



REDHILL EDUCATION LIMITED

ANNUAL REPORT 2018



REDHILL EDUCATION LIMITED CORPORATE DIRECTORY

Directors

William J. Beerworth
Glenn Elith
William Deane
Dr Christopher Clark

Company secretary

Lisa Jones

Registered office

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

Principal place of business

Level 2, 7 Kelly Street
Ultimo NSW 2007

Share register

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
Shareholders enquiries: 1300 787 272

Auditor

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

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 20 September 2018
can be found at the following URL:
www.redhilleducation.com/investor-centre/

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CHAIRMAN & CEO REPORT

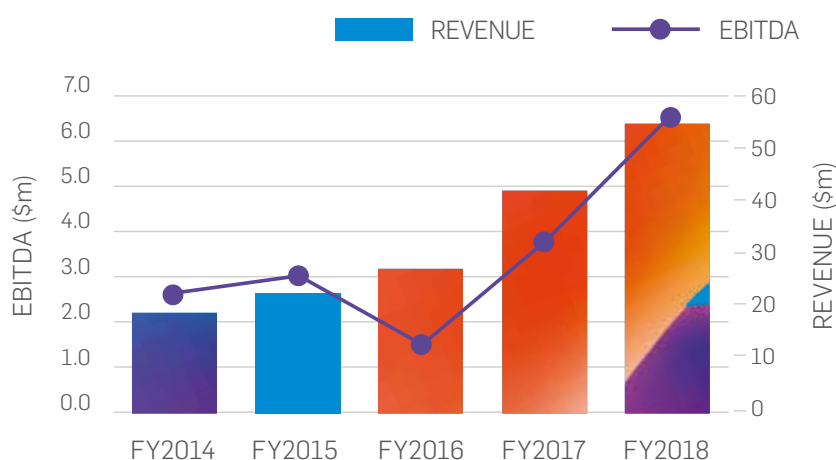
We are delighted to present RedHill Education Limited's ('RedHill's') Annual Report for the Financial Year ended 30 June 2018.

FINANCIAL HIGHLIGHTS

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 as at 30 June 2018 - 58% increase***
- Positive net cashflow from operating activities: **\$8.2 million - \$3.2 million or 64% increase***

REVENUE AND EBITDA



* 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 2018 is included in the Directors' report.



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.

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

OPERATING HIGHLIGHTS

Expansion of the 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 was 78% growth 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.

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') certificates and diploma courses to international students studying in Australia.

In FY2018 GMC delivered revenues of approximately \$8.6 million, which was 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.

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 (FY2017: \$2.1 million), which represented 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.

DIVIDEND DECLARATION

RedHill's directors were pleased to have announced 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 was set at 7 September 2018.



William J. Beerworth
Chairman

20 September 2018
Sydney



Glenn Elith
Chief Executive Officer



Greenwich is the combination of the following:

Greenwich English College ('GEC'), which delivers a range of courses and examinations in the English Language Intensive Courses for Overseas Students ('ELICOS') sector of the private education market; and

Greenwich Management College ('GMC'), which delivers a range of business curriculum VET certificate and diploma qualifications to international students.



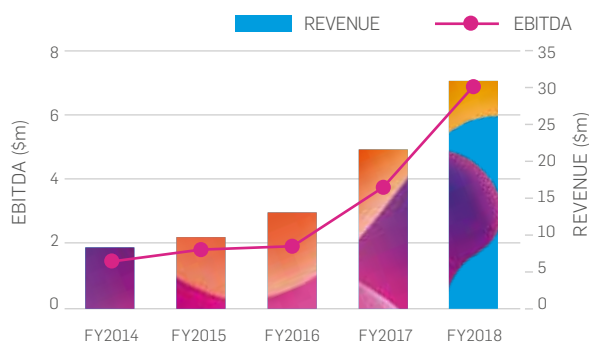
Total international student numbers commencing tertiary study in Australia grew in the 2017 calendar year, and in 2018 on a year-to-date basis. Greenwich anticipates that the Australian market will remain competitive.

Greenwich achieved 43% growth in revenues in FY2018 against the prior year, and 83% growth in operating segment EBITDA over the same period.

Greenwich has continued to perform in line with our expectations in the early months of FY2019.

Greenwich's strong revenue and EBITDA growth in FY2018 was partly due to its expansion into Melbourne and growth of its GMC business.

REVENUE AND EBITDA



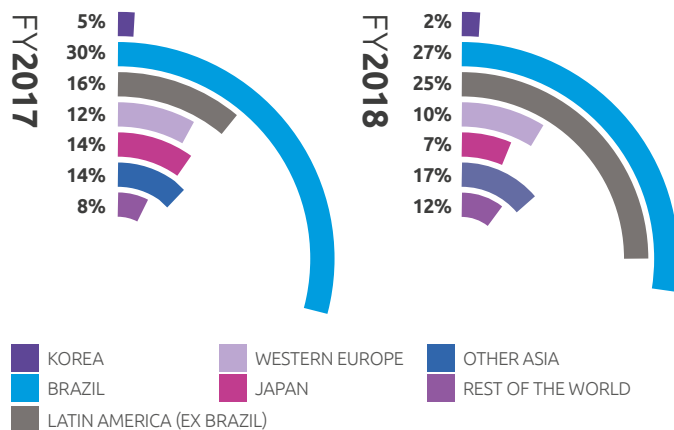
Greenwich operates from quality campuses in the central business districts of Sydney and Melbourne.

Greenwich commenced delivering its GEC courses in Melbourne in September 2015, and delivering its GMC courses in Melbourne in July 2016.

In order to cater for strong growth in Greenwich student demand, RedHill doubled the size of its Melbourne campus in January 2017, and expanded it by a further 50% in July 2018. The Melbourne operations have continued to perform in line with our expectations in the early months of FY2019.

Greenwich sourced students in FY2018 from over 280 international student recruitment agent businesses, and the broad mix of nationalities in its student population has created a vibrant and friendly learning environment.

STUDENT NATIONALITY MIX



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

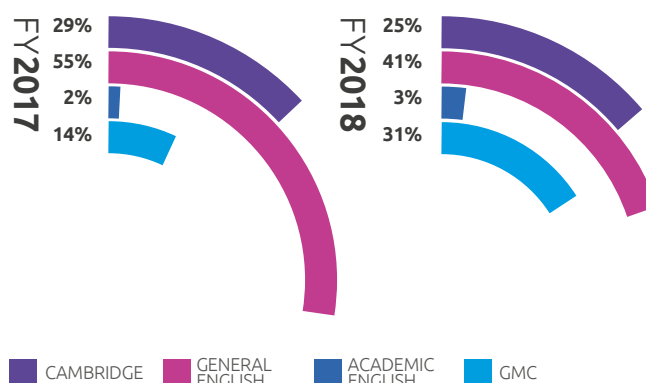
Further expansion of GMC in FY2019 will include:

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

GMC has continued to perform in line with our expectations in the early months of FY2019.

Greenwich has a strong partnership relationship with Cambridge University's English Language Assessment business. In FY2018 Cambridge courses and examinations represented 25% of Greenwich's revenues.

REVENUE BY SOURCE



Technology and Design

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

Academy of Information Technology ('AIT'), a provider of face-to-face and online courses in information technology, digital design, interactive multimedia, digital games development, and apps programming;

Coder Academy ('CA'), a provider of Silicon Valley style bootcamp courses in computer coding and cyber security;

Forge Faculty ('FF'), a provider of short online courses focused on specialised skills which are mapped to and assessed against Australian nationally recognised vocational competencies;

International School of Colour and Design ('ISCD'), a provider of face-to-face and online courses in interior design and styling; and

The Left Bank School ('TLB'), a provider of online and face-to-face courses in digital marketing.

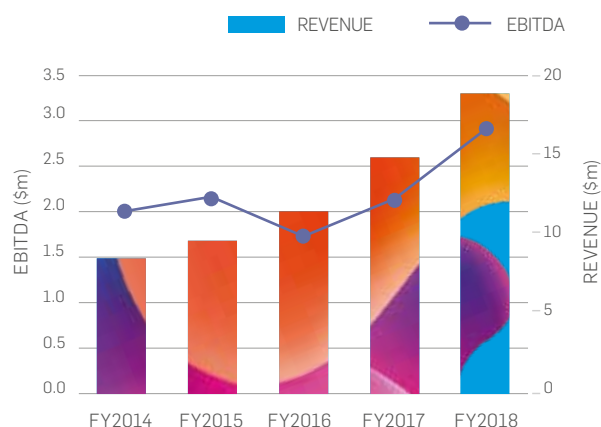
In March 2016, RedHill initiated the formation of the T&D segment to ensure that the organisation's structure efficiently and effectively utilises the capabilities and expertise of its people and supports ongoing business expansion.



