REDHILL EDUCATION LIMITED

Annual Report 2017

REDHILL EDUCATION LIMITED CORPORATE DIRECTORY

Directors	William J. Beerworth Glenn Elith William Deane Dr Christopher Clark Caroline Trotman
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	RSM Australia Partners Level 13, 60 Castlereagh Street Sydney NSW 2000
Solicitors	Norton Rose Fulbright Level 18, 225 George Street Sydney NSW 2000
Stock exchange listing	RedHill Education Limited shares are listed on the Australian Securities Exchange (ASX: RDH)
ASIC REGISTRATION	ACN: 119 952 493 ABN: 41 119 952 493
Website	www.redhilleducation.com
Corporate Governance statement	The Statement approved on 25 September 2017 can be found at the following URL www.redhilleducation.com/investor-centre/

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CHAIRMAN & CEO REPORT

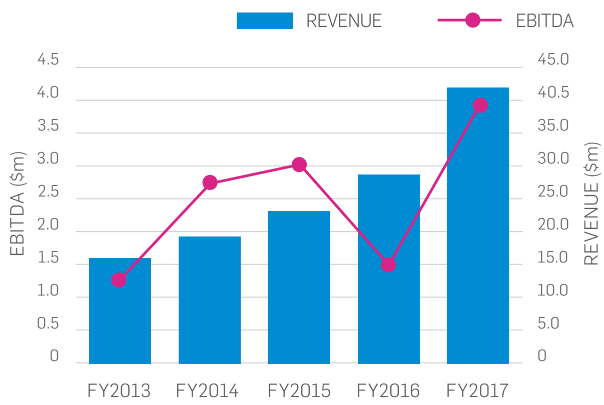
We are delighted to present RedHill Education Limited's (RedHill's) Annual Report for Financial Year 2017.

FINANCIAL HIGHLIGHTS

The consolidated RedHill group reported the following results:

- Revenues:
  $41.5 million - 46% increase*
- EBITDA**:
  $3.9 million - 158% increase*
- Profit after income tax:
  $1.7 million - 426% increase*
- Cash balance:
  $6.3 million as at 30 June 2017 - **30%** increase*
- Net cash flow from operating activities
  $5.1 million - **$4.7 million** 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. RedHill'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 2017 is included in our Report.*

Clockwise from top: William Deane, Dr Christopher Clark, Glenn Elith, William J. Beerworth, Caroline Trotman

Comments on financial performance

The significant improvement in FY2017 results against the previous year was due to the growth of RedHill's core businesses and from its investments in brand and geographic expansion.

RedHill expects financial performance to improve significantly in the first half of FY2018 against the previous corresponding half year period.

OPERATING HIGHLIGHTS

Update on new Melbourne campus

RedHill commenced operations in its substantial Melbourne campus in September 2015, and doubled the size of the campus in January 2017 to cater for growth in student demand.

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

All of RedHill's schools operate from the Melbourne campus. Its Go Study Australia international student recruitment agency business operates at nearby premises.

Approximately $0.5 million of operating expenses were incurred in the first half of FY2017 in relation to lease related costs for RedHill's expanded Melbourne campus for which no incremental revenues were earned until the second half of the financial year.

The expanded Melbourne campus delivered a positive second half EBITDA of approximately $0.6 million, and a positive full year EBITDA of approximately $0.1 million in FY2017.

20% of RedHill's FY2017 revenues were generated from its Melbourne campus, and RedHill expects the financial performance of its Melbourne campus operations to improve significantly in FY2018 against the previous corresponding year.

Update on Greenwich Management College

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

GMC achieved a positive EBITDA of approximately $0.4 million in FY2017.

RedHill expects that GMC will further expand its course range and significantly improve its financial performance in FY2018 against the previous corresponding year.

DIVIDEND DECLARATION

RedHill's directors are pleased to have declared a fully franked dividend of $0.02 per share, payable on 2 November 2017, out of retained profits at 30 June 2017.

William J. Beerworth
Chairman

Glenn Elith
Chief Executive Officer

25 September 2017
Sydney

GREENWICH English College

GREENWICH Management College

Greenwich is the combination of the following:

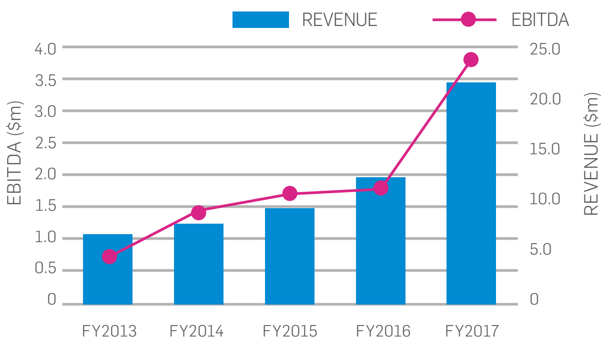
- Greenwich English College ('GEC'), which delivers a range of courses and examinations in the English Language Intensive Courses for Overseas Students ('ELICOS') sector of the private education market; and
- Greenwich Management College ('GMC'), which delivers a range of business curriculum VET certificate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

Total international student numbers commencing tertiary study in Australia grew in the 2016 calendar year, and in 2017 on a year-to-date basis. Greenwich anticipates that the Australian market will remain competitive.

Greenwich achieved 77% growth in revenues in FY2017 against the prior year, and 114% growth in operating segment EBITDA over the same period. Greenwich has continued to perform in line with our expectations in the early months of FY2018.

Greenwich's strong revenue and EBITDA growth in FY2017 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, and opened a campus in North Sydney in March 2017.

Greenwich's Sydney and North Sydney campuses currently operate at an average of approximately 85% of their capacity, and during peak periods a small number of classes are able to be operated from RedHill's campus at Ultimo.

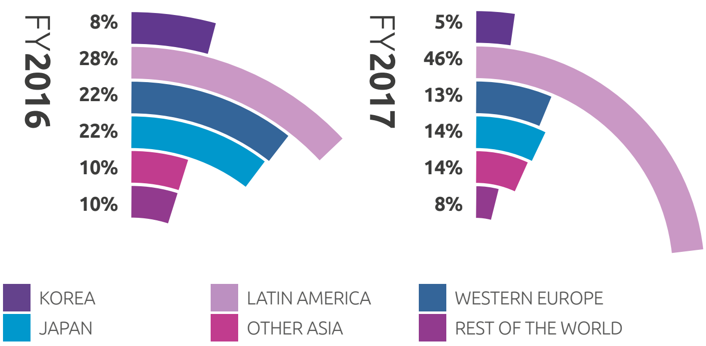
Greenwich commenced delivering its GEC courses in Melbourne in September 2015, and delivering its GMC courses in Melbourne in July 2016. The Melbourne operations have continued to perform in line with our expectations in the early months of FY2018.

Classrooms allocated to Greenwich at RedHill's Melbourne campus currently operate at an average of approximately 85% of its capacity.

In order to cater for strong expected growth in Greenwich student demand, RedHill will seek to further expand its Melbourne campus in FY2018.

Greenwich sourced students in FY2017 from over 260 international student recruitment agent businesses, and the broad mix of nationalities in its student population has created a vibrant and friendly learning environment.

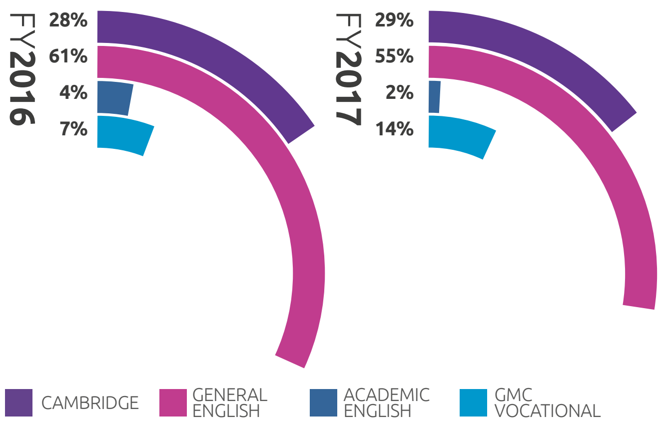
STUDENT NATIONALITY MIX



GMC achieved strong growth in FY2017, and represented 14% of Greenwich revenues. GMC has continued to perform in line with our expectations in the early months of FY2018.

Greenwich has a strong partnership relationship with Cambridge University's English Language Assessment business. In FY2017 Cambridge courses and examinations represented 29% of Greenwich's revenues.

REVENUE BY SOURCE



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

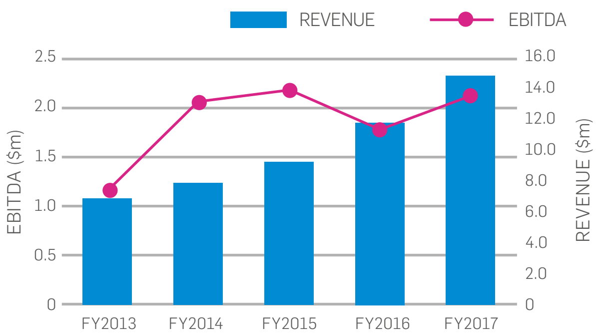
Technology & Design ('T&D') is the combination of the following:

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

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

T&D achieved 26% growth in revenues in FY2017 against the prior year, and 28% 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 FY2018.

