



ASX / MEDIA RELEASE

24 AUGUST 2018

## RedHill Education Limited

### FY2018 Preliminary Final Report and Dividend Declaration

RedHill Education Limited (RedHill) today released its Preliminary Final Report for the financial year ended 30 June 2018.

#### **1. FY2018 FINANCIAL RESULTS**

The consolidated RedHill group reported the following results:

- Revenues: **\$54.6 million – 32% increase\***
- EBITDA\*\*: **\$6.6 million – 70% increase\***
- Profit after income tax: **\$3.5 million – 102% increase\***
- Cash balance: **\$10.0 million at 30 June 2018 – 58% increase\***
- Positive net cashflow from operating activities: **\$8.2 million - \$3.2 million or 64% increase\***

#### ***Comments on financial performance***

The significant improvement in FY2018 results against the previous year was due to the continued growth of RedHill's core businesses and to its investments in course, addressable market, and geographic expansion.

Details on a number of expansion initiatives are provided below.

RedHill expects its financial performance to improve in the first half of FY2019 over the previous corresponding half year period.

#### **2. EXPANSION OF MELBOURNE CAMPUS**

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

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

Approximately \$0.2 million of operating expenses were incurred in the second half of FY2018 for lease related costs associated with the campus expansion in July 2018 for which no incremental revenues were earned in the financial year.

In FY2018 the Melbourne campus delivered revenues of approximately \$15.6 million, which represented growth of approximately 78% over the previous corresponding year.

RedHill expects the financial performance of its Melbourne campus operations to improve significantly in FY2019 over the previous corresponding year.

### **3. EXPANSION OF GREENWICH MANAGEMENT COLLEGE**

In FY2016 RedHill launched Greenwich Management College ('GMC') in Sydney and Melbourne to deliver a range of Vocational Education and Training ('VET') certificate and diploma courses to international students studying in Australia.

In FY2018 GMC delivered revenues of approximately \$8.6 million, which was approximately 241% growth over the previous corresponding year.

Further expansion of GMC in FY2019 will include:

- launching a range of advanced diploma courses to complement existing certificate and diploma courses; and
- launching certificate and diploma courses in Events Management.

RedHill expects the financial performance of GMC to improve significantly in FY2019 over the previous corresponding year.

### **4. GROWTH AND EFFICIENCY OF TECHNOLOGY AND DESIGN DIVISION**

In FY2016 RedHill initiated the formation of its Technology and Design division (T&D) to ensure that the organisation's structure more efficiently and effectively utilises the capabilities and expertise of its people and supports ongoing business expansion.

In FY2018 T&D delivered revenues of \$18.1 million, which was 22% growth over the previous corresponding year. FY2018 EBITDA was \$2.8 million, which represented approximately 15% of revenues (FY2017: 14% of revenues).

RedHill expects the financial performance of T&D to improve significantly in FY2019 over the previous corresponding year.

### **5. DIVIDEND DECLARATION**

RedHill's directors are pleased to announce the declaration of a fully franked dividend of two cents per share, payable on 26 September 2018, out of retained profits at 30 June 2018. For the purposes of determining any entitlement to the dividend, the record date has been set at 7 September 2018.

\* Over the previous corresponding financial year.

\*\* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and profit after income tax for the financial year ended 30 June 2018 is included in the attached Preliminary Final Report.

### **CONTACT**

Glenn Elith

Chief Executive Officer

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### **ABOUT REDHILL**

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

# APPENDIX 4E

## PRELIMINARY FINAL REPORT

### 1. Company details

Name of entity:	<b>RedHill Education Limited and its controlled entities</b>
ABN:	41 119 952 493
Reporting period:	<b>For the year ended 30 June 2018</b>
Previous period:	For the year ended 30 June 2017

### 2. Results for announcement to the market

	Year ended 30 June 18 \$'000	Year ended 30 June 17 \$'000	% change
Revenues	54,594	41,468	32%
EBITDA	6,619	3,887	70%
Profit from ordinary activities after tax attributable to the shareholders of RedHill Education Limited	3,510	1,737	102%
Profit for the year attributable to the shareholders of RedHill Education Limited	3,510	1,737	102%
Cash and cash equivalents	9,980	6,314	58%

#### Comments on financial performance

The profit for the consolidated entity after providing for income tax amounted to \$3,510,000 (30 June 2017: \$1,737,000).