T&D achieved 22% growth in revenues in FY2018 against the prior year, and 32% growth in operating segment EBITDA over the same period.

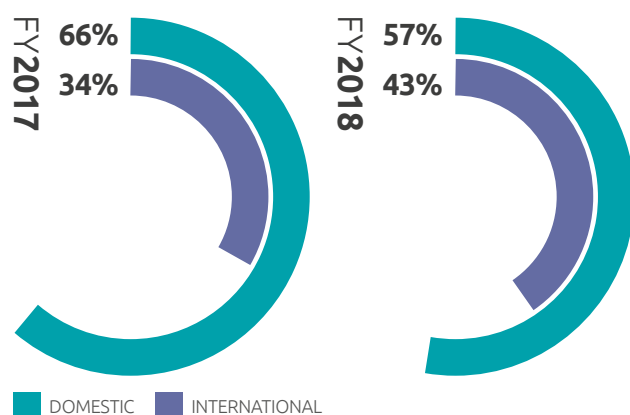
T&D has continued to perform in line with our expectations in the early months of FY2019.

REVENUE AND EBITDA



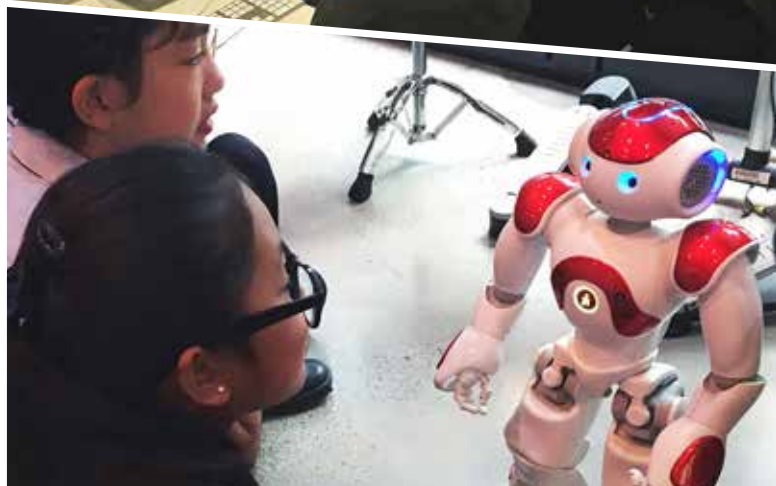
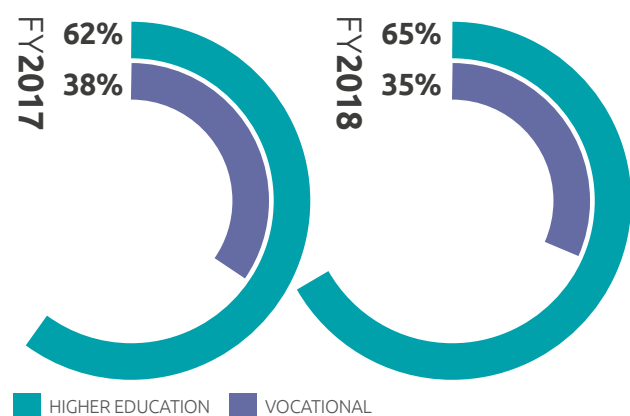
In FY2018 T&D grew its revenues for both domestic and international students, and expanded the nationality mix of its international students. There were 34 different nationalities represented in the T&D student population in FY2018.

STUDENT NATIONALITY MIX



T&D increased its proportion of Higher Education revenues in FY2018.

REVENUE BY SOURCE



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

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

For further information on FF visit its website at www.forgefaculty.com.au

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

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



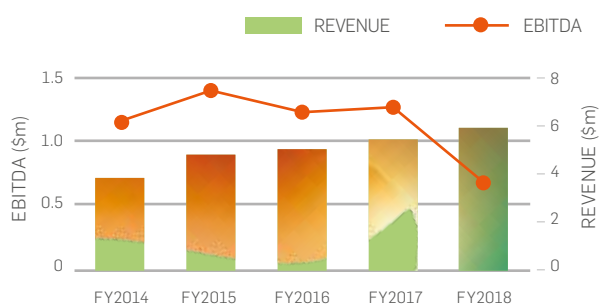
Go Study Australia ('Go Study') is an international tertiary student recruitment agency business with offices in Italy, Spain, France, Colombia and Australia.

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 150 different tertiary education providers across Australia for enrolment of students into their courses.



Go Study achieved 7% growth in revenues in FY2018 against the prior year, and 43% decline in operating segment EBITDA over the same period. The decline in operating segment EBITDA was largely the result of the investment in office expansion and new business development activities, which we believe are important to enhance Go Study's future revenue and profit growth. The business has continued to perform in line with our expectations in the early months of FY2019.

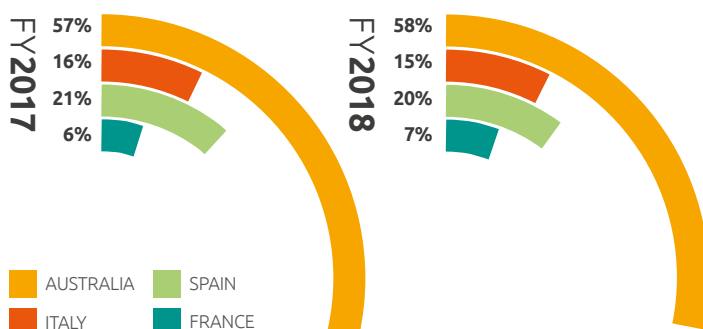
REVENUE AND EBITDA



Go Study opened new offices in Colombia during FY2018, which are performing in line with our expectations in the early months of FY2019.

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

REVENUE BY COUNTRY



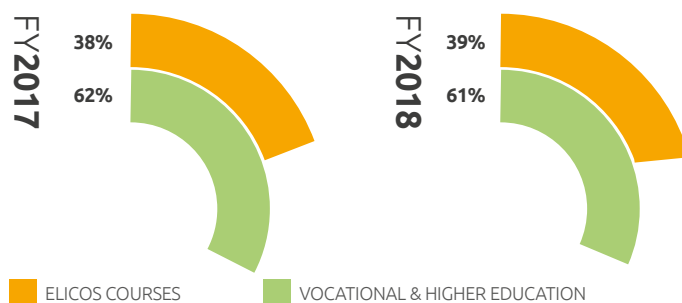
Colombia represented less than 1% of revenues in FY2018.

Go Study increased the number of students it recruited into both ELICOS and Vocational courses in FY2018.

A greater number of Go Study's students are undertaking ELICOS courses followed by either Vocational or Higher Education courses.

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

REVENUE BY COURSE TYPE





REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

30 JUNE 2018

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 2018 ('FY2018').

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

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

Ms Caroline Trotman joined the Board on 15 October 2012 and resigned from the board on 28 November 2017.

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: | \$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 as at 30 June 2018 - 58% increase* |
| • Positive net cashflow from operating activities: | \$8.2 million - \$3.2 million or 64% increase* |

* 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 2018 is included in this report.

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.



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

DIVIDENDS DECLARATION

RedHill's directors were pleased to have announced 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 was set at 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.

OPERATIONAL OVERVIEW

Expansion of Melbourne campus

RedHill commenced operations at its substantial Melbourne campus in September 2015, providing a major opportunity for the consolidated entity 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.

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 growth of 241% 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.

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 (FY2017: \$2.1 million), which represented 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.



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

OPERATIONAL DETAIL

Greenwich operating segment

Greenwich achieved 43% growth in revenues in FY2018 against the prior year, and 83% growth in operating segment EBITDA over the same period.

Greenwich has continued to perform in line with our expectations in the early months of FY2019.

Greenwich is the combination of the following:

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

Greenwich's strong revenue and EBITDA growth in FY2018 was partly due to its expansion into Melbourne and growth of its GMC business.

Greenwich has a strong partnership relationship with Cambridge University's English Language Assessment business. In FY2018 Cambridge courses and examinations represented 25% of Greenwich's revenues.

Technology & Design operating segment

T&D achieved 22% growth in revenues in FY2018 against the prior year, and 32% growth in operating segment EBITDA over the same period.

T&D has continued to perform in line with our expectations in the early months of FY2019.

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

- Academy of Information Technology ('AIT'), a provider of face-to-face and online courses in information technology, digital design, interactive multimedia, digital games development, and apps programming;
- Coder Academy ('CA'), a provider of Silicon Valley style bootcamp courses in computer coding and cyber security;
- Forge Faculty ('FF'), a provider of short online courses focused on specialised skills which are mapped to and assessed against Australian nationally recognised vocational competencies;
- International School of Colour and Design ('ISCD'), a provider of face-to-face and online courses in interior design and styling; and
- The Left Bank School ('TLB'), a provider of online and face-to-face courses in digital marketing.

