

RedHill Education Limited FY2016 Annual Report

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

The consolidated RedHill group reported the following results:

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

Annual General Meeting

The 2016 RedHill Annual General Meeting will be held as follows:

Time and date: 10:00am, Thursday 24 November 2016
Place: Han Room
Mezzanine Level
Christie Conference Centre
3 Spring Street
SYDNEY NSW

The Notice of Meeting, Proxy Form and Annual Report will be sent to shareholders in October 2016.

* Over the previous corresponding financial year.

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

CONTACT

Glenn Elith
Chief Executive Officer
Mobile: 0405 906 212

ABOUT REDHILL EDUCATION

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



REDHILL EDUCATION LIMITED CORPORATE DIRECTORY

DIRECTORS

William J. Beerworth
Glenn Elith
William Deane
Dr Christopher Clark
Caroline Trotman

COMPANY SECRETARY

Ian Gilmour

REGISTERED OFFICE

Level 2, 7 Kelly Street
Ultimo NSW 2007
Head office telephone: +61 2 8355 3820

PRINCIPAL PLACE OF BUSINESS

Level 2, 7 Kelly Street
Ultimo NSW 2007

SHARE REGISTER

COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
Level 4, 60 Carrington Street
Sydney NSW 2000
Shareholders enquiries: 1300 787 272

AUDITOR

RSM AUSTRALIA PARTNERS
Level 13, 60 Castlereagh Street
Sydney NSW 2000

SOLICITORS

NORTON ROSE FULBRIGHT
Level 18, 225 George Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

REDHILL EDUCATION LIMITED
shares are listed on the Australian
Securities Exchange (ASX: RDH)

ASIC REGISTRATION

ACN: 119 952 493
ABN: 41 119 952 493

WEBSITE

www.redhilleducation.com

CORPORATE GOVERNANCE STATEMENT

The Statement approved on 23 September 2016
can be found at the following URL
www.redhilleducation.com/investor-centre/

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CHAIRMAN & CEO REPORT

RESULTS FOR FINANCIAL YEAR 2016

We are delighted to present the RedHill Education Limited ('RedHill') Annual Report for Financial Year 2016.

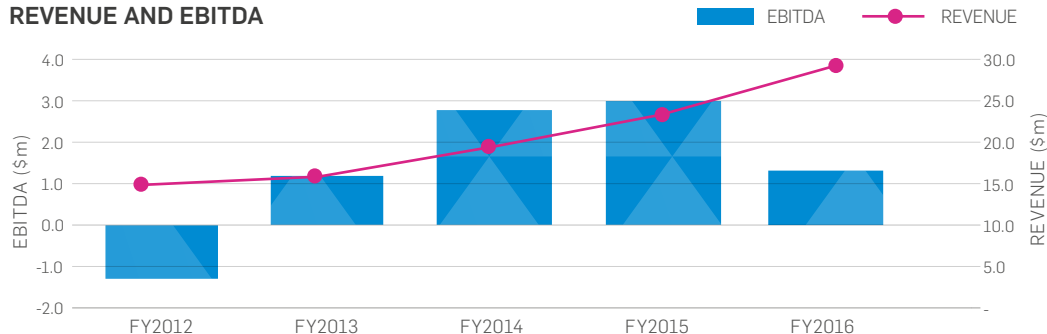
FINANCIAL HIGHLIGHTS

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

* Over the previous corresponding financial year.

** EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the statutory profit under AAS adjusted for specific non-cash and significant items. The company's directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and profit after income tax for the financial year ended 30 June 2016 is included in our Report.

REVENUE AND EBITDA



Left to right: William Deane, Dr Christopher Clark, William J. Beerworth, Caroline Trotman, Glenn Elith



Comments on financial performance

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

More details of these expansion initiatives are provided in the operational overview below and in our Report.

RedHill expects financial performance to improve significantly in FY2017.

OPERATING HIGHLIGHTS

Business development activities

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

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

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

Update on new Melbourne campus

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

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

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

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

In order to cater for growth in student demand, RedHill has secured additional leased premises to double the size and capacity of its Melbourne campus. The expanded campus will be approximately 3,000m² and is expected to be operational from November 2016.

William Deane
Non-executive Director

Glenn Elith
Chief Executive Officer

26 September 2016
Sydney

Greenwich English College ('GEC') delivers a range of courses and examinations in the English Language Intensive Courses for Overseas Students ('ELICOS') sector and the Vocational Education and Training ('VET') sector of the private education market.

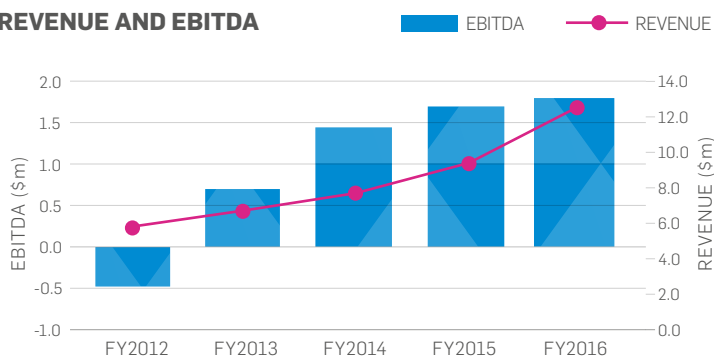
Total ELICOS and VET student numbers commencing study in Australia grew in the 2015 calendar year, and in 2016 on a year-to-date basis. GEC anticipates that the Australian market will remain competitive.



GEC achieved 31% growth in revenues in FY2016 against the prior year, and 4% growth in operating segment EBITDA over the same period. GEC has continued to perform in line with our expectations in the early months of FY2017.

The modest growth in operating segment EBITDA in FY2016 against the prior year is due to GEC's expansion to Melbourne and costs associated with other new business development activities.

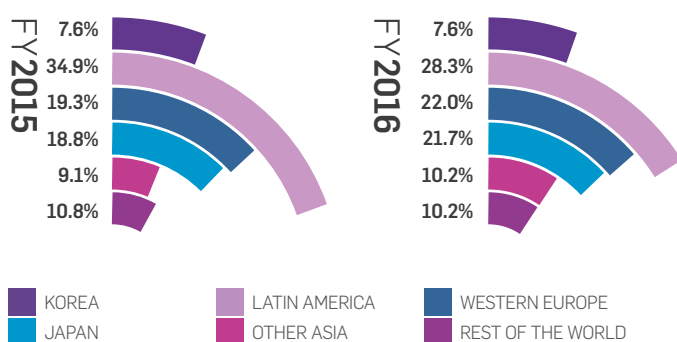
REVENUE AND EBITDA



GEC operates from quality campuses in the central business districts of Sydney and Melbourne.

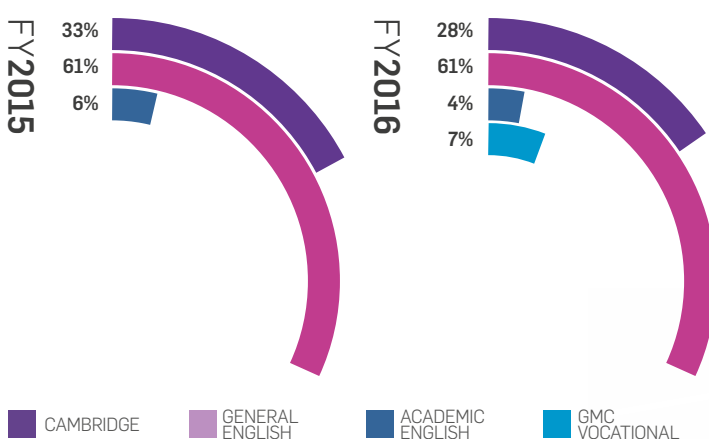
GEC sourced students in FY2016 from over 260 international student recruitment agent businesses, and the broad mix of nationalities in its student population has created a vibrant and friendly learning environment.

STUDENT NATIONALITY MIX



GEC has a strong partnership relationship with Cambridge University's English Language Assessment business. In FY2016 Cambridge courses and Cambridge examinations represented 28% of GEC's revenues.

REVENUE BY SOURCE



In May 2015 the Sydney campus was expanded by 33% to support expected revenue growth in existing and new courses. The expanded campus currently operates at an average of approximately 80% of its capacity, and during peak periods a small number of classes operate from RedHill's Ultimo campus.

In September 2015 GEC launched **Greenwich Management College** ('GMC'). GMC delivers a range of business curriculum VET certificate and diploma qualifications to international students. GMC recruits students into its courses predominantly via the strong supply chain that already exists at GEC, and GMC is expected to contribute to growth in student numbers and revenues in FY2017.

GEC commenced delivering its ELICOS courses in Melbourne in September 2015, and delivering its GMC courses in Melbourne in July 2016. The Melbourne operations have continued to perform in line with our expectations in the early months of FY2017.

In order to cater for strong growth in GEC student demand, RedHill will double the size of its Melbourne campus. The expanded campus will be approximately 3,000m² and is expected to be operational from November 2016.