The consolidated earnings before interest, tax, depreciation and amortisation ('EBITDA') was \$6,619,000 (30 June 2017: \$3,887,000).

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

	Consolidated	
	2018 \$'000	2017 \$'000
<b>EBITDA</b>	6,619	3,887
Less: Depreciation and amortisation	(1,803)	(1,567)
Less: Finance cost	(1)	(3)
Add: Interest income	173	3
<b>Profit before income tax</b>	4,988	2,320
Income tax expense	(1,478)	(583)
<b>Profit after income tax</b>	<u>3,510</u>	<u>1,737</u>

The significant improvement in FY2018 results over the previous year was due to the continued growth of RedHill's core businesses and to its investments in course, addressable market, and geographic expansion.

RedHill expects its financial performance to improve in the first half of FY2019 over the previous corresponding half year period.

**RedHill Education Limited and its controlled entities**  
**Appendix 4E**  
**Preliminary final report**

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	34.26	25.84

**4. Dividends**

*Current period*

	Amount per security Cents	Franked amount per security Cents
Final Dividend – year ended 30 June 2017 (paid 2 November 2017)	2.0	2.0
Interim Dividend – year ended 30 June 2018 (paid 3 April 2018)	2.0	2.0

On 24 August 2018, the directors declared a fully franked dividend of two cents per ordinary share, with a payment date of 26 September 2018 from retained profits at 30 June 2018. For the purposes of determining any entitlement to the dividend, the record date has been set as 7 September 2018.

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

*Previous period*

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

*Dividend reinvestment plans*

No dividend reinvestment plans were in operation during the reporting period or the previous corresponding period.

**5. Audit review**

*Details of audit:*

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

**6. Attachments**

*Details of attachments:*

The Preliminary Financial Report of RedHill Education Limited and its controlled entities for the year ended 30 June 2018 is attached.

**7. Signed**

Signed 

Date: 24 August 2018

William J. Beerworth  
Chairman  
Sydney



**REDHILL** EDUCATION

**RedHill Education Limited  
and Controlled Entities**

**ABN 41 119 952 493**

**Preliminary Financial Report  
for the Year Ended  
30 June 2018**

**RedHill Education Limited and its controlled entities**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$'000</b>	<b>2017 \$'000</b>
<b>Revenue</b>	1	54,594	41,468
<b>Expenses</b>			
Salaries and employee benefits expense		(26,413)	(20,955)
Cost of services		(9,514)	(7,085)
Depreciation and amortisation expense		(1,803)	(1,567)
Property and occupancy costs		(6,170)	(5,060)
Professional and consulting fees		(524)	(581)
Marketing expenses		(2,349)	(2,059)
Public company related costs		(660)	(455)
Other expenses		(2,172)	(1,383)
Finance costs		(1)	(3)
<b>Profit before income tax expense</b>		4,988	2,320
Income tax expense	2	(1,478)	(583)
<b>Profit after income tax expense for the year attributable to the shareholders of RedHill Education Limited</b>		3,510	1,737
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the shareholders of RedHill Education Limited</b>		<u>3,510</u>	<u>1,737</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	17	11.53	5.73
Diluted earnings per share	17	11.41	5.70

*The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements*

**RedHill Education Limited and its controlled entities**  
**Consolidated statement of financial position**  
**As at 30 June 2018**

	<b>Note</b>	<b>Consolidated 2018 \$'000</b>	<b>2017 \$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		9,980	6,314
Trade and other receivables	4	11,233	9,720
Prepayments and other assets		2,934	2,235
<b>Total current assets</b>		<u>24,147</u>	<u>18,269</u>
<b>Non-current assets</b>			
Trade receivables	5	11,715	7,408
Property, plant and equipment	6	6,493	4,324
Intangible assets	7	6,541	6,650
Deferred tax	8	1,865	1,497
Other financial assets		3,454	2,724
<b>Total non-current assets</b>		<u>30,068</u>	<u>22,603</u>
<b>Total assets</b>		<u>54,215</u>	<u>40,872</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	25,618	20,551
Finance lease		10	31
Income tax		1,324	-
Employee benefits		744	510
Other provisions	10	231	214
<b>Total current liabilities</b>		<u>27,927</u>	<u>21,306</u>
<b>Non-current liabilities</b>			
Trade payables	11	7,482	3,912
Finance lease		32	41
Employee benefits		113	150
Other provisions	12	1,613	988
<b>Total non-current liabilities</b>		<u>9,240</u>	<u>5,091</u>
<b>Total liabilities</b>		<u>37,167</u>	<u>26,397</u>
<b>Net assets</b>		<u>17,048</u>	<u>14,475</u>
<b>Equity</b>			
Issued capital	13	19,000	18,770
Reserves		79	111
Accumulated losses		(2,031)	(4,406)
<b>Total equity</b>		<u>17,048</u>	<u>14,475</u>

