundry items	19	29
Adjustments to opening deferred tax asset:		
- on tax losses	-	52
- on timing differences	-	(9)
Income tax expense	551	1,478

NOTE 7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2019 \$'000	2018 \$'000
Cash at bank and on hand	12,954	9,980

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8. CURRENT ASSETS - TRADE RECEIVABLES

	Consolidated	
	2019 \$'000	2018 \$'000
Trade receivables	3,085	4,425
Less: Allowance for expected credit losses	(899)	(221)
	<u>2,186</u>	<u>4,204</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$887,000 in profit or loss in respect of impairment of receivables for the year ended 30 June 2019. The consolidated entity has adopted the simplified approach to expected credit losses (ECL), which requires the recognition of lifetime ECL at all times.

	Expected credit loss rate 2019 %	Carrying amount 2019 \$'000	Allowance for expected credit losses 2019 \$'000
Consolidated - Domestic students			
Current (Not overdue before the start of term)	5.9%	1,016	60
0 to 6 months overdue	6.0%	<u>1,290</u>	<u>78</u>
		<u>2,306</u>	<u>138</u>
	Expected credit loss rate 2019 %	Carrying amount 2019 \$'000	Allowance for expected credit losses 2019 \$'000
Consolidated - International students			
Over 6 months overdue	97.7%	779	761

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

	Consolidated	
	2019 \$'000	2018 \$'000
Opening balance	221	97
Additional provisions recognised *	887	252
Receivables written off during the year as uncollectable	<u>(209)</u>	<u>(128)</u>
Closing balance	<u>899</u>	<u>221</u>

* In 2019, additional provisions include the adoption of *AASB 9 'Financial Instruments'*. This includes a credit adjustment of \$351,000 (net of tax \$246,000) recognised in current year opening retained earnings.

NOTE 9. CURRENT ASSETS - PREPAYMENTS AND OTHER ASSETS

	Consolidated	
	2019 \$'000	2018 \$'000
Lease incentive asset	256	193
Prepayments	934	1,254
Deposits	25	143
Other current assets	<u>3,158</u>	<u>1,344</u>
	<u>4,373</u>	<u>2,934</u>

Other current assets increased due to a proportionate increase in student acquisition costs which are treated as prepayments and are fully refundable until the date the students commence their studies.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 10. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2019 \$'000	2018 \$'000
Leasehold improvements - at cost	9,214	5,780
Less: Accumulated depreciation	(4,394)	(3,388)
	4,820	2,392
Plant and equipment - at cost	5,322	4,742
Less: Accumulated depreciation	(4,008)	(3,294)
	1,314	1,448
Assets under construction - at cost *	614	2,653
	6,748	6,493

* In 2019 the asset under construction represents the development of software systems. In 2018, the assets under construction represents the expansion of the Melbourne and Sydney campuses.

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	Assets under construction \$'000	Total \$'000
Balance at 1 July 2017	3,027	1,297	-	4,324
Additions	229	809	2,653	3,691
Depreciation expense	(864)	(658)	-	(1,522)
Balance at 30 June 2018	2,392	1,448	2,653	6,493
Additions	781	580	614	1,975
Transfers in/(out)	2,653	-	(2,653)	-
Depreciation expense	(1,006)	(714)	-	(1,720)
Balance at 30 June 2019	4,820	1,314	614	6,748

NOTE 11. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2019 \$'000	2018 \$'000
Goodwill - at cost	9,145	9,145
Less: Accumulated impairment	(3,000)	(3,000)
	6,145	6,145
Customer contracts - at cost	406	406
Less: Accumulated amortisation	(406)	(406)
	-	-
Software - at cost	470	470
Less: Accumulated amortisation	(470)	(470)
	-	-
Copyrights - at cost	6,520	5,867
Less: Accumulated amortisation	(5,743)	(5,471)
	777	396
Licenses - at cost	20	20
Less: Accumulated amortisation	(20)	(20)
	-	-
	6,922	6,541

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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 2017	6,145	505	6,650
Additions	-	172	172
Amortisation expense	-	(281)	(281)
Balance at 30 June 2018	6,145	396	6,541
Additions	-	653	653
Amortisation expense	-	(272)	(272)
Balance at 30 June 2019	6,145	777	6,922

(a) Impairment tests for goodwill

Goodwill is monitored by management at cash-generating unit ('CGU') levels, which are the operating segments identified in Note 3 and are the smallest group of Redhill assets that have individually identifiable cashflows.