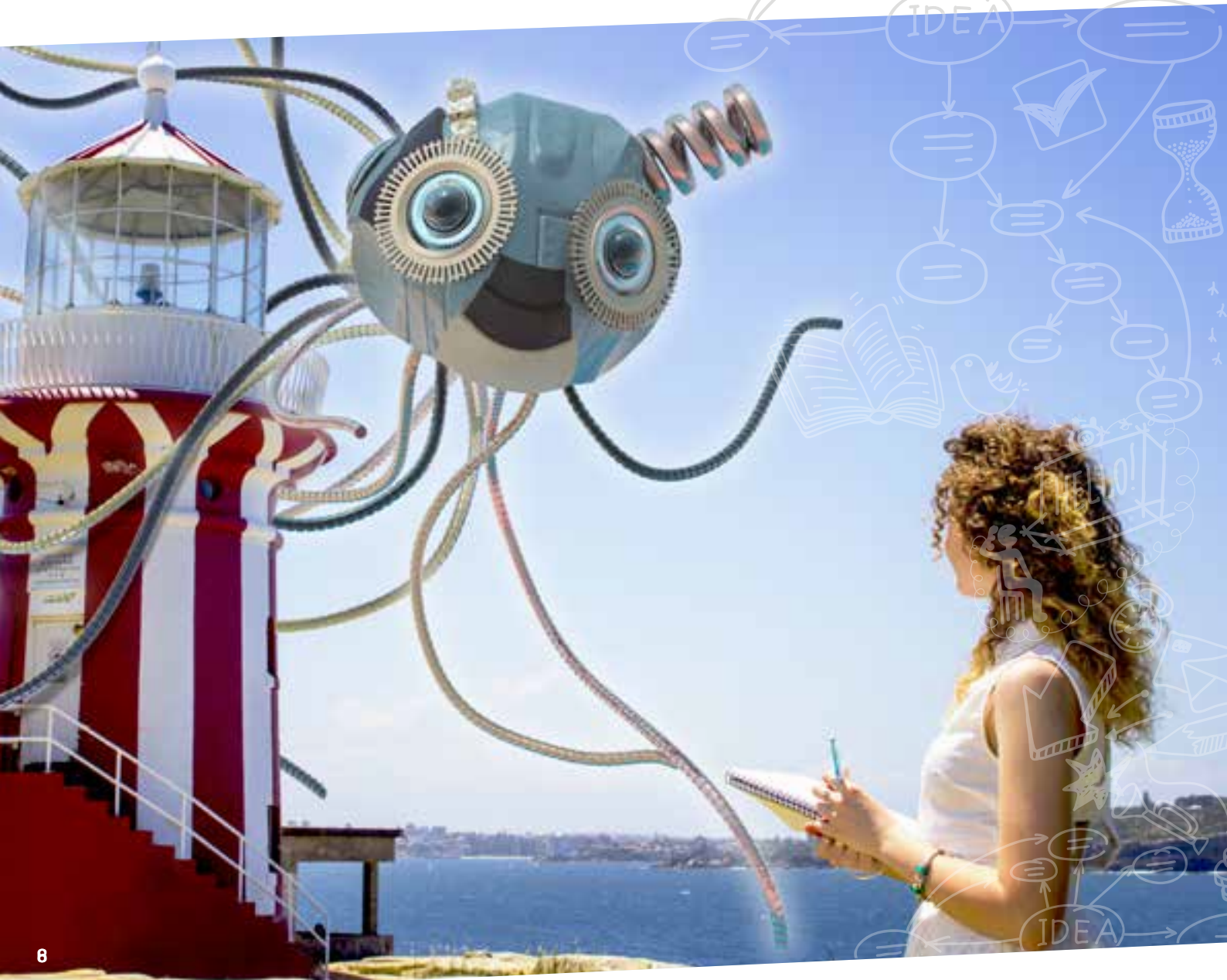




Creative
Technology
Educators

The Academy of Information Technology ('AIT') delivers a range of specialist digital VET and Higher Education qualifications to domestic and international students.

Course specialisations include digital animations, computer games design, mobile apps development, digital film making, digital marketing, computer coding, and digital design.

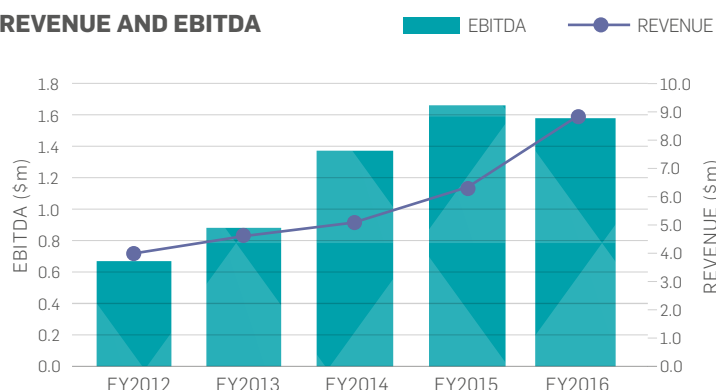


AIT achieved 40% growth in revenues in FY2016 against the prior year, and 8% decline in operating segment EBITDA over the same period. AIT has continued to perform in line with our expectations in the early months of FY2017.

The decline in operating segment EBITDA in FY2016 against the prior year is due to AIT's expansion to Melbourne and costs associated with other new business development activities.



REVENUE AND EBITDA



AIT operates in a high quality campus located in the tertiary education precinct at Ultimo, Sydney. The campus currently operates at approximately 80% of its capacity during peak weekday periods. Capacity may be further increased by extending evening and weekend course delivery.

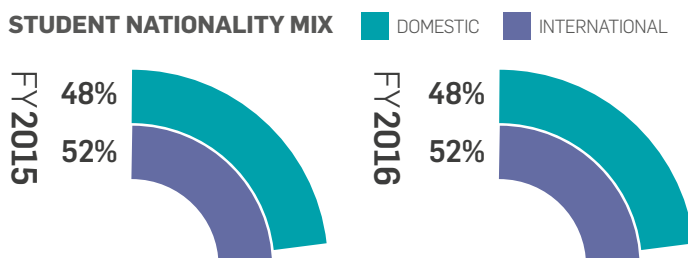
AIT commenced delivering its courses in Melbourne in March 2016. AIT's Melbourne operations have continued to perform in line with our expectations in the early months of FY2017.

In FY2016 AIT grew its revenues for both domestic and international students, and expanded the nationality mix of its international students. There were over 25 different nationalities represented in the AIT student population in FY2016.

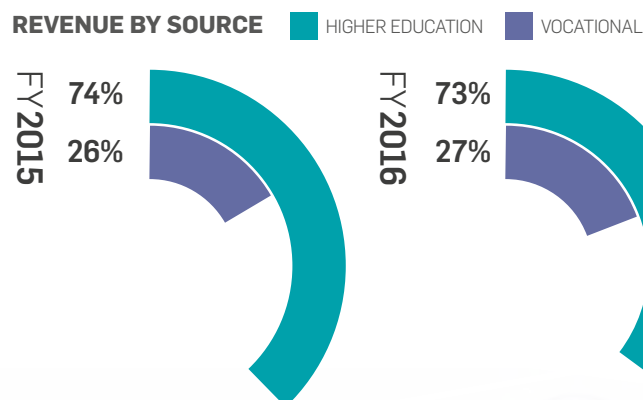
AIT increased revenues for both Higher Education and VET courses in FY2016. Its proportion of students undertaking VET courses increased in FY2016 due to the launch of Coder Factory Academy and The Left Bank School.

AIT plans to commence delivery of a fourth bachelor degree qualification in 2017.

STUDENT NATIONALITY MIX



REVENUE BY SOURCE





coderfactory
ACADEMY



AIT launched **Coder Factory Academy** ('CFA') in December 2015, a joint venture with Coder Factory Pty Ltd to deliver Australia's first VET accredited Silicon Valley style IT coding boot camp for students seeking digital literacy or careers in the emerging digital innovation economy.

CFA's course range includes an accredited VET Diploma in Software Development, where students have the option of accessing the Australian Government's VET FEE-HELP tuition loans. Revenue and profit growth of this CFA diploma course has been constrained due to the application of the VET FEE-HELP cap discussed in this report.

CFA currently operates in Sydney and Melbourne, and plans to commence operations in Brisbane in early 2017. It is also assessing the possibility of launching an international campus location in 2017.

The Left Bank School

Revenue and profit growth of TLB VET diploma courses have been constrained due to the application of the VET FEE-HELP cap discussed in this report.

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



The International School of Colour and Design ('ISC'D') specialises in delivering VET and industry-based interior design and styling courses.