*The statement of financial position should be read in conjunction with the accompanying notes to the financial statements*

**RedHill Education Limited and its controlled entities**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2018**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2016	18,770	81	(6,146)	12,705
Profit after income tax expense for the year	-	-	1,737	1,737
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,737	1,737
<i>Transactions with shareholders in their capacity as owners:</i>				
Share-based payments	-	33	-	33
Recycling of lapsed and exercised options	-	(3)	3	-
<b>Balance at 30 June 2017</b>	<b>18,770</b>	<b>111</b>	<b>(4,406)</b>	<b>14,475</b>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2017	18,770	111	(4,406)	14,475
Profit after income tax expense for the year	-	-	3,510	3,510
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,510	3,510
<i>Transactions with shareholders in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	230	-	-	230
Share-based payments	-	52	-	52
Fair value of exercised options	-	(84)	84	-
Dividends paid (note 14)	-	-	(1,219)	(1,219)
<b>Balance at 30 June 2018</b>	<b>19,000</b>	<b>79</b>	<b>(2,031)</b>	<b>17,048</b>

*The statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements*



**RedHill Education Limited and its controlled entities**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		48,504	39,021
Payments to suppliers and employees (inclusive of GST)		<u>(39,860)</u>	<u>(33,913)</u>
		8,644	5,108
Interest received		81	3
Interest and other finance costs paid		(1)	(3)
Income taxes paid		<u>(522)</u>	<u>(33)</u>
Net cash from operating activities	16	<u>8,202</u>	<u>5,075</u>
<b>Cash flows from investing activities</b>			
Advances made for security deposits		(263)	(741)
Payments for property, plant and equipment		(3,043)	(2,558)
Payments for intangibles		<u>(172)</u>	<u>(295)</u>
Net cash used in investing activities		<u>(3,478)</u>	<u>(3,594)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	13	163	-
Drawn under Finance Leases		28	-
Repayments made under Finance leases		(30)	(35)
Dividends paid		<u>(1,219)</u>	<u>-</u>
Net cash used in financing activities		<u>(1,058)</u>	<u>(35)</u>
Net increase in cash and cash equivalents		3,666	1,446
Cash and cash equivalents at the beginning of the financial year		<u>6,314</u>	<u>4,868</u>
<b>Cash and cash equivalents at the end of the financial year</b>		<u><u>9,980</u></u>	<u><u>6,314</u></u>

*The statement of cash flows should be read in conjunction with the accompanying notes to the financial statements*

**RedHill Education Limited and its controlled entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2018**

**Note 1. Revenue**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Sales revenue</i>		
Tuition related revenue	49,092	36,963
Commission revenue	5,329	4,502
	<u>54,421</u>	<u>41,465</u>
<i>Other revenue</i>		
Interest	173	3
Revenue	<u><u>54,594</u></u>	<u><u>41,468</u></u>

**Note 2. Income tax expense**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax expense</i>		
Current tax	1,803	31
Deferred tax – origination/(reversal) of temporary differences	(368)	552
Adjustment recognised for prior periods	43	-
Aggregate income tax expense	<u><u>1,478</u></u>	<u><u>583</u></u>
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 8)	<u>(368)</u>	<u>552</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>4,988</u>	<u>2,320</u>
Tax at the statutory tax rate of 30%	1,496	696
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Foreign branch income	(114)	(183)
- Foreign branch tax expense	8	31
- Sundry items	45	(57)
	<u>1,435</u>	<u>487</u>
Adjustment recognised for prior periods		
Current year decrease/(increase) in deferred tax asset:		
- on tax losses	52	60
- on timing differences	<u>(9)</u>	<u>36</u>
Income tax expense	<u><u>1,478</u></u>	<u><u>583</u></u>

**RedHill Education Limited and its controlled entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2018**

**Note 3. Operating segments**

*Identification of reportable operating segments*

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

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

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

*Types of products and services*

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

Technology & Design	A provider of face-to-face and online courses in information technology, digital design, interactive multimedia, computer coding, digital marketing and games and apps programming, and interior design.
Greenwich	An Australian provider of English Language Intensive Courses for Overseas Students ('ELICOS'), and Vocational Education and Training ('VET') courses for overseas students.
Go Study	An international student advisory recruitment agency with offices in Australia (Sydney, Melbourne, Brisbane, Perth), Europe (Spain, France, Italy) and South America (Colombia). This was previously known as the Student Agency segment.

