

RedHill Education Limited

Release of FY20 Annual Report

RedHill Education Limited (RedHill) is pleased to release its Annual Report for the financial year ended 30 June 2020 (FY20).

FY20 FINANCIAL RESULTS

The consolidated RedHill group reported the following results for FY20:

- Revenues: \$64.6 million – 10% increase*
- Profit before impairment, unrecognition of deferred tax asset, and provision for onerous contracts: \$0.9 million – 145% increase*
- Positive net cashflow from operating activities: \$9.3 million – 19% decrease*
- Net loss after income tax: \$19.6 million – 5,761% decrease*
- Cash balance at 30 June: \$22.2 million – 71% increase*

* Over the restated previous financial year.

Detailed information on these results and on current operations is included in the report.

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

CONTACTS

Glenn Elith
Chief Executive Officer
Email: gelith@redhilleducation.com

Michael Fahey
Chief Financial Officer
Michael.fahey@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.

TRAINING AND EDUCATING STUDENTS TO BE GLOBALLY RECOGNISED

ANNUAL REPORT

LEADERS IN INNOVATIVE TERTIARY EDUCATION

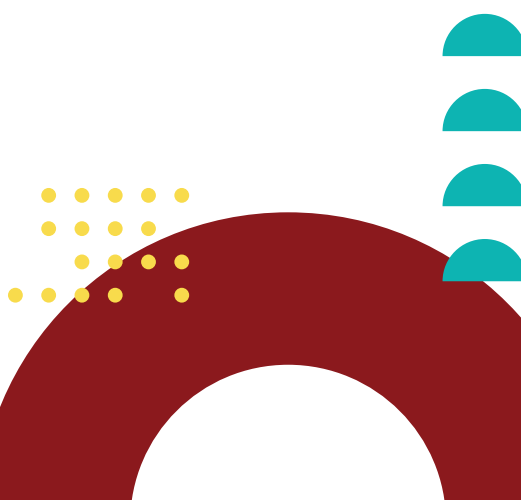


REDHILL EDUCATION LIMITED

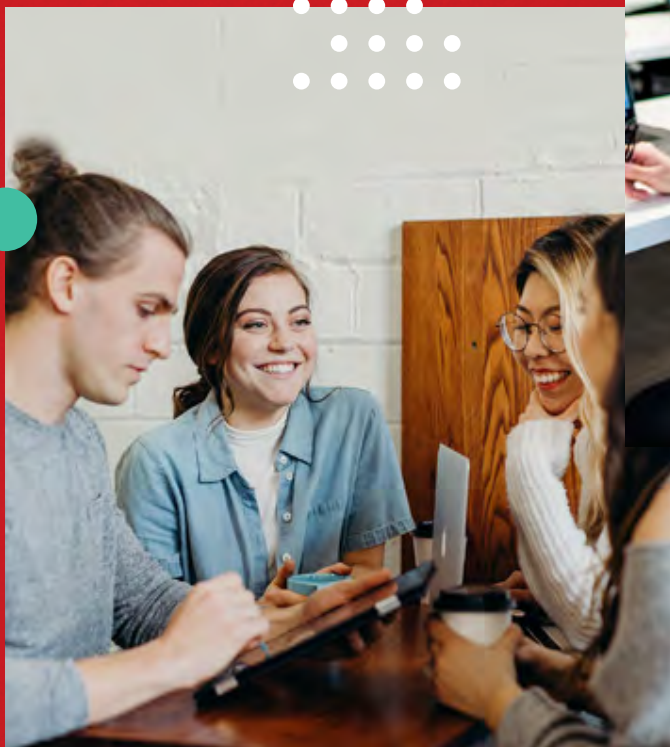
CORPORATE DIRECTORY



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 4, 60 Carrington Street Sydney NSW 2000 Shareholder Enquiries: 1300 787 272
Auditor	RSM Australia Partners Level 13, 60 Castlereagh Street Sydney NSW 2000
Exchange listing	RedHill Education Limited shares are listed on the Australian Securities Exchange (ASX: RDH)
Website	www.redhilleducation.com
Corporate governance statement	The Statement approved on 24 September 2020 can be found at the following URL: www.redhilleducation.com/investor-centre/
ASIC registrations	ACN: 119 952 493 ABN: 41 119 952 493



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CHAIRMAN & CEO REPORT

We are pleased to present RedHill Education Limited's (RedHill's) Annual Report for the financial year ended 30 June 2020 (FY20).

FINANCIAL RESULTS

THE CONSOLIDATED REDHILL GROUP REPORTED THE FOLLOWING RESULTS FOR FY20:

Revenues:	\$64.6 million — 10% increase*
Profit before impairment, unrecognition of deferred tax asset, and provision for onerous contracts:	\$0.9 million — 145% increase*
Positive net cashflow from operating activities:	\$9.3 million — 19% decrease*
Net loss after income tax:	\$19.6 million — 5,761% decrease*
Cash balance at 30 June:	\$22.2 million — 71% increase*

*Over the restated previous financial year.

COMMENTS ON FINANCIAL PERFORMANCE

RedHill's FY20 operating performance was impressive despite the extraordinary disruptive impact of the COVID-19 pandemic.

RedHill's statutory FY20 financial performance was negatively impacted by the:

- COVID-19 pandemic and government responses to it;
- decision by directors to record an appropriate impairment charge of \$17.2 million;
- decision by directors to unrecognise a deferred tax asset of \$2.8 million; and
- recognition of an onerous contract provision of \$0.5 million after tax associated with leases over surplus campus facilities.

Details of the impacts of COVID-19, impairment charge, unrecognised deferred tax asset, and onerous contract provision are included in this report.

RedHill undertook a capital raising via an institutional placement and a non-renounceable entitlement offer in June 2020 and raised a total amount of approximately \$12.0 million, of which \$9.2 million was received into RedHill's bank account before the end of the financial year. The remaining \$2.1 million of the new capital (net of all capital raising costs) was received in July 2020.

The consolidated entity had \$22.2 million of cash on hand at 30 June 2020. The cash balance at the end of July 2020 had increased to approximately \$25.0 million.



The purpose of the June 2020 capital raising was to enhance RedHill's balance sheet and increase its available cash to support the business during the economic uncertainties caused by the COVID-19 pandemic, and to have sufficient funds available for future recovery and operational change initiatives when pandemic conditions improve.

The capital raised was expected to ensure that RedHill has sufficient funds to operate until at least the end of calendar year 2021, assuming international borders continued to remain closed at that point in time preventing a possible earlier recovery.

INTEREST IN ACCREDITED TERTIARY EDUCATION IN AUSTRALIA

We expect the private tertiary education sector in Australia to be resilient. The Australian Government has identified the resumption of international student arrivals as part of its Roadmap to a COVIDSafe Australia, and RedHill has advised government and regulatory bodies on its willingness to participate in pilot programmes to demonstrate that international students can be brought into Australia in a safe and supported manner.

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

NO DECLARATION OF DIVIDEND

RedHill's board announced their decision to revoke payment of an FY20 interim dividend on 23 March 2020 due to the fast-evolving impacts of COVID-19.

In view of the continuation of the extraordinary circumstances caused by the COVID-19 pandemic and government responses to it, the directors regarded it as prudent to conserve cash and declared that no full year dividend would be paid in relation to FY20.

William J. Beerworth
Chairman

Glenn Elith
Chief Executive Officer

24 September 2020, Sydney

REDHILL EDUCATION LIMITED & ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020



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 2020 ('FY20').

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)

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



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

INFORMATION ON DIRECTORS



William J. Beerworth

NON-EXECUTIVE CHAIRMAN

Qualifications:

BA LLB (Sydney), LLM SJD (Virginia),
MCom (NSW), MBA (Macquarie)

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:

None.

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.

INTEREST IN SHARES:

41,667 ordinary shares.

INTEREST IN OPTIONS:

None.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020



Glenn Elith

MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

Qualifications:

B Bus (UTS), Chartered Accountant

Glenn commenced his professional career in the audit division of Coopers and Lybrand (now PwC), where he obtained the chartered accounting qualification. He has developed a broad operational and strategic perspective by working across multiple business sectors including manufacturing, consumer goods, hospitality, retail and services. He has worked at large organisations including Lion Nathan (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.

INTEREST IN SHARES:

325,000 ordinary shares.

INTEREST IN OPTIONS AND PERFORMANCE RIGHTS:

225,000 options over ordinary shares and 339,258 performance rights under the Employee Incentive Plan on terms approved by the company's shareholders.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020



William Deane

NON-EXECUTIVE DIRECTOR

Qualifications:

BA (Sydney), LLB (Bond)

Will is a managing director of Exto Partners Pty Ltd, a Sydney-based private investment firm formed in 2003. Will is a director of several of Exto Partners' unlisted investee companies and is experienced at building high growth companies. He has practised as a corporate lawyer in Australia with Ashurst (formerly Blake Dawson) and in the United States with Skadden Arps and Sidley Austin. As a lawyer he focussed on equity capital markets and mergers and acquisitions.

OTHER CURRENT DIRECTORSHIPS:

None.

FORMER DIRECTORSHIPS (IN THE LAST 3 YEARS):

Non-executive director and interim Chairman of Building IQ INC (ASX Code: BIQ).

SPECIAL RESPONSIBILITIES:

Will is the Chair of the Audit & Risk Management Committee and a member of the Remuneration Committee and the Nominations Committee.

INTEREST IN SHARES:

254,667 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.

INTEREST IN OPTIONS:

None.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020



Sandra Hook

NON-EXECUTIVE DIRECTOR

Qualifications:

Graduate of the Australian Institute of Company Directors (GAICD)

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.

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.

OTHER CURRENT DIRECTORSHIPS:

Sandra is currently a non-executive director of RXP Services Limited (ASX: RXP), MedAdvisor Limited (ASX: MDR), IVE Group Limited (ASX: IGL).

FORMER DIRECTORSHIPS (IN THE LAST 3 YEARS):

None

SPECIAL RESPONSIBILITIES:

Sandra was appointed as a member of the Audit & Risk Management Committee on 22 November 2019, and of the Remuneration Committee and Nominations Committee on 22 July 2020. She is the Chair of the Nominations Committee.

INTEREST IN SHARES:

41,667 ordinary shares

INTEREST IN OPTIONS:

None.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020



Stephen Heath

NON-EXECUTIVE DIRECTOR

Qualifications:

Graduate of the Australian Institute of Company Directors (GAICD)

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, Shiro Limited, where he is also 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 Chairman of Temple & Webster Limited (ASX: TPW) and non-executive Chairman of Shiro Limited (ASX: SHM)

FORMER DIRECTORSHIPS (IN THE LAST 3 YEARS):

None

SPECIAL RESPONSIBILITIES:

Stephen was appointed as a member of the Audit & Risk Management Committee on 22 November 2019, and of the Remuneration Committee and Nominations Committee on 22 July 2020. He is the Chair of the Remuneration Committee.

INTEREST IN SHARES:

41,667 ordinary shares

INTEREST IN OPTIONS:

None

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

COMPANY SECRETARY

Lisa Jones was appointed as Company Secretary on 21 September 2017. Lisa is an experienced corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs, working with both public and private companies in Australia and in Europe. 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. Lisa is the principal of Jones Meredith Group which provides bespoke company secretarial and corporate governance services to listed and unlisted companies.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

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

- delivering high quality English language, creative digital technologies, managerial, marketing, computer coding and interior design and styling courses; and
- providing education recruitment agency services to international students.

FY20 FINANCIAL PERFORMANCE

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*Over the restated previous financial year.

COMMENTS ON FINANCIAL PERFORMANCE

RedHill's FY20 operating performance was impressive despite the extraordinary disruptive impact of the COVID-19 pandemic.

RedHill's statutory FY20 financial performance was negatively impacted by the:

- COVID-19 pandemic and government responses to it;
- decision by directors to record an appropriate impairment charge of \$17.2 million;
- decision by directors to unrecognise a deferred tax asset of \$2.8 million; and
- recognition of an onerous contract provision of \$0.5 million after tax associated with leases over surplus campus facilities.

RedHill undertook a capital raising via an institutional placement and a non-renounceable entitlement offer in June 2020 and raised a total amount of approximately \$12 million, of which \$9.2 million was received into RedHill's bank account before the end of the financial year. The remaining \$2.1 million of the new capital (net of all capital raising costs) was received in July 2020.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The consolidated entity had \$22.2 million of cash on hand at 30 June 2020. The cash balance at the end of July 2020 had increased to approximately \$25.0 million.

The purpose of the June 2020 capital raising was to enhance RedHill's balance sheet and increase its available cash to support the business during the economic uncertainties caused by the COVID-19 pandemic, and to have sufficient funds available for future recovery and operational change initiatives when pandemic conditions improve.

The capital raised was expected to ensure that RedHill has sufficient funds to operate until at least the end of calendar year 2021, assuming international borders continued to remain closed at that point in time preventing a possible earlier recovery.

IMPACT OF COVID-19

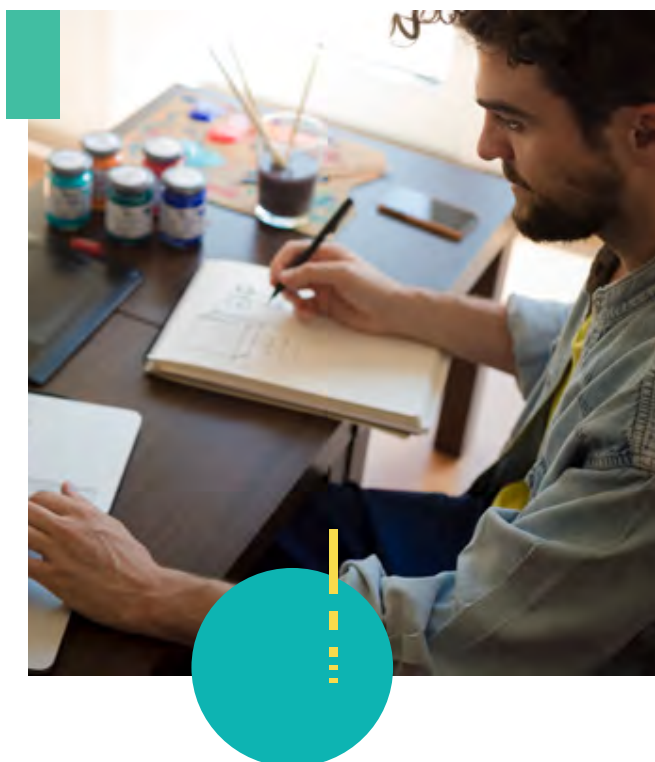
The COVID-19 pandemic emergency has resulted in decisions being taken by the Australian Government and the governments of other countries to enforce travel bans, lock-downs, self-isolations, and social distancing measures which have had a material impact upon RedHill's operations.