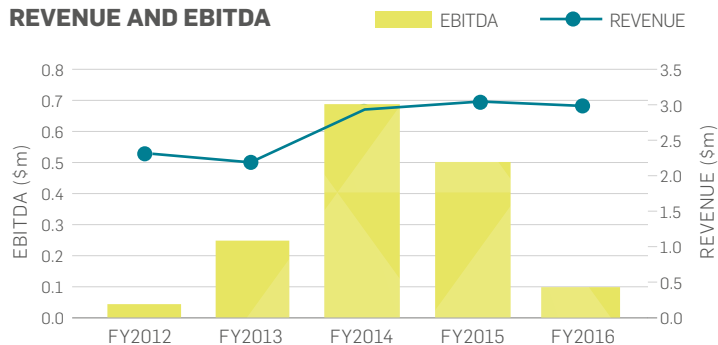
ISC'D has extensive relationships with design and styling industry participants across Australia, and places strong emphasis on supporting students to achieve their personal creative career ambitions.



The International School of Colour and Design ('ISCD') business unit achieved 1% growth in revenues in FY2016 against the prior year, and 81% decline in operating segment EBITDA over the same period. ISCD has performed in line with our expectations in the early months of FY2017.

The decline in operating segment EBITDA in FY2016 is attributed to ISCD's expansion to Melbourne and other new business development activities.

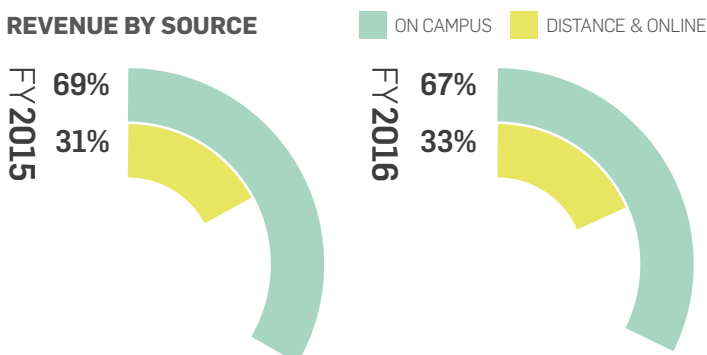
REVENUE AND EBITDA



ISCD operates in high quality campuses located in North Sydney and Melbourne. The Sydney campus currently operates at approximately 50% of its capacity during peak weekday periods.

ISCD commenced delivering its courses in Melbourne in October 2015. ISCD's Melbourne operations have continued to perform in line with our expectations in the early months of FY2017.

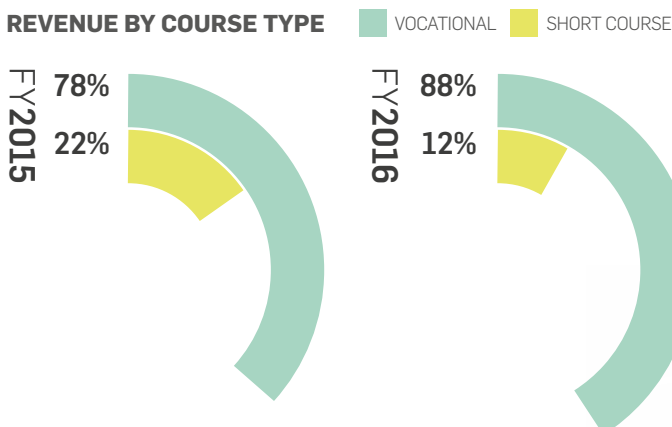
REVENUE BY SOURCE



ISCD launched its VET Diploma in Interior Design & Styling course to domestic and international students in March 2015. It commenced delivery of this course in a pure online mode in January 2016. VET FEE HELP tuition loans have been made available to domestic students enrolling into this qualification.

Revenue and profit growth of ISCD's VET diploma course has been constrained due to the application of the VET FEE-HELP cap discussed in this report.

REVENUE BY COURSE TYPE





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

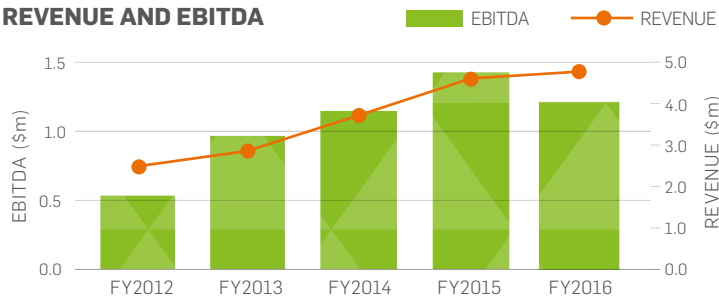
Go Study has built a strong brand presence and quality reputation for recruiting international students to study in Australia, and has partnership relationships with over 140 different tertiary education providers across Australia for recruiting of students into their courses.



Go Study achieved 8% growth in revenues in FY2016 against the prior year, and 8% decline in operating segment EBITDA over the same period. The business unit has continued to perform in line with our expectations in the early months of FY2017.

The decline in operating segment EBITDA in FY2016 is attributed to Go Study's expansion to Melbourne and an increase in the number of Student Counsellors servicing its students.

REVENUE AND EBITDA

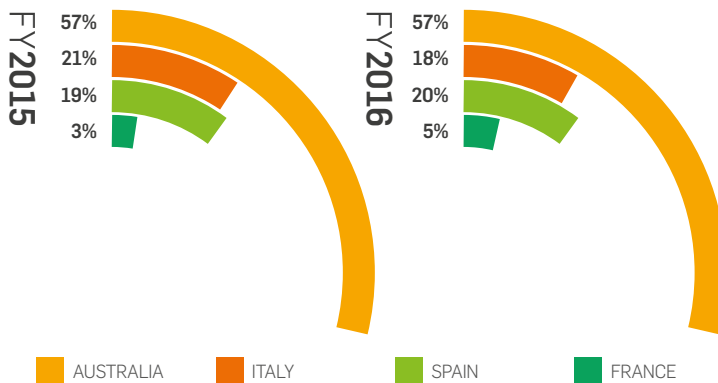


Go Study currently has three offices in Spain, two offices in Italy, one office in France, and three offices in Australia.

Australia has demonstrated resilience in recent years and remains a compelling choice as a study destination for international students. The Australian Government has indicated its intention to support further growth in the number of international tertiary students studying in Australia, recognising its growing importance as a service export industry.

Go Study commenced operations in Melbourne in March 2015, which is performing in line with expectations in the early months of FY2017.

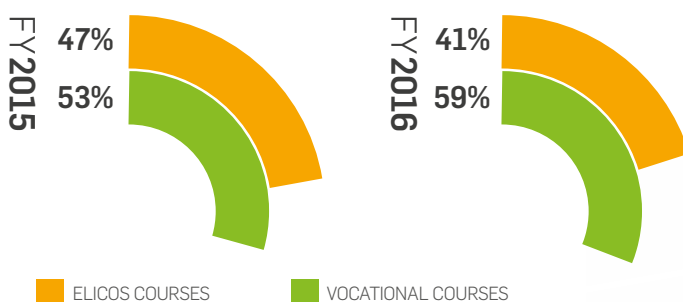
REVENUE BY COUNTRY



Go Study increased the number of students it recruited into both ELICOS and Vocational courses in FY2016.

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

VOCATIONAL AND ELICOS REVENUE





REDHILL EDUCATION LIMITED DIRECTORS' REPORT 30 JUNE 2016

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 2016 ('FY2016').

DIRECTORS

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

William J. Beerworth – Chairman
Glenn Elith – Managing Director
William Deane
Dr Christopher Clark
Caroline Trotman

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

PRINCIPAL ACTIVITIES

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

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

FINANCIAL OVERVIEW

The consolidated RedHill group reported the following results:

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

Comments on financial performance

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

More details of these expansion initiatives are provided in the operational overview below.

RedHill expects financial performance to improve significantly in FY2017.

* Over the previous corresponding financial year.

** EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the statutory profit under AAS adjusted for specific non-cash and significant items. The company's directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and profit after income tax for the financial year ended 30 June 2016 is included in this report.

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

OPERATIONAL OVERVIEW

Business development activities

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

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

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

Update on new Melbourne campus

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

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

The costs associated with the strategic investment in Melbourne were reasonably significant and resulted in a reduction of EBITDA by \$0.9 million in the FY2016 results.

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

In order to cater for growth in student demand, RedHill has secured additional leased premises to double the size of its Melbourne campus. The expanded campus will be approximately 3,000m² and is expected to be operational from November 2016.

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

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

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

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

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

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

The Act provides for a number of possible exceptions to the application of the cap.

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



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

OPERATIONAL DETAIL

Academy of Information Technology business unit

The Academy of Information Technology ('AIT') business unit achieved 40% growth in revenues in FY2016 against the prior year, and 8% decline in operating segment EBITDA over the same period. AIT has continued to perform in line with our expectations in the early months of FY2017.

The decline in operating segment EBITDA in FY2016 against the prior year is primarily due to AIT's expansion to Melbourne and costs associated with other new business development activities.

AIT delivers a range of specialist digital VET and Higher Education qualifications to domestic and international students. Course specialisations include digital animations, computer games design, mobile apps development, digital film making, digital marketing, computer coding, and digital design.