REVENUE AND EBITDA



T&D operates in high quality campuses located in Ultimo, North Sydney and Melbourne. The combined campus facilities currently operate at approximately 70% of their capacity during peak weekday periods. Capacity may be further increased by extending evening and weekend course delivery.

T&D uses its accreditations held by AIT to deliver Vocational Education and Training ('VET') diploma qualifications under the AIT, ISCD and The Left Bank School brands. Domestic students enrolling into T&D's VET diplomas had access to the Australian Government's VET FEE-HELP tuition loans through until the end of 2016.

T&D achieved strong student satisfaction for its VET diplomas during 2016, resulting in high progression and completion rates. These quality results meant that T&D gained approval to participate in the Australian Government's VET Student Loans transition arrangements for the period 1 January 2017 to 30 June 2017, and AIT has been approved as a VET Student Loans course provider by the Department of Education and Training ('DET') under the *VET Student Loans Act 2016*.

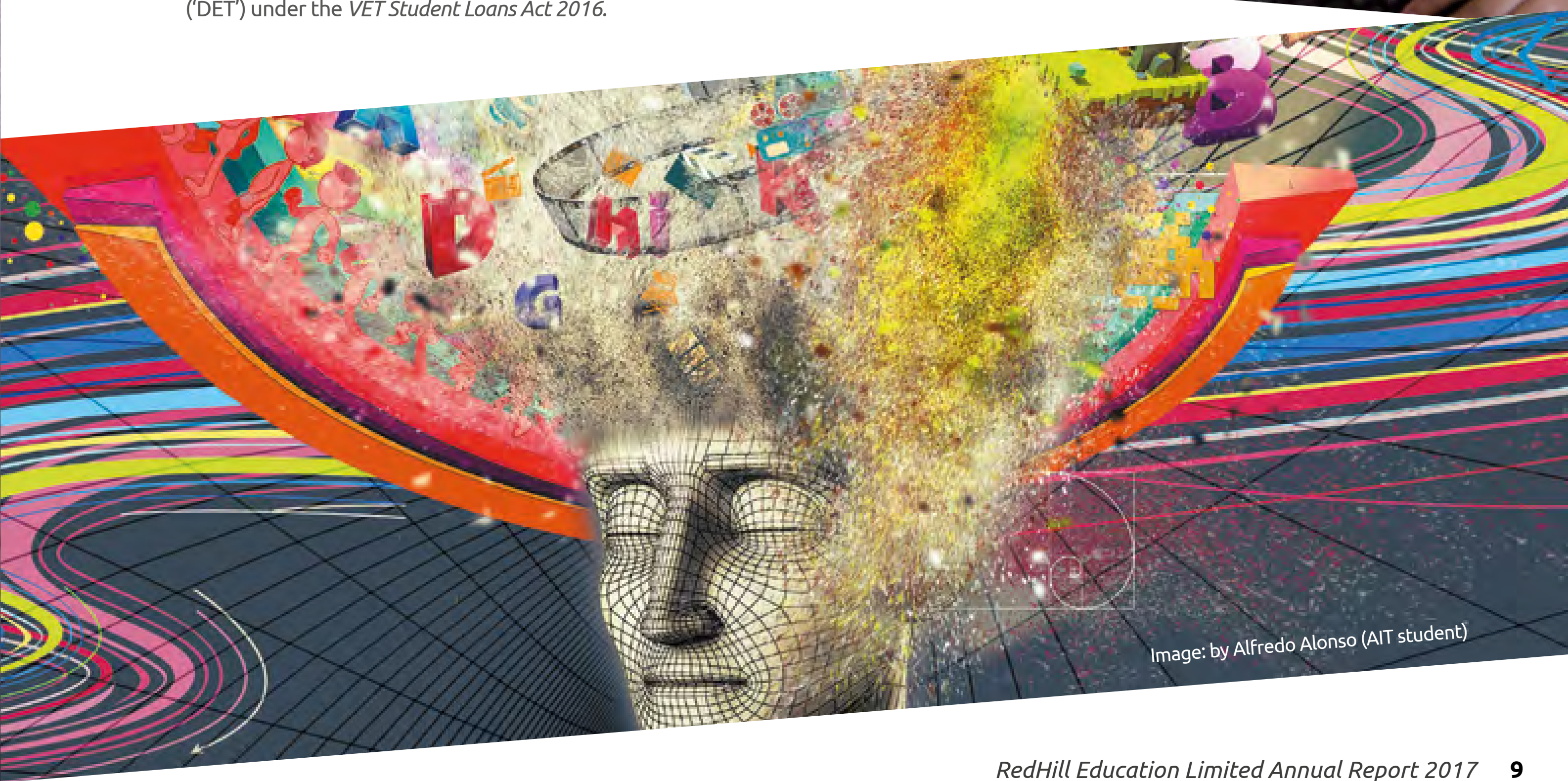


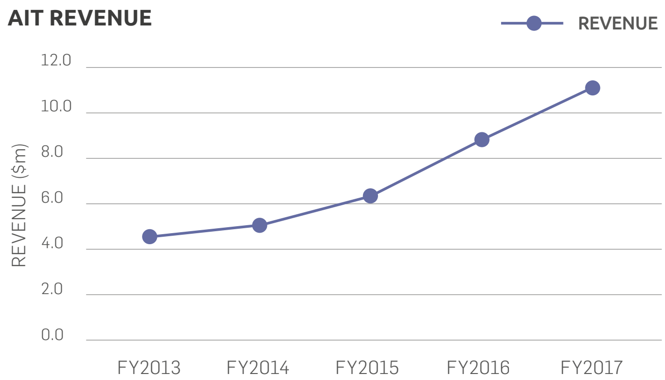
Image: by Alfredo Alonso (AIT student)

ACADEMY OF INFORMATION TECHNOLOGY

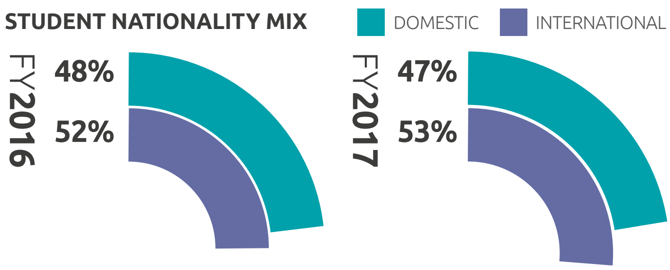
AIT achieved 26% growth in revenues in FY2017 against the prior year, and has continued to perform in line with our expectations in the early months of FY2018.

Trading brands operated by AIT include The Left Bank School, Coder Academy, and Forge Faculty.

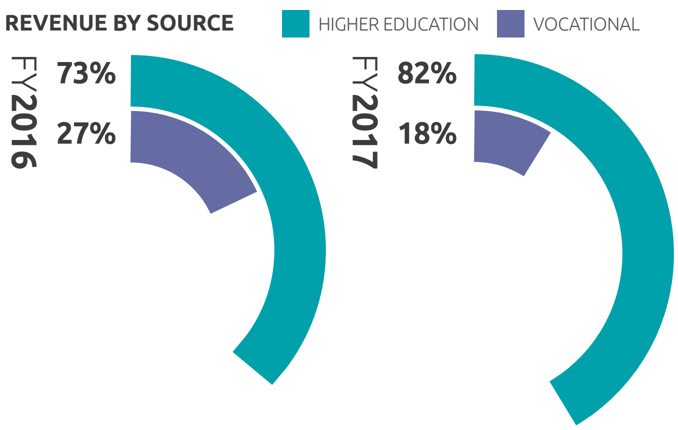
The increase in revenue in FY2017 against the prior year is due to AIT's expansion to Melbourne, expansion of its course range, and the growth of Coder Academy.



In FY2017, AIT grew its revenues for both domestic and international students, and expanded the nationality mix of its international students. There were 31 different nationalities represented in the AIT student population in FY2017.



AIT increased its proportion of Higher Education revenues in FY2017.



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

CODER ACADEMY

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

The CFA joint venture was dissolved in June 2017 pursuant to the terms of the joint venture agreement, and AIT's computer coding courses were re-branded to Coder Academy ('CA').

CA currently operates in Sydney, Melbourne, and Brisbane. Its course range includes an accredited Higher Education Diploma in Information Technology, where domestic students have the option of accessing the Australian Government's FEE-HELP tuition loans.

We believe CA courses are important qualifications supporting Australia's emerging digital innovation economy, and expect it will deliver positive profit results in FY2018.

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

THE LEFT BANK SCHOOL

AIT launched The Left Bank School ('TLB') in May 2015 to deliver online VET courses in specialist digital curriculums.