In FY2018 T&D grew its revenues for both domestic and international students, and expanded the nationality mix of its international students. There were 34 different nationalities represented in the T&D student population in FY2018.

T&D increased its proportion of Higher Education revenues in FY2018.



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Go Study operating segment

Go Study Australia ('Go Study') achieved 7% growth in revenues in FY2018 against the prior year, and 43% decline in operating segment EBITDA over the same period. The decline in operating segment EBITDA was largely the result of the investment in office expansion and new business development activities, which we believe are important to enhance Go Study's future revenue and profit growth.

Go Study has continued to perform in line with our expectations in the early months of FY2019.

Go Study opened new offices in Colombia during FY2018, which are performing in line with our expectations in the early months of FY2019.

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

Go Study increased the number of students it recruited into both ELICOS and Vocational courses in FY2018.

A greater number of Go Study's student are undertaking ELICOS courses followed by either Vocational or Higher Education courses.

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

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

FINANCIAL DETAIL

The revenue for the consolidated entity grew by 32% to \$54.6 million for the year ended 30 June 2018 (30 June 2017: \$41.5 million).

The profit after income tax for the consolidated entity increased by 102% to \$3.5 million for the year ended 30 June 2018 (30 June 2017: \$1.7 million).

The consolidated entity's earnings before interest, tax, depreciation and amortisation for the financial year ended 30 June 2018 increased by 70% to \$6.6 million (30 June 2017: \$3.9 million).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards 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 2018

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

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



REDHILL EDUCATION LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The balance of cash and cash equivalents at 30 June 2018 was \$10.0 million (30 June 2017: \$6.3 million). There was a net increase in cash and cash equivalents for the consolidated entity for the financial year ended 30 June 2018 of \$3.7 million (30 June 2017: \$1.4 million).

Net cash used in investing activities by the consolidated entity for the financial year ended 30 June 2018 was \$3.5 million (30 June 2017: \$3.6 million). The net cash used in investing activities for the financial year ended 30 June 2018 was primarily attributed to course development, security deposits for leased premises, refurbishment of the Greenwich Sydney campus, and fitting-out of RedHill's expanded Melbourne campus.

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 2018.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Commonwealth or State law.






REDHILL EDUCATION LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

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.
Former directorships (in the last 3 years):	Experience Co Limited (ASX:EXP) (formerly Skydive The Beach Group Limited (ASX code: SKB))
Special responsibilities:	Bill is a member of the Remuneration Committee, the Audit and Risk Management Committee, and the Nominations Committee.
Interests in shares:	None
Interests in options:	None

Name:	Glenn Elith
Title:	Managing Director and Chief Executive Officer
Qualifications:	B Bus (UTS), Chartered Accountant
Experience and expertise:	Glenn commenced his professional career in the audit division of Coopers and Lybrand (now PricewaterhouseCoopers), where he obtained his chartered accounting qualification. He has developed a broad operational and strategic perspective by working across multiple business sectors including manufacturing, consumer goods, hospitality, retail and services. He has worked at large organisations including Lion Nathan (now Lion Co) and George Weston Foods, and at high-growth entrepreneurial businesses including specialty retailer Macro Wholefoods Market (now owned by Woolworths Limited). Glenn joined RedHill in January 2012, and was appointed Chief Executive Officer in March of that year.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	275,000 ordinary shares
Interests in options:	475,000 options over ordinary shares under the Employee Share Option Plan on terms approved by the company's shareholders.



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Name:	William Deane
Title:	Non-executive Director
Qualifications:	BA (Sydney), LLB (Bond)
Experience and expertise:	Will is a managing director of Exto Partners Pty Ltd, a Sydney-based venture capital firm formed in 2003. Will is a director of several of Exto Partners' unlisted investee companies and is experienced at building high growth companies. He has practised as a corporate lawyer in Australia with Ashurst (formerly Blake Dawson) and in the United States with Skadden Arps and Sidley Austin. As a lawyer he focussed on equity capital markets and mergers and acquisitions.
Other current directorships:	Managing Director of Exto Partners Pty Ltd, a venture capital firm specialising in technology investments. Director of Building IQ Inc (ASX code: BIQ).
Former directorships (in the last 3 years):	None
Special responsibilities:	Will is a member of the Remuneration Committee, the Nominations Committee, and is the Chairman of the Audit and Risk Management Committee.
Interests in shares:	86,666 ordinary shares are beneficially held through Exto Partners Australia Pty Ltd and due to the ownership structure of that company Will only claims an interest in 50% of those shares.
Interests in options:	None

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 is the Chairman of the Remuneration Committee and the Nominations Committee.
Interests in shares:	17,843 ordinary shares
Interests in options:	None

Ms Caroline Trotman joined the board on 15 October 2012 and resigned from the Board on 28 November 2017.

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 2018

COMPANY SECRETARY

Ian Gilmour resigned as Company Secretary on 25 July 2017.

Glenn Elith was appointed as Company Secretary on 25 July 2017 and resigned on 21 September 2017.

Lisa Jones was appointed as Company Secretary on 21 September 2017. Lisa is an experienced corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs, working with both public and private companies in Australia and in Europe. Lisa has particular experience working with high growth and emerging companies in the technology, biotech and oil & gas sectors. She was a senior associate in the corporate & commercial practice of Allen Allen & Hemsley and has held executive positions with private and public listed companies in Australia and in Italy.

MEETINGS OF DIRECTORS

The number of meetings of the company's directors ('the Board') and of each board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Board		Audit and Risk Management Committee		Remuneration Committee		Nominations Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
William J. Beerworth	10	10	2	2	4	4	2	2
Glenn Elith*	9	10	2	-	-	-	2	-
William Deane	10	10	2	2	4	4	2	2
Dr Christopher Clark	9	10	2	2	4	4	2	2
Caroline Trotman	2	5	1	1	2	2	-	-

Held: represents the number of meetings held at which the director was eligible to attend, during the time the director held office or was a member of the relevant committee.

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





REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

REMUNERATION REPORT (AUDITED)

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

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

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

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

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

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

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

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

The Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity. External advice in respect of this framework is sought from time to time as detailed in the "Remuneration consultant" section below.

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

Non-executive director remuneration is structured to be aligned to 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.



REDHILL EDUCATION LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

REMUNERATION REPORT (AUDITED)

Remuneration consultant

From time to time, the Remuneration Committee engages advisors to assist in the continual development of the consolidated entities remuneration policies and framework. During the year ended 30 June 2018, Egan & Associates were engaged to provide independent recommendations on the consolidated entity's remuneration strategy.

The Remuneration Committee along with the Board are satisfied that the advice obtained was independent and was free from any undue influence by management.

Fees paid in respect of this advice totalled \$19,635 for the year ended 30 June 2018.

Non-executive directors' remuneration

The approved aggregate maximum amount payable to non-executive directors as director fees (excluding salary payments to the executive directors) is \$500,000 per annum.

Fees paid to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. These fees are reviewed annually to ensure they are appropriate and in line with the market. The Chairman's fees are determined independently of the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Executive remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and level of responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other statutory components including superannuation and long service leave.

The combination of these comprises the executive's total available remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional cost to the consolidated entity and adds additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives responsible for meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product innovation management.

The directors consider that there is a positive correlation between the company's remuneration policies and its financial performance.

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

REMUNERATION REPORT (AUDITED)

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 2018 consisted of the directors of RedHill Education Limited, including Glenn Elith who is an executive director.

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

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

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

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

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



REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

REMUNERATION REPORT (AUDITED)

2017	Short term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Salary and fees \$	Bonus* \$	Termination benefits \$	Super-annuation \$	Long service**** \$	Equity-settled (options) \$	Total \$
Non-executive Directors:							
William J. Beerworth	125,000	-	-	-	-	-	125,000
William Deane	85,000	-	-	-	-	-	85,000
Dr Christopher Clark	65,000	-	-	-	-	-	65,000
Caroline Trotman**	65,000	-	-	-	-	-	65,000
Executive Director:							
Glenn Elith ***	386,614	100,000	-	19,616	3,425	20,192	529,847
	726,614	100,000	-	19,616	3,425	20,192	869,847

* Bonus payments assessed and paid on a performance basis. \$70,000 was paid in August 2016 and \$30,000 was paid in February 2017.

** \$20,000 above the standard non-executive director's fee was paid to William Deane for the period that he performed the role of Acting Chairman.

*** Cash salary and fees represent Mr Elith's base salary of \$375,000 adjusted for the net increase in his annual leave provision during the period.

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

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

REMUNERATION REPORT (AUDITED)

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 \$400,000 plus statutory superannuation. 12 weeks' termination notice by either party.