AIT operates in a high quality campus located in the tertiary education precinct at Ultimo, Sydney. The campus currently operates at approximately 80% of its capacity during peak weekday periods. Capacity may be further increased by extending evening and weekend course delivery.

AIT commenced delivering its courses in Melbourne in March 2016. AIT's Melbourne operations have continued to perform in line with our expectations in the early months of FY2017.

AIT plans to commence delivery of a fourth bachelor degree qualification in 2017.

The Left Bank School

AIT launched its first pure online VET diploma qualification in May 2015. This VET Diploma in Business (Digital Marketing) was launched under **The Left Bank School** ('TLB') brand, and VET FEE-HELP tuition loans have been made available to domestic students undertaking this qualification. A second VET diploma qualification, the Diploma in Website Development was launched by TLB in February 2016.

Revenue and profit growth of TLB VET diploma courses have been constrained due to the application of the VET FEE-HELP cap discussed in the Operational Overview.

TLB will increase the number of online courses and qualifications that it delivers in FY2017.

Coder Factory Academy

AIT launched **Coder Factory Academy** ('CFA') in December 2015, a joint venture with Coder Factory Pty Ltd to deliver Australia's first VET accredited Silicon Valley style IT coding boot camp for students seeking digital literacy or careers in the emerging digital innovation economy.

CFA combines Coder Factory's cutting edge course materials and industry relationships with AIT's education delivery expertise and VET capabilities and accreditations.

CFA's course range includes an accredited VET Diploma in Software Development, where students have the option of accessing the Australian Government's VET FEE-HELP tuition loans. Revenue and profit growth of this CFA diploma course has been constrained due to the application of the VET FEE-HELP cap discussed in the Operational Overview.

AIT is seeking an exception from the cap for the CFA VET diploma qualification, which RedHill's directors believe is an important qualification in computer coding training to support the Australian Government's digital innovation economy aspirations.

CFA currently operates in Sydney and Melbourne, and plans to commence operations in Brisbane in early 2017.

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Greenwich English College business unit

The Greenwich English College ('GEC') business unit achieved 31% growth in revenues in FY2016 against the prior year, and 4% growth in operating segment EBITDA over the same period. GEC has continued to perform in line with our expectations in the early months of FY2017.

The modest growth in operating segment EBITDA in FY2016 against the prior year is mainly due to GEC's expansion into Melbourne and costs associated with other new business development activities.

GEC is a participant in the ELICOS (English Language Intensive Courses for Overseas Students), and VET sectors of the private education market. Total ELICOS and VET student numbers commencing study in Australia grew in the 2015 calendar year, and in 2016 on a year-to-date basis. GEC anticipates that the Australian market will remain competitive.

GEC operates from quality campuses in the central business districts of Sydney and Melbourne.

In May 2015 the Sydney campus was expanded by 33% to support expected revenue growth in existing and new courses. The expanded campus currently operates at an average of approximately 80% of its capacity, and during peak periods a small number of classes are able to be relocated to AIT's Ultimo campus.

In September 2015 GEC launched Greenwich Management College ('GMC'). GMC delivers a range of business curriculum VET certificate and diploma qualifications to international students. GMC recruits students into its courses predominantly via the strong supply chain that already exists at GEC, and GMC is expected to contribute to growth in student numbers and revenues in FY2017.

GEC commenced delivering its ELICOS courses in Melbourne in September 2015, and delivering its GMC VET courses in Melbourne in July 2016. The Melbourne operations have continued to perform in line with our expectations in the early months of FY2017.

In order to cater for strong growth in GEC student demand, RedHill will double the size of its Melbourne campus. The expanded campus will be approximately 3,000 m² and is expected to be operational from November 2016.

International School of Colour and Design business unit

The International School of Colour and Design ('ISCD') business unit achieved 1% growth in revenues in FY2016 against the prior year, and 81% decline in operating segment EBITDA over the same period. ISCD has performed in line with our expectations in the early months of FY2017.

The decline in operating segment EBITDA in FY2016 is attributed to ISCD's expansion to Melbourne and other new business development activities.

ISCD specialises in delivering VET and industry-based interior design and styling courses.

ISCD operates in high quality campuses located in North Sydney and Melbourne. The Sydney campus currently operates at approximately 50% of its capacity during peak weekday periods.

ISCD commenced delivering its courses in Melbourne in October 2015. ISCD's Melbourne operations have continued to perform in line with our expectations in the early months of FY2017.

ISCD launched its VET Diploma in Interior Design & Styling course to domestic and international students in March 2015. It commenced delivery of this course in a pure online mode in January 2016. VET FEE HELP tuition loans have been made available to domestic students enrolling into this qualification.

Revenue and profit growth of ISCD's VET diploma course has been constrained due to the application of the VET FEE-HELP cap discussed in the Operational Overview.



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Go Study Australia business unit

The Go Study Australia ('Go Study') business unit achieved 8% growth in revenues in FY2016 against the prior year, and 8% decline in operating segment EBITDA over the same period. The business unit has continued to perform in line with our expectations in the early months of FY2017.

The decline in operating segment EBITDA in FY2016 is attributed to Go Study's expansion to Melbourne and an increase in the number of Student Counsellors servicing students.

Go Study currently has three offices in Spain, two offices in Italy, one office in France, and three offices in Australia. It has built a strong brand presence and quality reputation for recruiting international students to study in Australia, and has partnership relationships with over 140 different tertiary education providers across Australia for enrolment of students into their courses.

Australia has demonstrated resilience in recent years and remains a compelling choice as a study destination for international students. The Australian Government has indicated its intention to support further growth in the number of international tertiary students studying in Australia, recognising its growing importance as a service export industry.

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

Go Study commenced operations in Melbourne in March 2015, which is performing in line with expectations.

Go Study will evaluate other new business development and expansion initiatives for its student recruitment agency business in FY2017.

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

FINANCIAL DETAIL

The revenues for the consolidated entity grew by 24% to \$28,320,000 for the year ended 30 June 2016 (30 June 2015: \$22,794,000).

The profit after income tax for the consolidated entity declined by 80% to \$330,000 for the year ended 30 June 2016 (30 June 2015: \$1,652,000).

The consolidated entity's earnings before interest, tax, depreciation and amortisation ('EBITDA') for the financial year ended 30 June 2016 was \$1,504,000 (30 June 2015: \$3,010,000).

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

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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

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

There was a net decrease in cash and cash equivalents for the consolidated entity for the financial year ended 30 June 2016 of \$1,793,000 (30 June 2015: net increase of \$674,000).

Net cash used in investing activities for the consolidated entity for the financial year ended 30 June 2016 was \$2,075,000 (30 June 2015: \$2,346,000). The net cash used in investing activities for the financial year ended 30 June 2016 was primarily attributed to course development and fitting-out of the new Melbourne campus.

The balance of cash and cash equivalents at 30 June 2016 was \$4,868,000 (30 June 2015: \$6,661,000).

Impairment of Goodwill

AASB 136 'Impairment of Assets' requires directors of the consolidated entity annually to assess the carrying value of goodwill to determine whether there is any impairment in value. This requires an assessment of the recoverable amount of the Cash Generating Unit (operating segment), being the higher of value in use and fair value.

The directors have formed the view that no impairment of the carrying value of goodwill is required at 30 June 2016.

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No other matter or circumstance has arisen since 30 June 2016 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 Australian Commonwealth or State law.



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

INFORMATION ON DIRECTORS

Name:	William J. Beerworth
Title:	Non-executive Chairman
Qualifications:	BA LLB (Sydney), LLM SJD (Virginia), MCom (NSW), MBA (Macquarie)
Experience and expertise:	Before founding Beerworth + Partners Limited, Bill held a number of senior positions including: Executive Director of HSBC Australia Limited and Managing Director of its corporate finance subsidiary; Senior Partner of King & Wood Mallesons where he specialised in corporate and commercial law; and Senior Assistant Secretary of the Australian Attorney-General's Department responsible for corporate and securities policy. Bill has been Chairman or a Director of a number of listed and private companies and Advisory Boards. He has been Chairman of the Macquarie Graduate School of Management and of the Australian Commission on Safety and Quality in Health Care, a member of the Financial System Inquiry (the Wallis Committee) on the restructure of the Australian financial system, and a member of the Australian Competition Tribunal.
Other current directorships:	Managing Director of Beerworth + Partners Limited, a corporate advisory firm specialising in corporate transactions, especially in mergers and acquisitions. Chairman of Skydive The Beach Group Limited (ASX: SKB).
Former directorships (in the last 3 years):	Contango Capital Partners Limited (resigned on 28 June 2014).
Special responsibilities:	Bill is a member of the Remuneration Committee and of the Audit and Risk Management Committee.
Interests in shares:	None
Interests in options:	None.