Approximately 85% of RedHill's FY20 revenues were generated from delivering courses and services to international students undertaking studies in Australia. Border closures introduced by the Australian Government from 20 March 2020 have meant that international students who had planned to enter Australia after that date to commence their courses at RedHill are unable to do so until travel bans are lifted and international airlines resume commercial flights.

RedHill's directors have implemented a wide range of significant measures to ensure the safety of employees and students, and to preserve cash so that the organisation is well placed to reinvigorate the business when circumstances improve.

These measures have included:

- temporarily closing campuses and moving to 100% online course delivery;
- standing down employees;
- non-executive directors forfeiting their fees in Q4 of FY20;
- cutting and deferring business development projects;
- temporarily closing down most offshore operations;
- undertaking a capital raising on ASX;
- obtaining rental relief from some lessors; and
- accessing governmental relief measures (including the JobKeeper scheme).



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

IMPAIRMENT, UNRECOGNITION OF DEFERRED TAX ASSET, AND PROVISION FOR ONEROUS CONTRACT

In preparing RedHill's FY20 financial statements, the directors have carefully considered the carrying values of assets on the balance sheet and future liabilities and contractual obligations.

With reference to the material negative impacts that the COVID-19 pandemic is having upon financial performance, RedHill's directors have determined that it is prudent and appropriate to record a non-cash impairment charge of \$17.2 million in FY20 comprising:

- \$6.1 million goodwill;
- \$8.2 million right of use asset (leases);
- \$2.7 million property, plant & equipment; and
- \$0.2 million copyright.

RedHill's directors have determined that it is also appropriate to unrecognise a deferred tax asset of \$2.8 million, and to raise an onerous contract provision of \$0.5 million, after tax, associated with leases over surplus campus facilities.

The impairment charges, onerous contract provision, and unrecognition of the deferred tax asset are all non-cash accounting adjustments.

RedHill's prudent approach in calculating these charges against the FY20 profit and loss are detailed in the accompanying FY20 Financial Report.

PRIOR YEAR REVENUE RESTATEMENT

RedHill adopted AASB 15 'Revenue from Contracts with Customers' effective 1 July 2018 with a full retrospective approach. A detailed evaluation of the revenue recognition treatment was undertaken by management and reviewed by the previous external auditor at the time of adopting the standard. The FY19 financial statements were audited and an unqualified audit opinion was given.

Following a subsequent internal review during FY20 with the current external auditors, the accounting treatment of recognising a component of Greenwich's operating segment revenue at the time of enrolment was determined to be more appropriately recognised over the period of course delivery. This change in the interpretation of AASB 15 has been retrospectively adopted and the prior year comparative period ended 30 June 2019 has been restated accordingly.

This restatement has had no impact on revenues, profits, or cash flows in FY20. Details are included in Note 3 of the financial statements.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

NO DECLARATION OF DIVIDEND

RedHill's directors announced their decision to revoke payment of an FY20 interim dividend on 23 March 2020 due to the impact of the COVID-19 pandemic.

In view of the continuation of the extraordinary circumstances caused by the COVID-19 pandemic and government responses, the directors regard it as prudent to conserve cash and have decided that no full year dividend will be declared in relation to FY20.

OPERATIONAL REVIEW

ONLINE COURSE DELIVERY

RedHill has fast-tracked its development of learning materials suitable for online course delivery and has increased the proportion of courses which it delivers online. Directors expect that there will be an online delivery component for most of RedHill's existing and new courses in the future, and that revenues generated from courses delivered 100% online will increase over time.

LAUNCH OF GREENWICH ONLINE ACADEMY

In May 2020 RedHill launched 'Greenwich Online Academy', to deliver 100% online programmes to international students which complement existing English language and vocational courses delivered by Greenwich English College and Greenwich Management College.

Greenwich Online Academy programmes have been developed with the intention that they are marketed to international students so that they may:

- commence their studies at Greenwich before they travel to Australia, and have certain learning outcomes recognised towards their qualification once they arrive in Australia and complete their chosen course;
- undertake online studies while in quarantine when they arrive into Australia (if a period of quarantine is required); and
- engage with other students and teachers online to help them feel part of a learning community before they arrive into Australia.

MARKETING FOCUS ON DOMESTIC AND ONSHORE INTERNATIONAL STUDENTS

With international borders closed and travel restrictions in place, RedHill is currently focusing its marketing effort towards domestic students and international students who are located in Australia and are seeking to undertake accredited higher education and vocational courses offered by RedHill.

Once international borders re-open and international commercial flights resume, RedHill will increase its marketing efforts towards international students who have not yet arrived into Australia.

OVERHEADS MANAGEMENT

RedHill implemented a range of cost reduction activities in response to the COVID-19 pandemic. These measures included:

- standing down approximately 67% of the non-teaching workforce;
- non-executive director fees were forfeited in Q4 of FY2020;
- reductions in discretionary costs such as marketing expenditure, travel and general office expenses;
- temporarily shutting most overseas offices;
- negotiating rental relief with some landlords; and
- pausing of non-essential capital expenditure, including the launch of a proposed Brisbane campus.

Overall operating costs, net of the payments made to RedHill under the JobKeeper scheme, were reduced from an average of \$5.4 million per month for the first nine months of the financial year to \$3.8 million per month for the final three months of the financial year — a reduction of 30%.

MELBOURNE CAMPUS OPERATIONS

RedHill launched its Melbourne campus in September 2015; doubled its size in January 2017; and expanded it by a further 50% in July 2018. At that time the Melbourne campus was approximately 4,800m² in size and had been fitted-out with 58 classrooms.

Due to strong expected growth in student numbers at that time, the Melbourne campus was expanded by a further 19 classrooms in H2 of FY20. A lease commenced over the additional campus space in January 2020, and the additional classrooms were ready for use in March 2020 after completing a quality fit-out.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

RedHill's Melbourne campus operations have been significantly impacted by lockdown measures implemented by the Victorian State Government in response to the COVID-19 pandemic, and by the international travel bans preventing new international students from travelling to Australia. The Melbourne campus is currently closed and all classes are being delivered 100% online and all staff are working remotely.

The total annual rental cost for the expanded Melbourne campus in FY21 is expected to be approximately \$3.2 million, inclusive of all outgoings.

EMPLOYEE COSTS – IMPACT OF THE AUSTRALIAN GOVERNMENT'S JOBKEEPER SCHEME

RedHill was an eligible employer at the commencement of the JobKeeper scheme as enacted by the Coronavirus Economic Response Package (Payments and Benefits) Act 2020.

The JobKeeper scheme started on 30 March 2020 and was originally scheduled to end on 27 September 2020 – a period of 26 weeks. On 21 July 2020, the Australian Government announced that the JobKeeper scheme would be extended for eligible businesses until 28 March 2021.

RedHill's directors expect that it will continue to be an eligible employer for the purpose of accessing JobKeeper payments through till the end of the scheme in March 2021, unless there are any significant changes made to the eligibility criteria which have not yet been announced.

By temporarily offsetting wage costs, the JobKeeper scheme has enabled RedHill to retain certain employees despite suffering a substantially decreased turnover. The directors believe that JobKeeper payments will assist RedHill to recommence operations and to scale-up operations quickly when pandemic conditions improve.

RedHill received approximately \$2.0 million JobKeeper payments in relation to the period 30 March 2020 to 30 June 2020. Directors expect to receive approximately \$3.4 million in H1 and \$1.0 million in H2 of FY21 on the basis that the eligibility criteria as announced and legislated does not significantly change.

INTEREST IN TERTIARY EDUCATION IN AUSTRALIA

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

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

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

KEY RISKS TO ACHIEVING FINANCIAL OUTCOMES IN RELATION TO FUTURE PROSPECTS

This section describes some of the material business risks that are partially or completely outside of the control of RedHill and could have an adverse impact on future financial performance or outcomes. The risks set out below are not exhaustive, and the likelihood of occurrence and consequences of risks may change over time.

INTERNATIONAL DISRUPTION AND THE IMPACT OF THE CORONAVIRUS (COVID-19) PANDEMIC

A large proportion of RedHill's operational and financial performance is dependent upon, and will continue to be impacted by, the demand for providing services and courses to international students undertaking studies in Australia. A range of possible disruptive circumstances or events (for example, outbreak of disease, political unrest and tensions, restrictions on movements between countries and negative international relations) may reduce the appeal of Australia as a study destination and may result in a decline in the demand from international students seeking to study in Australia from RedHill's source markets.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Any present or future circumstances which reduce the attractiveness of Australia as a study destination may have a material adverse impact on RedHill's future financial position and performance.

The circumstances relating to COVID-19 have resulted in domestic and international governments and regulatory authorities implementing and enforcing formal travel bans, lockdowns, quarantines, and social-distancing requirements which are completely out of RedHill's control. These actions and other COVID-19 pandemic implications are having a material adverse effect on RedHill's operations and performance.

There is continued uncertainty as to the duration and further impact of COVID-19 including (but not limited to) in relation to government policy, legislation, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions, social instability and the impact on global economies. There is no certainty that demand for RedHill's services or courses will normalise to a level that existed prior to the impact of COVID-19, or how long a process of normalisation could take, even after the lifting of travel restrictions.

While RedHill expects it will have sufficient financial resources to deal with the circumstances relating to the COVID-19 pandemic, there is a risk that if the duration of events surrounding COVID-19 are prolonged, RedHill may need to take additional measures in order to respond appropriately.

There are other changes in the domestic and global economic outlook associated with the events relating to COVID-19 that are beyond the control of RedHill and may affect its financial position and performance. These include (but are not limited to) changes in inflation rates, interest rates, foreign currency exchange rates, employment rates, labour costs, international travel costs, and changes in general economic conditions (for example, an economic recession or downturn).

RedHill has taken decisive steps in an effort to mitigate the impact of COVID-19, including but not limited to revoking its FY20 interim dividend, migrating all courses to 100% online delivery, standing down a large portion of the workforce, suspending non-executive director fees for Q4 of FY20, pausing of major capital expenditure, freezing of non-essential operating expenses, and accessing government relief (including the Australian Government's 'JobKeeper' scheme). Having already taken these measures, RedHill may have limited options available to it to further reduce costs should domestic and global economic conditions not improve.

COMPETITION

RedHill operates in highly competitive markets across its geographies, addressable markets, products and services. If the actions of competitors or potential competitors, including public education providers and government funded institutions, become more effective, or if new competitors enter the market and RedHill is unable to appropriately respond to or counter these actions, RedHill's future financial performance could be adversely affected or RedHill may be unable to compete successfully.

An increase in competition in the markets in which RedHill operates could result in RedHill needing to increase its marketing and/or capital expenditure, reduce its tuition and service fees, increase fees paid to third party international student agents, revise its business strategy or alter other aspects of its business model to remain competitive. All of these factors could have a material adverse effect on RedHill's future financial position and performance.

RELIANCE UPON THIRD PARTY AGENTS

RedHill's business includes a network of third-party international student agents who provide student recruitment services into RedHill's English language, vocational and higher education courses and programmes. All of these relationships are non-exclusive and can be renegotiated or terminated at short notice. RedHill seeks to mitigate risk by having a diverse network of international student agents representing a wide range of international student nationalities, so as to reduce the reliance upon any particular agent or student nationality.

Third party international student agents often collect fees from students which are required to be passed onto RedHill at the time that students undertake their studies, and there is a risk (particularly if an agent is facing financial distress, including as a result of COVID-19) that one or more of these agents fails to pay RedHill when payment is due, seeks to renegotiate or terminate its relationship with RedHill, does not provide a level of service consistent with that expected and required by RedHill, contravenes or is alleged to have contravened laws or regulations, incurs fines or penalties, or undertakes actions that cause other negative impacts to RedHill. Any of these matters could adversely affect RedHill's brand and business strategy, and may have an adverse effect on the future operating and financial performance of RedHill.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

REGULATORY REGISTRATIONS AND ACCREDITATIONS

The education industry in Australia is highly regulated. RedHill holds various tertiary education registrations and accreditations which are governed by legislation and standards authorities in Australia. Future changes to commonwealth, state or territory legislation or regulations, or an inability to retain any registrations or accreditations, or any delays to the approval of any registrations or accreditations, may adversely impact RedHill's future financial position and performance.

INTERNATIONAL STUDENT VISA AND IMMIGRATION POLICIES

RedHill's business includes recruiting international students into its vocational and higher education courses to be delivered in Australia. Any future changes which are made to international student visa requirements in Australia, including working rights for certain visa types, or to Australian immigration policies for students from RedHill's source markets, may adversely impact the future financial position and performance of RedHill.

EXPOSURE TO AUSTRALIAN GOVERNMENT FUNDING AND TUITION LOAN ARRANGEMENTS

RedHill's business includes being accredited to offer eligible domestic students Australian Government assistance for financing of their tertiary studies under the Higher Education Loan Program (HELP). RedHill is accredited to offer FEE-HELP to eligible domestic students undertaking higher education courses, and VET Student Loans to eligible domestic students undertaking certain vocational courses. Future changes to HELP legislation or regulations, or an inability by RedHill to retain or renew HELP accreditations, could have a material and adverse impact on RedHill's future financial position and performance.

The commonwealth, state and territory governments in Australia provide various forms of direct and indirect funding to certain tertiary education organisations and for certain courses and qualifications. Future changes by commonwealth, state or territory government to direct and indirect funding arrangements could directly impact RedHill's ability to successfully compete in certain areas, which could have a material and adverse impact on RedHill's future financial position and performance.