The allocation of the carrying value of goodwill is as follows:

Cash Generating Unit	Consolidated	
	2019 \$'000	2018 \$'000
Technology & Design	6,145	6,145

The recoverable amount of the Technology & Design CGU determined by the value-in-use calculations which require the use of a number of key assumptions. The calculation uses the cash flow projections based upon business plans over a five year period.

The following assumptions have been applied in the analysis of the Technology & Design CGU:

b) Significant assumptions used for value-in-use calculations	2019	2018
Post tax discount rate	15.5%	15.5%
Student growth rate	5.0% - 40.0%	5.0% - 40.0%
Student growth rate - terminal value	2.5%	2.5%
Revenue price increase *	4.0% - 5.0%	4.0% - 5.0%
Annual rate of cost increase - variable	0% - 50.0%	0% - 50.0%
Annual rate of cost increase - fixed	4.0%	4.0%

* Excludes the terminal year, which has no price increase.

These assumptions have been used for the analysis of the Technology & Design CGU.

The discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based upon the specific circumstances of RedHill and the CGU and is derived from its weighted average cost of capital ('WACC').

WACC takes into account equity and debt. The cost of equity is derived from the expected return on investments by RedHill. The cost of debt is based upon the interest-bearing borrowings which RedHill could obtain at commercial rates from the financial market.

The student growth rate assumptions are consistent with RedHill's business plans and are based upon expected growth in student numbers due to effective marketing activities, course range expansion, and geographic expansion.

(c) Impairment of goodwill

The directors have formed the view that no impairment of the carrying value of goodwill is required for the Technology & Design CGU as at 30 June 2019.

(d) Impact of possible changes in key assumptions

Management have carried out sensitivity analysis on the recoverable amount based on their viewpoint of a reasonably possible change in the discount rate of +/-3.0% and the student growth rate of +/- 5.0%. Based on the sensitivity analysis carried out, the recoverable amount of goodwill attributed to Technology & Design CGU is in excess of the carrying amount and there is no impairment required as at 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12. NON-CURRENT ASSETS - DEFERRED TAX

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Deferred tax assets comprise temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Employee benefits	343	439
Provision for lease make good	139	100
Accrued expenses	261	267
Intangibles	1,074	1,066
Lease incentive	204	134
Allowance for expected credit losses	270	-
Deferred student acquisition costs	(713)	(215)
Other	(65)	74
Deferred tax asset	<u>1,513</u>	<u>1,865</u>
<i>Movements:</i>		
Opening balance	1,865	1,497
Credited/(charged) to profit or loss (note 6)	<u>(352)</u>	<u>368</u>
Closing balance	<u>1,513</u>	<u>1,865</u>

Deferred tax included in income tax expense/(benefit) comprises:

Increase in deferred tax assets - current year utilisation of \$352,000 (2018: a charge of losses of \$368,000).

NOTE 13. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated	
	2019 \$'000	2018 \$'000
Deposits	2,522	2,670
Lease incentive asset	<u>638</u>	<u>784</u>
	<u>3,160</u>	<u>3,454</u>

NOTE 14. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2019 \$'000	2018 \$'000
Trade payables	1,462	2,445
Payroll accruals	3,240	795
Other accruals	<u>694</u>	<u>1,381</u>
	<u>5,396</u>	<u>4,621</u>

Refer to note 26 for further information on financial instruments.