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Name:	Glenn Elith
Title:	Managing Director and Chief Executive Officer
Qualifications:	B Bus (UTS), CA
Experience and expertise:	Glenn commenced his professional career in the audit division of Coopers and Lybrand (now PricewaterhouseCoopers), where he obtained the chartered accounting qualification. He has developed a broad operational and strategic perspective by working across multiple business sectors including manufacturing, consumer goods, hospitality, retail and services. He has worked at large organisations including Lion Nathan (now Lion Pty Ltd) and George Weston Foods, and at high-growth entrepreneurial businesses including specialty retailer Macro Wholefoods Market (now owned by Woolworths Limited). Glenn joined RedHill in January 2012, and was appointed Chief Executive Officer in March of that year.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	110,000 ordinary shares
Interests in options:	590,000 options over ordinary shares under the Employee Share Option Plan on terms approved by the company's shareholders.

Name:	William Deane
Title:	Non-executive Director
Qualifications:	BA (Sydney), LLB (Bond), Australian Institute of Company Directors
Experience and expertise:	Will is a managing director of Exto Partners Pty Ltd, a Sydney-based private investment firm formed in 2003. Will is a director of several of Exto Partners' unlisted investee companies and is experienced at building high growth companies. He has practised as a corporate lawyer in Australia with Ashurst (formerly Blake Dawson) and in the United States with Skadden Arps and Sidley Austin. As a lawyer he focussed on equity capital markets and mergers and acquisitions.
Other current directorships:	Director of BuildingIQ, Inc. (ASX: BIQ).
Former directorships (in the last 3 years):	None
Special responsibilities:	Will is a member of the Remuneration Committee and Chairman of the Audit and Risk Management Committee.
Interests in shares:	316,666 ordinary shares are beneficially held through Exto Partners Pty Ltd and due to the ownership structure of that company Will only claims an interest in 50% of those ordinary shares.
Interests in options:	None



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Name:	Dr Christopher Clark
Title:	Non-executive Director
Qualifications:	B.V.Sc (Sydney), MBA (Macquarie), MA (Macquarie), PhD (Macquarie)
Experience and expertise:	Chris is the founder and Managing Director of Bush Corporate Consulting Pty Ltd, a strategic management consultancy. Between 1992 and 2011 he was an academic at Macquarie University in Sydney, where he taught strategic management at the Graduate School of Management ('MGSM'). While at MGSM he served as Director of the MBA program and Director of Corporate and Executive Education. Prior to his academic appointment he held senior marketing roles in the pharmaceutical and office equipment companies.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Chris is a member of the Audit and Risk Management Committee and the Remuneration Committee.
Interests in shares:	17,843 ordinary shares
Interests in options:	None

Name:	Caroline Trotman
Title:	Non-executive Director
Qualifications:	BA (Canberra), MBA (Macquarie)
Experience and expertise:	Caroline is a senior executive with extensive experience in the marketing of services, including education, and is currently Director of Marketing and Chief Operating Officer at technology start-up Swipezy Pty Ltd. Caroline was previously Executive Director of Executive Education at the Australian Graduate School of Management, and Deputy Vice Chancellor International and Development at Macquarie University. Prior to those roles Caroline ran her own marketing consultancy; was for 6 years Global Director of Marketing for Accenture's government business division; and was Director of Marketing for each of Bankers Trust, AT Kearney, and Deloitte.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Caroline is Chairperson of the Remuneration Committee and a member of the Audit and Risk Management Committee.
Interests in shares:	None
Interests in options:	None

Other current directorships quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

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.

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

COMPANY SECRETARY

Ian Gilmour, FGIA, FCIS, CA, FAICD, was appointed as Company Secretary on 2 December 2011. Currently, he is also company secretary of Property Exchange Australia Limited, Optalert Holdings Pty Ltd and Sydney Institute of Marine Science. He is a director and company secretary of AQRB Pty Ltd and Gilmour & Co Pty Ltd. Ian was formerly a director of IEG Holdings Corporation (US). Ian was formerly company secretary of Goodman Fielder Limited (ASX: GFF), Fluorotechnics Limited (now Lamboo Resources Limited (ASX: LMB)), Medical Therapies Limited (now Cellmid Limited (ASX: CDY)), Benthic Geotech Pty Limited and IEG Holdings Limited.

MEETINGS OF DIRECTORS

The number of meetings of the company's directors ('the Board') and of each board committee held during the year ended 30 June 2016, and the number of meetings attended by each director were

	Full Board		Audit and Risk Management Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
William J. Beerworth	12	12	3	3	1	1
Glenn Elith	12	12	*3	-	-	-
William Deane	10	12	2	3	1	1
Dr Christopher Clark	12	12	2	3	1	1
Caroline Trotman	11	12	2	3	1	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.

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

REMUNERATION REPORT (AUDITED)

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

KMP are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated 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



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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 uses external consultants to assist in the development of remuneration strategy.

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 shareholder's interests:

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

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

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

Non-executive directors' remuneration

The approved aggregate maximum amount payable to non-executive directors as director fees (excluding salary payments to the executive directors) is \$350,000 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.

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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.

No remuneration consultants were engaged in FY2016.



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 consisted of the directors of RedHill Education Limited and Gavin Dowling, the Managing Director of Go Study Australia.

2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees	Bonus*	Termination benefits	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
William J. Beerworth	125,000	-	-	-	-	-	125,000
William Deane	65,000	-	-	-	-	-	65,000
Dr Christopher Clark	65,000	-	-	-	-	-	65,000
Caroline Trotman	65,000	-	-	-	-	-	65,000
Executive Director:							
Glenn Elith	375,000	55,000	-	19,308	-	-	449,308
Other Key Management Personnel:							
Gavin Dowling **	152,052	85,076	-	14,445	-	-	251,573
	847,052	140,076	-	33,753	-	-	1,020,881

* Bonus payments assessed and paid on a performance basis.

** Resignation effective 30 June 2016.

REDHILL EDUCATION LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

2015	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees	Bonus*	Termination benefits	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
William J. Beerworth	132,000	-	-	-	-	-	132,000
William Deane	65,000	-	-	-	-	-	65,000
Dr Christopher Clark	65,000	-	-	-	-	-	65,000
Caroline Trotman	65,000	-	-	-	-	-	65,000
Executive Director:							
Glenn Elith	332,500	40,000	-	18,783	-	-	391,283
Other Key Management Personnel:							
Gavin Dowling	146,016	113,992	-	13,872	-	-	273,880
	805,516	153,992	-	32,655	-	-	992,163

* Bonus payments assessed and paid on a performance basis.





REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

C. SERVICE AGREEMENTS

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

Name: **Glenn Elith**

Title: Chief Executive Officer

Agreement commenced: 1 May 2012

Term of agreement: Glenn is employed under a continuing contract with no fixed term.

Details: Gross salary per annum of \$375,000 plus statutory superannuation. 12 weeks' termination notice by either party.

Name: **Gavin Dowling**

Title: Managing Director, Go Study Australia

Agreement commenced: 3 January 2007

Term of agreement: Gavin was employed under a continuing contract with no fixed term. His resignation from the company was effective 30 June 2016.

Details: Gross salary per annum of \$151,857 plus statutory superannuation which increases automatically on each 1 July by 4%. Bonus of 10% of the net profit after income tax of Go Study Australia Pty Limited and its subsidiaries and branch offices.

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

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

D. SHARE-BASED COMPENSATION

Issue of shares

85,000 shares of the company were issued to directors and KMP on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

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 date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date*
17/09/2013 **	75,000	17/09/2014	16/09/2018	\$0.20	\$0.377
17/09/2013 ***	100,000	17/09/2015	16/09/2018	\$0.30	\$0.309
17/09/2013	100,000	17/09/2016	16/09/2018	\$0.40	\$0.264
17/09/2013	100,000	17/09/2017	16/09/2018	\$0.50	\$0.232
22/05/2014	150,000	23/05/2017	22/05/2019	\$0.90	\$0.130
22/05/2014	150,000	23/05/2017	22/05/2019	\$1.10	\$0.081

* Fair value per option at the grant date is an estimate only using the Black-Scholes methodology. An external valuation on the options granted was performed during the year ended 30 June 2014.

** Exercised during the year ended 30 June 2016.

***10,000 of these options were exercised during the year ended 30 June 2016.

William J. Beerworth held 30,000 options over ordinary shares with an exercise price of \$1.00 per share which were not exercised and expired on 22 September 2016.

A former director of the company, Bruce Baird, held 15,000 options over ordinary shares with an exercise price of \$1.00 per share which were not exercised and expired on 22 September 2016.

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to and vested by directors and other KMP as part of compensation during the year ended 30 June 2016.

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 2016 are set out below:

	Fair value of options granted during the year* \$	Fair value of options exercised during the year* \$	Fair value of options lapsed during the year* \$	Remuneration consisting of options for the year %
	-	31,344	-	-
Glenn Elith	-	31,344	-	-

* Fair value is an estimate only using the Black-Scholes methodology at the grant date. An external valuation on the options granted was performed during the year ended 30 June 2014.