FAIR WORK ACT AND INDUSTRIAL AWARDS

The employment arrangements for most of RedHill's employees fall under the jurisdiction of the Fair Work Act 2009 (Cth) (Act), and the Educational Services (Post-Secondary Education) Award 2020 (Award). Future changes to the Act or the Award, or any changes in the interpretation, or any possible contraventions by RedHill of the Act or the Award, could have a material and adverse impact on RedHill's future financial position and performance.

INABILITY TO EXECUTE BUSINESS STRATEGY

RedHill may fail to implement or achieve its strategic objectives due to a range of factors, including management not prioritising delivery of key initiatives, changes to the competitive environment that result in a change to the underlying assumptions of the strategy, poor cost management, loss of key employees, failure to effectively execute a project, or adverse economic shocks and uncertainty.

As part of its strategy, RedHill may undertake acquisitions or divestments from time to time, or invest capital into new projects or initiatives, including possible campus footprint expansions. While RedHill is focused on maintaining a disciplined approach to its capital expenditure, such actions could result in a variability of earnings over time, which may have a material and adverse impact on RedHill's future financial position and performance.

CHANGES IN GRADUATE EMPLOYMENT PROSPECTS

A measure of RedHill's operational success is its students achieving desired learning outcomes, which may include gaining relevant employment upon graduation. Any factors which adversely impact the employment prospects of RedHill's graduating students may reduce the appeal or demand for certain courses, which could have a material and adverse impact on RedHill's future financial position and performance.

IMPAIRMENT OF INTANGIBLES

RedHill's intangible assets comprise of right of use assets, goodwill, and copyrights. Intangible assets are assessed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that an impairment might be required. There is a risk that changes in circumstances may require impairment charges which could have a material and adverse impact on RedHill's future financial position and performance.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

TECHNOLOGY PLATFORMS MAY BE DISRUPTED, FAIL OR BE SUBJECT TO SECURITY BREACHES

RedHill relies on third party software products and services from a number of different providers to enable internal data management and reporting and the delivery of services to students. Although RedHill has back-up and recovery procedures in place, any significant interruption to its technology systems, significant security breaches, or a major loss of data could impair the ability of RedHill to continue to provide its services.

Technology licences may be terminated or not renewed, or the technology suppliers may be subject to events, such as insolvency or technical failures, leading to temporary or permanent loss of services and failure to complete developments or upgrades when anticipated.

If any of RedHill's third party provided technology platforms prove to be insufficient for its needs, or are disrupted, breached, or fail, this could adversely affect operations and require that RedHill outlays additional capital to improve, replace or fix the platforms. This investment could have a material and adverse impact on RedHill's future financial position and performance.

ABILITY TO ACCESS CAPITAL OR DEBT MARKETS ON FAVOURABLE TERMS

If RedHill requires access to further funding at any stage in the future, it may be adversely affected in a material way if, for any reason, access to that funding is not available.

RedHill may seek capital funding or debt funding in the future. If RedHill is unable to access capital, or to obtain, renew, refinance, or repay any debt facilities on favourable terms within an acceptable time, it could have a material and adverse impact on RedHill's future financial position and performance.

There can be no assurance that additional funding will become available. Developments in global financial markets, including the volatile and uncertain impact of COVID-19, may adversely affect the liquidity of domestic and global credit markets and RedHill's ability to access those markets.

MAINTENANCE OF ADEQUATE INSURANCE COVER

RedHill maintains adequate insurance cover that is consistent with prudent business practice, including workers' compensation, directors and officers, travel, public liability, property damage, business interruption, and other risks that may arise in the course of its operations. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any insurance cover will be adequate and available to cover all claims. Should RedHill be unable to maintain adequate insurance cover, or experience claims for losses in excess of the level of its insurance coverage, it could have a material and adverse impact on RedHill's future financial position and performance.

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 other than as described in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

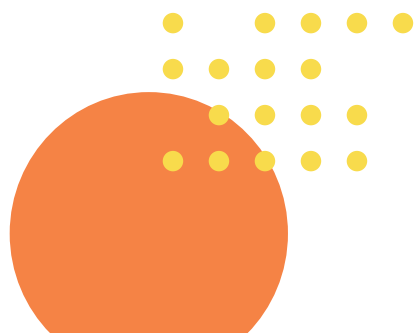
The consolidated entity has been materially impacted by COVID-19 pandemic up to 30 June 2020, and consequently it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 9 July 2020, the consolidated entity issued 3,695,603 ordinary shares under the retail entitlement offer for a total consideration net of fees, of \$2,081,000.

No other matter or circumstance has arisen since 30 June 2020 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 2020

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors ('the Board') and of each board committee held during the year ended 30 June 2020, 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	21	22	3	3	-	-	-	-
Glenn Elith	22	22	3*	-	-	-	-	-
William Deane	22	22	3	3	-	-	-	-
Sandra Hook	20	21	1**	-	-	-	-	-
Stephen Health	21	21	1**	-	-	-	-	-

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.

In addition to scheduled Board meetings, other meetings of the directors were held in the second half of the year ended 30 June 2020 to consider the fast-evolving impacts of the COVID-19 pandemic and appropriate responses by RedHill. The additional meetings included those required for the capital raising via an institutional placement and non-renounceable entitlement offer which was undertaken in June 2020.

*Glenn Elith attended part of each of the Audit and Risk Management Committee meetings by invitation of the committee members.

**Sandra Hook and Stephen Heath attended the Audit and Risk Management Committee as observers at the invitation of the committee members.

***Due to the changes in the composition of the Board during the year ended 30 June 2020, no meetings of the remuneration or nominations committees were held, and all matters relating to remuneration and nominations were dealt with by the full Board. The composition of these committees was revised following the end of the reporting period as detailed in the 2020 Corporate Governance Statement.

REMUNERATION REPORT (AUDITED)

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

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

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

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

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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

The consolidated entity did not engage any remuneration consultants during the financial year ended 30 June 2020.

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 2020 comprised the directors of RedHill Education Limited, including Glenn Elith who is an executive director, and Michael Fahey, the Chief Financial Officer.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

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

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

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

	FY20 (\$)	FY19 (\$)
Performance rights - tranche 1 (lapsed)	11,874	11,874
Performance rights - tranche 2 (lapsed)	5,089	5,089
Performance rights - tranche 3	58,352	14,588
Performance rights - tranche 4	47,496	11,874
Options	862	6,490
	<u>123,673</u>	<u>49,915</u>

Testing of performance rights Tranches 1 and 2 was undertaken during FY20. The performance hurdles for neither tranche was met and those rights lapsed. No payment or issue of shares will be made in relation to the lapsed performance right.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees**	Annual leave**	Bonus*	Super-annuation	Long service leave***	Equity-settled****	Total
2019	\$		\$	\$	\$	\$	\$
Non-Executive Directors:							
William J. Beerworth	160,000		-	-	-	-	160,000
William Deane	95,000		-	-	-	-	95,000
Dr Christopher Clark	85,000		-	-	-	-	85,000
Executive Directors:							
Glenn Elith*	425,000	2,129	70,000	20,531	3,234	49,915	570,809
	765,000	2,129	70,000	20,531	3,234	49,915	910,809

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

** 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. Annual leave amounts represent movements in the annual leave provision.

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

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

C. SERVICE AGREEMENTS

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

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

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

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

D. SHARE-BASED COMPENSATION**ISSUE OF SHARES**

During the year ended 30 June 2020 no directors or KMP were issued shares.

OPTIONS

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

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

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

Options granted carry no dividend or voting rights.

PERFORMANCE RIGHTS

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

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

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

Tranche 1 – Growth in share price relative to the S&P/ASX Small Ordinaries Index (Index) over a 12-month period ending 30 September 2019

Growth of Company Share price relative to Index	Percentage and / or number of rights that will 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 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

Tranche 2 – Total Shareholder Return over a 12-month period ending 30 September 2019

Total Shareholder Return growth	Percentage and / or number of rights that will vest
Less than 10%	Nil
10% or more	50% of Tranche 2 Equity Performance Rights (42,407) vest
Between 10% and 15%	Pro-rata straight line vesting between 50% and 100% of the remainder of Tranche 2 Equity Performance Rights vest
15% or more	100% of Tranche 2 Equity Performance Rights (84,815) vest

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

OUTCOMES IN FY20

The minimum performance metrics outlined above were not achieved and all rights related to Tranches 1 and 2 have lapsed.

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

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

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

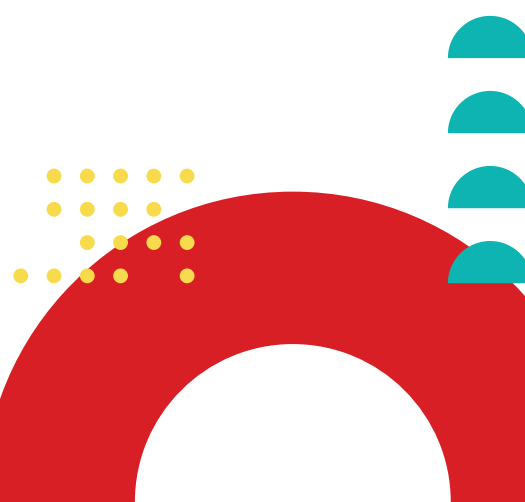
Tranches 3 and 4 of the performance rights granted to Mr Elith are subject to the performance measures outlined below:

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

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

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

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



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Performance rights granted carry no dividend or voting rights.

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

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

PERFORMANCE TESTING

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

Granting and vesting of performance rights and options

The number of options over ordinary shares granted to and vested by directors and other KMP as part of compensation during the year ended 30 June 2019 are set out below:

Name	Number of options granted in 2020	Number of options granted in 2019	Number of rights granted in 2020	Number of rights granted in 2019	Number of options vested in 2020	Number of options vested in 2019	Number of rights vested in 2020	Number of rights vested in 2019
Glenn Elith	-	-	-	508,888	-	225,000	-	-

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 2020 \$	Value of* options exercised in 2020 \$	Value of* options lapsed in 2020 \$	Value of** rights granted in 2020 \$	Value of** rights exercised in 2020 \$	Value of** rights lapsed in 2020 \$
Glenn Elith	-	-	-	-	-	33,926

* 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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 J. Beerworth	-	-	41,667	-	41,667
William Deane*	86,666	-	168,001	-	254,667
Sandra Hook	-	-	41,667	-	41,667
Stephen Heath	-	-	41,667	-	41,667
Glenn Elith	325,000	-	-	-	325,000
Michael Fahey	-	-	33,334	-	33,334
	<u>411,666</u>	<u>-</u>	<u>326,336</u>	<u>-</u>	<u>738,002</u>

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

OPTIONS 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	225,000	-	-	-	225,000
	<u>225,000</u>	<u>-</u>	<u>-</u>	<u>-</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	-	-	(169,630)	339,258
	<u>508,888</u>	<u>-</u>	<u>-</u>	<u>(169,630)</u>	<u>339,258</u>

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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 FIVE YEARS TO 30 JUNE 2020 ARE SUMMARISED BELOW:

	2020 \$'000	2019 Restated \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Revenue	64,619	58,868	54,594	41,468	28,320
% growth in revenue over prior period	10%	8%	32%	46%	24%
Net profit/(loss) after income tax	(19,645)	347	3,510	1,737	330

	2020	2019 Restated	2018	2017	2016
Basic earnings per share (cps)	(63.11)	1.13	11.53	5.73	1.09
Diluted earnings per share (cps)	(63.11)	1.12	11.41	5.70	1.09
Share price at financial year end (\$)	0.62	2.15	3.15	1.26	0.85
% increase / (decrease) in share price over prior period	(71%)	(32%)	150%	48%	(36%)

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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 date
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	40,000	09/11/2018	09/11/2020	\$1.20
08/11/2017	110,000	09/11/2019	09/11/2021	\$1.40
08/11/2017	110,000	09/11/2020	09/11/2022	\$1.60
08/11/2017	110,000	09/11/2021	09/11/2023	\$1.80
	<u>595,000</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 4,167 shares on the exercise of options during the year ended 30 June 2020 and up to the date of this report (2019: 150,833).

Date options granted	Date Options Exercised	Exercise Price	Number of shares issued
06/01/2020	06/01/2020	\$1.20	<u>4,167</u>
			<u>4,167</u>

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 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 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

ROUNDING OF AMOUNTS

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

AUDITORS INDEPENDENCE DECLARATION

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

AUDITOR

RSM Australia Partners 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

24 September 2020, Sydney

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

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F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of RedHill Education Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

**RSM AUSTRALIA PARTNERS**

G N Sherwood
Partner

Sydney, NSW
Dated: 24 September 2020



Student Work: Timestream Team Chelsea Thompson, Joel Surdich, Jade Lentini, Dominique Speight, Katyayani Yellapu, Liam Liangi Peng & Joel Baldwin





REDHILL EDUCATION LIMITED & ITS CONTROLLED ENTITIES

FINANCIAL REPORT

30 JUNE 2020



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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Note	2020 \$'000	2019 Restated \$'000
Revenue from contracts with customers	5	64,619	58,868
Other income	6	1,966	-
Interest revenue		103	148
Expenses			
Salaries and employee benefits expense		(34,899)	(31,740)
Cost of services		(11,913)	(10,153)
Depreciation and amortisation expense	7	(7,186)	(5,972)
Impairment of assets	14	(17,203)	-
Impairment of receivables	10	(733)	(887)
Property and occupancy costs		(2,804)	(2,509)
Professional and consulting fees		(545)	(493)
Marketing expenses		(1,834)	(2,058)
Public company related costs		(688)	(649)
Onerous contract expense		(749)	-
Other expenses		(2,395)	(2,216)
Finance costs	7	(2,238)	(1,938)
Profit/(loss) before income tax expense		(16,499)	401
Income tax expense	8	(3,146)	(54)
Profit/(loss) after income tax expense for the year attributable to the shareholders of RedHill Education Limited	23	(19,645)	347
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		10	-
Other comprehensive income for the year, net of tax		10	-
Total comprehensive income/(loss) for the year attributable to the shareholders of RedHill Education Limited		(19,635)	347
		Cents	Cents
Basic earnings per share	35	(63.11)	1.13
Diluted earnings per share	35	(63.11)	1.12