Domestic students enrolling into TLB's VET diploma qualifications had access to the Australian Government's VET FEE-HELP tuition loans through until the end of 2016, and have had access to its replacement, the VET Student Loans programme, since January 2017.

TLB will increase the number of online courses and qualifications that it delivers in FY2018.

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

FORGE FACULTY

Forge Faculty was launched in October 2016, to deliver short online courses focused on specialised skills which are mapped to and assessed against Australian nationally recognised VET units of competency.

Forge Faculty targets students who do not seek to undertake full certificate or diploma qualifications, but who instead wish to improve skills which may be immediately applied in their workplace. These courses may be referred to as 'nano-credentials' or 'micro-credentials', and RedHill believes there is an appealing and growing market for such courses.

Forge Faculty uses high quality course materials and educational support from within T&D. Students who successfully complete Forge Faculty courses may have those units of competency contribute towards a full VET certificate or diploma if they wish to continue their studies.

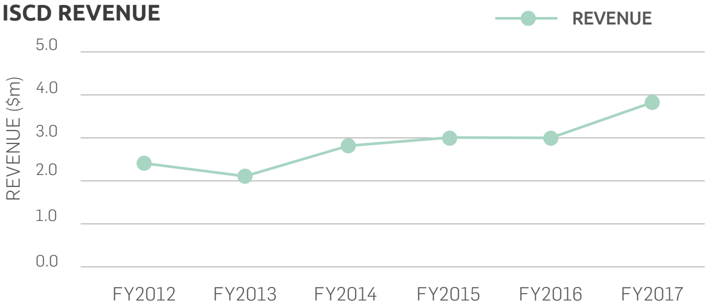
For further information on Forge Faculty visit its website at **www.forgefaculty.com.au**

INTERNATIONAL SCHOOL OF COLOUR AND DESIGN

ISCD achieved 28% growth in revenues in FY2017 against the prior year, and has continued to perform in line with our expectations in the early months of FY2018.

The increase in revenue in FY2017 is due to ISCD's expansion to Melbourne and growth of its online course revenues.

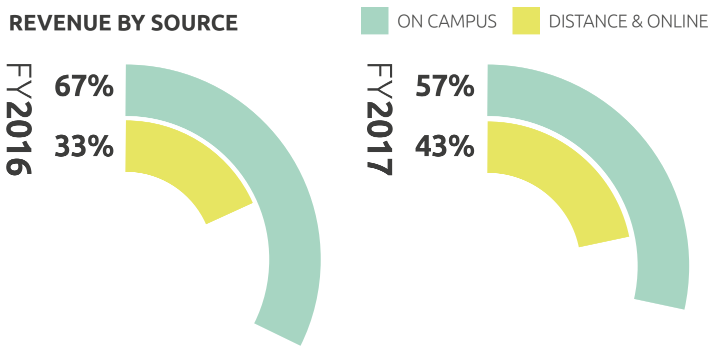
ISCD REVENUE



ISCD operates in high quality campuses located in North Sydney and Melbourne. Both campuses are operating at approximately 70% of their capacity during peak weekday periods.

ISCD online courses represented 43% of its revenues in FY2017.

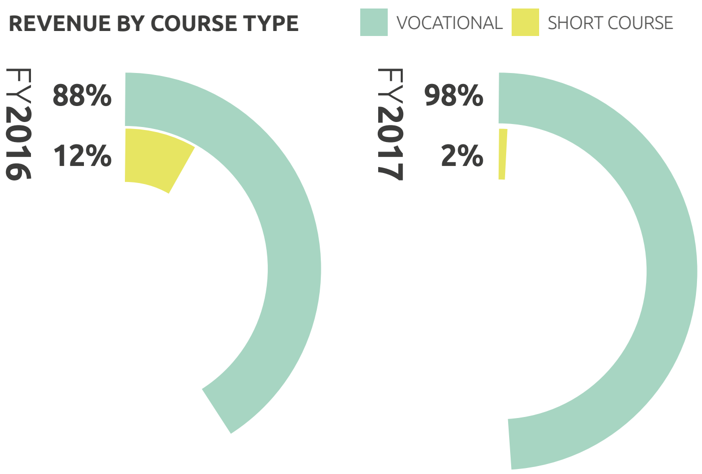
REVENUE BY SOURCE



A greater proportion of ISCD revenues were achieved from delivery of its VET qualifications in FY2017 against the prior year. VET courses represented 98% of its revenues in FY2017.

Students enrolling into ISCD's VET diploma qualifications had access to the Australian Government's VET FEE-HELP tuition loans through until the end of 2016, and have had access to its replacement, the VET Student Loans programme since January 2017.

REVENUE BY COURSE TYPE



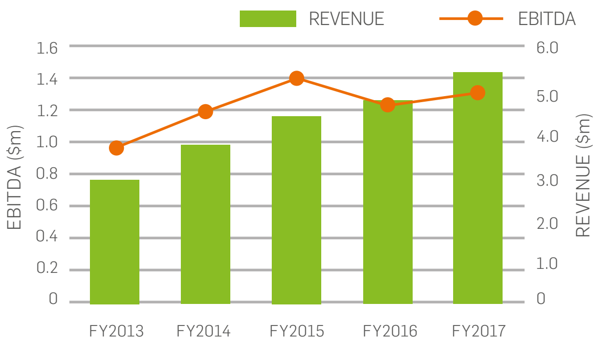
For more information on ISCD visit its website at
www.iscd.edu.au

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

Go Study has built a strong brand presence and quality reputation for recruiting international students to study in Australia, and has partnership relationships with over 150 different tertiary education providers across Australia for enrolment of students into their courses.

Go Study achieved 15% growth in revenues in FY2017 against the prior year, and 6% growth in operating segment profitability over the same period. The business unit has continued to perform in line with our expectations in the early months of FY2018.

REVENUE AND EBITDA

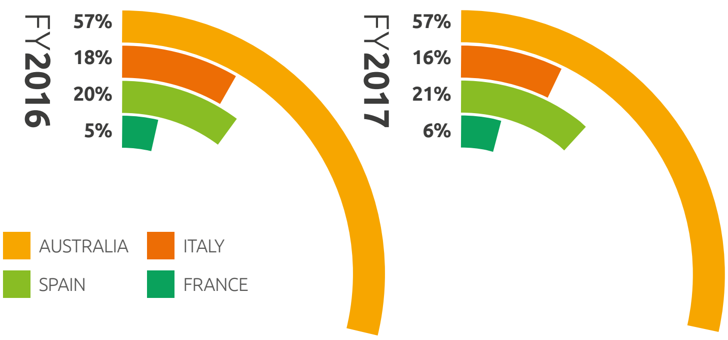


Go Study opened new offices in Paris and Perth during FY2017, which are performing in line with expectations in the early months of FY2018.

Go Study currently has a total of three offices in Spain, two offices in Italy, two offices in France, and four offices in Australia.

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

REVENUE BY COUNTRY

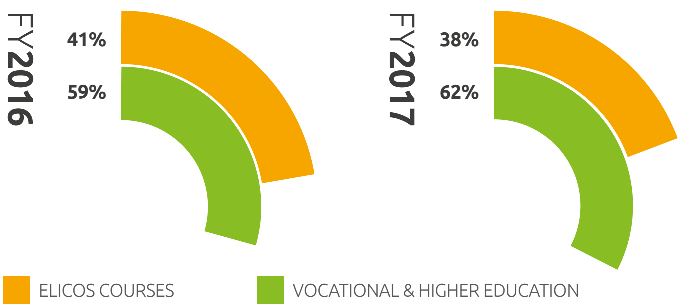


Go Study increased the number of students it recruited into both ELICOS and Vocational courses in FY2017.

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 STUDENT COURSE TYPE



Go Study will seek to further expand its addressable market to grow revenues and profits by commencing operations in South America in the first half of FY2018.

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

REDHILL EDUCATION LIMITED
DIRECTORS' REPORT
30 JUNE 2017

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 2017 ('FY2017').

DIRECTORS

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

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

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

PRINCIPAL ACTIVITIES

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

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

FINANCIAL OVERVIEW

The consolidated RedHill group reported the following results:

- Revenues: **$41.5 million - 46%** increase*
- EBITDA**: **$3.9 million - 158%** increase*
- Profit after income tax: **$1.7 million - 426%** increase*
- Cash balance: **$6.3 million** as at 30 June 2017 - **30%** increase*
- Net cash flow from operating activities: **$5.1 million** - $4.7 million increase*

Comments on financial performance

The significant improvement in FY2017 results against the previous year was primarily due to the growth of RedHill's core businesses and from its investments in brand and geographic expansion.

More details on a number of expansion initiatives are provided in this report.

RedHill expects financial performance to improve significantly in the first half of FY2018 against the previous corresponding half year period.