NOTE 15. CURRENT LIABILITIES - CONTRACT LIABILITIES

	Consolidated	
	2019 \$'000	2018 \$'000
Contract liabilities	<u>12,309</u>	<u>9,735</u>

Tuition related performance obligations

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 \$12,309,000 as at 30 June 2019 (2018: \$9,735,000) 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.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated	
	2019 \$'000	2018 \$'000
The ageing of the expected performance obligation of contract liabilities are as follows:		
To be realised within 4 months	12,309	9,735
Deferred revenue consists of:		
Contract liabilities paid, and due for payment	12,309	9,735
Contract liabilities not yet due for payment	21,148	20,797
Total Deferred revenue	33,457	30,532

Deferred revenue 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.

NOTE 16. CURRENT LIABILITIES - FINANCE LEASE

	Consolidated	
	2019 \$'000	2018 \$'000
Lease liability	11	10

Refer to note 26 for further information on financial instruments.

NOTE 17. CURRENT LIABILITIES - EMPLOYEE BENEFITS

	Consolidated	
	2019 \$'000	2018 \$'000
Annual leave	848	710
Long service leave	96	34
	944	744

NOTE 18. CURRENT LIABILITIES - OTHER PROVISIONS

	Consolidated	
	2019 \$'000	2018 \$'000
Lease incentive provision	184	231

Refer to note 21 for further details on lease incentives.

NOTE 19. NON-CURRENT LIABILITIES - FINANCE LEASE

	Consolidated	
	2019 \$'000	2018 \$'000
Lease Liability	20	32

Refer to note 26 for further information on financial instruments.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 20. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

	Consolidated	
	2019 \$'000	2018 \$'000
Long service leave	33	113

NOTE 21. NON-CURRENT LIABILITIES - OTHER PROVISIONS

	Consolidated	
	2019 \$'000	2018 \$'000
Lease make-good	914	463
Lease incentive	1,358	1,150
	2,272	1,613

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.

Movements in provisions

Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below:

	Lease make good \$'000	Lease incentive \$'000
Consolidated - 2019		
Carrying amount at the start of the year	463	1,150
Additional provisions recognised	451	208
Carrying amount at the end of the year	914	1,358

NOTE 22. EQUITY - ISSUED CAPITAL

	2019 Shares	Consolidated 2018 Shares	2019 \$'000	2018 \$'000
Ordinary shares - fully paid	30,815,885	30,665,052	19,166	19,000

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2017	30,289,052		18,770
Shares issued *	9 November 2017	36,000	\$1.90	68
Shares issued **	17 November 2017	65,000	\$0.30	20
Shares issued **	5 March 2018	25,000	\$0.30	7
Shares issued **	5 March 2018	100,000	\$0.40	40
Shares issued **	5 March 2018	100,000	\$0.50	50
Shares issued **	5 March 2018	50,000	\$0.90	45
Balance	30 June 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
Shares issued **	22 May 2019	50,000	\$0.90	45
Balance	30 June 2019	30,815,885		19,166

* Shares issued at fair value under the RedHill Education Limited Employee Incentive Plan to certain members of the senior management team on 9 November 2017.

** Shares issued upon the exercise of share incentives issued under the RedHill Education Limited Employee Incentive Plan.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. 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.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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. 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 2018 Annual Report.

NOTE 23. EQUITY - RESERVES

	Consolidated	
	2019 \$'000	2018 \$'000
Share-based payments reserve	22	79

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.

Movements in reserves

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

Consolidated	Share-based payments \$'000
Balance at 1 July 2017	111
Share-based payments	52
Fair value of exercised options	(84)
Balance at 30 June 2018	79
Share-based payments	57
Transfer back of lapsed options	(5)
Transfer back of forfeited options	(19)
Fair value of exercised options	(90)
Balance at 30 June 2019	22