Refer to note 3 for detailed information on Restatement of comparatives.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	Consolidated 2019 Restated \$'000	1 Jul 2018 Restated \$'000
Assets				
Current assets				
Cash and cash equivalents	9	22,194	12,954	9,980
Trade receivables	10	7,322	2,186	3,958
Income tax refund due		568	1,587	-
Prepayments and other assets	11	2,531	4,117	2,934
Total current assets		<u>32,615</u>	<u>20,844</u>	<u>16,872</u>
Non-current assets				
Property, plant and equipment	12	4,409	6,228	6,360
Right-of-use assets	13	12,707	15,487	18,731
Intangibles	14	693	6,922	6,541
Deferred tax	15	-	1,894	2,719
Prepayments and other assets	11	2,454	2,522	2,477
Total non-current assets		<u>20,263</u>	<u>33,053</u>	<u>36,828</u>
Total assets		<u>52,878</u>	<u>53,897</u>	<u>53,700</u>
Liabilities				
Current liabilities				
Trade and other payables	16	4,630	5,396	4,621
Contract liabilities	17	17,518	15,547	12,006
Lease liabilities	19	4,674	3,657	2,963
Income tax		-	-	1,324
Employee benefits	20	1,350	944	744
Total current liabilities		<u>28,172</u>	<u>25,544</u>	<u>21,658</u>
Non-current liabilities				
Lease liabilities	19	19,587	13,553	16,576
Employee benefits	20	90	33	113
Make good provisions	18	826	613	540
Onerous contracts provisions	14	749	-	-
Total non-current liabilities		<u>21,252</u>	<u>14,199</u>	<u>17,229</u>
Total liabilities		<u>49,424</u>	<u>39,743</u>	<u>38,887</u>
Net assets		<u>3,454</u>	<u>14,154</u>	<u>14,813</u>
Equity				
Issued capital	21	28,557	19,166	19,000
Reserves	22	188	22	79
Accumulated losses	23	(25,291)	(5,034)	(4,266)
Total equity		<u>3,454</u>	<u>14,154</u>	<u>14,813</u>

Refer to note 3 for detailed information on Restatement of comparatives.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated	Issued capital \$'000	Share-based payments reserves \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	19,000	79	-	(2,277)	16,802
Restatement of comparatives (note 2)	-	-	-	(1,989)	(1,989)
Balance at 1 July 2018 Restated	19,000	79	-	(4,266)	14,813
Profit after income tax expense for the year	-	-	-	347	347
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	347	347
<i>Transactions with shareholders in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 21)	166	-	-	-	166
Share-based payments (note 36)	-	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 24)	-	-	-	(1,229)	(1,229)
Balance at 30 June 2019 Restated	19,166	22	-	(5,034)	14,154

Refer to note 3 for detailed information on Restatement of comparatives.

Consolidated	Issued capital \$'000	Share-based payments reserves \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	19,166	22	-	(5,034)	14,154
Profit/(loss) after income tax expense for the year	-	-	-	(19,645)	(19,645)
Other comprehensive income for the year, net of tax	-	-	10	-	10
Total comprehensive income/(loss) for the year	-	-	10	(19,645)	(19,635)
<i>Transactions with shareholders in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 21)	9,391	-	-	-	9,391
Share-based payments (note 36)	-	29	-	-	29
Transfer back lapsed options	-	(35)	-	-	(35)
Fair value of exercised options	-	(4)	-	4	-
Share rights reserve	-	166	-	-	166
Dividends paid (note 24)	-	-	-	(616)	(616)
Balance at 30 June 2020	28,557	178	10	(25,291)	3,454

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

REDHILL EDUCATION LIMITED & ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Note	2020 \$'000	2019 Restated \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		63,666	64,363
Receipts from government (Jobkeeper)		1,316	-
Payments to suppliers and employees (inclusive of GST)		(55,663)	(50,961)
		9,319	13,402
Interest received		71	148
Interest and other finance costs paid		-	(4)
Income taxes paid		(33)	(2,033)
Net cash from operating activities	33	9,357	11,513
Cash flows from investing activities			
Proceeds/(payments) from release of security deposits		(65)	148
Payments for property, plant and equipment		(2,736)	(1,975)
Payments for intangibles		(518)	(653)
Net cash used in investing activities		(3,319)	(2,480)
Cash flows from financing activities			
Proceeds from issue of shares	21	9,213	166
Repayments made under finance leases		(16)	(11)
Dividends paid		(616)	(1,229)
Repayment of lease liabilities - interest component		(2,164)	(1,934)
Repayment of lease liabilities - principal component		(3,215)	(3,051)
Net cash from/(used in) financing activities		3,202	(6,059)
Net increase in cash and cash equivalents		9,240	2,974
Cash and cash equivalents at the beginning of the financial year		12,954	9,980
Cash and cash equivalents at the end of the financial year	9	22,194	12,954

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

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

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

AASB 16 LEASES

The consolidated entity has adopted AASB 16 from 1 July 2018 and has adopted a fully retrospective approach. The new standard removes the distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts.

Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position.

Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases'

under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. 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.

For classification within the statement of cash flows, the interest portion and the principal portion of the lease payments are separately disclosed in financing activities.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 3. Upon adoption of AASB 16, the consolidated entity has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- apply AASB 16 to contracts that were not previously identified as containing a lease.

AMENDMENT TO AASB 16 COVID-19-RELATED RENT CONCESSIONS

The consolidated entity has early adopted the amendment to AASB 16 from 1 July 2019. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

that: result in lease payments that are substantially the same as, or less than, the consideration for the lease immediately prior to the change; where any reduction in the lease payments affects only payments originally due on or before 30 June 2021; and where there is no substantive change to other terms and conditions of the lease. The practical expedient allows an entity not to assess rent concessions meeting the criteria as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in profit or loss with a corresponding adjustment to the lease liability.

To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished. Interest continues to accrue for that period. The consolidated entity has applied the practical expedient to all rent concessions that meet the above mentioned criteria and there are no impact on the consolidated entity on the adoption of this amendments.

GOING CONCERN

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

The consolidated entity has been materially impacted by the COVID-19 pandemic in the financial year ended 30 June 2020. The pandemic has caused the consolidated entity to undertake a wide range of significant measures to ensure the safety of employees and students, and to preserve cash so that the consolidated entity may re-invigorate when circumstances improve. These measures have included:

- temporarily closing campuses and moving to 100% online course delivery;
- standing down employees;
- non-executive directors forfeiting their fees in Q4 of FY20;
- cutting and deferring many business development projects;
- closing temporarily most offshore operations;
- undertaking a capital raising on ASX raising approximately \$12.0 million
- obtaining rental relief from some landlords; and
- accessing and implementing government relief measures (including the JobKeeper scheme).

At 31 July 2020, the consolidated entity had approximately \$25,000,000 of cash and cash equivalents on hand.

The directors have considered cash flow forecast scenarios for the consolidated entity taking into consideration the likely continued negative impacts of COVID-19. These forecast scenarios indicate that the consolidated entity is expected to continue to operate within the limits of its available cash reserves at least until the end of 2021 calendar year. Key variables considered in the forecast scenarios included when international students would be able to resume travel to Australia, the timeframe for the recovery of student numbers once international travel is possible, and the provision of ongoing government support including the JobKeeper scheme.

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

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the 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 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 and the results of all subsidiaries for the year then ended. RedHill Education Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

OPERATING SEGMENTS

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

FOREIGN CURRENCY TRANSLATION

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

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATIONS

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

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

REVENUE RECOGNITION

The consolidated entity recognises revenue as follows:

REVENUE FROM CONTRACTS WITH CUSTOMERS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

TUITION RELATED REVENUE

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

COMMISSION REVENUE

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

INTEREST

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

GOVERNMENT GRANTS

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

INCOME TAX

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

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 'parent entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The parent 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 parent 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 parent entity to the subsidiaries nor a distribution by the subsidiaries to the parent entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE AND OTHER RECEIVABLES

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

ASSETS UNDER CONSTRUCTION

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

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

RIGHT-OF-USE ASSETS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

INTANGIBLE ASSETS

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

GOODWILL

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested 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

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 invoiced but not yet earned in relation to all student tuition invoices. These invoiced tuition fees are recognised as revenue in monthly increments as education services are provided to the student. This was previously shown on the consolidated entities balance sheet and known as deferred revenue.

LEASE LIABILITIES

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

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

PROVISIONS

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

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

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

LONG-TERM EMPLOYEE BENEFITS

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

DEFINED CONTRIBUTION SUPERANNUATION EXPENSE

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

SHARE-BASED PAYMENTS

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

ISSUED CAPITAL

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

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, if any.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 2020. 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.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING (CONCEPTUAL FRAMEWORK)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

COVID-19 PANDEMIC

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. It has resulted in the impairment of assets, unrecognition of deferred tax assets and provision for onerous contracts as described in Note 14.

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 determined that goodwill has suffered impairment due to COVID-19 and reduced the carrying value of goodwill in the consolidated entity as at 30 June 2020. Refer to note 14 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. The directors have assessed the carrying value of non-financial assets other than goodwill in the consolidated entity and determined that impairments and required to right of use assets and copyright intangible assets as at 30 June 2020 as a result of COVID-19. Refer to note 14 for further details.

INCOME TAX

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final

tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

RECOVERY OF DEFERRED TAX ASSETS

The statement of financial position as at 30 June 2019 reflected deferred tax assets carried at value of \$1,894,000. The majority of this balances related to tax timing differences. AASB 112, requires that a deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. It is not possible to reasonably estimate the extent and duration of the impact of the COVID-19 pandemic in the future and consequently, the directors considered it prudent to reverse the deferred assets until such time as there is more certainty in relation to the probability that the consolidated entity will have sufficient future taxable profits available against which the unused tax losses and unused tax credits can be utilised.

Refer to note 8 for further details.

LEASE TERM

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

INCREMENTAL BORROWING RATE

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

LEASE MAKE GOOD PROVISION

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

NOTE 3. RESTATEMENT OF COMPARATIVES

REVENUE RECOGNITION

The consolidated entity adopted AASB15 'Revenue from Contracts with Customers' effective 1 July 2018 with a full retrospective approach. A detailed evaluation of the revenue recognition treatment was undertaken by management and reviewed by the external auditor at the time of adopting this standard which was not the current external auditors. This evaluation considered the accepted historic practice of recognising a portion of Greenwich revenue at the time of enrolment.

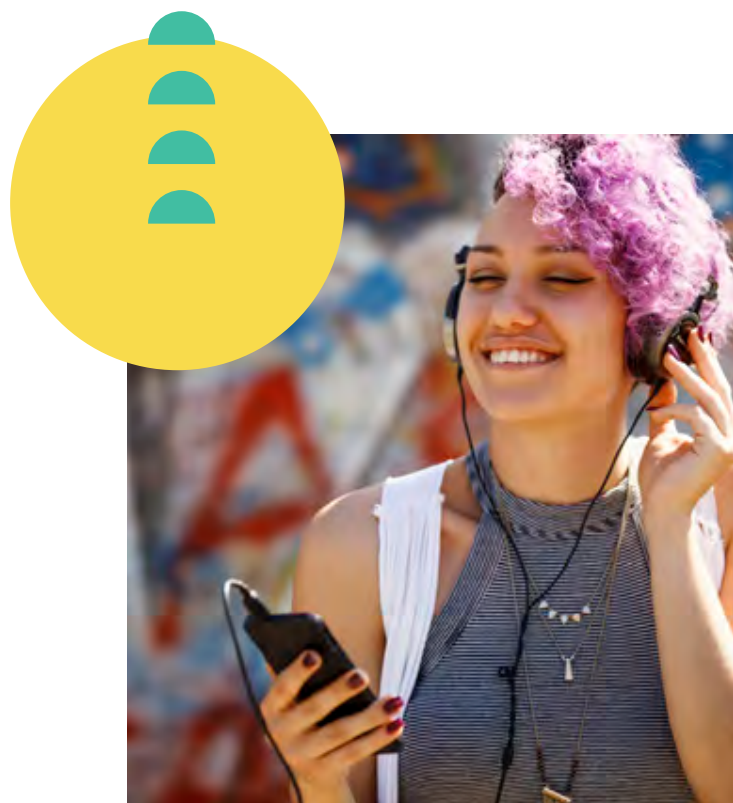
Following a subsequent internal review during the year ended 30 June 2020 with the current external auditors, the accounting treatment of recognising a component of Greenwich revenue at the time of enrolment was determined to be more appropriately recognised over the period of tuition delivery. This change has been retrospectively adopted and the changes recognised in the prior year comparative period ended 30 June 2019. The financial statements have been restated accordingly.

This restatement has had no impact on revenues, profits, or cash flows in the year ended 30 June 2020. The impact of the restatement of the prior year comparative period statement of financial position as at 30 June 2019 and the prior year comparative period statement of profit or loss and other comprehensive income for the year ended 30 June 2019 are summarised in the tables below.

CHANGE IN ACCOUNTING POLICY

AASB16 'LEASES'

The consolidated entity has adopted AASB 16 'Leases' from 1 July 2018, using the full retrospective approach. The impact of the full retrospective approach on the restatement of the prior year comparative period statement of financial position as at 30 June 2019 and the prior year comparative period statement of profit or loss and other comprehensive income for the year ended 30 June 2019 are in the tables summarised below.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3. RESTATEMENT OF COMPARATIVES (CONTINUED)

The changes to the statement of profit or loss and other comprehensive income for the year ended 30 June 2019 are summarised as follows:

	AASB 15 \$'000	AASB 16 \$'000	2019 Restated \$'000
Revenue	(966)	-	(966)
Depreciation & amortization	-	(3,980)	(3,980)
Rental expense	-	5,223	5,223
Finance costs	-	(1,934)	(1,934)
Profit before tax	(966)	(691)	(1,657)
Income tax expense	290	207	497
Profit after tax	<u>(676)</u>	<u>(484)</u>	<u>(1,160)</u>

These changes are reflected in the restated statement of profit or loss and other comprehensive income.