* *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 statutory profit after income tax for the financial year ended 30 June 2017 is included in "Financial Detail" in this report.*

REDHILL EDUCATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

DIVIDEND DECLARATION

RedHill's directors have declared a fully franked dividend of $0.02 per share, payable on 2 November 2017, out of retained profits at 30 June 2017. For the purposes of determining any entitlement to the dividend, the record date has been set at 5 October 2017.

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

OPERATIONAL OVERVIEW

Update on new Melbourne campus

RedHill commenced operations in its substantial Melbourne campus in September 2015, and doubled the size of the campus in January 2017 to cater for growth in student demand.

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

All of RedHill's schools operate from the Melbourne campus. Its Go Study Australia international student recruitment agency business operates at nearby premises.

Approximately $0.5 million of operating expenses were incurred in the first half of FY2017 in relation to lease related costs for RedHill's expanded Melbourne campus for which no incremental revenues were earned until the second half of the financial year.

The expanded Melbourne campus delivered a positive second half EBITDA of approximately $0.6 million, and a positive full year EBITDA of approximately $0.1 million in FY2017.

RedHill expects the financial performance of its Melbourne campus operations to improve significantly in FY2018 against the previous corresponding year.

Update on 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 qualifications to international students studying in Australia.

GMC achieved a positive EBITDA of approximately $0.4 million in FY2017.

RedHill expects that GMC will further expand its course range and significantly improve its financial performance in FY2018 against the previous corresponding year.

OPERATIONAL DETAIL

Technology & Design operating segment

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

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

Trading brands operated by AIT include The Left Bank School ('TLB'), Coder Academy, and Forge Faculty.

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

The internal restructuring resulted in the previously reported Information Technology and Creative Design operating segments being merged into one reporting segment effective from 1 July 2016.

T&D achieved 26% growth in revenues in FY2017 against the prior year, and 28% 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 FY2018.

T&D operates in high quality campuses located in Ultimo, North Sydney and Melbourne. The combined campus facilities currently operate at approximately 70% of their capacity during peak weekday periods. Capacity may be further increased by extending evening and weekend course delivery.

AIT achieved 26% growth in revenues in FY2017 against the prior year, and has continued to perform in line with our expectations in the early months of FY2018.

ISCD achieved 28% growth in revenues in FY2017 against the prior year, and has continued to perform in line with our expectations in the early months of FY2018.

T&D uses its accreditations held by AIT to deliver pure online Vocational Education and Training ('VET') diploma qualifications under the AIT, TLB and ISCD brands. Domestic students enrolling into T&D's VET diplomas had access to the Australian Government's VET FEE-HELP tuition loans through until the end of 2016.

T&D achieved strong student satisfaction for its online VET diplomas during 2016, resulting in high progression and completion rates. These quality results meant that T&D gained approval to participate in the Australian Government's VET Student Loans ('VSL') transition arrangements for the period 1 January 2017 to 30 June 2017, and AIT has been approved as a VSL course provider by the Department of Education and Training ('DET') under the *VET Student Loans Act 2016*.

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

The CFA joint venture was dissolved in June 2017 pursuant to the terms of the joint venture agreement, and AIT's computer coding courses were re-branded to Coder Academy ('CA').

CA currently operates in Sydney, Melbourne, and Brisbane. Its course range includes an accredited Higher Education Diploma in Information Technology, where domestic students have the option of accessing the Australian Government's FEE-HELP tuition loans.

Greenwich operating segment

Greenwich achieved 77% growth in revenues in FY2017 against the prior year, and 114% growth in operating segment EBITDA over the same period. Greenwich has continued to perform in line with our expectations in the early months of FY2018.

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 growth in EBITDA in FY2017 was mainly due to its expansion into Melbourne and growth of its Greenwich Management College brand.

Greenwich operates from quality campuses in the central business districts of Sydney and Melbourne, and opened a campus in North Sydney in March 2017.

Greenwich's Sydney and North Sydney campuses currently operate at an average of approximately 85% of their capacity, and during peak periods a small number of classes are able to be relocated to AIT's campus at Ultimo.

Greenwich's Melbourne campus currently operates at an average of approximately 85% of its capacity, and during peak periods a small number of nearby classrooms at other education providers are able to be sub-leased.

In order to cater for strong growth in Greenwich student demand, RedHill will seek to further expand its Melbourne campus in FY2018. This may have a short term impact on profitability due to fit-out and leasing costs.

Go Study Australia operating segment

Go Study Australia ('Go Study') achieved 15% growth in revenues in FY2017 against the prior year, and 6% growth in operating segment EBITDA over the same period. Go Study has continued to perform in line with our expectations in the early months of FY2018.

Go Study opened new offices in Paris and Perth in FY2017. It currently has a total of three offices in Spain, two offices in Italy, two offices in France, and four offices in Australia.

Go Study will commence operations in South America in the first half of FY2018.

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.

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

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

FINANCIAL DETAIL

The revenues for the consolidated entity grew by 46% to $41,468,000 for the year ended 30 June 2017 (30 June 2016: $28,320,000).

The profit after income tax for the consolidated entity increased by 426% to $1,737,000 for the year ended 30 June 2017 (30 June 2016: $330,000).

The consolidated entity's earnings before interest, tax, depreciation and amortisation ('EBITDA') for the financial year ended 30 June 2017 was $3,887,000 (30 June 2016: $1,504,000).

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

REDHILL EDUCATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

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

	2017 $'000	2016 $'000
EBITDA	3,887	1,504
Less: Depreciation and amortisation	(1,567)	(1,345)
Less: Finance cost	(3)	(8)
Add: Interest income	3	51
Profit before income tax (expense)/benefit	2,320	202
Income tax (expense)/benefit	(583)	128
Profit after income tax	1,737	330

REDHILL EDUCATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

There was a net increase in cash and cash equivalents for the consolidated entity for the financial year ended 30 June 2017 of $1,446,000 (30 June 2016: net decrease of $1,793,000).

Net cash used in investing activities for the consolidated entity for the financial year ended 30 June 2017 was $3,594,000 (30 June 2016: $2,075,000). The net cash used in investing activities for the financial year ended 30 June 2017 was primarily attributed to course development, security deposits for leased premises, and fitting-out of RedHill's expanded Melbourne campus.

The balance of cash and cash equivalents at 30 June 2017 was $6,314,000 (30 June 2016: $4,868,000).

Impairment of Goodwill

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

The directors have formed the view that no impairment of the carrying value of goodwill is required at 30 June 2017.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

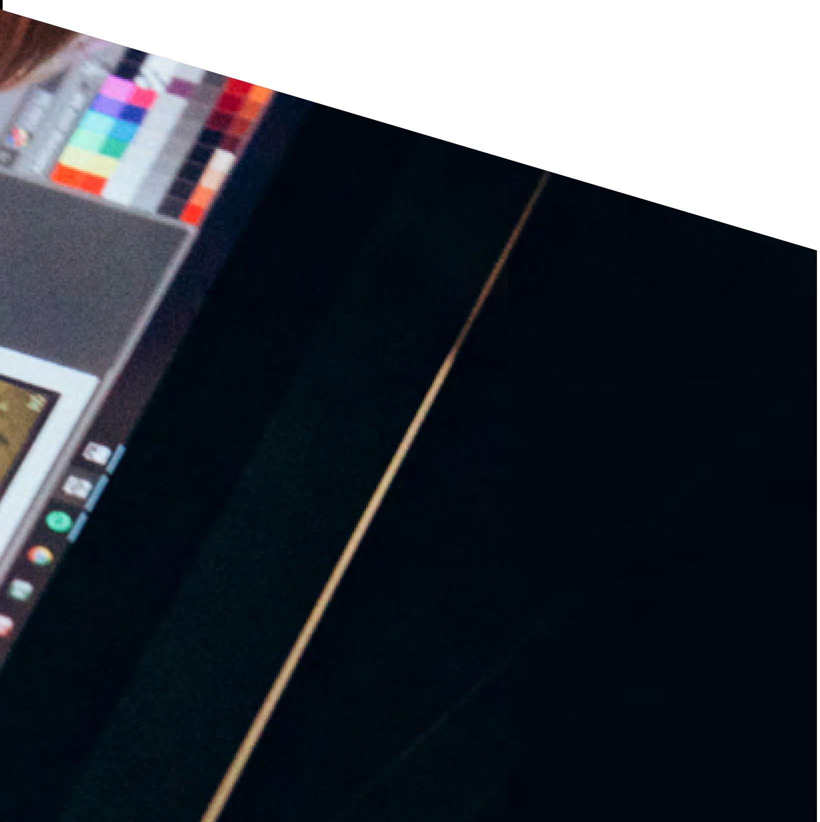
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

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 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

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



REDHILL EDUCATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

INFORMATION ON DIRECTORS

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

Name:	**Glenn Elith**
Title:	Managing Director and Chief Executive Officer
Qualifications:	B Bus (UTS), Chartered Accountant
Experience and expertise:	Glenn commenced his professional career in the audit division of Coopers and Lybrand (now PricewaterhouseCoopers), where he obtained the chartered accounting qualification. He has developed a broad operational and strategic perspective by working across multiple business sectors including manufacturing, consumer goods, hospitality, retail and services. He has worked at large organisations including Lion Nathan (now Lion Co) and George Weston Foods, and at high-growth entrepreneurial businesses including specialty retailer Macro Wholefoods Market (now owned by Woolworths Limited). Glenn joined RedHill in January 2012, and was appointed Chief Executive Officer in March of that year.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	110,000 ordinary shares
Interests in options:	815,000 options over ordinary shares under the Employee Share Option Plan on terms approved by the company's shareholders.