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

D. SHARE-BASED COMPENSATION

Issue of shares

The company issued 340,000 shares to directors and KMP on the exercise of options during the year ended 30 June 2018 and up to the date of this report (year ended 30 June 2017: nil).

Options

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

Grant date	Number of options	Vesting and exercisable date	Expiry date	Exercise date	Fair value per option at grant date*
22/05/2014	100,000	23/05/2017	22/05/2019	\$0.90	\$0.130
22/05/2014	150,000	23/05/2017	22/05/2019	\$1.10	\$0.081
12/12/2016	75,000	25/11/2017	12/12/2021	\$1.25	\$0.044
12/12/2016	75,000	25/11/2018	12/12/2021	\$1.75	\$0.007
12/12/2016	75,000	25/11/2019	12/12/2021	\$2.25	\$0.0003

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



REDHILL EDUCATION LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

REMUNERATION REPORT (AUDITED)

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other KMP as part of compensation during the year ended 30 June 2018 are set out below:

	Number of options granted in 2018	Number of options granted in 2017	Number of options vested in 2018	Number of options vested in 2017
Glenn Elith	-	225,000	175,000	400,000

Values of options over ordinary shares granted to and vested by directors and other KMP as part of compensation during the year ended 30 June 2018 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* \$
Glenn Elith	-	83,838	-

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

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

REMUNERATION REPORT (AUDITED)

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:

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Received on exercise of options	Disposals	Balance at the end of the year
William Deane*	316,666	-	-	(230,000)	86,666
Glenn Elith**	110,000	-	340,000	(175,000)	275,000
Dr Christopher Clark	17,843	-	-	-	17,843
	444,509	-	340,000	(405,000)	379,509

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

** The shares received during the period were issued pursuant to the exercise of options previously issued to Mr Elith. Exercise price consideration of \$162,000 was paid by Mr Elith. Details of the options exercised are set out below.

Details	Date	Shares	Issue price
Shares issued on exercise of options	17 November 2017	65,000	\$0.30
Shares issued on exercise of options	5 March 2018	25,000	\$0.30
Shares issued on exercise of options	5 March 2018	100,000	\$0.40
Shares issued on exercise of options	5 March 2018	100,000	\$0.50
Shares issued on exercise of options	5 March 2018	50,000	\$0.90

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:

Options over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Glenn Elith	815,000	-	(340,000)	-	475,000
	815,000	-	(340,000)	-	475,000

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

REMUNERATION REPORT (AUDITED)

F. PERFORMANCE OF THE COMPANY AND SHAREHOLDER RETURNS

RedHill's performance is impacted by market factors and employee performance.

The application of RedHill's executive reward framework has regard to the following shareholder return indices in respect of each financial year.

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Revenue	54,594	41,468	28,320	22,794	19,215
% growth in revenue over prior period	32%	46%	24%	19%	19%
EBITDA	6,619	3,887	1,504	3,010	2,713
Net profit for the period	3,510	1,737	330	1,652	4,816
Basic earnings per share (cents)	11.53	5.73	1.09	5.47	15.97
Share price at the end of each financial year (\$)	3.15	1.26	0.85	1.33	1.08
% increase / (decrease) in share price over prior period	150%	48%	(36%)	23%	414%

The directors consider that there is a positive correlation between RedHill's performance and its remuneration policies.

This concludes the Remuneration report, which has been audited.

SHARES UNDER OPTION

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

Grant date	Number of options	Vesting and exercisable date	Expiry date	Exercise price
22/05/2014	100,000	23/05/2017	22/05/2019	\$0.90
22/05/2014	150,000	23/05/2017	22/05/2019	\$1.10
12/12/2016	75,000	25/11/2017	12/12/2021	\$1.25
12/12/2016	75,000	25/11/2018	12/12/2021	\$1.75
12/12/2016	75,000	25/11/2019	12/12/2021	\$2.25
8/11/2017	180,000	9/11/2018	9/11/2020	\$1.20
8/11/2017	180,000	9/11/2019	9/11/2021	\$1.40
8/11/2017	180,000	9/11/2020	9/11/2022	\$1.60
8/11/2017	180,000	9/11/2021	9/11/2023	\$1.80
	<u>1,195,000</u>			

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The company issued 340,000 shares to directors and KMP on the exercise of options during the year ended 30 June 2018 and up to the date of this report (2017: nil).

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.

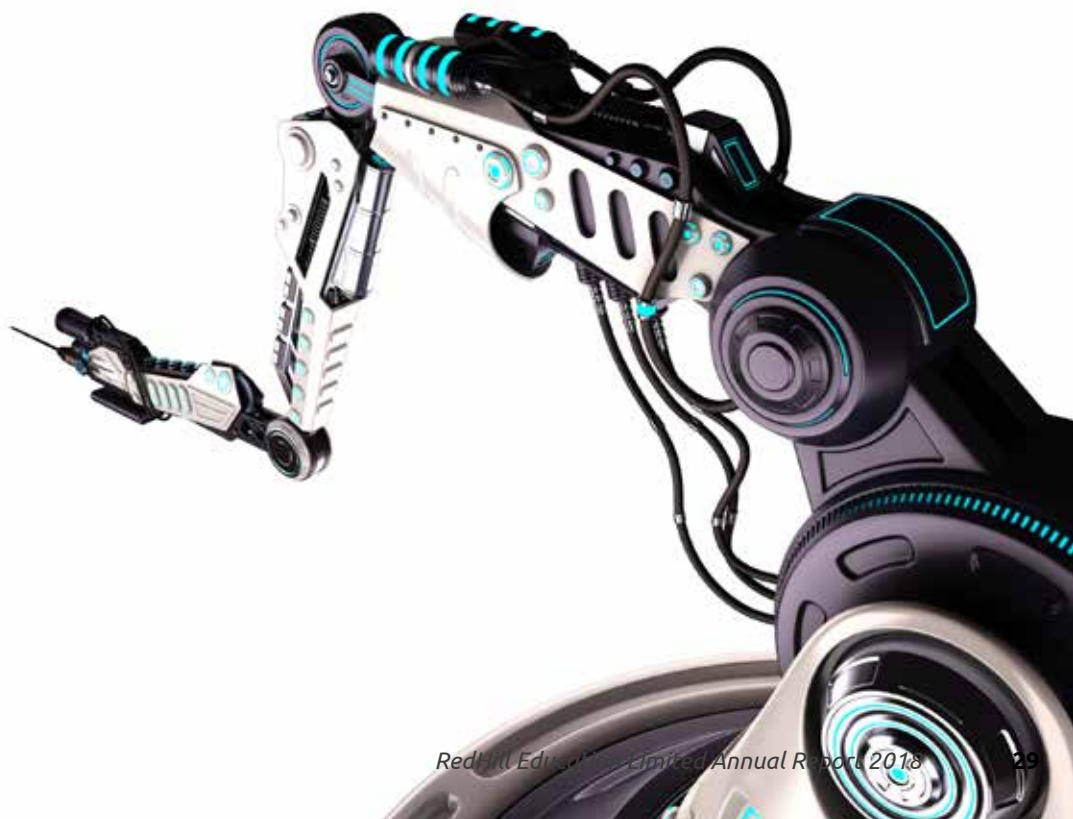
INDEMNITY AND INSURANCE OF AUDITOR

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





REDHILL EDUCATION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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 30 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 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF GRANT THORNTON AUDIT PTY LTD

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

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITOR

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



William J. Beerworth
Chairman

20 September 2018
Sydney

Auditor's Independence Declaration

To the Directors of RedHill Education Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of RedHill Education Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



A L Spowart
Partner – Audit & Assurance

Sydney, 20 September 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
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REDHILL EDUCATION LIMITED FINANCIAL REPORT 30 JUNE 2018

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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 20 September 2018. The directors have the power to amend and reissue the financial statements.