NOTE 24. EQUITY - ACCUMULATED LOSSES

	Consolidated	
	2019 \$'000	2018 \$'000
Accumulated losses at the beginning of the financial year	(2,031)	(4,406)
Adjustment for change in accounting policy	(246)	-
Accumulated losses at the beginning of the financial year - restated	(2,277)	(4,406)
Profit after income tax expense for the year	1,507	3,510
Dividends paid (note 25)	(1,229)	(1,219)
Transfer from share-based payment reserve	114	84
Accumulated losses at the end of the financial year	(1,885)	(2,031)

NOTE 25. EQUITY - DIVIDENDS

	Consolidated	
	2019 \$'000	2018 \$'000
Dividends paid during the reporting period	1,229	1,219
Dividends not recognised at the end of the reporting period	616	613
	1,845	1,832

On 26 August 2019, the directors declared a fully franked dividend of 2.0 cents per ordinary share, with a payment date of 30 September 2019, from retained profits at 30 June 2019. For the purposes of determining any entitlement to the dividend, the record date has been set as 11 September 2019.

During the financial period fully franked dividends of two cents per ordinary share were paid on 26 September 2018 and 2 April 2019.

During the last financial period fully franked dividends of two cents per ordinary share were paid on 2 November 2017 and 3 April 2018.

Franking credits

	Consolidated	
	2019 \$'000	2018 \$'000
Franking credits available at the reporting date based on a tax rate of 30%	2,138	377
Franking credits available for subsequent financial years based on a tax rate of 30%	2,138	377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 26. 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, foreign 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.

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

	2019		2018	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash and cash equivalents	1.25%	12,954	1.42%	9,980
Net exposure to cash flow interest rate risk		12,954		9,980

An official increase/decrease in interest rates of 100 (2018: 100) basis points would have favourable/adverse effect on profit before tax of \$130,000 (2018: favourable/adverse \$100,000) and favourable/adverse effect on equity of \$91,000 (2018: adverse/favourable \$70,000) 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.

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.

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.

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	Weighted average interest rate %	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
Consolidated - 2019						
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,462	-	-	-	1,462
Other payables	-	694	-	-	-	694
Payroll accruals	-	3,240	-	-	-	3,240
Interest-bearing - fixed rate						
Lease liability	12.00%	11	20	-	-	31
Total non-derivatives		5,407	20	-	-	5,427
Consolidated - 2018						
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,445	-	-	-	2,445
Other payables	-	1,381	-	-	-	1,381
Payroll accruals	-	795	-	-	-	795
Interest-bearing - variable						
Lease liability	12.00%	10	32	-	-	42
Total non-derivatives		4,631	32	-	-	4,663

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

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 27. 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 2019 \$	Consolidated 2018 \$
Short-term employee benefits	837,129	856,777
Post-employment benefits	20,531	20,049
Long-term benefits	3,234	6,850
Share-based payments	6,490	5,688
	<u>867,384</u>	<u>889,364</u>

NOTE 28. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, and to RSM Australia Partners, the previous auditors of the company:

	Consolidated 2019 \$	Consolidated 2018 \$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	122,600	92,000
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Tax services	19,000	17,000
	<u>141,600</u>	<u>109,000</u>
<i>Audit services - RSM Australia Partners</i>		
Audit or review of the financial statements	-	25,145
<i>Other services - RSM Australia Partners</i>		
Preparation of the tax return	4,000	5,500
	<u>4,000</u>	<u>30,645</u>

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 29. CONTINGENT LIABILITIES

The consolidated entity has given bank guarantees as at 30 June 2019 of \$3,334,162 (2018: \$2,473,600) to various lessors.

NOTE 30. COMMITMENTS FOR EXPENDITURE

Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable:

	Consolidated	
	2019 \$'000	2018 \$'000
Within one year	5,127	4,866
One to five years	15,941	18,059
More than five years	247	2,525
	<u>21,315</u>	<u>25,450</u>

Lease commitment - finance

Committed at the reporting date and recognised as liabilities, payable:

Within one year	15	11
One to five years	28	33
	<u>43</u>	<u>44</u>
Total commitment		
Less: Future finance charges	(12)	(2)
	<u>31</u>	<u>42</u>
Net commitment recognised as liabilities		
Representing:		
Lease liability - current (note 16)	11	10
Lease liability - non-current (note 19)	20	32
	<u>31</u>	<u>42</u>

Operating lease commitments include contracted amounts for campus locations, under non-cancellable operating leases expiring within one to six years with, in some cases, options to extend. The leases have various escalation clauses, the nature of which are consistent with commercial property leases elsewhere in the market place. On renewal, the terms of the leases are renegotiated.