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

E. ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
<i>Ordinary shares</i>					
William Deane*	566,666	-	-	(250,000)	316,666
Dr Christopher Clark	17,843	-	-	-	17,843
Glenn Elith **	25,000	-	85,000	-	110,000
Gavin Dowling	94,674	-	-	(9,753)	84,921
	<u>704,183</u>	<u>-</u>	<u>85,000</u>	<u>(259,753)</u>	<u>529,430</u>

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

** Glenn Elith exercised 85,000 options held over ordinary shares during the year ended 30 June 2016.

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
William J. Beerworth	30,000	-	-	(30,000)	-
Glenn Elith	<u>675,000</u>	<u>-</u>	<u>(85,000)</u>	<u>-</u>	<u>590,000</u>
	<u>705,000</u>	<u>-</u>	<u>(85,000)</u>	<u>(30,000)</u>	<u>590,000</u>

30,000 options over ordinary shares of the company held by William J. Beerworth with an exercise price of \$1.00 per share which were not exercised and expired on 22 September 2016.

There were no other options over ordinary shares granted to or vested by directors and other KMP's as part of compensation during the year ended 30 June 2016.

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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 have regard to the following shareholder return indices in respect of each financial year.

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Revenue	28,320	22,794	19,215	16,103	14,480
% growth in revenue over prior period	24%	19%	19%	11%	3%
EBITDA	1,504	3,010	2,713	1,293	(1,370)
Net profit / (loss) for the period	330	1,652	4,816	(874)	(8,383)
Basic earnings per share (cents)	1.09	5.47	15.97	(2.99)	(31.05)
Share price at the end of each financial year (\$)	0.85	1.33	1.08	0.21	0.10
% increase / (decrease) in share price over prior period	(36%)	23%	414%	110%	(33%)

This concludes the Remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of the company under option at the date of this report are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Number under option
17/09/2013	17/09/2015	16/09/2018	\$0.30	90,000
17/09/2013	17/09/2016	16/09/2018	\$0.40	100,000
17/09/2013	17/09/2017	16/09/2018	\$0.50	100,000
22/05/2014	23/05/2017	22/05/2019	\$0.90	150,000
22/05/2014	23/05/2017	22/05/2019	\$1.10	150,000

William J. Beerworth held 30,000 options over ordinary shares with an exercise price of \$1.00 per share which were not exercised and expired on 22 September 2016.

A former director of the company, Bruce Baird, held 15,000 options over ordinary shares with an exercise price of \$1.00 per share which were not exercised and expired on 22 September 2016.

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.



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

SHARES ISSUED ON THE EXERCISE OF OPTIONS

On 16 November 2015 the company issued 75,000 ordinary shares at an issue price of \$0.20 per share upon exercise of share options issued to Glenn Elith under its employee share option plan.

On 16 November 2015 the company issued 10,000 ordinary shares at an issue price of \$0.30 per share upon exercise of share options issued to Glenn Elith under its employee share option plan.

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 entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

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

REDHILL EDUCATION LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

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, the nearest dollar.





REDHILL EDUCATION LIMITED **DIRECTORS' REPORT** FOR THE YEAR ENDED 30 JUNE 2016

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITOR

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 Deane
Non-executive Director

26 September 2016
Sydney

RSM Australia Partners

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

T +61 (0) 2 8226 4500
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 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in blue ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'G N Sherwood'.

G N Sherwood
Partner

Sydney, NSW
Dated: 26 September 2016

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation





REDHILL EDUCATION LIMITED FINANCIAL REPORT 30 JUNE 2016

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GENERAL INFORMATION

The financial report covers RedHill Education Limited as a consolidated entity consisting of RedHill Education Limited and the entities it controlled. The financial report is presented in Australian dollars, which is RedHill Education Limited's functional and presentation currency. The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

Level 2, 7 Kelly Street, Ultimo NSW 2007

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements. The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 September 2016. The directors have the power to amend and reissue the financial statements.

REDHILL EDUCATION LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
	Note	2016 \$'000	2015 \$'000
Revenue	4	28,320	22,794
Expenses			
Salaries and employee benefits expense		(15,016)	(11,255)
Cost of services		(3,921)	(2,586)
Depreciation and amortisation expense	5	(1,345)	(730)
Property and occupancy costs		(3,945)	(2,727)
Professional and consulting fees		(349)	(389)
Marketing expenses		(1,816)	(1,360)
Public company related costs		(487)	(454)
Other expenses		(1,231)	(870)
Finance costs		(8)	(8)
Profit before income tax benefit/(expense)		202	2,415
Income tax benefit/(expense)	6	128	(763)
Profit after income tax benefit/(expense) for the year attributable to the owners of RedHill Education Limited	23	330	1,652
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of RedHill Education Limited		330	1,652
		Cents	Cents
Basic earnings per share	34	1.09	5.47
Diluted earnings per share	34	1.09	5.45

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

REDHILL EDUCATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

		Consolidated	
	Note	2016	2015
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	7	4,868	6,661
Trade and other receivables	8	6,624	3,293
Prepayments and other assets	9	920	934
Total current assets		12,412	10,888
Non-current assets			
Property, plant and equipment	10	3,007	2,453
Intangibles	11	6,681	6,513
Deferred tax	12	2,049	1,912
Other financial assets	13	1,757	1,840
Total non-current assets		13,494	12,718
Total assets		25,906	23,606
Liabilities			
Current liabilities			
Trade and other payables	14	11,488	8,733
Finance lease	15	76	92
Employee benefits	16	496	315
Other provisions	17	358	386
Total current liabilities		12,418	9,526
Non-current liabilities			
Finance lease	18	31	107
Employee benefits	19	85	133
Other provisions	20	667	1,524
Total non-current liabilities		783	1,764
Total liabilities		13,201	11,290
Net assets		12,705	12,316
Equity			
Issued capital	21	18,770	18,752
Reserves	22	81	40
Accumulated losses	23	(6,146)	(6,476)
Total equity		12,705	12,316

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

REDHILL EDUCATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2014	18,747	86	(8,175)	10,658
Profit after income tax expense for the year	-	-	1,652	1,652
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,652	1,652
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	5	-	-	5
Share-based payments	-	1	-	1
Recycling of lapsed and exercised options	-	(47)	47	-
Balance at 30 June 2015	18,752	40	(6,476)	12,316
Consolidated				
Balance at 1 July 2015	18,752	40	(6,476)	12,316
Profit after income tax benefit for the year	-	-	330	330
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	330	330
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	18	-	-	18
Share-based payments	-	41	-	41
Balance at 30 June 2016	18,770	81	(6,146)	12,705

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

REDHILL EDUCATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

Note	Consolidated	
	2016 \$'000	2015 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	28,077	22,016
Payments to suppliers and employees (inclusive of GST)	(27,755)	(19,167)
	322	2,849
Interest received	51	143
Interest and other finance costs paid	(8)	(8)
Income taxes paid	(9)	(13)
Net cash from operating activities	33	356
Cash flows from investing activities		
Payments for security deposits	(8)	(866)
Payments for property, plant and equipment	10	(1,664)
Payments for intangibles	11	(403)
Net cash used in investing activities	(2,075)	(2,346)
Cash flows from financing activities		
Proceeds from issue of shares	18	5
(Payments)/proceeds of leases	(92)	44
Net cash (used in)/from financing activities	(74)	49
Net (decrease)/increase in cash and cash equivalents	(1,793)	674
Cash and cash equivalents at the beginning of the financial year	6,661	5,987
Cash and cash equivalents at the end of the financial year	7	4,868

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

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 2016 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.



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Tuition related revenue

Tuition revenue and other education material related revenue are recognised as the service is provided. Non-refundable administration fees relating to tuition are recognised upon receipt.

Commission revenue

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

Interest

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

Income tax

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

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

- › When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- › When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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

Current and non-current classification

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

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

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

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

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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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 been 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.



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Leases

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

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

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

Goodwill

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

Software

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

Copyrights and licenses

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

Impairment of non-financial assets

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

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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.

Finance costs

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

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.





REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Share-based payments

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

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

The cost of equity-settled transactions are 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.

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.

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

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

unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has 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 is treated as if they were a modification.

Fair value measurement

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

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

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

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

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

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

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential on ordinary shares at balance date and the weighted average number of shares assumed to have been issued for no consideration in relation to 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 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.



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains

and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate

performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity, however it is expected to be minimal.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal

or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities)

and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Other amending accounting standards

Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the consolidated entity as their amendments provide either clarification of existing accounting treatment or editorial amendments.





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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some

other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The directors have assessed the carrying value of goodwill in the consolidated entity as appropriate as at 30 June 2016. Refer to note 11 for further details.

Impairment of non-financial assets other than goodwill

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

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining

the provision for income tax.

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management have exercised their judgement in determining that it is probable that sufficient future taxable income will be available to utilise all tax losses.