REDHILL EDUCATION LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		Consolidated	
	Note	2018 \$'000	2017 \$'000
Revenue	4	54,594	41,468
Expenses			
Salaries and employee benefits expense		(26,413)	(20,955)
Cost of services		(9,514)	(7,085)
Depreciation and amortisation expense	5	(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)
Profit before income tax expense		4,988	2,320
Income tax expense	6	(1,478)	(583)
Profit after income tax expense for the year attributable to the owners of RedHill Education Limited	26	3,510	1,737
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of RedHill Education Limited		3,510	1,737
		Cents	Cents
Basic earnings per share	38	11.53	5.73
Diluted earnings per share	38	11.41	5.70

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

REDHILL EDUCATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Consolidated	
		2018	2017
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	7	9,980	6,314
Trade and other receivables	8	13,286	9,720
Prepayments and other assets	9	2,934	2,235
Total current assets		26,200	18,269
Non-current assets			
Trade receivables	10	11,715	7,408
Property, plant and equipment	11	6,493	4,324
Intangible assets	12	6,541	6,650
Deferred tax	13	1,865	1,497
Other financial assets	14	3,454	2,724
Total non-current assets		30,068	22,603
Total assets		56,268	40,872
Liabilities			
Current liabilities			
Trade and other payables	15	4,621	3,572
Deferred revenue	16	23,050	16,979
Finance lease	17	10	31
Current tax liabilities		1,324	-
Employee benefits	18	744	510
Provisions	19	231	214
Total current liabilities		29,980	21,306
Non-current liabilities			
Deferred revenue	20	7,482	3,912
Finance lease	21	32	41
Employee benefits	22	113	150
Provisions	23	1,613	988
Total non-current liabilities		9,240	5,091
Total liabilities		39,220	26,397
Net assets		17,048	14,475
Equity			
Issued capital	24	19,000	18,770
Reserves	25	79	111
Accumulated losses	26	(2,031)	(4,406)
Total equity		17,048	14,475

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

REDHILL EDUCATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
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 (note 39)	-	33	-	33
Recycling of lapsed and exercised options	-	(3)	3	-
Balance at 30 June 2017	18,770	111	(4,406)	14,475
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	18,770	111	(4,406)	14,475
Profit after income tax expense for the year	-	-	3,510	3,510
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,510	3,510
<i>Transactions with shareholders in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 24)	230	-	-	230
Share-based payments (note 39)	-	52	-	52
Fair value of exercised options	-	(84)	84	-
Dividends paid (note 27)	-	-	(1,219)	(1,219)
Balance at 30 June 2018	19,000	79	(2,031)	17,048

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

REDHILL EDUCATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

		Consolidated	
	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		46,543	39,021
Payments to suppliers and employees (inclusive of GST)		(37,899)	(33,913)
		8,644	5,108
Interest received		81	3
Interest and other finance costs paid		(1)	(3)
Income taxes paid		(522)	(33)
Net cash from operating activities	37	8,202	5,075
Cash flows from investing activities			
Advances made for security deposits		(263)	(741)
Payments for property, plant and equipment		(3,043)	(2,558)
Payments for intangibles		(172)	(295)
Net cash used in investing activities		(3,478)	(3,594)
Cash flows from financing activities			
Proceeds from issue of shares	24	163	-
Proceeds from new finance leases		28	-
Finance lease repayments		(30)	(35)
Dividends paid		(1,219)	-
Net cash used in financing activities		(1,058)	(35)
Net increase in cash and cash equivalents		3,666	1,446
Cash and cash equivalents at the beginning of the financial year		6,314	4,868
Cash and cash equivalents at the end of the financial year	7	9,980	6,314

The 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 2018

NOTE 1. **Significant accounting policies**

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

New, revised or amended Accounting Standards and Interpretations adopted

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

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

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 34.

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 2018 and the results of all subsidiaries for the year then ended. RedHill Education Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses

are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

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

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

Operating segments

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

Revenue recognition

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.



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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 'parent entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and

each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

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

Current and non-current classification

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

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



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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 offset against the costs of those assets.

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

Assets under construction

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

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

Leases

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

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

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

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

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses



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recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

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

Software

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

Copyrights and licenses

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

Impairment of non-financial assets

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

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Deferred revenue

Deferred revenue relates to tuition fees invoiced but not yet earned in relation to all student tuition invoices. These invoiced tuition fees are recognised as revenue in monthly increments as the education services are provided to the students.

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.

Employee benefits

Short-term employee benefits

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

Long-term employee benefits

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



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Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

Fair value measurement

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

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

relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

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

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

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

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



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Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic

earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential on ordinary shares at balance date and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares during the financial year.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. 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.

There are new simpler hedge accounting requirements and an 'expected credit loss' model to recognise impairment allowance.

The consolidated entity will adopt this standard from 1 July 2018.

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



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The impact of adoption of this standard has been assessed in conjunction with the adoption of AASB15, and is disclosed below.

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 the consolidated entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the consolidated entity expects to be entitled in exchange for those goods or services.

The standard will require:

- i. contracts (either written, verbal or implied) to be identified,
- ii. together with the separate performance obligations within the contract;
- iii. determine the transaction price, adjusting for the time value of money excluding credit risk;
- iv. 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
- v. recognition of revenue when each performance obligation is satisfied.

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

For all services, the performance obligation is satisfied when the service has been provided. Specifically, for tuition related performance obligations to be satisfied over time, the consolidated entity would select the duration (period)

of study to measure the progress of the obligation to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with students will be presented in the consolidated entity's statement of financial position as a deferred revenue (contract liability), and a trade receivable (contract asset) which do not have a financing component, except for the time value of money and will be reflective of the terms of the contract and the customary business practices which is reflected in the transaction price.

As a practical expedient, the consolidated entity need not adjust the transaction price for the effects of the time value of money if the consolidated entity expects, at enrolment date, that the period between when the consolidated entity transfers an agreed service to a student and when the student pays for that service will be one year or less.

Where receipts have been recorded in advance of services being performed, it will be recognised as deferred revenue in the statement of financial position. Revenue is then recognised as outlined above.

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.

It is not expected to significantly impact the financial statements on the basis that most of the consolidated entity's revenue is recognised over the duration (period) of study being provided to a student which represents the satisfaction of the primary performance obligation.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term.

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.

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

The consolidated entity will adopt this standard from 1 July 2019.

Had the standard been adopted from 1 July 2017, and using the transitional rules available, the consolidated entity would have recognised a lease liability of \$19.9m with a corresponding increase in property, plant and equipment by recognising a right of use asset.



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IASB revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework has been issued by the International Accounting Standards Board ('IASB'), but the Australian equivalent has yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accountings standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The consolidated entity will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

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.

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 2018. Refer to note 12 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.



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Recovery of deferred tax assets

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

Lease make good provision

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

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

Types of products and services

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

TECHNOLOGY & DESIGN

A provider of face-to-face and online courses in information technology, digital design, interactive multimedia, computer coding, digital marketing, games and apps programming, and interior design.

GREENWICH

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

GO STUDY

An international student advisory recruitment agency with offices in Australia (Sydney, Melbourne, Brisbane, Perth), Europe (Spain, France, Italy) and South America (Colombia). This was previously known as the Student Agency segment.

Major customers

The consolidated entity has no significant individual customers.

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.

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FOR THE YEAR ENDED 30 JUNE 2018

Operating segment information

	Technology & Design \$'000	Greenwich \$'000	Go Study *** \$'000	Intersegment eliminations/ unallocated** \$'000	Total \$'000
Consolidated - 2018					
Revenue					
Sales to external customers	18,143	30,949	5,329	-	54,421
Intersegment sales	-	-	482	(482)	-
Total sales revenue	18,143	30,949	5,811	(482)	54,421
Other revenue	-	-	-	173	173
Total revenue	18,143	30,949	5,811	(309)	54,594
Segment operating result	2,833	6,972	748	-	10,553
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(2,189)	(2,189)
Professional and consulting fees	-	-	-	(330)	(330)
Public company related costs	-	-	-	(660)	(660)
Property and occupancy costs	-	-	-	(310)	(310)
Other expenses	-	-	-	(445)	(445)
EBITDA *	2,833	6,972	748	(3,934)	6,619
Depreciation and amortisation	(758)	(364)	(42)	(639)	(1,803)
Finance cost	-	-	-	(1)	(1)
Interest income-unallocated	57	51	11	54	173
Profit/(loss) before income tax expense	2,132	6,659	717	(4,520)	4,988
Income tax expense					(1,478)
Profit after income tax expense					3,510
Assets					
Segment assets **	18,836	35,587	2,772	(927)	56,268
Total assets					56,268
Liabilities					
Segment liabilities **	9,602	27,727	251	1,640	39,220
Total liabilities					39,220

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

** Segment assets for the Intersegment eliminations/unallocated assets include intersegment asset eliminations of (\$18,547) and unallocated assets of \$17,620. Segment liabilities for the Intersegment eliminations/unallocated liabilities include intersegment liability eliminations of (\$15,923) and unallocated liabilities of \$17,563.

*** Previously known as the Student Agency segment.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Operating segment information (continued)

	Technology & Design \$'000	Greenwich \$'000	Go Study *** \$'000	Intersegment eliminations/ unallocated** \$'000	Total \$'000
Consolidated - 2017					
Revenue					
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
Total revenue	14,866	21,574	5,442	(414)	41,468
Segment operating result	2,145	3,808	1,323	-	7,276
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)
EBITDA *	2,145	3,808	1,323	(3,389)	3,887
Depreciation and amortisation	(798)	(358)	(33)	(378)	(1,567)
Finance cost	(1)	-	-	(2)	(3)
Interest income-unallocated	-	-	-	3	3
Profit/(loss) before income tax expense	1,346	3,450	1,290	(3,766)	2,320
Income tax expense					(583)
Profit after income tax expense					1,737
Assets					
Segment assets **	14,563	25,754	5,658	(5,103)	40,872
Total assets					40,872
Liabilities					
Segment liabilities **	5,791	18,853	277	1,476	26,397
Total liabilities					26,397

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

** Segment assets for the Intersegment eliminations/unallocated assets include intersegment asset eliminations of (\$21,218) and unallocated assets of \$16,115. Segment liabilities for the Intersegment eliminations/unallocated liabilities include intersegment liability eliminations of (\$18,112) and unallocated liabilities of \$19,588.