Finance lease commitment represents the contracted amount for IT equipment with an aggregate written down value of \$31,000 (2018: \$42,000) under finance leases expiring within three years. Under the terms of the leases, the consolidated entity retains possession of the leased assets at expiry of the lease.

NOTE 31. RELATED PARTY TRANSACTIONS

PARENT ENTITY

RedHill Education Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in note 33.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

In addition to the remuneration paid to KMP, amounts to related parties of the directors totalling \$33,624 were paid during the period for administrative support services (year ended 30 June 2018: \$2,952).

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 \$29,166 for Directors Fees, that were due and payable as at 30 June 2019 (year ended 30 June 2018: \$8,708).

LOANS TO/FROM RELATED PARTIES

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

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 32. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019 \$'000	2018 \$'000
Profit/(loss) after income tax	(4,932)	4,773
Total comprehensive income	(6,046)	4,773

Statement of financial position

	Parent	
	2019 \$'000	2018 \$'000
Total current assets	1,033	1,454
Total assets	17,841	17,928
Total current liabilities	22,288	16,684
Total liabilities	23,413	17,563
Equity		
Issued capital	19,166	19,000
Share-based payments reserve	22	79
Accumulated losses	(24,760)	(18,714)
Total equity/(deficiency)	(5,572)	365

CONTINGENT LIABILITIES

The parent entity has given bank guarantees as at 30 June 2019 of \$3,334,162 (2018: \$2,473,600) to various lessors in respect of the consolidated entity's operations.

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 33. 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:

Name	Principal place of business /Country of incorporation	Ownership interest	
		2019 %	2018 %
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

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 34. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 2016/785, the wholly-owned entities 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.

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

	2019 \$'000	2018 \$'000
Statement of profit or loss and other comprehensive income		
Revenue	57,259	52,165
Salaries and employee benefits expense	(29,931)	(24,845)
Cost of services	(10,153)	(9,514)
Depreciation and amortisation expense	(1,985)	(1,796)
Impairment of receivables	(887)	-
Property and occupancy costs	(7,557)	(5,997)
Professional and consulting fees	(469)	(486)
Marketing expenses	(1,826)	(2,183)
Public company related costs	(649)	(660)
Other expenses	(2,080)	(2,077)
Finance costs	(4)	(1)
Profit before income tax expense	1,718	4,606
Income tax expense	(533)	(1,467)

Profit after income tax expense

1,185 3,139

Other comprehensive income for the year, net of tax

- -

Total comprehensive income for the year

1,185 3,139

Equity - accumulated losses

2019 **2018**
\$'000 **\$'000**

Accumulated losses at the beginning of the financial year

(2,962) (4,966)

Profit after income tax expense

1,185 3,139

Dividends paid

(1,229) (1,219)

Adoption of AASB 9

(246) -

Transfer from share-based payment reserve

114 84

Accumulated losses at the end of the financial year

(3,138) (2,962)

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Statement of financial position

Current assets

	2019 \$'000	2018 \$'000
Cash and cash equivalents	12,806	9,980
Trade receivables	2,186	2,151
Income tax refund due	616	-
Prepayments and other assets	3,224	2,525
	18,832	14,656

Non-current assets

Property, plant and equipment	6,717	6,472
Intangibles	6,922	6,541
Deferred tax	1,513	1,865
Other financial assets	3,158	3,453
	18,310	18,331

Total assets

	37,142	32,987
--	--------	--------

Current liabilities

Trade and other payables	5,352	3,103
Contract liabilities	12,309	9,735
Finance lease	11	10
Income tax	-	1,302
Employee benefits	911	732
Other provisions	184	231
	18,767	15,113