Name:	**William Deane**
Title:	Non-executive Director
Qualifications:	BA (Sydney), LLB (Bond)
Experience and expertise:	Will is a managing director of Exto Partners Pty Ltd, a Sydney-based private investment firm formed in 2003. Will is a director of several of Exto Partners' unlisted investee companies and is experienced at building high growth companies. He has practised as a corporate lawyer in Australia with Ashurst (formerly Blake Dawson) and in the United States with Skadden Arps and Sidley Austin. As a lawyer, he focused 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 and the Nomination Committee, and is Chairman of the Audit and Risk Management Committee.
Interests in shares:	316,666 ordinary shares are beneficially held through Exto Partners Pty Ltd and due to the ownership structure of that company Will only claims an interest in 50% of those ordinary shares.
Interests in options:	None

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

REDHILL EDUCATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

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

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

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

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 Italy. Lisa has particular experience working with high growth and emerging companies in the technology, biotech and oil & gas sectors. She was previously a senior associate in the corporate & commercial practice of Allen Allen & Hemsley.

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 2017, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Management Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
William J. Beerworth	6	10	2	3	1	1
Glenn Elith	8	10	*3	-	-	-
William Deane	10	10	3	3	1	1
Dr Christopher Clark	9	10	3	3	1	1
Caroline Trotman	7	10	2	3	1	1

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

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

There were no meetings of the Nomination Committee held during the year ended 30 June 2017.

REMUNERATION REPORT (AUDITED)

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

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

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

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional disclosures relating to key management personnel

F Performance of the company and shareholder returns

A PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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

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

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

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

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

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

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

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

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

Non-executive directors' remuneration

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

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

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.

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 2017 consisted of the directors of RedHill Education Limited, including Glenn Elith who is an executive director.

2017	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	**Cash salary and fees $**	**Bonus* $**	**Termination benefits $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
William J. Beerworth	125,000	-	-	-	-	-	125,000
William Deane **	85,000	-	-	-	-	-	85,000
Dr Christopher Clark	65,000	-	-	-	-	-	65,000
Caroline Trotman	65,000	-	-	-	-	-	65,000
Executive Director:							
Glenn Elith	375,000	100,000	-	19,616	-	-	494,616
	715,000	100,000	-	19,616	-	-	834,616

** Bonus payments assessed and paid on a performance basis*

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

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

** Bonus payments assessed and paid on a performance basis.*

*** Resignation effective 30 June 2016.*

C SERVICE AGREEMENTS

Remuneration and other terms of employment for continuing key management personnel are formalised in service agreements. Agreement details 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.

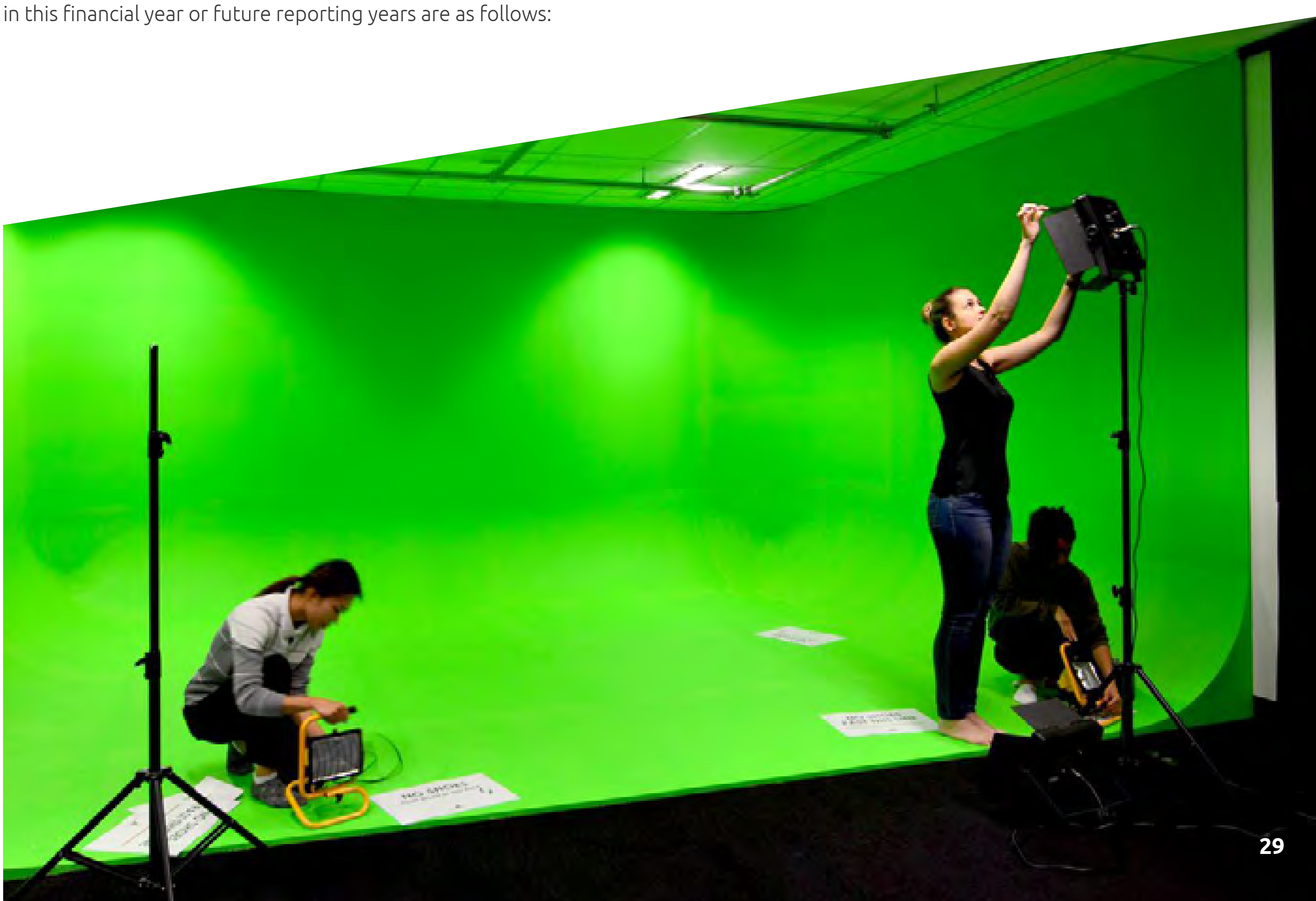
D SHARE-BASED COMPENSATION

Issue of shares

No shares of the company were issued to directors and KMP on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Options

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



Grant date	Number of options	Vesting and exercisable date	Expiry date	Exercise price	Fair value per option at grant date*
22/09/2010 **	30,000	22/09/2011	22/09/2016	$1.00	$0.068
17/09/2013 ***	100,000	17/09/2015	16/09/2018	$0.30	$0.309
17/09/2013	100,000	17/09/2016	16/09/2018	$0.40	$0.264
17/09/2013	100,000	17/09/2017	16/09/2018	$0.50	$0.232
22/05/2014	150,000	23/05/2017	22/05/2019	$0.90	$0.130
22/05/2014	150,000	23/05/2017	22/05/2019	$1.10	$0.081
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.*

*** William J. Beerworth held 30,000 options over ordinary shares which were not exercised and expired on 22 September 2016.*

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

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 2017 are set out below:

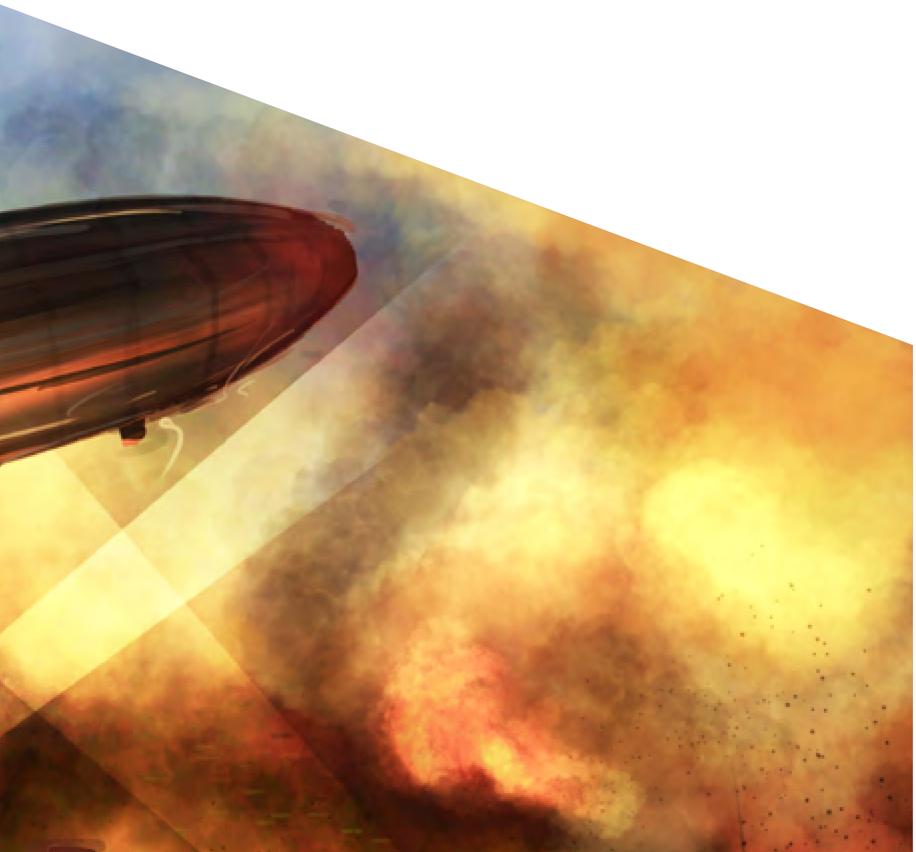
	Number of options granted in 2017	Number of options granted in 2016	Number of options vested in 2017	Number of options vested in 2016
Glenn Elith *	225,000	-	400,000	100,000

** 225,000 share options were granted on 12 December 2016.*

Values of options over ordinary shares granted, exercised and lapsed for directors and other KMP as part of compensation during the year ended 30 June 2017 are set out below:

	Fair value of options granted during the year * $	Fair value of options exercised during the year * $	Fair value of options lapsed during the year * $	Remuneration consisting of options for the year %
William J. Beerworth	-	-	(2,031)	-
Glenn Elith	3,887	-	-	-
	3,887		(2,031)	

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



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	Additions	Disposals	Balance at the end of the year
William Deane*	316,666	-	-	-	316,666
Glenn Elith	110,000	-	-	-	110,000
Dr Christopher Clark	17,843	-	-	-	17,843
	444,509	-	-	-	444,509

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

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
William J. Beerworth	30,000	-	-	(30,000)	-
Glenn Elith	590,000	225,000	-	-	815,000
	620,000	225,000	-	(30,000)	815,000

30,000 options over ordinary shares of the company held by William J. Beerworth were not exercised and expired on 22 September 2016.

There were no other options over ordinary shares granted to or vested by directors and other KMP's as part of compensation during the year ended 30 June 2017.

F PERFORMANCE OF THE COMPANY AND SHAREHOLDER RETURNS

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

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

	2017	2016	2015	2014	2013
	$'000	$'000	$'000	$'000	$'000
Revenue	41,468	28,320	22,794	19,215	16,103
% growth in revenue over prior period	46%	24%	19%	19%	11%
EBITDA	3,887	1,504	3,010	2,713	1,293
Net profit / (loss) for the period	1,737	330	1,652	4,816	(874)
Basic earnings / (loss) per share (cents)	5.73	1.09	5.47	15.97	(2.99)
Share price at the end of each financial year ($)	1.26	0.85	1.33	1.08	0.21
% increase / (decrease) in share price over prior period	48%	(36%)	23%	414%	110%

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
17/09/2013	90,000	17/09/2015	16/09/2018	$0.30
17/09/2013	100,000	17/09/2016	16/09/2018	$0.40
17/09/2013	100,000	17/09/2017	16/09/2018	$0.50
22/05/2014	150,000	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
	815,000			

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

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No shares of the company were issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

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.

REDHILL EDUCATION LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

FIRST STRIKE

At the 2016 Annual General Meeting, more than 25% of the votes cast on the resolution to adopt the remuneration report for FY2016 were against its adoption, so providing a "first strike" under the Corporations Act. But no comment on, or criticism of, the remuneration report was made at the meeting or privately by any shareholder who voted against it, so the board can only assume that the votes did not reflect any genuine concern about the remuneration report itself, and was therefore unable to take any informed corrective action in preparing and applying its remuneration policies in FY2017.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 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 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

ROUNDING OF AMOUNTS

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

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.
This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

William J. Beerworth
Chairman

25 September 2017
Sydney

RSM Australia Partners

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

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F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of RedHill Education Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

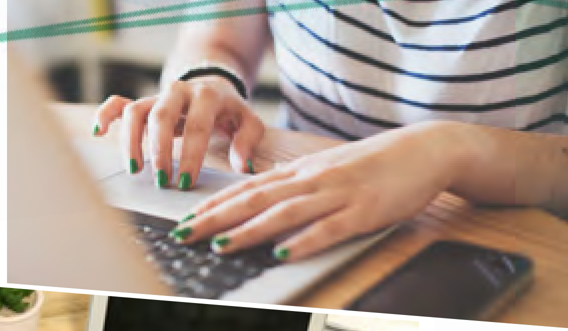
RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 25 September 2017



REDHILL
EDUCATION LIMITED
FINANCIAL REPORT
30 JUNE 2017

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 25 September 2017. 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 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Revenue	4	41,468	28,320
Expenses			
Salaries and employee benefits expense		(20,955)	(15,016)
Cost of services		(7,085)	(3,921)
Depreciation and amortisation expense	5	(1,567)	(1,345)
Property and occupancy costs		(5,060)	(3,945)
Professional and consulting fees		(581)	(349)
Marketing expenses		(2,059)	(1,816)
Public company related costs		(455)	(487)
Other expenses		(1,383)	(1,231)
Finance costs		(3)	(8)
Profit before income tax (expense)/benefit		2,320	202
Income tax (expense)/benefit	6	(583)	128
Profit after income tax (expense)/benefit for the year attributable to the owners of RedHill Education Limited	25	1,737	330
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of RedHill Education Limited		1,737	330
		Cents	**Cents**
Basic earnings per share	37	5.73	1.09
Diluted earnings per share	37	5.70	1.09

The above 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 2017

		Consolidated	
	Note	2017	2016
		$'000	$'000
Assets			
Current assets			
Cash and cash equivalents	7	6,314	4,868
Trade and other receivables	8	9,720	6,624
Prepayments and other assets	9	2,235	920
Total current assets		18,269	12,412
Non-current assets			
Trade receivables	10	7,408	-
Property, plant and equipment	11	4,324	3,007
Intangible assets	12	6,650	6,681
Deferred tax	13	1,497	2,049
Other financial assets	14	2,724	1,757
Total non-current assets		22,603	13,494
Total assets		40,872	25,906
Liabilities			
Current liabilities			
Trade and other payables	15	20,551	11,488
Finance lease	16	31	76
Employee benefits	17	510	496
Other provisions	18	214	358
Total current liabilities		21,306	12,418
Non-current liabilities			
Trade payables	19	3,912	-
Finance lease	20	41	31
Employee benefits	21	150	85
Other provisions	22	988	667
Total non-current liabilities		5,091	783
Total liabilities		26,397	13,201
Net assets		14,475	12,705
Equity			
Issued capital	23	18,770	18,770
Reserves	24	111	81
Accumulated losses	25	(4,406)	(6,146)
Total equity		14,475	12,705

The above 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 2017

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2015	18,752	40	(6,476)	12,316
Profit after income tax expense for the year	-	-	330	330
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	330	330
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 23)	18	-	-	18
Share-based payments (note 38)	-	41	-	41
Balance at 30 June 2016	18,770	81	(6,146)	12,705

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 benefit 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
Transactions with owners in their capacity as owners:				
Share-based payments (note 38)	-	33	-	33
Recycling of lapsed and exercised options (note 38)	-	(3)	3	-
Balance at 30 June 2017	18,770	111	(4,406)	14,475

The above 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 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		39,021	28,077
Payments to suppliers and employees (inclusive of GST)		(33,913)	(27,755)
		5,108	322
Interest received	4	3	51
Interest and other finance costs paid		(3)	(8)
Income taxes paid		(33)	(9)
Net cash from operating activities	36	5,075	356
Cash flows from investing activities			
Payments for security deposits		(741)	(8)
Payments for property, plant and equipment	11	(2,558)	(1,664)
Payments for intangibles	12	(295)	(403)
Net cash used in investing activities		(3,594)	(2,075)
Cash flows from financing activities			
Proceeds from issue of shares		-	18
Payments of leases		(35)	(92)
Net cash used in financing activities		(35)	(74)
Net increase/(decrease) in cash and cash equivalents		1,446	(1,793)
Cash and cash equivalents at the beginning of the financial year		4,868	6,661
Cash and cash equivalents at the end of the financial year	7	6,314	4,868

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

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, revised 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, revised 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 33.