The changes to the statement of financial position as at 30 June 2019 are summarised as follows:

	AASB 15 \$'000	AASB 16 \$'000	2019 Restated \$'000
Income tax refund due	971	-	971
Prepayments and other assets – current	-	(256)	(256)
Property plant and equipment	-	(520)	(520)
Right of use assets	-	15,487	15,487
Deferred tax	-	381	381
Prepayments and other assets – non-current	-	(638)	(638)
Contract liabilities - current	3,238	-	3,238
Lease liabilities – current	-	3,646	3,646
Lease liabilities – non-current	-	13,533	13,533
Other provisions - current	-	(184)	(184)
Other provisions - non-current	-	(1,659)	(1,659)
Accumulated losses	<u>(2,267)</u>	<u>(882)</u>	<u>(3,149)</u>

These changes are reflected in the restated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3. RESTATEMENT OF COMPARATIVES (CONTINUED)**Statement of profit or loss and other comprehensive income**

	2019 Reported \$'000	Consolidated Adjustment \$'000	2019 Restated \$'000
Revenue from contracts with customers	59,834	(966)	58,868
Interest revenue	148	-	148
Expenses			
Salaries and employee benefits expense	(31,740)	-	(31,740)
Cost of services	(10,153)	-	(10,153)
Depreciation and amortisation expense	(1,992)	(3,980)	(5,972)
Impairment of receivables	(887)	-	(887)
Property and occupancy costs	(7,732)	5,223	(2,509)
Professional and consulting fees	(493)	-	(493)
Marketing expenses	(2,058)	-	(2,058)
Public company related costs	(649)	-	(649)
Other expenses	(2,216)	-	(2,216)
Finance costs	(4)	(1,934)	(1,938)
Profit/(loss) before income tax expense	2,058	(1,657)	401
Income tax expense	(551)	497	(54)
Profit/(loss) after income tax expense for the year attributable to the shareholders of RedHill Education Limited	1,507	(1,160)	347
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income/(loss) for the year attributable to the shareholders of RedHill Education Limited	1,507	(1,160)	347
	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	4.90	(3.77)	1.13
Diluted earnings per share	4.87	(3.75)	1.12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3. RESTATEMENT OF COMPARATIVES (CONTINUED)**Statement of financial position at the beginning of the earliest comparative period**

	1 Jul 2018 Reported \$'000	Consolidated Adjustment \$'000	1 Jul 2018 Restated \$'000
Assets			
Current assets			
Cash and cash equivalents	9,980	-	9,980
Trade receivables	3,958	-	3,958
Prepayments and other assets	2,934	-	2,934
Total current assets	16,872	-	16,872
Non-current assets			
Property, plant and equipment	6,493	(133)	6,360
Right-of-use assets	-	18,731	18,731
Intangibles	6,541	-	6,541
Deferred tax	1,865	854	2,719
Prepayments and other assets	3,454	(977)	2,477
Total non-current assets	18,353	18,475	36,828
Total assets	35,225	18,475	53,700
Liabilities			
Current liabilities			
Trade and other payables	4,621	-	4,621
Contract liabilities	9,735	2,271	12,006
Lease liabilities	10	2,953	2,963
Income tax	1,324	-	1,324
Employee benefits	744	-	744
Make good provisions	231	(231)	-
Total current liabilities	16,665	4,993	21,658
Non-current liabilities			
Lease liabilities	32	16,544	16,576
Employee benefits	113	-	113
Make good provisions	1,613	(1,073)	540
Total non-current liabilities	1,758	15,471	17,229
Total liabilities	18,423	20,464	38,887
Net assets	16,802	(1,989)	14,813
Equity			
Issued capital	19,000	-	19,000
Reserves	79	-	79
Accumulated losses	(2,277)	(1,989)	(4,266)
Total equity	16,802	(1,989)	14,813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3. RESTATEMENT OF COMPARATIVES (CONTINUED)**Statement of financial position at the end of the earliest comparative period**

	2019 Reported \$'000	Consolidated Adjustment \$'000	2019 Restated \$'000
Assets			
Current assets			
Cash and cash equivalents	12,954	-	12,954
Trade receivables	2,186	-	2,186
Income tax refund due	616	971	1,587
Prepayments and other assets	4,373	(256)	4,117
Total current assets	<u>20,129</u>	<u>715</u>	<u>20,844</u>
Non-current assets			
Property, plant and equipment	6,748	(520)	6,228
Right-of-use assets	-	15,487	15,487
Intangibles	6,922	-	6,922
Deferred tax	1,513	381	1,894
Prepayments and other assets	3,160	(638)	2,522
Total non-current assets	<u>18,343</u>	<u>14,710</u>	<u>33,053</u>
Total assets	<u>38,472</u>	<u>15,425</u>	<u>53,897</u>
Liabilities			
Current liabilities			
Trade and other payables	5,396	-	5,396
Contract liabilities	12,309	3,238	15,547
Lease liabilities	11	3,646	3,657
Employee benefits	944	-	944
Make good provisions	184	(184)	-
Total current liabilities	<u>18,844</u>	<u>6,700</u>	<u>25,544</u>
Non-current liabilities			
Lease liabilities	20	13,533	13,553
Employee benefits	33	-	33
Make good provisions	2,272	(1,659)	613
Total non-current liabilities	<u>2,325</u>	<u>11,874</u>	<u>14,199</u>
Total liabilities	<u>21,169</u>	<u>18,574</u>	<u>39,743</u>
Net assets	<u>17,303</u>	<u>(3,149)</u>	<u>14,154</u>
Equity			
Issued capital	19,166	-	19,166
Reserves	22	-	22
Accumulated losses	(1,885)	(3,149)	(5,034)
Total equity	<u>17,303</u>	<u>(3,149)</u>	<u>14,154</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3. RESTATEMENT OF COMPARATIVES (CONTINUED)**Statement of cash flows at the end of the earliest comparative period**

	2019 Reported \$'000	Consolidated Adjustment \$'000	2019 Restated \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	64,363	-	64,363
Payments to suppliers & employees (inclusive of GST)	(55,946)	4,985	(50,961)
Interest received	148	-	148
Interest and other finance costs paid	(4)	-	(4)
Income taxes paid	(2,033)	-	(2,033)
Net cash from operating activities	6,528	4,985	11,513
Cash flows from investing activities			
Proceeds/(payments) from release of security deposits	148	-	148
Payments for property, plant and equipment	(1,975)	-	(1,975)
Payments for intangibles	(653)	-	(653)
Net cash used in investing activities	(2,480)	-	(2,480)
Cash flows from financing activities			
Proceeds from issue of shares	166	-	166
Repayments made under finance leases	(11)	-	(11)
Dividends paid	(1,229)	-	(1,229)
Repayment of lease liabilities - interest component	-	(1,934)	(1,934)
Repayment of lease liabilities - principal component	-	(3,051)	(3,051)
Net cash from/(used in) financing activities	(1,074)	(4,985)	(6,059)
Net increase/(decrease) in cash and cash equivalents	2,974	-	2,974
Cash and cash equivalents at the beginning of the financial year	9,980	-	9,980
Cash and cash equivalents at the end of the financial year	12,954	-	12,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4. OPERATING SEGMENTS (CONTINUED)**Operating segment information**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4. OPERATING SEGMENTS (CONTINUED)

Consolidated – 2019 Restated	Technology & Design \$'000	Greenwich \$'000	Go Study \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	20,414	32,557	5,897	-	58,868
Intersegment sales	-	-	709	(709)	-
Total revenue	<u>20,414</u>	<u>32,557</u>	<u>6,606</u>	<u>(709)</u>	<u>58,868</u>
Segment operating result	4,775	8,638	1,130	-	14,543
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(4,603)	(4,603)
Professional and consulting fees	-	-	-	(305)	(305)
Public company related costs	-	-	-	(649)	(649)
Property and occupancy costs	-	-	-	(94)	(94)
Other expenses	-	-	-	(729)	(729)
Depreciation and amortisation	(2,416)	(2,633)	(231)	(692)	(5,972)
Finance cost	-	-	-	(1,938)	(1,938)
Interest revenue	-	-	-	148	148
Profit/(loss) before income tax expense	<u>2,359</u>	<u>6,005</u>	<u>899</u>	<u>(8,862)</u>	<u>401</u>
Income tax expense					(54)
Profit after income tax expense					<u>347</u>
Assets					
Segment assets	<u>21,338</u>	<u>30,285</u>	<u>4,168</u>	<u>-</u>	<u>55,791</u>
Intersegment eliminations					(3,764)
Unallocated assets					1,870
Total assets					<u>53,897</u>
Liabilities					
Segment liabilities	<u>11,136</u>	<u>21,332</u>	<u>931</u>	<u>-</u>	<u>33,399</u>
Unallocated liabilities					6,344
Total liabilities					<u>39,743</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated 2020 \$'000	2019 Restated \$'000
Tuition related revenue	59,389	52,964
Commission revenue	5,230	5,904
Revenue from contracts with customers	<u>64,619</u>	<u>58,868</u>

Disaggregation of revenue

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

	Consolidated 2020 \$'000	2019 Restated \$'000
<i>Geographical revenue from contracts with customers</i>		
Australia	62,968	57,292
Europe	1,504	1,534
South America	147	42
	<u>64,619</u>	<u>58,868</u>

	Consolidated 2020 \$'000	2019 Restated \$'000
<i>Timing of revenue recognition from contracts with customers</i>		
Services transferred over time	59,389	52,964
Services transferred at a point in time	5,230	5,904
	<u>64,619</u>	<u>58,868</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6. OTHER INCOME

	Consolidated	
	2020	2019
	\$'000	Restated
		\$'000
Government grants (JobKeeper)	1,966	-

Government grants (JobKeeper)

During the COVID-19 pandemic, the consolidated entity has received JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The JobKeeper payment scheme in its current form runs for the fortnights from 30 March until 28 September 2020 and has now been extended until 28 March 2021. The consolidated entity is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

The directors anticipate that the consolidated entity will likely qualify for the JobKeeper extension period subject to no material changes being made to the eligibility criteria.

NOTE 7. EXPENSES

	Consolidated	
	2020	2019
	\$'000	Restated
		\$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	1,031	1,006
Plant and equipment	865	714
Land and buildings right-of-use assets	4,887	3,980
Office equipment right-of-use assets	7	-
Total depreciation	6,790	5,700
<i>Amortisation</i>		
Copyrights	396	272
Total depreciation and amortisation	7,186	5,972
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	2,238	1,938
<i>Leases</i>		
Short-term lease payments	380	324
Low-value assets lease payments	76	64
	456	388
<i>Superannuation expense</i>		
Defined contribution superannuation expense	2,791	2,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 8. INCOME TAX EXPENSES

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
<i>Income tax expense</i>		
Current tax	1,348	435
Deferred tax - origination/(reversal) of temporary differences	(971)	(381)
Deferred tax unrecognised	2,769	-
	<u>3,146</u>	<u>54</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(971)	(381)
	<u>(971)</u>	<u>(381)</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense	(16,499)	401
	<u>(16,499)</u>	<u>401</u>
Tax at the statutory tax rate of 30%	(4,950)	120
	<u>(4,950)</u>	<u>120</u>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	48	17
- Foreign branch income	-	(109)
- Foreign branch tax expense	94	7
- Impairment of assets	5,161	-
- Sundry items	24	19
	<u>377</u>	<u>54</u>
Deferred tax unrecognised	2,769	-
	<u>2,769</u>	<u>-</u>
Income tax expense	<u>3,146</u>	<u>54</u>

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
<i>Amounts credited directly to equity</i>		
Deferred tax assets (note 15)	(142)	-

Recognition of deferred tax assets

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

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

The directors have considered the recognition of a deferred tax asset for the consolidated entity as at 30 June 2020 and have decided that given the consolidated entity is not expected to make tax payments in the foreseeable short term future as a result of COVID-19 they would unrecognised the deferred tax balance of \$2,769,000, which is the balance it would have otherwise recognised as at 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	2019
	2020	Restated
	\$'000	\$'000
Cash at bank and on hand	<u>22,194</u>	<u>12,954</u>

NOTE 10. CURRENT ASSETS – TRADE RECEIVABLES

	Consolidated	2019
	2020	Restated
	\$'000	\$'000
Trade receivables	8,189	3,085
Less: Allowance for expected credit losses	<u>(867)</u>	<u>(899)</u>
	<u>7,322</u>	<u>2,186</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$153,000 in profit or loss in respect of impairment of receivables for the year ended 30 June 2020 (2019: \$887,000). The consolidated entity has adopted the simplified approach to expected credit losses (ECL) under AASB 9, which requires the recognition of lifetime ECL at all times.

	Expected credit loss rate 2020	Carrying amount 2020	Allowance for expected credit losses 2020	Expected credit loss rate 2019	Carrying amount 2019	Allowance for expected credit losses 2019
Consolidated - Domestic Students	%	\$'000	\$'000	%	\$'000	\$'000
0 to 6 months overdue	20.3%	<u>950</u>	<u>193</u>	6.0%	<u>1,290</u>	<u>78</u>

	Expected credit loss rate 2020	Carrying amount 2020	Allowance for expected credit losses 2020	Expected credit loss rate 2019	Carrying amount 2019	Allowance for expected credit losses 2019
Consolidated - International students	%	\$'000	\$'000	%	\$'000	\$'000
0 to 6 months overdue	4.7%	6,869	322	5.9%	1,016	60
Over 6 months overdue	94.9%	<u>370</u>	<u>352</u>	97.7%	<u>779</u>	<u>761</u>
		<u>7,239</u>	<u>674</u>		<u>1,795</u>	<u>821</u>

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to COVID-19 pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased for domestic students and has been maintained at similar levels for international students.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10. CURRENT ASSETS – TRADE RECEIVABLES (CONTINUED)**Movements in the allowance for expected credit losses are as follows:**

	Consolidated 2020 \$'000	2019 Restated \$'000
Opening balance	899	221
Additional provisions recognised*	733	887
Receivables written off during the year as uncollectable	(765)	(209)
Closing balance	<u>867</u>	<u>899</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 the prior period opening retained earnings.