*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 and its controlled entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2018**

**Note 3. Operating segments (continued)**

*Operating segment information*

<b>Consolidated - 2018</b>	<b>Technology &amp; Design \$'000</b>	<b>Greenwich \$'000</b>	<b>Go Study** \$'000</b>	<b>Intersegment eliminations/ unallocated \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Sales to external customers	18,143	30,949	5,329	-	54,421
Intersegment sales	-	-	482	(482)	-
Total sales revenue	18,143	30,949	5,811	(482)	54,421
Other revenue	-	-	-	173	173
<b>Total revenue</b>	<b>18,143</b>	<b>30,949</b>	<b>5,811</b>	<b>(309)</b>	<b>54,594</b>
<b>Segment operating result</b>	<b>2,833</b>	<b>6,972</b>	<b>748</b>	<b>-</b>	<b>10,553</b>
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(2,189)	(2,189)
Professional and consulting fees	-	-	-	(330)	(330)
Public company related costs	-	-	-	(660)	(660)
Property and occupancy costs	-	-	-	(310)	(310)
Other expenses	-	-	-	(445)	(445)
<b>EBITDA *</b>	<b>2,833</b>	<b>6,972</b>	<b>748</b>	<b>(3,934)</b>	<b>6,619</b>
Depreciation and amortisation	(758)	(364)	(42)	(639)	(1,803)
Finance cost	-	-	-	(1)	(1)
Interest income-unallocated	57	51	11	54	173
<b>Profit/(loss) before income tax expense</b>	<b>2,132</b>	<b>6,659</b>	<b>717</b>	<b>(4,520)</b>	<b>4,988</b>
Income tax expense					(1,478)
<b>Profit after income tax expense</b>					<b>3,510</b>
<b>Assets</b>					
Segment assets	16,783	35,587	2,772	(927)	54,215
<b>Total assets</b>					<b>54,215</b>
<b>Liabilities</b>					
Segment liabilities	7,549	27,727	251	1,640	37,167
<b>Total liabilities</b>					<b>37,167</b>

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

\*\* Previously known as the Student Agency segment.

**RedHill Education Limited and its controlled entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2018**

**Note 3. Operating segments (continued)**

<b>Consolidated - 2017</b>	<b>Technology &amp; Design \$'000</b>	<b>Greenwich \$'000</b>	<b>Go Study** \$'000</b>	<b>Intersegment eliminations/ unallocated \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Sales to external customers	14,866	21,574	5,025	-	41,465
Intersegment sales	-	-	417	(417)	-
Total sales revenue	14,866	21,574	5,442	(417)	41,465
Other revenue	-	-	-	3	3
<b>Total revenue</b>	<b>14,866</b>	<b>21,574</b>	<b>5,442</b>	<b>(414)</b>	<b>41,468</b>
<b>Segment operating result</b>	<b>2,145</b>	<b>3,808</b>	<b>1,323</b>	<b>-</b>	<b>7,276</b>
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(1,798)	(1,798)
Professional and consulting fees	-	-	-	(402)	(402)
Public company related costs	-	-	-	(455)	(455)
Property and occupancy costs	-	-	-	(401)	(401)
Other expenses	-	-	-	(333)	(333)
<b>EBITDA *</b>	<b>2,145</b>	<b>3,808</b>	<b>1,323</b>	<b>(3,389)</b>	<b>3,887</b>
Depreciation and amortisation	(798)	(358)	(33)	(378)	(1,567)
Finance cost	(1)	-	-	(2)	(3)
Interest income-unallocated	-	-	-	3	3
<b>Profit/(loss) before income tax expense</b>	<b>1,346</b>	<b>3,450</b>	<b>1,290</b>	<b>(3,766)</b>	<b>2,320</b>
Income tax expense					(583)
<b>Profit after income tax expense</b>					<b>1,737</b>
<b>Assets</b>					
Segment assets	14,563	25,754	5,658	(5,103)	40,872
<b>Total assets</b>					<b>40,872</b>
<b>Liabilities</b>					
Segment liabilities	5,791	18,853	277	1,476	26,397
<b>Total liabilities</b>					<b>26,397</b>

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

\*\* Previously known as the Student Agency segment.