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 2017 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.

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

Property, plant and equipment

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

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

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

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

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

Leases

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

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

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

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

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

Intangible assets

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

Goodwill

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

Software

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

Copyrights and licenses

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

Impairment of non-financial assets

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

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

Trade and other payables

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

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 student.

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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

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

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

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

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

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

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

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

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

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential on ordinary shares at balance date and the weighted average number of 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 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018. It is not expected to significantly impact the financial statements on the basis that the main financial assets recognised represent cash and cash equivalent 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. Both asset classes will continue to be measured at face value. Other financial asset classes are not material to the consolidated entity. Financial liabilities of the group are not impacted as the consolidated entity does not carry them at fair value.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. It is not expected to significantly impact the financial statements on the basis that most of the consolidated entity's revenue is recognised at the time of lessons 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. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. It is estimated that the effect of the adoption of this standard is likely to result in an increase in liabilities of approximately $19 million and the creation of a corresponding right to use asset of approximately $19 million.

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 2017. 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.

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

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

The information reported to the CODM is on 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:

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

Academy of Information Technology ('AIT'), a provider of face-to-face and online courses in information technology, digital design, interactive multimedia, computer coding, digital marketing and games and apps programming. Trading brands operated by AIT include The Left Bank School, Coder Academy and Forge Faculty.

International School of Colour and Design, a provider of face-to-face and online learning in interior design and styling courses.

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

The internal restructuring has resulted in the previously reported Information Technology and Creative Design segments being merged into one reporting segment effective from 1 July 2016.

The corresponding information for earlier periods has not been restated due to the fact that the directors consider the information to be readily available to the users of the financial statements.

GREENWICH:

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

STUDENT AGENCY:

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

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Major customers

The consolidated entity has no significant individual customers.

Operating segment information

Consolidated - 2017	Technology & Design** $'000	Greenwich $'000	Student Agency $'000	Intersegment eliminations/ unallocated $'000	Total $'000
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.

** Technology & Design is the combination of the Information Technology and Creative Design operating segments reported in the previous corresponding period.

Operating segment information (continued)

Consolidated - 2016	Information Technology $'000	Creative Design $'000	Greenwich $'000	Student Agency $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue						
Sales to external customers	8,788	2,991	12,221	4,269	-	28,269
Intersegment sales	-	-	-	457	(457)	-
Total sales revenue	8,788	2,991	12,221	4,726	(457)	28,269
Other revenue	-	-	-	-	51	51
Total revenue	8,788	2,991	12,221	4,726	(406)	28,320
Segment operating result	1,583	95	1,779	1,245	-	4,702
Unallocated items:						
Corporate, finance and IT expenses	-	-	-	-	(1,468)	(1,468)
Professional and consulting fees	-	-	-	-	(213)	(213)
Public company related costs	-	-	-	-	(487)	(487)
Property and occupancy costs	-	-	-	-	(728)	(728)
Other expenses	-	-	-	-	(302)	(302)
EBITDA *	1,583	95	1,779	1,245	(3,198)	1,504
Depreciation and amortisation	(358)	(262)	(303)	(29)	(393)	(1,345)
Finance cost	(4)	-	-	-	(4)	(8)
Interest income-unallocated	-	-	-	-	51	51
Profit/(loss) before income tax benefit	1,222	(167)	1,476	1,216	(3,544)	202
Income tax benefit						128
Profit after income tax benefit						330
Assets						
Segment assets	9,384	2,279	10,761	4,387	(905)	25,906
Total assets						25,906
Liabilities						
Segment liabilities	2,607	1,655	7,278	247	1,414	13,201
Total liabilities						13,201

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

NOTE 4.
Revenue

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Sales revenue		
Tuition related revenue	36,963	24,385
Commission revenue	4,502	3,884
	41,465	28,269
Other revenue		
Interest	3	51
Total revenue	41,468	28,320

NOTE 5.
Expenses

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	663	706
Plant and equipment	578	404
Total depreciation	1,241	1,110
Amortisation		
Copyrights	326	233
Licenses	-	2
Total amortisation	326	235
Total depreciation and amortisation	1,567	1,345
Rental expense relating to operating leases		
Minimum lease payments	3,957	3,133
Superannuation expense		
Defined contribution superannuation expense	1,430	991

NOTE 6.
Income tax expense/(benefit)

	Consolidated	
	2017	2016
	$'000	$'000
Income tax expense/(benefit)		
Current tax	31	9
Deferred tax - origination and reversal of temporary differences	552	(137)
Aggregate income tax expense/(benefit)	583	(128)
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (note 13)	552	(137)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit before income tax expense/(benefit)	2,320	202
Tax at the statutory tax rate of 30%	696	61
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
– Foreign branch income	(183)	(114)
– Foreign branch tax expense	31	9
– Sundry items	(57)	28
	487	(16)
Adjustments to opening deferred tax asset:		
– on tax losses	60	-
– on timing differences	36	-
	96	-
Current year decrease/(increase) in deferred tax asset:		
– on tax losses	-	(138)
– on timing differences	-	26
Income tax expense/(benefit)	583	(128)

NOTE 7.
Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	$'000	$'000
Cash at bank and cash equivalents	6,314	4,868

NOTE 8.
Current assets - trade and other receivables

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Trade receivables	9,817	6,705
Less: Provision for impairment of receivables	(97)	(81)
	9,720	6,624

Impairment of receivables

The consolidated entity has recognised a loss of $16,000 (2016: loss of $23,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

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

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Opening balance	81	58
Additional provisions recognised	16	23
Closing balance	97	81

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $953,000 as at 30 June 2017 ($417,000 as at 30 June 2016).

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 15.

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

	Consolidated	
	2017	**2016**
	$'000	**$'000**
One to three months overdue	283	125
Three to six months overdue	190	94
Over six months overdue	480	198
	953	417

NOTE 9.
Current assets - prepayments and other assets

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Lease incentive asset	96	97
Prepayments	867	750
Deposits	57	44
Other current assets	1,215	29
	2,235	920

Other current assets increased mainly 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	
	2017	**2016**
	$'000	**$'000**
Trade receivables	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 balance date.

NOTE 11.
Non-current assets - property, plant and equipment

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Leasehold improvements - at cost	5,551	3,829
Less: Accumulated depreciation	(2,524)	(1,853)
	3,027	1,976
Plant and equipment - at cost	3,933	3,138
Less: Accumulated depreciation	(2,636)	(2,107)
	1,297	1,031
	4,324	3,007

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	Total $'000
Balance at 1 July 2015	1,622	831	2,453
Additions	1,060	604	1,664
Depreciation expense	(706)	(404)	(1,110)
Balance at 30 June 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

NOTE 12.
Non-current assets – intangible assets

	Consolidated	
	2017	2016
	$'000	$'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	5,695	5,407
Less: Accumulated amortisation	(5,190)	(4,871)
	505	536
Licenses - at cost	20	20
Less: Accumulated amortisation	(20)	(20)
	-	-
	6,650	6,681

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	Licenses $'000	Total $'000
Balance at 1 July 2015	6,145	366	2	6,513
Additions	-	403	-	403
Amortisation expense	-	(233)	(2)	(235)
Balance at 30 June 2016	6,145	536	-	6,681
Additions	-	295	-	295
Amortisation expense	-	(326)	-	(326)
Balance at 30 June 2017	6,145	505	-	6,650

(a) Impairment tests for goodwill

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

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

	Carrying amount of goodwill	
Cash Generating Unit	2017 $'000	2016 $'000
Academy of Information Technology Pty Ltd ('AIT') - at cost	-	4,086
International School of Colour and Design Pty Ltd - at recoverable amount	-	2,059
Technology & Design *	6,145	-
	6,145	6,145

* Technology & Design is the combination of the Information Technology and Creative Design operating segments reported in the previous corresponding period.

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

The recoverable amount of the RedHill CGU's that form the operating segments are determined by value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based upon business plans over a five year period.

The following assumptions have been applied in the analysis of each RedHill CGU:

	2017	2016
Post tax discount rate	15.0%	15.0%
Student growth rate	5.0% - 40.0%	5.0% -30.0%
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.

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

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

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

(c) Impairment 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 2017.

(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 the Technology & Design operating CGU is in excess of the carrying amount and there is no impairment required as at 30 June 2017.

NOTE 13.
Non-current assets - deferred tax

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	87	411
Employee benefits	325	265
Provision for lease make good	65	33
Accrued expenses	59	125
Impairment of intangibles	1,047	1,040
Lease incentive	90	102
Deferred student acquisition costs	(220)	-
Other	44	73
Deferred tax asset	1,497	2,049
Movements:		
Opening balance	2,049	1,912
(Charged)/credited to profit or loss (note 6)	(552)	137
Closing balance	1,497	2,049

Deferred tax included in income tax expense/(benefit) comprises:
Decrease in deferred tax assets - current year utilisation of losses of $552,000 (2016: increase of $137,000).