*** Previously known as the Student Agency segment.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 4. Revenue

	Consolidated	
	2018 \$'000	2017 \$'000
<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	<u>173</u>	<u>3</u>
Total revenue	<u><u>54,594</u></u>	<u><u>41,468</u></u>

NOTE 5. Expenses

	Consolidated	
	2018 \$'000	2017 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	864	663
Plant and equipment	658	578
Total depreciation	<u>1,522</u>	<u>1,241</u>
<i>Amortisation</i>		
Copyrights	<u>281</u>	<u>326</u>
Total depreciation and amortisation	<u><u>1,803</u></u>	<u><u>1,567</u></u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>4,608</u>	<u>3,957</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>1,889</u>	<u>1,430</u>

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6. Income tax expense

	Consolidated	
	2018	2017
	\$'000	\$'000
<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	1,478	583
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 13)	(368)	552
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	4,988	2,320
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)
	1,435	487
Adjustments to opening deferred tax asset:		
– on tax losses	52	60
– on timing differences	(9)	36
Income tax expense	1,478	583

NOTE 7. Current assets - cash and cash equivalents

	Consolidated	
	2018	2017
	\$'000	\$'000
Cash at bank and on hand	9,980	6,314

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 8. Current assets - trade and other receivables

	Consolidated	
	2018	2017
	\$'000	\$'000
Trade receivables	13,507	9,817
Less: Provision for impairment of receivables	(221)	(97)
	<u>13,286</u>	<u>9,720</u>

Impairment of receivables

The consolidated entity has recognised a loss of \$252,000 (2017: loss of \$16,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

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

	Consolidated	
	2018	2017
	\$'000	\$'000
Over six months overdue	<u>221</u>	<u>97</u>

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

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

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$2,406,000 as at 30 June 2018 (\$953,000 as at 30 June 2017).

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 revenue balance in note 16.

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

	Consolidated	
	2018	2017
	\$'000	\$'000
One to three months overdue	1,315	283
Three to six months overdue	357	190
Over six months overdue	<u>734</u>	<u>480</u>
	<u>2,406</u>	<u>953</u>

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9.

Current assets - prepayments and other assets

	Consolidated	
	2018	2017
	\$'000	\$'000
Lease incentive asset	193	96
Prepayments	1,254	867
Deposits	143	57
Other current assets	1,344	1,215
	<u>2,934</u>	<u>2,235</u>

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

NOTE 10.

Non-current assets - trade receivables

	Consolidated	
	2018	2017
	\$'000	\$'000
Trade receivables	11,715	7,408

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 11.

Non-current assets - property, plant and equipment

	Consolidated	
	2018	2017
	\$'000	\$'000
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 *	2,653	-
	<u>6,493</u>	<u>4,324</u>

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Reconciliations

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

Consolidated	Leasehold improvement \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Balance at 1 July 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	2,392	1,448	2,653	6,493

NOTE 12.

Non-current assets – intangible assets

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Reconciliations

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

Consolidated	Goodwill \$'000	Copyrights \$'000	Total \$'000
Balance at 1 July 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	6,145	396	6,541

(a) Impairment tests for goodwill

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

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

	Carrying amount of goodwill	
	2018 \$'000	2017 \$'000
Cash Generating Unit		
Technology & Design	6,145	6,145

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

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

(b) Significant assumptions used for value-in-use calculations

	2018	2017
Post tax discount rate	15.5%	15.0%
Student growth rate	5.0% - 40.0%	5.0% - 40.0%
Student growth rate - terminal value	2.5%	2.5%
Revenue price increase *	4.0% - 5.0%	4.0% - 5.0%
Annual rate of cost increase - variable	0% - 50.0%	0% - 50.0%
Annual rate of cost increase - fixed	4.0%	4.0%

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

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

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

(c) Impairment for goodwill

The directors have formed the view that no impairment of the carrying value of goodwill is required for the Technology & Design CGU as at 30 June 2018.

(d) Impact of possible changes in key assumptions

Management have carried out sensitivity analysis on the recoverable amount based on their viewpoint of a reasonably possible change in the discount rate of +/-3.0% and the student growth rate of +/- 5.0%. Based on the sensitivity analysis carried out, the recoverable amount of goodwill attributed to Technology & Design operating CGU is in excess of the carrying amount and there is no impairment required as at 30 June 2018.

NOTE 13.

Non-current assets - deferred tax

	Consolidated	
	2018	2017
	\$'000	\$'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
Intangibles	1,066	1,047
Lease incentive	134	90
Deferred student acquisition costs	(215)	(220)
Other	74	44
Deferred tax asset	1,865	1,497
Movements:		
Opening balance	1,497	2,049
Credited/(charged) to profit or loss (note 6)	368	(552)
Closing balance	1,865	1,497

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14.

Non-current assets - other financial assets

	Consolidated	
	2018	2017
	\$'000	\$'000
Deposits	2,670	2,407
Lease incentive asset	784	317
	<u>3,454</u>	<u>2,724</u>

NOTE 15.

Current liabilities - trade and other payables

	Consolidated	
	2018	2017
	\$'000	\$'000
Trade payables	2,445	2,224
Payroll accruals	795	890
Other accruals *	1,381	458
	<u>4,621</u>	<u>3,572</u>

Refer to note 28 for further information on financial instruments.

* The balance at 30 June 2018 includes amounts associated with the Assets under construction (see note 11).

NOTE 16.

Current liabilities - deferred revenue

	Consolidated	
	2018	2017
	\$'000	\$'000
Deferred revenue	23,050	16,979

Current deferred revenue relates to tuition fees in relation to domestic and international students where an agreement has been signed and a payment plan is in place for studies which are expected to be undertaken in the period within 12 months from the balance date.

NOTE 17.

Current liabilities - finance lease

	Consolidated	
	2018	2017
	\$'000	\$'000
Lease liability	10	31

Refer to note 28 for further information on financial instruments.

NOTE 18.

Current liabilities - employee benefits

	Consolidated	
	2018	2017
	\$'000	\$'000
Annual leave	710	510
Long service leave	34	-
	<u>744</u>	<u>510</u>

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19. Non-current liabilities - provisions

Lease incentive provision
Refer to note 23 for further details on lease incentives.

Consolidated	
2018	2017
\$'000	\$'000
231	214

NOTE 20. Non-current liabilities - deferred revenue

Deferred revenue

Consolidated	
2018	2017
\$'000	\$'000
7,482	3,912

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 21. Non-current liabilities - finance lease

Lease liability
Refer to note 28 for further information on financial instruments.

Consolidated	
2018	2017
\$'000	\$'000
32	41

NOTE 22. Non-current liabilities - employee benefits

Long service leave

Consolidated	
2018	2017
\$'000	\$'000
113	150

NOTE 23. Non-current liabilities - provisions

Lease make-good
Lease incentive

Consolidated	
2018	2017
\$'000	\$'000
463	463
1,150	525
1,613	988

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Lease make good

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

Lease incentive

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

Movements in provisions

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

	Lease make good \$'000	Lease incentive \$'000
Consolidated - 2018		
Carrying amount at the start of the year	463	525
Additional provisions recognised	-	650
Utilised/released	-	(25)
	<u>463</u>	<u>1,150</u>

NOTE 24. **Equity - issued capital**

	2018 Shares	2017 Shares	Consolidated 2018 \$'000	2017 \$'000
Ordinary shares - fully paid	<u>30,665,052</u>	<u>30,289,052</u>	<u>19,000</u>	<u>18,770</u>
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue price	\$'000
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	68
Shares issued **	17 November 2017	65,000	\$0.30	20
Shares issued **	5 March 2018	25,000	\$0.30	7
Shares issued **	5 March 2018	100,000	\$0.40	40
Shares issued **	5 March 2018	100,000	\$0.50	50
Shares issued **	5 March 2018	<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.

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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 capital risk management policy remains unchanged from the 30 June 2017 Annual Report.