**Note 4. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Trade receivables	11,454	9,817
Less: Provision for impairment of receivables	(221)	(97)
	<b>11,233</b>	<b>9,720</b>

**RedHill Education Limited and its controlled entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2018**

**Note 4. Current assets - trade and other receivables (continued)**

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	97	81
Additional provisions recognised	252	16
Receivables written off during the year as uncollectable	(128)	-
Closing balance	<u>221</u>	<u>97</u>

**Note 5. Non-current assets - trade receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	<u>11,715</u>	<u>7,408</u>

Non-current trade receivables relate to fees in relation to international students where an agreement has been signed and a payment plan is in place. For the purposes of quantifying the non-current trade receivables, management has made the assumption that the existing outstanding fees in relation to courses that are only expected to be completed in excess of 12 months from the balance date will only be paid in the period following the 12 months from the balance date.

**Note 6. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Leasehold improvements - at cost	5,780	5,551
Less: Accumulated depreciation	(3,388)	(2,524)
	<u>2,392</u>	<u>3,027</u>
Plant and equipment - at cost	4,742	3,933
Less: Accumulated depreciation	(3,294)	(2,636)
	<u>1,448</u>	<u>1,297</u>
Assets under construction - at cost *	<u>2,653</u>	<u>-</u>
	<u>6,493</u>	<u>4,324</u>

\* Represents the capital work in progress associated with the expansion of the Melbourne and Sydney operations.

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**Note 6. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

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

<b>Consolidated</b>	<b>Leasehold improvement \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2016	1,976	1,031	-	3,007
Additions	1,714	844	-	2,558
Depreciation expense	(663)	(578)	-	(1,241)
Balance at 30 June 2017	3,027	1,297	-	4,324
Additions	229	809	2,653	3,691
Depreciation expense	(864)	(658)	-	(1,522)
Balance at 30 June 2018	<u>2,392</u>	<u>1,448</u>	<u>2,653</u>	<u>6,493</u>

**Note 7. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Goodwill - at cost	9,145	9,145
Less: Accumulated Impairment	(3,000)	(3,000)
	<u>6,145</u>	<u>6,145</u>
Customer contracts - at cost	406	406
Less: Accumulated amortisation	(406)	(406)
	<u>-</u>	<u>-</u>
Software - at cost	470	470
Less: Accumulated amortisation	(470)	(470)
	<u>-</u>	<u>-</u>
Copyrights - at cost	5,867	5,695
Less: Accumulated amortisation	(5,471)	(5,190)
	<u>396</u>	<u>505</u>
Licenses - at cost	20	20
Less: Accumulated amortisation	(20)	(20)
	<u>-</u>	<u>-</u>
	<u>6,541</u>	<u>6,650</u>

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**Note 7. Non-current assets - intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	<b>Goodwill \$'000</b>	<b>Copyrights \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2016	6,145	536	6,681
Additions	-	295	295
Amortisation expense	-	(326)	(326)
Balance at 30 June 2017	6,145	505	6,650
Additions	-	172	172
Amortisation expense	-	(281)	(281)
Balance at 30 June 2018	<u>6,145</u>	<u>396</u>	<u>6,541</u>

**Note 8. Non-current assets - deferred tax**

**Consolidated**  
**2018**  
**\$'000**

**2017**  
**\$'000**

*Deferred tax asset comprises temporary differences attributable to:*

Amounts recognised in profit or loss:

Tax losses	-	87
Employee benefits	439	325
Provision for lease make good	100	65
Accrued expenses	267	59
Impairment of intangibles	1,066	1,047
Lease incentive	134	90
Deferred student acquisition costs	(215)	(220)
Other	74	44
Deferred tax asset	<u>1,865</u>	<u>1,497</u>

*Movements:*

Opening balance	1,497	2,049
Credited/(charged) to profit or loss (note 2)	368	(552)
Closing balance	<u>1,865</u>	<u>1,497</u>



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**Note 9. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	2,445	2,224
Deferred revenue	20,997	16,979
Payroll accruals	795	890
Other accruals *	1,381	458
	<u>25,618</u>	<u>20,551</u>

\* The balance at 30 June 2018 includes amounts associated with the capital work in progress (see note 6).