Lease make good provision

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into four operating segments: Information Technology, Creative Design, English Language and Student Agency. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer who is identified as the Chief Operating Decision Maker ('CODM') in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

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

Types of products and services

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

INFORMATION TECHNOLOGY: Academy of Information Technology, a provider of courses in information technology, digital design, interactive multimedia, computer coding, digital marketing and games and apps programming.

CREATIVE DESIGN: International School of Colour and Design, a provider of campus and distance learning in interior design and styling courses.

GREENWICH: Greenwich English College, an Australian provider of English Language Intensive Courses for Overseas Students ('ELICOS'), and Vocational Education and Training ('VET') courses for overseas students.

STUDENT AGENCY:

Go Study Australia, an international student recruitment agency with offices in Barcelona (Spain), Brisbane (Australia), Madrid (Spain), Melbourne (Australia), Milan (Italy), Rome (Italy), Sydney (Australia), Toulouse (France), and Valencia (Spain).

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Major customers

The consolidated entity has no significant individual customers.



REDHILL EDUCATION LIMITED

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Operating segment information

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

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

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FOR THE YEAR ENDED 30 JUNE 2016

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

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4. Revenue

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

NOTE 5. Expenses

	Consolidated	
	2016	2015
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	706	361
Plant and equipment	404	241
Total depreciation	<u>1,110</u>	<u>602</u>
<i>Amortisation</i>		
Copyrights	233	126
Licenses	2	2
Total amortisation	<u>235</u>	<u>128</u>
Total depreciation and amortisation	<u>1,345</u>	<u>730</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>3,133</u>	<u>2,089</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>991</u>	<u>745</u>

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 6. Income tax (benefit)/expense

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 7.

Current assets - cash and cash equivalents

	Consolidated	
	2016	2015
	\$'000	\$'000
Cash at bank and on hand	4,868	6,661

NOTE 8.

Current assets - trade and other receivables

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

Impairment of receivables

The consolidated entity has recognised a loss of \$23,000 (2015: loss of \$nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
Three to six months overdue	42	55
Over six months overdue	39	3
	81	58

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
Opening balance	58	58
Additional provisions recognised	23	-
Closing balance	81	58

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$417,000 as at 30 June 2016 (\$630,000 as at 30 June 2015).

These relate to a number of independent customers for whom there is no recent history of default. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes the consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices. In the event of a credit default in respect of these receivables, no impact on the profits is expected because the receivables would have a corresponding balance included in the deferred income balance in note 14.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2016	2015
	\$'000	\$'000
One to three months overdue	125	359
Three to six months overdue	94	207
Over six months overdue	198	64
	<u>417</u>	<u>630</u>



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 9.

Current assets - prepayments and other assets

	Consolidated	
	2016	2015
	\$'000	\$'000
Lease incentive asset	97	151
Prepayments	750	705
Deposits	44	44
Other current assets	29	34
	<u>920</u>	<u>934</u>

NOTE 10.

Non-current assets - property, plant and equipment

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

Reconciliations

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

	Leasehold improvement	Plant and equipment	Total
	\$'000	\$'000	\$'000
Consolidated			
Balance at 1 July 2014	1,267	609	1,876
Additions	716	463	1,179
Depreciation expense	(361)	(241)	(602)
	<u>1,622</u>	<u>831</u>	<u>2,453</u>
Balance at 30 June 2015	1,622	831	2,453
Additions	1,060	604	1,664
Depreciation expense	(706)	(404)	(1,110)
	<u>1,976</u>	<u>1,031</u>	<u>3,007</u>
Balance at 30 June 2016	1,976	1,031	3,007

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11.

Non-current assets - intangibles

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

Reconciliations

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

	Goodwill	Copyrights	Licenses	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Balance at 1 July 2014	6,145	191	4	6,340
Additions	-	301	-	301
Amortisation expense	-	(126)	(2)	(128)
Balance at 30 June 2015	6,145	366	2	6,513
Additions	-	403	-	403
Amortisation expense	-	(233)	(2)	(235)
Balance at 30 June 2016	6,145	536	-	6,681

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(a) Impairment test for goodwill

Goodwill is allocated to the consolidated entity's cash-generating units ('CGUs') identified according to operating segment. A segment-level summary of the goodwill allocation is presented below:

	Consolidated	
	2016	2015
	\$'000	\$'000
Academy of Information Technology Pty Ltd ('AIT') - at cost	4,086	4,086
International School of Colour and Design Pty Ltd ('ISCD') - at recoverable amount	2,059	2,059
	<u>6,145</u>	<u>6,145</u>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

(b) Key assumptions used for value-in-use calculation

	2016		2015	
	AIT	ISCD	AIT	ISCD
Post tax discount rate	15.0%	15.0%	15.0%	15.0%
Student growth rate	5.0-30.0%	5.0-30.0%	5.0-30.0%	5.0-30.0%
Student growth rate-terminal year	2.5%	2.5%	2.5%	2.5%
Revenue price increase *	4-5.0%	4-5.0%	4-5.0%	4-5.0%
Annual rate of cost increase-Variable	0-50.0%	0-50.0%	0-50.0%	0-50.0%
Annual rate of cost increase-Fixed	4.0%	4.0%	4.0%	4.0%

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

These assumptions have been used for the analysis of each CGU within the business segment. The discount rates used reflect specific risks relating to the relevant segments and is in line with industry norm. The student growth rates used are consistent with the business plan and the following management expectations:

- AIT: Recovery in foreign student numbers due to a stabilisation of the Visa regime; continued growth of Domestic student numbers due to continued access to FEE-HELP and VET FEE-HELP support; targeted marketing including increased digital and social media activity.
- ISCD: Continued growth in student numbers undertaking correspondence courses; growth in campus based student numbers due to increase in course range and enhanced marketing activities; positive market perception from re-branding of ISCD and relocation to a modern new campus.

The revenue price increase and the cost increase is consistent with forecasts included in industry reports.

(c) Impairment of goodwill

The directors have formed the view that no impairment of the carrying value of goodwill is required for either of the Information Technology or Creative Design operating segments as at 30 June 2016.

(d) Impact of possible changes in key assumptions

Management have carried out sensitivity analysis on the recoverable amount based on their viewpoint of a reasonably possible change in the discount rate of +/-1% and the student growth rate of +/- 3-5%. Based on the sensitivity analysis carried out, the recoverable amount of goodwill attributed to both the Information Technology and Creative Design operating CGUs is in excess of the carrying amount and there is no impairment required as at 30 June 2016.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 12.

Non-current assets - deferred tax

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	411	355
Employee benefits	265	195
Provision for lease make good	33	24
Accrued expenses	125	169
Impairment of intangibles	1,040	906
Lease incentive	102	165
Other	73	98
Deferred tax asset	<u>2,049</u>	<u>1,912</u>
<i>Movements:</i>		
Opening balance	1,912	2,661
Credited/(charged) to profit or loss (note 6)	137	(749)
Closing balance	<u>2,049</u>	<u>1,912</u>

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

Increase in deferred tax assets - current year utilisation of losses of \$137,000 (2015: decrease of \$749,000).

NOTE 13.

Non-current assets - other financial assets

	Consolidated	
	2016	2015
	\$'000	\$'000
Deposits	1,666	1,658
Lease incentive asset	91	182
	<u>1,757</u>	<u>1,840</u>

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14.

Current liabilities - trade and other payables

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

Refer to note 25 for further information on financial instruments.

NOTE 15.

Current liabilities - finance lease

	Consolidated	
	2016	2015
	\$'000	\$'000
Lease liability	<u>76</u>	<u>92</u>

Refer to note 25 for further information on financial instruments.

NOTE 16.

Current liabilities - employee benefits

	Consolidated	
	2016	2015
	\$'000	\$'000
Annual leave	449	315
Long service leave	<u>47</u>	<u>-</u>
	<u>496</u>	<u>315</u>

NOTE 17.

Current liabilities - other provisions

	Consolidated	
	2016	2015
	\$'000	\$'000
Lease incentive provision	<u>358</u>	<u>386</u>

Refer to note 20 for further details on lease incentives.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18.

Non-current liabilities - finance lease

	Consolidated	
	2016	2015
	\$'000	\$'000
Lease liability	31	107

Refer to note 25 for further information on financial instruments.

NOTE 19.

Non-current liabilities - employee benefits

	Consolidated	
	2016	2015
	\$'000	\$'000
Long service leave	85	133

NOTE 20.

Non-current liabilities - other provisions

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

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Lease incentive

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

	Lease make good	Lease incentive
	\$'000	\$'000
Consolidated - 2016		
Carrying amount at the start of the year	205	1,319
Additional provisions recognised	177	-
Utilised/released	-	(1,034)
Carrying amount at the end of the year	382	285

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 21. Equity - issued capital

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

Movements in ordinary share capital

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

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

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

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

Share buy-back

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

Capital risk management

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22. Equity - reserves

	Consolidated	
	2016	2015
	\$'000	\$'000
Share-based payments reserve	81	40

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 employee share option plan.