Non-current liabilities

Finance lease	20	32
Employee benefits	33	113
Other provisions	2,272	1,612
	2,325	1,757

Total liabilities

	21,092	16,870
--	--------	--------

Net assets

	16,050	16,117
--	--------	--------

Equity

Issued capital	19,166	19,000
Reserves	22	79
Accumulated losses	(3,138)	(2,962)
	16,050	16,117

NOTE 35. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated 2019 \$'000	2018 \$'000
Profit after income tax expense for the year	1,507	3,510
Adjustments for:		
Depreciation and amortisation	1,992	1,803
Share-based payments	57	52
Shares issued for nil consideration under ESOP	-	68
Interest received in restricted accounts	(90)	(93)
Non-cash finance costs	27	-
Change in operating assets and liabilities:		
Decrease/(increase) in contract assets and trade receivables	1,772	(7,848)
Decrease/(increase) in deferred tax assets	352	(368)
Decrease/(increase) in prepayments	320	(484)
Increase in other operating assets	(1,550)	(682)
Increase in trade and other payables and deferred revenue	775	7,120
Increase/(decrease) in contract liabilities	2,574	3,570
Increase/(decrease) in provision for income tax	(1,940)	1,324
Increase in employee benefits	120	197
Increase in other provisions	612	33
Net cash from operating activities	6,528	8,202

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 36. EARNINGS PER SHARE

	Consolidated	
	2019	2018
	\$'000	\$'000
Profit after income tax attributable to the shareholders of RedHill Education Limited	1,507	3,510
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	30,726,195	30,441,282
Adjustments for calculation of diluted earnings per share:		
Exercisable options	219,167	325,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	30,945,362	30,766,282
	Cents	Cents
Basic earnings per share	4.90	11.53
Diluted earnings per share	4.87	11.41

Additional information about the dilutive securities

All share options which the board have 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.

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

NOTE 37. 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.

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

2019							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
22/05/2014	22/05/2019	\$0.90	100,000	-	(50,000)	(50,000)	-
22/05/2014	22/05/2019	\$1.10	150,000	-	-	(150,000)	-
12/12/2016	12/12/2021	\$1.25	75,000	-	-	-	75,000
12/12/2016	12/12/2021	\$1.75	75,000	-	-	-	75,000
12/12/2016	12/12/2021	\$2.25	75,000	-	-	-	75,000
08/11/2017	09/11/2020	\$1.20	180,000	-	(100,833)	(10,000)	69,167
08/11/2017	09/11/2021	\$1.40	180,000	-	-	(10,000)	170,000
08/11/2017	09/11/2022	\$1.60	180,000	-	-	(10,000)	170,000
08/11/2017	09/11/2023	\$1.80	180,000	-	-	(10,000)	170,000
			1,195,000	-	(150,833)	(240,000)	804,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
17/09/2013	16/09/2018	\$0.30	90,000	-	(90,000)	-	-
17/09/2013	16/09/2018	\$0.40	100,000	-	(100,000)	-	-
17/09/2013	16/09/2018	\$0.50	100,000	-	(100,000)	-	-
22/05/2014	22/05/2019	\$0.90	150,000	-	(50,000)	-	100,000
22/05/2014	22/05/2019	\$1.10	150,000	-	-	-	150,000
12/12/2016	12/12/2021	\$1.25	75,000	-	-	-	75,000
12/12/2016	12/12/2021	\$1.75	75,000	-	-	-	75,000
12/12/2016	12/12/2021	\$2.25	75,000	-	-	-	75,000
08/11/2017	09/11/2020	\$1.20	-	180,000	-	-	180,000
08/11/2017	09/11/2021	\$1.40	-	180,000	-	-	180,000
08/11/2017	09/11/2022	\$1.60	-	180,000	-	-	180,000
08/11/2017	09/11/2023	\$1.80	-	180,000	-	-	180,000
			815,000	720,000	(340,000)	-	1,195,000

The weighted average share price during the financial year was \$2.8016 (2018: \$2.1136).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.69 years (2018: 3.07 years).