NOTE 11. PREPAYMENTS AND OTHER ASSETS

	Consolidated 2020 \$'000	2019 Restated \$'000
Current assets		
Prepayments	716	934
Deposits	158	25
Other current assets	<u>1,657</u>	<u>3,158</u>
	<u>2,531</u>	<u>4,117</u>
Non-current assets		
Deposits	<u>2,454</u>	<u>2,522</u>
	<u>4,985</u>	<u>6,639</u>

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

NOTE 12. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2020 \$'000	2019 Restated \$'000
Leasehold improvements – at cost	9,980	8,330
Less: Accumulated depreciation	(5,061)	(4,030)
Less: Impairment	<u>(2,657)</u>	<u>-</u>
	<u>2,262</u>	<u>4,300</u>
Plant and equipment – at cost	6,703	5,322
Less: Accumulated depreciation	<u>(4,874)</u>	<u>(4,008)</u>
	<u>1,829</u>	<u>1,314</u>
Assets under construction – at cost*	<u>318</u>	<u>614</u>
	<u>4,409</u>	<u>6,228</u>

*In 2020 the asset under construction represents campus improvements projects started in 2019 and yet to be finalised. In 2019, the assets under construction represents the development of software systems.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 12. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)*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 2018	2,392	1,448	2,653	6,493
Additions	781	580	614	1,975
Restatement on adoption of AASB16	(520)	-	-	(520)
Transfers in/(out)	2,653	-	(2,653)	-
Depreciation expense	(1,006)	(714)	-	(1,720)
Balance at 30 June 2019 Restated	4,300	1,314	614	6,228
Additions	1,650	982	102	2,734
Impairments of assets	(2,657)	-	-	(2,657)
Transfers in/(out)	-	398	(398)	-
Depreciation expense	(1,031)	(865)	-	(1,896)
Balance at 30 June 2020	2,262	1,829	318	4,409

Refer to note 14 for the impairment tests for assets.

NOTE 13. NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS

	Consolidated	
	2020 \$'000	2019 Restated \$'000
Land and buildings – right-of-use	33,883	23,616
Less: Accumulated depreciation	(13,015)	(8,129)
Less: Impairment	(8,196)	-
	12,672	15,487
Office equipment – right-of-use	42	-
Less: Accumulated depreciation	(7)	-
	(35)	-
	12,707	15,487

Additions to the right-of-use assets during the year were \$10,266,000 prior to depreciation and impairment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Goodwill – at cost	9,145	9,145
Less: Accumulated impairment	(9,145)	(3,000)
	-	6,145
Customer contracts - at cost	406	406
Less: Accumulated impairment	(406)	(406)
	-	-
Software – at cost	470	470
Less: Accumulated amortisation	(470)	(470)
	-	-
Copyrights – at cost	7,037	6,520
Less: Accumulated amortisation	(6,139)	(5,743)
Less: Impairment	(205)	-
	693	777
Licenses – at cost	20	20
Less: Accumulated amortisation	(20)	(20)
	-	-
	693	6,922

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 2018	6,145	396	6,541
Additions	-	653	653
Amortisation expense	-	(272)	(272)
Balance at 30 June 2019 Restated	6,145	777	6,922
Additions	-	517	517
Impairment of assets	(6,145)	(205)	(6,350)
Amortisation expense	-	(396)	(396)
Balance at 30 June 2020	-	693	693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14. INTANGIBLES (CONTINUED)**IMPAIRMENT TEST FOR GOODWILL AND OTHER INTANGIBLES ASSETS AND NON-FINANCIAL ASSETS**

The COVID-19 pandemic has had a material adverse impact on the consolidated entity as described in Note 1 and elsewhere in this annual report. The consolidated entity has undertaken detailed impairment testing and the results are set out below:

Obsolete and redundant assets

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

The North Sydney campus comprises two separate leases with expiry dates of October 2021 and January 2023. The consolidated entity is seeking to sub-let the premises, but to date has not secured any suitable tenants.

The financial impact of this impairment is a write-off of \$1,032,000 pre-tax. This is comprised of:

	Consolidated 2020 \$'000
Right-of-use assets	976
Property, plant and equipment	56
	<u>1,032</u>

Onerous contract provision related to North Sydney campus

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

	Consolidated 2020 \$'000
Onerous contract provision	<u>749</u>

Goodwill and intangible assets

Goodwill is monitored by management at cash-generating unit ('CGU') levels, which are the operating segments identified in note 4 and are the smallest group of the consolidated entity's assets that have individually identifiable cashflows.

The allocation of the carrying value of goodwill, intangible assets and right-of-use assets prior to any impairment and used for impairment testing is as follows:

	Technology & Design \$'000	Greenwich \$'000	Go Study \$'000	Total 2020 \$'000
Goodwill	6,145	-	-	6,145
Right-of-use assets	7,349	13,356	197	20,902
Copyrights intangibles	587	311	-	898
	<u>14,081</u>	<u>13,667</u>	<u>197</u>	<u>27,945</u>

NOTE 14. INTANGIBLES (CONTINUED)

CGU IMPAIRMENT TESTING

(a) Technology and Design CGU

(i) Assumptions

The following assumptions have been applied in calculating the recoverable amount of the Technology & Design CGU:

	2020	2019
Post tax discount rate	17%	15.5%
Student growth rate	Refer below	5.0% – 40.0%
Student growth rate – terminal value	0.0%	2.5%
Revenue price increase*	1.0% – 2.0%	4.0% – 5.0 %
Annual rate of cost increase – variable	Refer below	0% – 50.0%
Annual rate of cost increase – fixed	1–6% – 4.0%	4.0%

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

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 the consolidated entity and the Technology and Design CGU and is derived from its weighted average cost of capital ('WACC'). The discount rate used are the pre-tax equivalents of a post-tax WACC of 17%.

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

The base scenario assumes that international student travel will not resume at all during FY2021. When travel does resume, the base case modelling assumes that it will take 2 years for student volumes to return to FY2020 numbers.

Variable costs are assumed to decrease / increase in line with revenue movements.

(ii) Results of impairment testing

The directors have formed the view that the following asset impairments are required, before tax, for the Technology & Design CGU as at 30 June 2020:

	Consolidated 2020 \$'000
Goodwill	6,145
Copyrights	54
Right-of-use assets	583
Property, plant and equipment	206
	<hr/>
	6,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14. INTANGIBLES (CONTINUED)*(iii) 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 timing of the revenue recovery to pre-COVID levels (6 or 12 months change), and discount rates of +/-2.0% and a change in the terminal value growth rate of 2%.

The outcomes of the scenario analysis are as follows:

Sensitivity	Increases in valuation \$'000	Decrease in valuation \$'000
200pts lower / (higher) WACC rates	1,100	(900)
6 month advance / (delay) in revenue recovery	2,700	(2,000)
12 month advance / (delay) in revenue recovery	5,400	(4,000)
200pts increase in the terminal value growth rate	600	N/A

(b) Greenwich CGU*(i) Assumptions*

The following assumptions have been applied in calculating the recoverable amount of the Greenwich CGU:

	2020	2019
Post tax discount rate	17%	15.5%
Student growth rate	Refer below	5.0% – 40.0%
Student growth rate - terminal value	0.0%	2.5%
Revenue price increase *	1.0% – 2.0%	4.0% – 5.0%
Annual rate of cost increase - variable	Refer below	0% – 50.0%
Annual rate of cost increase - fixed	1–6% – 4.0%	4.0%

*Excludes the terminal year, which has no price increase

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 the consolidated entity and the Greenwich CGU and is derived from its weighted average cost of capital ('WACC'). The discount rate used are the pre-tax equivalents of a post-tax WACC of 17%.

WACC takes into account equity and debt. The cost of equity is derived from the expected return on investments by the consolidated entity. The cost of debt is based upon the interest-bearing borrowings which the consolidated entity could obtain at commercial rates from the financial market. The base scenario assumes that international student travel will not resume at all during FY2021. When travel does resume, the base case modelling assumes that it will take 2 years for student volumes to return to FY2020 numbers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14. INTANGIBLES (CONTINUED)

Variable costs are assumed to decrease / increase in line with revenue movement.

(ii) Results of impairment testing

The directors have formed the view that the following asset impairments, before tax, are required for the Greenwich CGU as at 30 June 2020:

	Consolidated 2020 \$'000
Copyrights	151
Right of Use assets	6,493
Property, plant and equipment	2,143
	<hr/>
	8,787
	<hr/>

(iii) 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 timing of the revenue recovery to pre-COVID levels (6 or 12 months change), discount rates of +/-2.0% and a change in the terminal value growth rate of 2%.

The outcomes of the scenario analysis are as follows:

Sensitivity	Increases in valuation \$'000	Decrease in valuation \$'000
200pts lower / (higher) WACC rates	2,100	1,700
6 month advance / (delay) in revenue recovery	4,000	(800)
12 month advance / (delay) in revenue recovery	7,800	(1,600)
200pts increase in the terminal value growth rate	900	N/A

(c) Go Study CGU*(i) Assumptions*

The following assumptions have been applied in calculating the recoverable amount of the Go Study CGU:

	2020	2019
Post tax discount rate	17%	15.5%
Student growth rate	Refer below	5.0% – 40.0%
Student growth rate - terminal value	0.0%	2.5%
Revenue price increase*	1.0% – 2.0%	4.0% – 5.0%
Annual rate of cost increase - variable	Refer below	0% – 50.0%
Annual rate of cost increase - fixed	1–6% – 4.0%	4.0%

*Excludes the terminal year, which has no price increase

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14. INTANGIBLES (CONTINUED)

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 Go Study CGU and is derived from its weighted average cost of capital ('WACC'). The discount rate used are the pre-tax equivalents of a post-tax WACC of 17%.

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

The base scenario assumes that international student travel will not resume at all during FY2021. When travel does resume, the base case modelling assumes that it will take 2 years for student volumes to return to FY2020 numbers.

Variable costs are assumed to decrease / increase in line with revenue growth.

(ii) Results of impairment testing

The directors have formed the view that the following asset impairments, before tax, are required for the Go Study as at 30 June 2020:

	Consolidated 2020 \$'000
Right of Use assets	144
Property, plant and equipment	252
	<hr/>
	396
	<hr/>

(iii) 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 timing of the revenue recovery to pre-COVID levels (6 or 12 months change), discount rates of +/-2.0% and a change in the terminal value growth rate of 2%.

The outcomes of the scenario analysis are as follows:

Sensitivity	Increases in valuation \$'000	Decrease in valuation \$'000
200pts lower / (higher) WACC rates	200	(150)
6 month advance / (delay) in revenue recovery	500	(400)
12 month advance / (delay) in revenue recovery	900	(700)
200pts increase in the terminal value growth rate	150	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14. INTANGIBLES (CONTINUED)**Consolidated summary of impairment testing**

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

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

NOTE 15. NON-CURRENT ASSETS – DEFERRED TAX

	Consolidated 2020 \$'000	2019 Restated \$'000
<i>Deferred tax assets comprise temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Employee benefits	428	343
Right of use assets	(3,178)	(4,646)
Lease liabilities	3,950	5,163
Accrued expenses	453	261
Intangibles	1,113	1,074
Allowance for expected credit losses	261	270
Deferred student acquisition costs	(453)	(713)
Share issue cost	(36)	-
Reduction in income tax refund due	89	-
Other	142	142
Deferred tax asset unrecognised	<u>(2,769)</u>	<u>-</u>
Deferred tax asset	<u>-</u>	<u>1,894</u>
<i>Movements:</i>		
Opening balance	1,894	1,513
Credited to profit or loss (note 8)	971	381
Credited to equity (note 8)	142	-
Deferred tax unrecognised	(2,769)	-
Under / (over) provision from prior years	<u>(238)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>1,894</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15. NON-CURRENT ASSETS – DEFERRED TAX (CONTINUED)

The directors have considered the recognition of a deferred tax asset for the consolidated entity as at 30 June 2020 and have decided that given the consolidated entity is not expected to make tax payments in the foreseeable short term future as a result of COVID-19 they would unrecognise the deferred tax balance of \$2,769,000 which is the balance it would have otherwise recognised as at 30 June 2020.

NOTE 16. CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Trade payables	2,558	1,462
Payroll accruals	1,524	3,240
Other payables	548	694
	<u>4,630</u>	<u>5,396</u>

Refer to note 25 for further information on financial instruments.

NOTE 17. CURRENT LIABILITIES – CONTRACT LIABILITIES

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Contract liabilities	<u>17,518</u>	<u>15,547</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 \$17,518,000 as at 30 June 2020 (2019 restated: \$15,547,000) 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.



NOTE 17. CURRENT LIABILITIES – CONTRACT LIABILITIES

The ageing of the expected performance obligation of contract liabilities are as follows:

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
To be realised within 12 months	17,518	15,547

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Consists of:		
Contract liabilities paid, and due for payment	17,518	15,547
Contract liabilities not yet due for payment	19,412	21,148
Total contract liabilities	36,930	36,695

Contract liabilities relates to tuition fees in relation to domestic and international students where an agreement has been signed and a payment plan is in place with students for studies which are expected to be undertaken after the balance date.