**Note 10. Current liabilities - other provisions**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease incentive provision	<u>231</u>	<u>214</u>

Refer to note 12 for further details on lease incentives.

**Note 11. Non-current liabilities - trade payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred revenue	<u>7,482</u>	<u>3,912</u>

Non-current deferred revenue relates to tuition fees in relation to international students where an agreement has been signed and a payment plan is in place for studies which are not expected to be undertaken until at least 12 months from the balance date.

**Note 12. Non-current liabilities - other provisions**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Lease make-good	463	463
Lease incentive	<u>1,150</u>	<u>525</u>
	<u>1,613</u>	<u>988</u>

*Lease make-good*

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

*Lease incentive*

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

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**Note 13. Equity - issued capital**

	<b>2018</b>	<b>Consolidated</b>	<b>2018</b>	<b>2017</b>
	<b>Shares</b>	<b>2017</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>Shares</b>		
Ordinary shares - fully paid	<u>30,665,052</u>	<u>30,289,052</u>	<u>19,000</u>	<u>18,770</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 July 2016	<u>30,289,052</u>		<u>18,770</u>
Balance	30 June 2017	30,289,052		18,770
Shares issued *	9 November 2017	36,000	\$1.90	67
Shares issued **	17 November 2017	65,000	\$0.30	20
Shares issued **	5 March 2018	25,000	\$0.30	8
Shares issued **	5 March 2018	100,000	\$0.40	40
Shares issued **	5 March 2018	100,000	\$0.50	50
Shares issued **	5 March 2018	<u>50,000</u>	<u>\$0.90</u>	<u>45</u>
Balance	30 June 2018	<u>30,665,052</u>		<u>19,000</u>

\* Shares issued at fair value under the RedHill Education Limited ESOP to certain members of the senior management team on 9 November 2017 for no cash consideration.

\*\* Shares issued upon the exercise of share options issued under the RedHill Education Limited ESOP.

**Note 14. Equity - dividends**

Dividends paid during the financial year were as follows:

	<b>Consolidated</b>	<b>2017</b>
	<b>2018</b>	<b>\$'000</b>
	<b>\$'000</b>	
Dividends paid during the reporting period	1,219	-
Dividends not recognised at the end of the reporting period	<u>613</u>	<u>606</u>
	<u>1,832</u>	<u>606</u>

On 24 August 2018, the directors declared a fully franked dividend of two cents per ordinary share, with a payment date of 26 September 2018 from retained profits at 30 June 2018. For the purposes of determining any entitlement to the dividend, the record date has been set as 7 September 2018.

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

**Note 15. Contingent liabilities**

The consolidated entity has given bank guarantees as at 30 June 2018 of \$2,473,600 (30 June 2017: \$2,329,658) to various lessors.

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**Note 16. Reconciliation of profit after income tax to net cash from operating activities**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax expense for the year	3,510	1,737
Adjustments for:		
Depreciation and amortisation	1,803	1,567
Share-based payments	52	33
Shares issued for nil consideration under ESOP (refer note 13)	67	-
Interest received in restricted accounts	(92)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(5,795)	(10,504)
Decrease/(increase) in deferred tax assets	(368)	552
Increase in prepayments	(484)	(116)
Increase in other operating assets	(682)	(1,425)
Increase in trade and other payables	5,067	9,064
Increase in provision for income tax	1,324	-
Increase in employee benefits	197	79
Increase in other provisions	33	176
Increase in other operating liabilities	3,570	3,912
Net cash from operating activities	<u>8,202</u>	<u>5,075</u>

**Note 17. Earnings per share**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax attributable to the owners of RedHill Education Limited	<u>3,510</u>	<u>1,737</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	30,441,282	30,289,052
Adjustments for calculation of diluted earnings per share:		
Exercisable Options(1)	<u>325,000</u>	<u>190,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share(2)	<u>30,766,282</u>	<u>30,493,683</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	11.53	5.73
Diluted earnings per share	11.41	5.70

*Additional information about the dilutive securities*

(1) All share options which the board have approved and that have past the first date in which the right can be exercised, are considered to be potential ordinary shares. These options have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

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

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**Note 18. Events after the reporting period**

With the exception of the Dividend Declaration as outlined at note 14, no matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.