Movements in reserves

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

Consolidated	Share-based Payments	Total
	\$'000	\$'000
Balance at 1 July 2014	86	86
Employee share options - value of employee services	1	1
Recycling of lapsed and exercised options	(47)	(47)
Balance at 30 June 2015	40	40
Employee share options - value of employee services	41	41
Balance at 30 June 2016	81	81



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23. Equity - accumulated losses

	Consolidated	
	2016	2015
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(6,476)	(8,175)
Profit after income tax benefit/(expense) for the year	330	1,652
Transfer from share-based payment reserve	-	47
Accumulated losses at the end of the financial year	<u>(6,146)</u>	<u>(6,476)</u>

NOTE 24. Equity - dividends

Dividends

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

Franking credits

	Consolidated	
	2016	2015
	\$'000	\$'000
Franking credits available at the reporting date based on a tax rate of 30%	<u>673</u>	<u>673</u>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>673</u>	<u>673</u>



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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, foreign and ageing analysis for credit risk.

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

Market risk

Foreign currency risk

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

Price risk

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

Interest rate risk

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

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

Consolidated	2016		2015	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	1.55%	4,868	2.36%	6,661
Net exposure to cash flow interest rate risk		4,868		6,661

An official increase/decrease in interest rates of 100 (2015: 100) basis points would have favourable/adverse effect on profit before tax of \$49,000 (2015: favourable/adverse \$67,000) 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 no significant credit risk exposure to any individual receivable.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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.

	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Consolidated - 2016						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,135	-	-	-	1,135
Other payables	-	429	-	-	-	429
<i>Interest-bearing - variable</i>						
Lease liability	5.36%	80	31	-	-	111
Total non-derivatives		1,644	31	-	-	1,675

	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Consolidated - 2015						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,727	-	-	-	1,727
Other payables	-	712	-	-	-	712
<i>Interest-bearing - variable</i>						
Lease liability	5.36%	100	111	-	-	211
Total non-derivatives		2,539	111	-	-	2,650

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

Fair value of financial instruments

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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	
	2016	2015
	\$	\$
Short-term employee benefits	987,128	959,508
Post-employment benefits	33,753	32,655
	<u>1,020,881</u>	<u>992,163</u>

NOTE 27.

Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:

	Consolidated	
	2016	2015
	\$	\$
<i>Audit services - RSM Australia Partners</i>		
Audit or review of the financial statements	<u>101,500</u>	<u>99,500</u>
<i>Other services - RSM Australia Partners</i>		
Tax services	<u>11,000</u>	<u>10,000</u>
	<u>112,500</u>	<u>109,500</u>



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 28. Contingent liabilities

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

NOTE 29. Commitments for expenditure

	Consolidated	
	2016	2015
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,040	3,013
One to five years	4,396	7,655
	<u>7,436</u>	<u>10,668</u>
<i>Lease commitment - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	80	100
One to five years	31	111
	<u>111</u>	<u>211</u>
Total commitment	111	211
Less: Future finance charges	(4)	(12)
Net commitment recognised as liabilities	<u>107</u>	<u>199</u>
<i>Representing:</i>		
Lease liability - current (note 15)	76	92
Lease liability - non-current (note 18)	31	107
	<u>107</u>	<u>199</u>

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

Finance lease commitment represents the contracted amount for IT equipment with an aggregate written down value of \$107,000 (2015: \$199,000) under finance leases expiring within three years. Under the terms of the leases, the consolidated entity retains possession of the leased assets at expiry of the lease.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 30.

Related party transactions

Parent entity

RedHill Education Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

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

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

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

Loans to/from related parties

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

NOTE 31.

Parent entity information

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

Statement of profit or loss and other comprehensive income

Loss after income tax

Total comprehensive income

Parent	
2016	2015
\$'000	\$'000
(3,580)	(1,610)
(3,580)	(1,610)

Statement of financial position

Total current assets

Total assets

Total current liabilities

Total liabilities

Equity

Issued capital

Share-based payments reserve

Accumulated losses

Total equity

Parent	
2016	2015
\$'000	\$'000
786	1,447
15,192	15,042
14,663	10,381
14,837	11,166
18,770	18,752
128	87
(18,543)	(14,963)
355	3,876

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016.

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.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 32. 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	
		2016	2015
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 33. Reconciliation of profit after income tax to net cash from operating activities

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 34. Earnings per share

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



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 35. Share-based payments

The RedHill Education Limited Share Option 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:

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
22/09/2010	22/09/2016	\$1.00	30,000	-	-	-	30,000
22/09/2010	22/09/2016	\$1.00	15,000	-	-	-	15,000
17/09/2013	16/09/2018	\$0.20	75,000	-	(75,000)	-	-
17/09/2013	16/09/2018	\$0.30	100,000	-	(10,000)	-	90,000
17/09/2013	16/09/2018	\$0.40	100,000	-	-	-	100,000
17/09/2013	16/09/2018	\$0.50	100,000	-	-	-	100,000
22/05/2014	22/05/2019	\$0.90	150,000	-	-	-	150,000
22/05/2014	22/05/2019	\$1.10	150,000	-	-	-	150,000
			<u>720,000</u>	<u>-</u>	<u>(85,000)</u>	<u>-</u>	<u>635,000</u>

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
22/09/2010	22/09/2016	\$1.00	30,000	-	-	-	30,000
22/09/2010	22/09/2016	\$1.00	15,000	-	-	-	15,000
17/09/2013	16/09/2018	\$0.20	100,000	-	(25,000)	-	75,000
17/09/2013	16/09/2018	\$0.30	100,000	-	-	-	100,000
17/09/2013	16/09/2018	\$0.40	100,000	-	-	-	100,000
17/09/2013	16/09/2018	\$0.50	100,000	-	-	-	100,000
22/05/2014	22/05/2019	\$0.90	150,000	-	-	-	150,000
22/05/2014	22/05/2019	\$1.10	150,000	-	-	-	150,000
			<u>745,000</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>720,000</u>

NOTE 36. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 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 DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2016

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 2016 and of its performance for the financial year ended on that date; and
- › there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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 Deane
Non-executive Director

26 September 2016
Sydney

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

REDHILL EDUCATION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of RedHill Education Limited, which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of RedHill Education Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of RedHill Education Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 33 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion the Remuneration Report of RedHill Education Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'G N Sherwood', with the initials 'GNS' written to the right.

G N Sherwood
Partner

Sydney, NSW
Dated: 26 September 2016



REDHILL EDUCATION LIMITED SHAREHOLDER INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

The shareholder information set out below was applicable as at 19 September 2016.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	30	0
1,001 to 5,000	44	0
5,001 to 10,000	26	0
10,001 to 100,000	54	0
100,001 and over	35	1
	189	1
Holding less than a marketable parcel	24	



REDHILL EDUCATION LIMITED SHAREHOLDER INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

Twenty largest quoted equity security holders

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

	Number held	% of total shares issued
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,531,662	8.36
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <PICREDIT>	2,337,357	7.72
MS LOURDES LYNN	2,262,560	7.47
MR EDWARD LEE KELLER	1,971,106	6.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,716,250	5.67
UBS NOMINEES PTY LTD	1,712,078	5.65
CITICORP NOMINEES PTY LIMITED	1,604,682	5.30
BNP PARIBAS NOMS PTY LTD <DRP>	1,549,621	5.12
SKILLED PLACEMENTS PTY LIMITED	1,328,752	4.39
SKILLED PLACEMENTS PTY LIMITED	1,095,000	3.62
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,030,014	3.40
COPSE INVESTMENT LIMITED	1,016,090	3.35
NATIONAL NOMINEES LIMITED	736,604	2.43
MR JAMES WILLIAM HYNDES	604,000	1.99
MICHAEL CAMERON RATCLIFF	575,784	1.90
JILCY PTY LTD <JILCY SUPER FUND A/C>	540,000	1.79
BT PORTFOLIO SERVICES LIMITED <YAZAD SUPER FUND A/C>	500,000	1.65
THE IRISH BUFFETT PTY LTD	441,325	1.46
MAST FINANCIAL PTY LTD <A TO Z INVESTMENT A/C>	425,000	1.40
JET INVEST PTY LTD <R & L INVESTMENT A/C>	355,350	1.17
	24,333,235	80.34



REDHILL EDUCATION LIMITED

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	590,000	1

Substantial holders

Substantial holders in the company are set out below:

	Number of ordinary shares held
ACADEMIES AUSTRALIA GROUP LTD	3,197,252
REGAL FUNDS MANAGEMENT P/L	3,117,158
PERPETUAL LIMITED AND SUBSIDIARIES	2,337,357
ACORN CAPITAL LTD	2,714,108
LOURDES LYNN	2,341,360
EDWARD LEE KELLER	2,023,936

The disclosed number of ordinary shares held by substantial shareholders may not be equal to the actual number of ordinary shares held as at 19 September 2016 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 of shares.





REDHILL EDUCATION

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