NOTE 18. NON-CURRENT LIABILITIES – MAKE GOOD PROVISION

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Provision for make good	826	613

Movements in provisions

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

Consolidated – 2020	Lease make good \$'000
Carrying amount at the start of the year	613
Additional provisions recognised	213
Carrying amount at the end of the year	826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19. LEASE LIABILITIES

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
<i>Current liabilities</i>		
Lease liability	4,674	3,657
<i>Non-current liabilities</i>		
Lease liability	19,587	13,553
	<u>24,261</u>	<u>17,210</u>

These liabilities have been brought to account as the present value of the remaining lease payments, discounted using the incremental borrowing rates as of 1 July 2019. The discount rates applied range between 8.90% and 10.20%

The remaining contractual maturities of lease liabilities is outlined below:

	Average interest rate%	Less than 1 year	Between 1 and 2 years	Between 2 and 7 years	Total contractual maturity
2020					
Undiscounted lease payments	<u>9.83%</u>	<u>6,845</u>	<u>6,840</u>	<u>18,546</u>	<u>32,231</u>
2019					
Undiscounted lease payments	<u>9.83%</u>	<u>5,206</u>	<u>5,073</u>	<u>10,948</u>	<u>21,227</u>

NOTE 20. EMPLOYEE BENEFITS

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
<i>Current liabilities</i>		
Annual leave	1,100	848
Long service leave	250	96
	<u>1,350</u>	<u>944</u>
<i>Non-current liabilities</i>		
Long service leave	90	33
	<u>1,440</u>	<u>977</u>

A reconciliation between opening and closing balances has not been included as the movements are not considered to be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21. ISSUED CAPITAL

	Consolidated			2019 Restated \$'000
	2020 Shares	2019 Shares	2020 \$'000	
Ordinary shares – fully paid	<u>47,156,520</u>	<u>30,815,885</u>	<u>28,557</u>	<u>19,166</u>

Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$'000
Balance	1 July 2018	30,665,052		19,000
Shares issued on the exercise of options	3 December 2018	60,000	\$1.20	72
Shares issued on the exercise of options	24 December 2018	40,833	\$1.20	49
Shares issued on the exercise of options	22 May 2019	<u>50,000</u>	<u>\$0.90</u>	<u>45</u>
Balance	30 June 2019	30,815,885		19,166
Shares issued on the exercise of options	6 January 2020	4,167	\$1.20	5
Shares issued through placement	24 June 2020	7,703,975	\$0.60	4,622
Shares issued through Institutional Entitlement Offer	24 June 2020	8,632,493	\$0.60	5,179
Share issue cost, net of tax		<u>-</u>	<u>\$0.00</u>	<u>(415)</u>
Balance	30 June 2020	<u>47,156,520</u>		<u>28,557</u>

Reconciliation of shares issued to the cash flow statement

	\$'000
Shares issued through placement	4,622
Shares issued through Institutional Entitlement Offer	5,179
Less share issue costs pre-tax	(588)
Gross proceeds pre-tax per Cash Flow Statement	9,213
Tax deduction benefit related to share issue costs	<u>173</u>
Net proceeds of share issue	<u>9,386</u>

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21. ISSUED CAPITAL (CONTINUED)

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

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

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

NOTE 22. RESERVES

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Foreign currency reserve	10	-
Share-based payments reserve	178	22
	<u>188</u>	<u>22</u>

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	Foreign currency translation \$'000	Share based payments \$'000
Balance at 1 July 2018	-	79
Share-based payments	-	57
Transfer back of lapsed options	-	(5)
Transfer back of forfeited options	-	(19)
Fair value of exercised options	-	(90)
	<u>-</u>	<u>(90)</u>
Balance at 30 June 2019 Restated	-	22
Foreign currency translation	10	-
Share-based payments	-	29
Transfer back of lapsed options	-	(35)
Fair value of exercised options	-	(4)
Share rights reserve	-	166
	<u>-</u>	<u>166</u>
Balance at 30 June 2020	<u>10</u>	<u>178</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23. ACCUMULATED LOSSES

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Accumulated losses at the beginning of the financial year	(5,034)	(4,020)
Adjustment for change in accounting policy (note 3)	-	(246)
Accumulated losses at the beginning of the financial year - restated	(5,034)	(4,266)
Profit/(loss) after income tax expense for the year	(19,645)	347
Dividends paid (note 24)	(616)	(1,229)
Transfer from share-based payment reserve	4	114
Accumulated losses at the end of the financial year	<u>(25,291)</u>	<u>(5,034)</u>

NOTE 24. DIVIDENDS

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Dividends paid during the reporting period	616	1,229
Dividends not recognised at the end of the reporting period	-	616
	<u>616</u>	<u>1,845</u>

During the financial period a fully franked dividend of two cents per ordinary share was paid on 30 September 2019.

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

Franking credits

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Franking credits available at the reporting date based on a tax rate of 30%	<u>1,911</u>	<u>2,138</u>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>1,911</u>	<u>2,138</u>

Red Hill's board announced its decision to revoke payment of on FY20 interim dividend on 23 March 2020 due to the fast-evolving impacts of COVID-19. In view of the continuation of the extraordinary circumstances caused by the COVID-19 pandemic and government responses, the directors regarded it as prudent to conserve cash and declared that no full year dividend would be paid in relation to FY20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25. FINANCIAL INSTRUMENTS**FINANCIAL RISK MANAGEMENT OBJECTIVES**

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

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board. 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:

	2020		2019 Restated	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash and cash equivalents	0.42%	22,194	1.25%	12,954
Net exposure to cash flow interest rate risk		22,194		12,954

An official increase/decrease in interest rates of 100 (2019: 100) basis points would have favourable/adverse effect on profit before tax of \$222,000 (2019: favourable/adverse \$130,000) and favourable/adverse effect on equity of \$155,000 (2019: adverse/favourable \$91,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

CREDIT RISK

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

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 10, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25. FINANCIAL INSTRUMENTS (CONTINUED)

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.

	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 - 2020					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	2,558	-	-	-	2,558
Other payables	548	-	-	-	548
Payroll accruals	1,524	-	-	-	1,524
Total non-derivatives	<u>4,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,630</u>

	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					
Restated					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	1,462	-	-	-	1,462
Other payables	694	-	-	-	694
Payroll accruals	3,240	-	-	-	3,240
Total non-derivatives	<u>5,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,396</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25. FINANCIAL INSTRUMENTS (CONTINUED)**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 26. 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	
	2020	2019
	\$'000	Restated \$'000
Short-term employee benefits	1,039,532	837,129
Post-employment benefits	40,312	20,531
Long-term benefits	7,599	3,234
Share-based payments	-	6,490
	<u>1,087,443</u>	<u>867,384</u>

NOTE 27. REMUNERATION OF AUDITORS

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

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
<i>Audit services - RSM Australia Partners (2019: Grant Thornton Audit Pty Ltd)</i>		
Audit or review of the financial statements	<u>144,350</u>	<u>122,600</u>
<i>Other services - RSM Australia Partners (2019: Grant Thornton Audit Pty Ltd)</i>		
Tax services	<u>15,000</u>	<u>19,000</u>
	<u>159,350</u>	<u>141,600</u>
<i>Other services - RSM Australia Partners</i>		
Preparation of the tax return	<u>3,150</u>	<u>4,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 28. CONTINGENT LIABILITIES

The consolidated entity has given bank guarantees as at 30 June 2020 of \$4,279,641 (2019: \$3,334,162) to various lessors.

The consolidated entity has a bank guarantee facility with a limit of \$4,500,000 with National Australia Bank (NAB). The consolidated entity has term deposits of \$2,454,000 classified within non-current assets to support this facility. The consolidated entity is required to maintain a minimum cash balance of 100% of the bank guarantee facility with NAB, inclusive of amounts held as term deposits.

NOTE 29. RELATED PARTY TRANSACTIONS

PARENT ENTITY

RedHill Education Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in note 31.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 26 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 \$65,425 were paid during the period for administrative support services (year ended 30 June 2019: \$33,624). 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 \$5,833 for Directors Fees, that were due and payable as at 30 June 2020 (year ended 30 June 2019: \$29,166).

LOANS TO/FROM RELATED PARTIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 30. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020 \$'000	2019 Restated \$'000
Profit after income tax	3,132	3,183
Total comprehensive income	3,132	2,069

Statement of financial position

	Parent	
	2020 \$'000	2019 Restated \$'000
Total current assets	13,571	1,680
Total assets	44,268	27,592
Total current liabilities	31,182	24,094
Total liabilities	44,688	32,069
Equity		
Issued capital	28,557	19,166
Share-based payments reserve	178	22
Accumulated losses	(29,155)	(23,665)
Total deficiency in equity	(420)	(4,477)

CONTINGENT LIABILITIES

The parent entity has given bank guarantees as at 30 June 2020 of \$4,262,742 (2019: \$3,334,162) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31. 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	
		2020 %	2019 %
Go Study Australia Pty Limited	Australia	100%	100%
Academy of Information Technology Pty Ltd	Australia	100%	100%
International School of Colour and Design Pty Ltd	Australia	100%	100%
Greenwich English College Pty Ltd	Australia	100%	100%
Go Study Australia Intercambio Cultural Ltda *	Brazil	100%	100%
Go Study Australia S.A.C. *	Peru	100%	100%
Go Study Australia Sociedad Limitada **	Spain	100%	100%

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

** 100% owned by Go Study Australia Pty Limited

NOTE 32. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 2016/785, the wholly-owned subsidiaries as mentioned below are relieved from the Corporation Act 2001 requirements for preparation, audit, and lodgement of financial reports and directors' report. As a condition of the Class Order, RedHill Education Limited and its subsidiaries (closed group) entered into a Deed of Cross Guarantee. The effect of the Deed is that RedHill Education Limited has guaranteed to pay any deficiency in the event of the winding up of any of those subsidiaries. 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.

The deed was executed on 30 June 2017.

THE ENTITIES 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 32. DEED OF CROSS GUARANTEE (CONTINUED)

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

	2020 \$'000	2019 Restated \$'000
Statement of profit or loss and other comprehensive income		
Revenue	62,472	56,294
Other income	1,947	-
Salaries and employee benefits expense	(32,972)	(29,931)
Cost of services	(11,913)	(10,153)
Depreciation and amortisation expense	(7,176)	(5,965)
Impairment of assets	(17,203)	-
Impairment of receivables	(733)	(887)
Property and occupancy costs	(2,613)	(2,334)
Professional and consulting fees	(494)	(469)
Marketing expenses	(1,665)	(1,826)
Public company related costs	(688)	(649)
Onerous contract expense	(749)	-
Other expenses	(2,175)	(1,916)
Finance costs	(2,238)	(1,938)
Profit/(loss) before income tax expense	(16,200)	226
Income tax expense	(3,116)	(35)
Profit/(loss) after income tax expense	(19,316)	191
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income/(loss) for the year	(19,316)	191
Equity - accumulated losses		
Accumulated losses at the beginning of the financial year	(5,562)	(4,392)
Profit/(loss) after income tax expense	(19,316)	191
Dividends paid	(616)	(1,229)
Adoption of AASB 9	-	(246)
Transfer from share-based payment reserve	4	114
Accumulated losses at the end of the financial year	(25,490)	(5,562)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 32. DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position	2020 \$'000	2019 Restated \$'000
Current assets		
Cash and cash equivalents	22,157	12,806
Trade receivables	7,200	2,186
Income tax refund due	568	1,587
Prepayments and other assets	2,508	4,063
	<u>32,433</u>	<u>20,642</u>
Non-current assets		
Property, plant and equipment	4,378	6,197
Right-of-use assets	12,707	15,487
Intangibles	693	6,922
Deferred tax	-	1,894
Prepayments and other assets	2,454	2,522
	<u>20,232</u>	<u>33,022</u>
Total assets	<u>52,665</u>	<u>53,664</u>
Current liabilities		
Trade and other payables	4,844	5,724
Contract liabilities	17,518	15,547
Lease liabilities	4,674	3,657
Employee benefits	1,136	911
	<u>28,172</u>	<u>25,839</u>
Non-current liabilities		
Lease liabilities	19,587	13,553
Employee benefits	90	33
Make good provisions	826	613
Onerous contracts provisions	749	-
	<u>21,252</u>	<u>14,199</u>
Total liabilities	<u>49,424</u>	<u>40,038</u>
Net assets	<u>3,241</u>	<u>13,626</u>
Equity		
Issued capital	28,557	19,166
Reserves	174	22
Accumulated losses	(25,490)	(5,562)
Total equity	<u>3,241</u>	<u>13,626</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 33. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated	
	2020	2019
	\$'000	Restated \$'000
Profit/(loss) after income tax expense for the year	(19,645)	347
Adjustments for:		
Depreciation and amortisation	7,186	5,972
Share-based payments	156	57
Interest received in restricted accounts	-	(90)
Impairment of assets	17,203	-
Onerous contract expense (non-cash)	749	-
Non-cash finance costs	2,238	1,934
Other non-cash items	94	(239)
Change in operating assets and liabilities:		
Decrease/(increase) in trade receivables	(5,136)	1,772
Decrease in deferred tax assets	1,894	849
Decrease in prepayments	218	320
Increase in other operating assets	1,502	(1,550)
Increase in trade and other payables	(769)	775
Increase in contract liabilities	1,972	2,574
Increase/(decrease) in provision for income tax	1,019	(1,940)
Increase in employee benefits	463	120
Increase in other provisions	213	612
Net cash from operating activities	<u>9,357</u>	<u>11,513</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Consolidated	Lease liabilities \$'000
Balance at 1 July 2018	19,512
Net cash used in financing activities	(4,985)
Acquisition of leases	749
Finance costs	1,934
Balance at 30 June 2019 Restated	17,210
Net cash used in financing activities	(5,379)
Acquisition of leases	10,266
Finance costs	2,164
Balance at 30 June 2020	24,261

NOTE 35. EARNINGS PER SHARE

	Consolidated	
	2020 \$'000	2019 Restated \$'000
Profit/(loss) after income tax attributable to the shareholders of RedHill Education Limited	(19,645)	347
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	31,130,347	30,726,195
Adjustments for calculation of diluted earnings per share:		
Exercisable options (1)	-	219,167
Weighted average number of ordinary shares used in calculating diluted earnings per share (2)	31,130,347	30,945,362
	Cents	Cents
Basic earnings per share	(63.11)	1.13
Diluted earnings per share	(63.11)	1.12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 35. EARNINGS PER SHARE (CONTINUED)*Additional information about the dilutive securities*

1. 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. 355,000 options were not included in the calculations of diluted earnings per share as of 30 June 2020 as they are considered anti-dilutive.
2. The weighted average number of shares outstanding includes all dilutive options during the financial year, including share options which have expired where applicable.

NOTE 36. 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:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
12/12/2016	12/12/2021	\$1.25	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	69,167	-	(4,167)	(25,000)	40,000
08/11/2017	09/11/2021	\$1.40	170,000	-	-	(60,000)	110,000
08/11/2017	09/11/2022	\$1.60	170,000	-	-	(60,000)	110,000
08/11/2017	09/11/2023	\$1.80	170,000	-	-	(60,000)	110,000
			<u>804,167</u>	<u>-</u>	<u>(4,167)</u>	<u>(205,000)</u>	<u>595,000</u>

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
			<u>1,195,000</u>	<u>-</u>	<u>(150,833)</u>	<u>(240,000)</u>	<u>804,167</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 36. SHARE-BASED PAYMENTS (CONTINUED)

The weighted average share price during the financial year was \$1.0798 (2019: \$2.8016).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.69 years (2019: 2.69 years).