NOTE 25. Equity - reserves

	Consolidated	
	2018	2017
	\$'000	\$'000
Share-based payments reserve	79	111

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services under the consolidated entity's Employee 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 \$'000
Balance at 1 July 2016	81
Share-based payments	33
Transfer back of lapsed options	(3)
Balance at 30 June 2017	111
Share-based payments	52
Fair value of exercised options	(84)
Balance at 30 June 2018	79

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 26. Equity - accumulated losses

	Consolidated	
	2018	2017
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(4,406)	(6,146)
Profit after income tax expense for the year	3,510	1,737
Dividends paid (note 27)	(1,219)	-
Transfer from share-based payment reserve	84	3
	<u>84</u>	<u>3</u>
Accumulated losses at the end of the financial year	<u>(2,031)</u>	<u>(4,406)</u>

NOTE 27. Equity - dividends

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

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

Franking credits

	Consolidated	
	2018	2017
	\$'000	\$'000
Franking credits available at the reporting date based on a tax rate of 30%.	377	673
Franking credits available for subsequent financial years based on a tax rate of 30%.	<u>377</u>	<u>673</u>

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 28. 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:

	2018		2017	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash and cash equivalents	1.42%	9,980	2.25%	6,314
Net exposure to cash flow interest rate risk		9,980		6,314

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

An official increase/decrease in interest rates of 100 (2017: 100) basis points would have favourable/adverse effect on profit before tax of \$100,000 (2017: favourable/adverse \$63,000) and favourable/adverse effect on equity of \$70,000 (2017: adverse/favourable \$44,000) 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.

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.

Consolidated - 2018	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
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,445	-	-	-	2,445
Other payables	-	1,381	-	-	-	1,381
Payroll accruals	-	795	-	-	-	795
Interest-bearing - variable						
Lease liability	12.00%	10	32	-	-	42
Total non-derivatives		4,631	32	-	-	4,663

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated - 2017	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
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,224	-	-	-	2,224
Other payables	-	458	-	-	-	458
Payroll accruals	-	890	-	-	-	890
Interest-bearing - variable						
Lease liability	5.36%	31	41	-	-	72
Total non-derivatives		3,603	41	-	-	3,644

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 2018

NOTE 29. 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	
	2018	2017
	\$	\$
Short-term employee benefits	856,777	826,614
Post-employment benefits	20,049	19,616
Long-term benefits	6,850	3,425
Share-based payments	5,688	20,192
	<u>889,364</u>	<u>869,847</u>

NOTE 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditors of the company:

	Consolidated	
	2018	2017
	\$	\$
<i>Audit and review of financial statements</i>		
Grant Thornton Audit Pty Ltd	92,000	-
RSM Australia Partners	25,145	103,105
	<u>117,145</u>	<u>103,105</u>
<i>Other services</i>		
Grant Thornton Audit Pty Ltd	17,000	-
RSM Australia Partners	5,500	15,000
	<u>22,500</u>	<u>15,000</u>
	<u>139,645</u>	<u>118,105</u>

NOTE 31. Contingent liabilities

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

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 32. Commitments for expenditure

	Consolidated	
	2018	2017
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	4,866	3,739
One to five years	18,059	11,359
More than five years	2,525	3,698
	<u>25,450</u>	<u>18,796</u>
<i>Lease commitment - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	11	32
One to five years	33	42
	<u>44</u>	<u>74</u>
Total commitment	(2)	(2)
Less: Future finance charges		
	<u>42</u>	<u>72</u>
Net commitment recognised as liabilities		
Representing:		
Lease liability - current (note 17)	10	31
Lease liability - non-current (note 21)	32	41
	<u>42</u>	<u>72</u>

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

Finance lease commitment represents the contracted amount for IT equipment with an aggregate written down value of \$42,000 (2017: \$72,000) under finance leases expiring within four 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 2018

NOTE 33. **Related party transactions**

Parent entity

RedHill Education Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the Directors' report.

Transactions with related parties

In addition to the remuneration paid to KMP, amounts to related parties of the directors totalling \$2,952 were paid during the year ended 30 June 2018 for administrative support services (30 June 2017: nil).

Receivable from and payable to related parties

There were no trade receivables from related parties during the current and previous reporting period. Amounts payable totalling \$8,708 for directors fees, that were due and payable as at 30 June 2018 (30 June 2017: nil).

Loans to/from related parties

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



Student work by Berat Akdemir

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 34. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018	2017
	\$'000	\$'000
Profit/(Loss) after income tax	4,773	(3,808)
Total comprehensive income	4,773	(3,808)

Statement of financial position

	Parent	
	2018	2017
	\$'000	\$'000
Total current assets	1,454	765
Total assets	17,928	16,119
Total current liabilities	16,684	18,813
Total liabilities	17,563	19,589
Equity		
Issued capital	19,000	18,770
Share-based payments reserve	79	111
Accumulated losses	(18,714)	(22,351)
Total equity/(deficiency)	365	(3,470)

Contingent liabilities

The parent entity has given bank guarantees as at 30 June 2018 of \$2,473,600 (2017: \$1,412,539) to various lessors in respect of the consolidated entities operations.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment; and
- Dividends received from subsidiaries are recognised as income in the parent entity.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 35. 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	
		2018 %	2017 %
Go Study Australia Pty Limited	Australia	100%	100%
Academy of Information Technology Pty Limited	Australia	100%	100%
International School of Colour and Design Pty Limited	Australia	100%	100%
Greenwich English College Pty Limited	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 36. Deed of cross guarantee

Pursuant to ASIC Class Order 2016/785, the wholly-owned subsidiaries as mentioned below are relieved from the Corporation Act 2001 requirements for preparation, audit, and lodgement of financial reports and directors' report.

As a condition of the Class Order, RedHill Education Limited and its subsidiaries (closed group) entered into a Deed of Cross Guarantee. The effect of the Deed is that RedHill Education Limited has guaranteed to pay any deficiency in the event of the winding up of any of those subsidiaries.

Those subsidiaries have also given a similar guarantee in the event that RedHill Education Limited is wound up.

The deed was executed on 30 June 2017.

The subsidiaries subject to the Deed at the end of the reporting period are:

- RedHill Education Limited
- Go Study Australia Pty Limited
- Academy of Information Technology Pty Limited
- International School of Colour and Design Pty Limited
- Greenwich English College Pty Limited

The above companies represent a 'closed group' for the purposes of the Class Order.

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

	2018 \$'000	2017 \$'000
Statement of profit or loss and other comprehensive income		
Revenue	52,165	39,143
Salaries and employee benefits expense	(24,845)	(19,642)
Cost of services	(9,514)	(7,085)
Depreciation and amortisation expense	(1,796)	(1,561)
Property and occupancy costs	(5,997)	(4,925)
Professional and consulting fees	(486)	(554)
Marketing expenses	(2,183)	(1,890)
Public company related costs	(660)	(455)
Other expenses	(2,077)	(1,316)
Finance costs	(1)	(3)
Profit before income tax expense	4,606	1,712
Income tax expense	(1,467)	(537)
Profit after income tax expense	3,139	1,175
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	3,139	1,175
Equity - accumulated losses		
Accumulated losses at the beginning of the financial year	(4,966)	(6,141)
Profit after income tax expense	3,139	1,175
Dividends paid	(1,219)	-
Transfer from share-based payment reserve	84	-
Accumulated losses at the end of the financial year	(2,962)	(4,966)

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$'000	2017 \$'000
Statement of financial position		
Current assets		
Cash and cash equivalents	9,980	5,998
Trade and other receivables	11,233	9,720
Prepayments and other assets	2,525	1,884
Total current assets	23,738	17,602
Non-current assets		
Trade receivables	11,715	7,408
Property, plant and equipment	6,472	4,306
Intangible assets	6,541	6,651
Deferred tax assets	1,865	1,512
Other financial assets	3,453	2,722
Total non-current assets	30,046	22,599
Total assets	53,784	40,201
Current liabilities		
Trade and other payables	3,103	3,656
Deferred revenue	23,050	16,797
Finance lease	10	31
Current tax liabilities	1,302	-
Employee benefits	732	497
Provisions	231	214
Total current liabilities	28,428	21,195
Non-current liabilities		
Deferred revenue	7,482	3,912
Finance lease	32	41
Employee benefits	113	150
Provisions	1,612	988
Total non-current liabilities	9,239	5,091
Total liabilities	37,667	26,286
Net assets	16,117	13,915
Equity		
Issued capital	19,000	18,770
Reserves	79	111
Accumulated losses	(2,962)	(4,966)
Total equity	16,117	13,915

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 37.

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2018	2017
	\$'000	\$'000
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 24)	68	-
Interest received in restricted accounts	(93)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(7,848)	(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 and deferred revenue	7,120	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 non-current deferred revenue	3,570	3,912
Net cash from operating activities	8,202	5,075

NOTE 38.

Earnings per share

	Consolidated	
	2018	2017
	\$'000	\$'000
Profit after income tax attributable to the owners of RedHill Education Limited	3,510	1,737
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)	325,000	190,000
Weighted average number of ordinary shares used in calculating diluted earnings per share (2)	30,766,282	30,493,683
Basic earnings per share	11.53	5.73
Diluted earnings per share	11.41	5.70

REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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.