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

2019

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	\$0.00	-	84,815	-	-	84,815
26/03/2019	15/10/2019	\$0.00	-	84,815	-	-	84,815
26/03/2019	15/10/2021	\$0.00	-	169,629	-	-	169,629
26/03/2019	15/10/2021	\$0.00	-	169,629	-	-	169,629
			-	508,888	-	-	508,888

The weighted average fair value of rights at grant date \$0.587 per right.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 3.73 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
26/03/2019	30/09/2019	\$2.65	\$0.00	30.00%	1.50%	1.52%	\$0.280
26/03/2019	30/09/2019	\$2.65	\$0.00	30.00%	1.50%	1.52%	\$0.120
26/03/2019	30/09/2021	\$2.65	\$0.00	30.00%	1.50%	1.44%	\$0.860
26/03/2019	30/09/2021	\$2.65	\$0.00	30.00%	1.50%	1.44%	\$0.700

NOTE 38. EVENTS AFTER THE REPORTING PERIOD

Apart from the dividend declared as disclosed in note 25, no other matter or circumstance has arisen since 30 June 2019 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 ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2019

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 2019 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 34 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



William J. Beerworth
Chairman

27 September 2019

Sydney

Independent Auditor's Report

To the Members of RedHill Education Limited

Report on the audit of the financial report

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 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- 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 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.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Key audit matter

How our audit addressed the key audit matter

Revenue recognition (Note 1 and Note 4)

As at 30 June 2019, the Group has Tuition related revenue of \$53.93 million.

AASB 15 *Revenue from Contracts with Customers* requires that revenue be recognised as the services are provided. The Standard has a five-step revenue model to determine when to recognise revenue and at what amount. For the Group, tuition revenue is recognised as the services are provided.

The process of measuring revenue is complex and involves significant management judgement, specifically focusing on the timing of revenue recognition in accordance with the policy and AASB 15.

We have determined that Revenue is a key audit matter due to the high volume of transactions occurring, its significance to operations and the judgement required in recognising revenue from providing tuition related services to customers.

Our procedures included, amongst others:

- Assessing whether the Group's revenue recognition policies are in compliance with AASB 15 including initial adoption of the Accounting Standard;
- Designing a sample testing for Greenwich tuition revenue to supporting documentation to assess that revenue has been recognised in line with the Group's accounting policy and AASB 15 *Revenue from Contracts with Customers*. This was a dual purpose test in which we also tested the deferred course fee (contract liability) recognition;
- Performing a predictive analytic test for Technology & Design tuition revenue using active student data and standard cost per unit to assess that revenue has been reasonably stated. This test was supported by a substantive procedure involving a sample of deferred course fee income for students that have commenced studying to ensure it was being recognised in line with when the service was being delivered; and
- Assessing the adequacy of the related disclosures in the financial statements.

Impairment of Goodwill (Note 1 and Note 11)

The Group has goodwill of \$6.145 million as at 30 June 2019.

AASB 136 *Impairment of Assets* requires that where goodwill acquired in a business combination is allocated to a CGU, the goodwill must be tested for impairment annually.

Management has assessed that Technology & Design has one CGU, and has allocated the goodwill to this CGU.

Management has tested the CGU for impairment by comparing the carrying amount with the recoverable amount. The recoverable amount was determined using a value-in-use calculation.

We have determined this is a key audit matter due to the judgements and estimates required by management in determining the appropriate CGU and calculating the recoverable amount.