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

2020

Grant date	Testing date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/03/2019	15/10/2019	\$0.00	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
			<u>508,888</u>	<u>-</u>	<u>-</u>	<u>(169,630)</u>	<u>339,258</u>

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	15/20/2021	\$0.00	-	169,629	-	-	169,629
26/03/2019	15/10/2021	\$0.00	-	169,629	-	-	169,629
			<u>-</u>	<u>508,888</u>	<u>-</u>	<u>-</u>	<u>508,888</u>

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 1.29 years (2019: 3.73 years).

NOTE 37. EVENTS AFTER THE REPORTING PERIOD

The consolidated entity has been materially impacted by COVID-19 pandemic up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 9 July 2020, the consolidated entity issued 3,695,603 ordinary shares under the retail entitlement offer for a total consideration of \$2,081,000.

No other matter or circumstance has arisen since 30 June 2020 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 & ITS CONTROLLED ENTITIES

DIRECTORS DECLARATION

FOR THE YEAR ENDED 30 JUNE 2020



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 2020 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 36 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

24 September 2020, Sydney

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Key Audit Matter	How our audit addressed this matter
Recognition of Revenue Refer to Note 1, Note 3, and Note 5 in the financial statements	
<p>As at 30 June 2020, the Group has tuition related revenue of \$59.3M and commission revenue \$5.2M. Revenue is considered to be a Key Audit Matter because:</p> <ul style="list-style-type: none"> • The process of measuring revenue is complex and involves significant management judgement, particularly focusing on the timing of revenue recognition in accordance with the policy and the requirement of AASB 15. • The nature of the services being invoiced or paid for in advance of the services being delivered. Revenue recognition is considered complex due to the multiple revenue streams, and the level of non-routine processes requiring manual intervention. • The significance to operations due to the high volume of transactions occurring and the judgement required in recognising revenue in relation to performance obligations for the related services to customers. • In terms of the revenue recognition of agent commission fee, it was confirmed by management that for Greenwich English College, historically revenue was initially recognised to the extent of the agent commission expense for students enrolled in the College. The remaining amount of student tuition fees (gross fee less agent commission) was then recognised over the period of the student tuition course. This should have changed on the implementation of AASB15, <i>Revenue from Contracts with Customers</i>, and consequently was adjusted retrospectively. 	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the systems and procedures but in place by management in adopting AASB 15, and evaluating their effectiveness • Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards • Carrying out test of controls of revenue to test the effectiveness of the controls. • Performing the tests of detail on each material revenue stream on a sample basis. Designing sample testing on tuition revenue to obtain supporting documentation to gain assurance that revenue has been recognised in line with the Group's accounting policy and in accordance with the requirements of AASB 15, <i>Revenue from Contracts with Customers</i>. This testing was a dual-purpose test in which we also obtained assurance in relation to the related deferred revenue (contract liability). • Performed analytical techniques on revenue related balances. • Obtaining a detailed understanding of the current practice in relation to revenue recognition for Greenwich English College including the related systems and controls. • Obtaining management's calculation in respect for the quantification of the impact of the identified errors in relation to the revenue recognition for Greenwich English College on the statement of financial position and the profit and loss and test the calculations to the underlying accounting records and other related documentation. • Assessing the appropriateness of the disclosures in the financial report.

Adoption of AASB 16 Leases

Refer to Note 19 and Note 34 in the financial statements

The Group adopted AASB 16, *Leases* ("AASB 16") on 1 July 2019, using full retrospective method, which has resulted in changes to accounting policies.

The Group has elected to restate comparative information as permitted by the transitional provision of AASB 16.

As at 30 June 2020, the Group the effect of the adoption of AASB16 in the statement of financial position was a right of use asset of \$12.7M (after an \$8.2M impairment adjustment) and an associated lease liability of \$24.3M.

We determined the adoption of this standard to be a key audit matter because of:

- The complexity of the standard and the significance of the changes from the previous standard.
- The degree of manual involvement required in identifying lease contracts and contract terms.
- The extent of judgement required in determining the inputs into the calculations of the lease liability and right of use assets, including the applicable discount rate, the likelihood of exercise of options to extend or terminate early a lease, and the measurement of estimated costs of making good the premises at the end of the lease
- The extent of disclosures required including those required on initial adoption.

Our audit procedure included:

- Reviewing the contracts of the leases on a sample basis and ensuring that lease and non-lease components have been identified appropriately.
- Corroborating key inputs, including the inception date, commencement date and initial contractual expense to underlying lease documentation.
- Critically evaluating the key assumptions made in the judgmental inputs, including the likelihood of exercise of options to extend, the discount rate used for calculation of the lease liability, discount rate used for the make good provision in the valuation model for reasonableness, and obtaining the evidence supporting the basis on which management have made their estimate.
- Verifying the mathematical accuracy of the underlying model by recalculating the resulting lease liability and right of use asset initially recognised, and the interest and depreciation charges recognised in the statement of profit and loss in the period.
- Reviewing the adequacy of the relevant disclosures in the financial statements, including those relating to the initial transition, and to the key estimates and judgments made.

Impairment assessments

Refer to Note 14 in the financial statements

Management confirmed the existence of impairment indicators due to adverse impact of COVID-19. The consolidated statement of profit or loss and other comprehensive income reflects an impairment expense of \$17.2M following a detailed impairment review undertaken by management. As at 30 June 2020, the Group still has intangible assets and right of used assets with the following carrying values after the impairment losses:

- Intangible assets: 693K
- Right of used assets: \$12.7M
- Property, Plant and Equipment: \$4.4M

We determined impairment to be a key audit matter because the materiality of expense, and the size of the carrying value of the assets both before and after the impairment. In addition, the directors' assessment of the recoverable amount of the cash generating units ("CGU's") involves significant judgement about the future underlying cashflows of the business and the discount rates applied to them.

For the year ended 30 June 2020, management have performed an impairment assessment over the intangible balance and right of used assets balance by calculating the recoverable amount of the CGU and comparing it to the CGU's carrying amount. In some cases, management has also considered the fair value less cost to sell of some specific assets.

The recoverable amount was calculated by means of a value in use model, using cashflows forecast for the CGU for 5 years, applying a terminal growth rate and discounting them to their net present value using the Group's weighted average cost of capital (WACC).

Management also performed sensitivity analysis over the calculations, by varying the assumptions used (cashflows, growth rates, terminal growth rate, and WACC) to assess the impact on the valuations.

The total impairment expense of \$17.2M has been applied against the following assets:

- Goodwill: \$6.1M

Our audit procedures included, among others:

- Updating our understanding of management's annual impairment assessment process, including management's identification of CGU's and the calculation of the recoverable amount of the CGU.
- Assessing the valuation methodology used to determine the recoverable amount of the intangible asset or CGU.
- Verifying the mathematical accuracy of the impairment assessment calculations.
- Challenging the reasonableness of the assumptions built into the model, in particular:
 - Agreeing data inputs to budgets and forecasts approved by the Board
 - Performing sensitivity analysis on earnings multiples and growth rates applied to cash flows, to determine the extent of headroom for the CGU.
 - Assessing the appropriateness of discount rates, growth rates, weighted average costs of capital and terminal growth rate applied to forecast future cash flows.
- Assessing the adequacy of the related disclosures in the financial statements.

<ul style="list-style-type: none"> • Right of use assets: \$8.2M • Property, plant and equipment: \$2.7M • Copyright: \$0.2M 	
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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.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 18 – 29 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Redhill Education Limited., for the year ended 30 June 2020 complies with section 300A of the Corporations Act 2001.

Responsibilities

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



RSM Australia Partners



G N Sherwood
Partner

Sydney, NSW
Dated: 24 September 2020



REDHILL EDUCATION LIMITED & ITS CONTROLLED ENTITIES

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2020

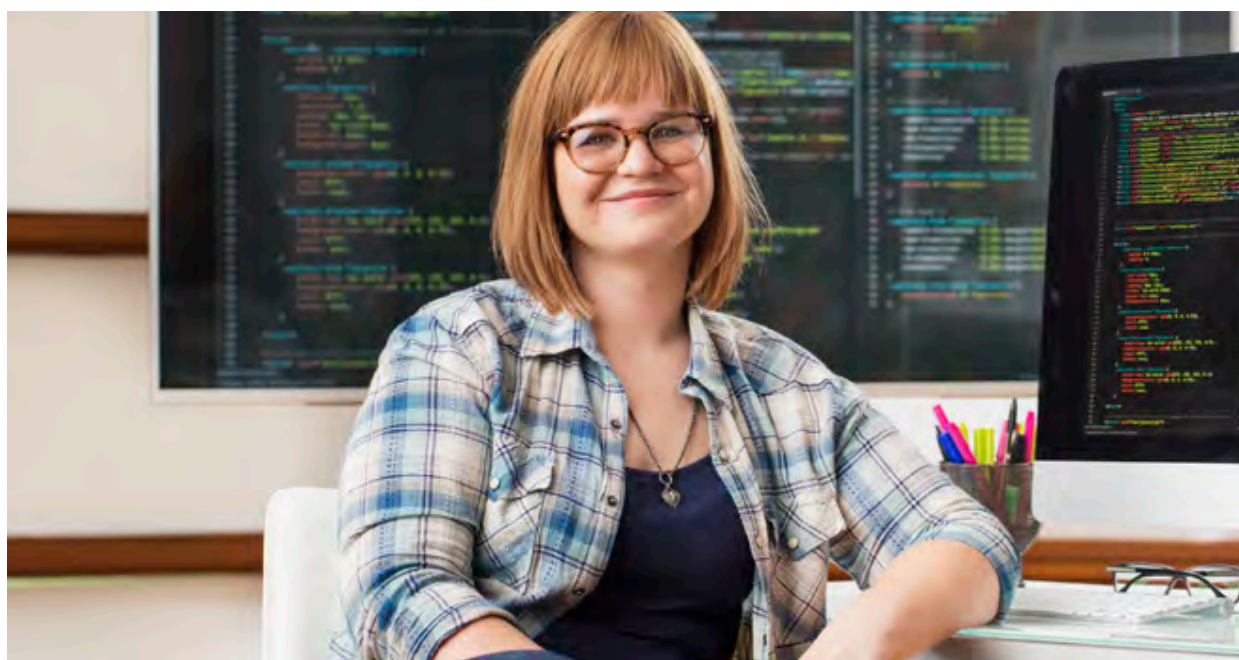


The shareholder information set out below was applicable as at 31 August 2020.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of ordinary shares
1 to 1,000	123	58,373
1,001 to 5,000	132	355,442
5,001 to 10,000	48	374,538
10,001 to 100,000	123	3,939,454
100,001 and over	33	46,124,316
	459	50,852,123
Holding less than a marketable parcel	107	42,515



SHAREHOLDERS INFORMATION

FOR THE YEAR ENDED 30 JUNE 2020

Equity security holders*Twenty largest quoted equity security holders*

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

	Numbers held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,392,143	28.30
J P MORGAN NOMINEES AUSTRALIA LIMITED	10,647,293	20.94
UBS NOMINEES PTY LTD	4,337,068	8.53
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD (DRP A/C)	3,737,632	7.35
BNP PARIBAS NOMS PTY LTD (DRP)	2,619,384	5.15
NATIONAL NOMINEES LIMITED	1,315,714	2.59
RED HILL CAPITAL PTY LTD	1,250,000	2.46
BRISQOT NOMINEES PTY LTD (HOUSE HEAD NOMINEE A/C)	1,022,212	2.01
BNP PARIBAS NOMINEES PTY LTD (LGT BANK AG DRP)	696,383	1.37
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	608,529	1.20
CITICORP NOMINEES PTY LIMITED	604,880	1.19
CS FOURTH NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 11 A/C)	556,350	1.09
MR MATTHEW ROBERT STUBBS + MS ANNA GOULSTON (MATTHEW STUBBS S/F A/C)	408,576	0.80
MR GLENN PATRICK ELITH	325,000	0.64
BANJO SUPERANNUATION FUND PTY LTD (P D EVANS PSF A/C)	312,583	0.61
BLUE BOAT HOLDINGS PTY LTD (BLUE BOAT INVESTMENT A/C)	262,000	0.52
BYDAND CAPITAL PTY LTD	256,952	0.51
EXTO PARTNERS AUSTRALIA PTY LTD (EXTO UNIT A/C)	254,667	0.50
WARBONT NOMINEES PTY LTD (ACCUMULATION ENTREPOT A/C)	253,322	0.50
MS SUAT WAH TAN	249,987	0.49
	<u>44,110,675</u>	<u>86.75</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	595,000	9
Performance rights	339,258	1

SHAREHOLDERS INFORMATION

FOR THE YEAR ENDED 30 JUNE 2020

Substantial holders

Substantial holders in the company are set out below:

	Number of ordinary shares held	%
Perpetual Limited and Related Bodies Corporate	6,945,023	13.66
Pendal Group Limited and its Associates, Pendal Fund Services Limited	5,042,824	10.69
Regal Funds Management	2,712,078	8.84
Viburnum Funds Pty Ltd	6,504,658	12.79
Anthony Wales	3,737,632	7.35
Acorn Capital Limited	2,625,261	5.16

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 2020 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.



Student Work: Plague James Dickson



Student Work: Hacky Jack Joel Surdich







BEHIND THE CONCEPT:

It would be a complete understatement to say that FY20 has tested all of us. But, while it has been extremely tough, that doesn't mean we should overlook or discount some of the truly good moments that it did bring.

The definition of a shift is a change in something or an adjustment in the way something is done. We have changed processes, revitalised brands, adapted new ways of working, moved all our courses online, collaborated across teams and brands, and in many ways we have even tweaked the destination.

The impossible was possible and we have pushed forward against all adversity. We have been resilient and we should always remember this moment as just that, a moment in time.

Change is never static. It never sits still and it's always coming. Our response to change is what truly matters and what makes us as humans unique. When we shift our mindset, we learn to innovate. We discover new things, new ways to tackle challenges to grow not only as individuals, but as a whole organisation.

This concept celebrates the year that was and the ways in which it brought our teams together. We create movement through expressive type, building layers and using uplifting colours to add vibrancy, pace and electricity. Our photography and imagery seeks to celebrate the achievements of greatness which exist when we all band together.

We worked collaboratively as a team to design and execute this year's annual report and we enjoyed the process.

Designed and produced by RedHill's Design & Videography team:

Joshua Dickinson (Graphic Designer)

Bailey Elith (Graphic Designer)

Led by **Rachel Ward** (Head of Design)



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