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 39. 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:

2018

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
17/09/2013	16/09/2018	\$0.30	90,000	-	(90,000)	-	-
17/09/2013	16/09/2018	\$0.40	100,000	-	(100,000)	-	-
17/09/2013	16/09/2018	\$0.50	100,000	-	(100,000)	-	-
22/05/2014	22/05/2019	\$0.90	150,000	-	(50,000)	-	100,000
22/05/2014	22/05/2019	\$1.10	150,000	-	-	-	150,000
12/12/2016	12/12/2021	\$1.25	75,000	-	-	-	75,000
12/12/2016	12/12/2021	\$1.75	75,000	-	-	-	75,000
12/12/2016	12/12/2021	\$2.25	75,000	-	-	-	75,000
08/11/2017	09/11/2020	\$1.20	-	180,000	-	-	180,000
08/11/2017	09/11/2021	\$1.40	-	180,000	-	-	180,000
08/11/2017	09/11/2022	\$1.60	-	180,000	-	-	180,000
08/11/2017	09/11/2023	\$1.80	-	180,000	-	-	180,000
			815,000	720,000	(340,000)	-	1,195,000

2017

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	\$0.30	90,000	-	-	-	90,000
17/09/2013	16/09/2018	\$0.40	100,000	-	-	-	100,000
17/09/2013	16/09/2018	\$0.50	100,000	-	-	-	100,000
22/05/2014	22/05/2019	\$0.90	150,000	-	-	-	150,000
22/05/2014	22/05/2019	\$1.10	150,000	-	-	-	150,000
12/12/2016	12/12/2021	\$1.25	-	75,000	-	-	75,000
12/12/2016	12/12/2021	\$1.75	-	75,000	-	-	75,000
12/12/2016	12/12/2021	\$2.25	-	75,000	-	-	75,000
			635,000	225,000	-	(45,000)	815,000

The weighted average share price during the financial year was \$2.1136 (2017: \$0.9865).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.07 years (2017: 2.6 years).



REDHILL EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018


For options granted during the financial year ended 30 June 2018, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
08/11/2017	09/11/2020	\$1.90	\$1.20	30.00%	1.05%	1.70%	\$0.829
08/11/2017	09/11/2021	\$1.90	\$1.40	30.00%	1.05%	1.90%	\$0.749
08/11/2017	09/11/2022	\$1.90	\$1.60	30.00%	1.05%	2.07%	\$0.702
08/11/2017	09/11/2023	\$1.90	\$1.80	30.00%	1.05%	2.20%	\$0.675

NOTE 40. **Events after the reporting period**

The directors declared a fully franked dividend of two cents per ordinary share on 24 August 2018. Further details are set out in note 27 of this report.

Apart from the dividend declared, no other 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.



REDHILL EDUCATION LIMITED **DIRECTORS' DECLARATION** FOR THE YEAR ENDED 30 JUNE 2018

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 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



William J. Beerworth
Chairman

20 September 2018
Sydney



Independent Auditor's Report

To the Members of Redhill Education Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Redhill Education Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Note 1 and Note 4)	
As at 30 June 2018, the Group has Tuition related revenue of \$49.092 million.	Our procedures included, amongst others:
Tuition revenue is recognised as the services is provided.	<ul style="list-style-type: none"> Assessing whether the Group's revenue recognition policies are in compliance with Australian Accounting Standards;
The process of measuring revenue is complex and involves significant management judgement, specifically focusing on the timing of revenue recognition.	<ul style="list-style-type: none"> Designing a sample testing for Greenwich tuition revenue to supporting documentation to assess that revenue has been recognised in line with the Group's accounting policy and AASB 118 <i>Revenues</i>;
We have determined Revenue is a key audit matter due to the high volume of transactions occurring, its significance to operations and the judgement required in recognising revenue from providing tuition related services to customers.	<ul style="list-style-type: none"> Performing an analytical review of Technology & Design (T&D) tuition revenue; Reviewing the management's assessment of the impact of AASB 15 <i>Revenue from Contracts with Customers</i> and the adequacy of the financial report disclosures; and Assessing the adequacy of the related disclosures in the financial statements.
Goodwill impairment (Note 1 and Note 12)	
The Group has goodwill of \$6.145 million as at 30 June 2018.	Our procedures included, amongst others:
AASB 136 <i>Impairment of Assets</i> requires that where goodwill acquired in a business combination is allocated to a CGU, the goodwill must be tested for impairment annually.	<ul style="list-style-type: none"> Enquiring with management to obtain and document an understanding of management's process and controls related to the assessment of impairment, including management's identification of CGU's and the calculation of the recoverable amount of the CGU;
Goodwill is allocated within one operating segment being T&D. Management has assessed that T&D has one CGU, and has allocated the goodwill to this CGU.	<ul style="list-style-type: none"> Evaluating the value-in-use models against the requirements of AASB 136;
Management has tested the CGU for impairment by comparing the carrying amount with the recoverable amount. The recoverable amount was determined using a value-in-use calculation.	<ul style="list-style-type: none"> Obtain management's value-in-use calculations to: <ul style="list-style-type: none"> Checking the mathematical accuracy of the calculations; Consider management's ability to perform accurate estimates; Assess forecast cash inflows and outflows to be derived by the CGU's assets; and Assess the appropriateness of discount rates, growth rates, weighted average cost of capital and terminal growth rate applied to forecast future cash flows;
We have determined this is a key audit matter due to the judgements and estimates required by management in determining the appropriate CGU and calculating the recoverable amount.	<ul style="list-style-type: none"> Performing sensitivity analysis over key assumptions made by management; and Assessing the adequacy of the related disclosures in the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included on pages 21 to 28 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Redhill Education Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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




Grant Thornton Audit Pty Ltd
Chartered Accountants



A L Spowart
Partner – Audit & Assurance

Sydney, 20 September 2018



REDHILL EDUCATION LIMITED SHAREHOLDER INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

The shareholder information set out below was applicable as at 30 August 2018.

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	150	-
1,001 to 5,000	125	-
5,001 to 10,000	52	8
10,001 to 100,000	79	4
100,001 and over	33	1
	<hr/>	<hr/>
	439	13
	<hr/>	<hr/>
Holding less than a marketable parcel	16	-

REDHILL EDUCATION LIMITED

SHAREHOLDER INFORMATION


FOR THE YEAR ENDED 30 JUNE 2018

Equity security holders

Twenty largest quoted equity security holders

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

	Number held	Percentage of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,261,581	17.16
BNP PARIBAS NOMS PTY LTD (DRP)	4,365,034	14.23
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,206,593	13.72
UBS NOMINEES PTY LTD	1,751,436	5.71
CITICORP NOMINEES PTY LIMITED	1,559,113	5.08
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,500,000	4.89
BRISPOT NOMINEES PTY LTD (HOUSE HEAD NOMINEE A/C)	924,580	3.02
JJC GROUP (AUST) PTY LTD (DENZEL DEEPAK A/C)	796,639	2.60
NATIONAL NOMINEES LIMITED	761,996	2.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	732,340	2.39
BYDAND CAPITAL PTY LTD	579,720	1.89
MAST FINANCIAL PTY LTD (A TO Z INVESTMENT A/C)	425,000	1.39
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	419,763	1.37
CS FOURTH NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 11 A/C)	394,105	1.29
MOAT INVESTMENTS PTY LTD (MOAT INVESTMENT A/C)	383,073	1.25
AUST EXECUTOR TRUSTEES LTD <GFFD>	376,678	1.23
THE IRISH BUFFETT PTY LTD	326,325	1.06
MR MATTHEW ROBERT STUBBS +MS ANNA GOULSTON (MATTHEW STUBBS S/F A/C)	291,840	0.95
MR GLENN PATRICK ELITH	275,000	0.90
MS SUAT WAH TAN	249,987	0.82
	25,580,803	83.43



REDHILL EDUCATION LIMITED SHAREHOLDER INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	1,195,000	13

Substantial holders

Substantial holders in the company are set out below:

	Number of ordinary shares held
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,261,581
BNP PARIBAS NOMS PTY LTD (DRP)	4,365,034
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,206,593
UBS NOMINEES PTY LTD	1,751,436
CITICORP NOMINEES PTY LIMITED	1,559,113
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,500,000

The disclosed number of ordinary shares held by substantial shareholders may not be equal to the actual number of ordinary shares held as at 30 August 2018 as only movements of at least 1% are required to be notified to the Australian Securities Exchange.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

Other stock exchanges

The Company is not listed on any stock exchanges other than Australian Securities Exchange.

On-market share buy-back

Currently, there is no on-market buy-back shares.



REDHILL EDUCATION

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