Our procedures included, amongst others:

- Enquiring with management to obtain and document an understanding of management's process and controls related to the assessment of impairment, including management's identification of CGU's and the calculation of the recoverable amount of the CGU;
- Evaluating the value-in-use models against the requirements of AASB 136;
- Obtain management's value-in-use calculations to;
 - Checking the mathematical accuracy of the calculations;
 - Consider management's ability to perform accurate estimates;
 - Assess forecast cash inflows and outflows to be derived by the CGU's assets; and
 - Assess the appropriateness of discount rates, growth rates, weighted average costs of capital and terminal growth rate applied to forecast future cash flows;
- Performing sensitivity analysis over key assumptions made by management; and
- Assessing the adequacy of the related disclosures in the financial statements.

Information other than the financial report and auditor's report thereon

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 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Group's ability 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.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 27-38 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Redhill Education Limited, for the year ended 30 June 2019 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A G Rigele
Partner – Audit & Assurance

Sydney, 27 September 2019

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

SHAREHOLDER INFORMATION
FOR THE YEAR ENDED 30 JUNE 2019

The shareholder information set out below was applicable as at 31 August 2019.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	112	-
1,001 to 5,000	85	-
5,001 to 10,000	42	7
10,001 to 100,000	83	4
100,001 and over	28	1
	350	12
Holding less than a marketable parcel	41	-

REDHILL EDUCATION LIMITED AND ITS CONTROLLED ENTITIES

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2019

Equity security holders

Twenty largest quoted equity security holders

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

	Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,139,462	23.17
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,754,448	15.43
BNP PARIBAS NOMS PTY LTD (DRP)	4,053,114	13.15
UBS NOMINEES PTY LTD	2,462,078	7.99
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,500,000	4.87
BRISLOT NOMINEES PTY LTD (HOUSE HEAD NOMINEE A/C)	762,286	2.47
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (EUROCLEAR BANK SA NV A/C)	732,340	2.38
CITICORP NOMINEES PTY LIMITED	596,270	1.93
JJC GROUP (AUST) PTY LTD (DENZEL DEEPAK A/C)	484,815	1.57
NATIONAL NOMINEES LIMITED	446,017	1.45
MAST FINANCIAL PTY LTD (A TO Z INVESTMENT A/C)	425,000	1.38
MOAT INVESTMENTS PTY LTD (MOAT INVESTMENT A/C)	423,947	1.38
CS FOURTH NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 11 A/C)	417,917	1.36
AUST EXECUTOR TRUSTEES LTD <GFFD>	326,678	1.06
MR GLENN PATRICK ELITH	325,000	1.05
MR MATTHEW ROBERT STUBBS +MS ANNA GOULSTON (MATTHEW STUBBS S/F A/C)	291,840	0.95
THE IRISH BUFFETT PTY LTD	289,673	0.94
BYDAND CAPITAL PTY LTD	256,952	0.83
MS SUAT WAH TAN	249,987	0.81
JET INVEST PTY LTD <R & L INVESTMENT A/C>	237,000	0.77
	<u>26,174,824</u>	<u>84.94</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	804,167	12
Performance rights	508,888	1

Substantial holders

Substantial holders in the company are set out below:

	Number of ordinary shares held	%
Perpetual Limited and Related Bodies Corporate	3,394,102	11.01
Pendal Group Limited and its Associates, Pendal Fund Services Limited	2,771,726	8.99
Regal Funds Management	2,712,078	8.80
Pengana Capital Group Limited and Associates (1)	2,094,520	6.80
Acorn Capital Limited	1,913,594	6.21

(1) Washington H Soul Pattinson and Company Limited has disclosed a relevant interest in the shares held by Pengana due to its holding more than 20% of Pengana Capital Group but holds no shares in the Company directly.

The disclosed number of ordinary shares held by substantial shareholders may not be equal to the actual number of ordinary shares held as at 31 August 2019 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.







GREENWICH
English College



GREENWICH
Management College



Creative
Technology
Educators



coder
ACADEMY

iscd
INTERNATIONAL SCHOOL OF
COLOUR+DESIGN



**LEFT
BANK**



REDHILL EDUCATION LIMITED

Level 2, Kelly Street, Ultimo NSW 2007

P: + 61 2 8355 3820 | E: info@redhilleducation.com

redhilleducation.com