NOTE 14.
Non-current assets - other financial assets

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Deposits	2,407	1,666
Lease incentive asset	317	91
	2,724	1,757

NOTE 15.
Current liabilities - trade and other payables

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Trade payables	2,224	1,135
Deferred revenue	16,979	8,784
Payroll accruals	890	1,140
Other accruals	458	429
	20,551	11,488

Refer to note 27 for further information on financial instruments.

NOTE 16.
Current liabilities - finance lease

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Lease liability	31	76

Refer to note 27 for further information on financial instruments.

NOTE 17.
Current liabilities - employee benefits

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Annual leave	510	449
Long service leave	-	47
	510	496

NOTE 18.
Current liabilities - other provisions

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Lease incentive provision	214	358

Refer to note 22 for further details on lease incentives.

NOTE 19.
Non-current liabilities - trade payables

	Consolidated	
	2017	2016
	$'000	$'000
Deferred revenue	3,912	-

Refer to note 27 for further information on financial instruments.

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 20.
Non-current liabilities - finance lease

	Consolidated	
	2017	2016
	$'000	$'000
Lease liability	41	31

Refer to note 27 for further information on financial instruments.

NOTE 21.
Non-current liabilities - employee benefits

	Consolidated	
	2017	2016
	$'000	$'000
Long service leave	150	85

NOTE 22.
Non-current liabilities - other provisions

	Consolidated	
	2017	2016
	$'000	$'000
Lease make good	463	382
Lease incentive	525	285
	988	667

Lease make good

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

Lease incentive

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

	Lease make good	Lease incentive
Consolidated - 2017	**$'000**	**$'000**
Carrying amount at the start of the year	382	285
Additional provisions recognised	81	483
Utilised/released	-	(243)
Carrying amount at the end of the year	463	525

NOTE 23.
Equity - issued capital

	Consolidated			
	2017 Shares	**2016 Shares**	**2017 $'000**	**2016 $'000**
Ordinary shares - fully paid	30,289,052	30,289,052	18,770	18,770

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	1 July 2015	30,204,052		18,752
Shares issued *	16 November 2015	75,000	$0.20	15
Shares issued *	16 November 2015	10,000	$0.30	3
Balance	30 June 2016	30,289,052		18,770
Balance	30 June 2017	30,289,052		18,770

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

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

NOTE 24.
Equity - reserves

	Consolidated	
	2017	2016
	$'000	$'000
Share-based payments reserve	111	81

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services under the employee share option plan.

Movements in reserves

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

Consolidated	Share-based payments $'000	Total $'000
Balance at 1 July 2015	40	40
Employee share options - value of employee services	41	41
Balance at 30 June 2016	81	81
Share-based payments	33	33
Transfer back of lapsed options	(3)	(3)
Balance at 30 June 2017	111	111

NOTE 25.
Equity - accumulated losses

	Consolidated	
	2017	2016
	$'000	$'000
Accumulated losses at the beginning of the financial year	(6,146)	(6,476)
Profit after income tax for the year	1,737	330
Transfer from share-based payment reserve	3	-
Accumulated losses at the end of the financial year	(4,406)	(6,146)

NOTE 26.
Equity - dividends

	Consolidated	
	2017	2016
	$'000	$'000
Dividends paid during the reporting period	-	-
Dividends not recognised at the end of the reporting period	606	-

The directors have declared a fully franked dividend of $0.02 cents per ordinary share, payable on 2 November 2017, out of retained profits at 30 June 2017. For the purposes of determining any entitlement to the dividend, the record date has been set as 5 October 2017.

Franking credits

	Consolidated	
	2017	2016
	$'000	$'000
Franking credits available at the reporting date based on a tax rate of 30%.	673	673
Franking credits available for subsequent financial years based on a tax rate of 30%.	673	673

NOTE 27.
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:

	2017		2016	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
Consolidated	%	$'000	%	$'000
Cash and cash equivalents	2.25%	6,314	1.55%	4,868
Net exposure to cash flow interest rate risk		6,314		4,868

An official increase/decrease in interest rates of 100 (2016: 100) basis points would have favourable/adverse effect on profit before tax of $63,000 (2016: favourable/adverse $49,000) 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 - 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

Consolidated - 2016	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		1,135	-	-	-	1,135
Other payables		429	-	-	-	429
Payroll accruals		1,140	-	-	-	1,140
Interest-bearing - variable						
Lease liability	5.36%	80	31	-	-	111
Total non-derivatives		2,784	31	-	-	2,815

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

Fair value of financial instruments

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

NOTE 28.
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	
	2017	2016
	$	$
Short-term employee benefits	815,000	987,128
Post-employment benefits	19,616	33,753
	834,616	1,020,881

NOTE 29.
Remuneration of auditors

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

	Consolidated	
	2017	2016
	$	$
Audit services - RSM Australia Partners		
Audit or review of the financial statements	103,105	101,500
Other services - RSM Australia Partners		
Tax services	15,000	11,000
	118,105	112,500

NOTE 30.
Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2017 of $2,329,658 (2016: $1,598,000) to various lessors.

NOTE 31.
Commitments for expenditure

	Consolidated	
	2017	2016
	$'000	$'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,739	3,040
One to five years	11,359	4,396
More than five years	3,698	-
	18,796	7,436
Lease commitment - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	32	80
One to five years	42	31
Total commitment	74	111
Less: Future finance charges	(2)	(4)
Net commitment recognised as liabilities	72	107
Representing:		
Lease liability - current (note 16)	31	76
Lease liability - non-current (note 20)	41	31
	72	107

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

Finance lease commitment represents the contracted amount for IT equipment with an aggregate written down value of $72,000 (2016: $107,000) under finance leases expiring within three years. Under the terms of the leases, the consolidated entity retains possession of the leased assets at expiry of the lease.

NOTE 32.
Related party transactions

Parent entity
RedHill Education Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

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

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

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

NOTE 33.
Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2017	**2016**
	$'000	**$'000**
Loss after income tax	(3,808)	(3,580)
Total comprehensive income	(3,808)	(3,580)

Statement of financial position

	Parent	
	2017	**2016**
	$'000	**$'000**
Total current assets	765	786
Total assets	16,119	15,192
Total current liabilities	18,813	14,663
Total liabilities	19,589	14,837
Equity		
Issued capital	18,770	18,770
Share-based payments reserve	111	128
Accumulated losses	(22,351)	(18,543)
Total (deficiency)/equity	(3,470)	355

Contingent liabilities

The parent entity has given bank guarantees as at 30 June 2017 of $1,412,539 (2016: $nil) to various lessors in respect of the Melbourne campus.

Significant accounting policies

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

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

NOTE 34.
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 2017 %	2016 %
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 35.
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.

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

Statement of profit or loss and other comprehensive income	**2017 $'000**	**2016* $'000**
Revenue	39,143	-
Salaries and employee benefits expense	(19,642)	-
Cost of services	(7,085)	-
Depreciation and amortisation expense	(1,561)	-
Property and occupancy costs	(4,925)	-
Professional and consulting fees	(554)	-
Marketing expenses	(1,890)	-
Public company related costs	(455)	-
Other expenses	(1,316)	-
Finance costs	(3)	-
Profit before income tax expense	1,712	-
Income tax expense	(537)	-
Profit after income tax expense	1,175	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	1,175	-

Equity - retained profits	**2017 $'000**	**2016 $'000**
Accumulated losses at the beginning of the financial year	(6,141)	-
Profit after income tax expense	1,175	-
Accumulated losses at the end of the financial year	(4,966)	-

* This information has not been provided on the basis that the Deed of Cross Guarantee was only entered into on 30 June 2017.

Statement of financial position	2017 $'000	2016* $'000
Current assets		
Cash and cash equivalents	5,998	-
Trade and other receivables	9,720	-
Prepayments and other assets	1,884	-
Total current assets	17,602	-
Non-current assets		
Trade receivables	7,408	-
Property, plant and equipment	4,306	-
Intangible assets	6,651	-
Deferred tax	1,512	-
Other financial assets	2,722	-
Total non-current assets	22,599	-
Total assets	40,201	-
Current liabilities		
Trade and other payables	20,453	-
Finance lease	31	-
Employee benefits	497	-
Other provisions	214	-
Total current liabilities	21,195	-
Non-current liabilities		
Trade payables	3,912	-
Finance lease	41	-
Employee benefits	150	-
Other provisions	988	-
Total non-current liabilities	5,091	-
Total liabilities	26,286	-
Net assets	13,915	-
Equity		
Issued capital	18,770	-
Reserves	111	-
Accumulated losses	(4,966)	-
Total equity	13,915	-

* This information has not been provided on the basis that the Deed of Cross Guarantee was only entered into on 30 June 2017.

NOTE 36.
Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Profit after income tax (expense)/benefit for the year	1,737	330
Adjustments for:		
Depreciation and amortisation	1,567	1,345
Share-based payments	33	41
Change in operating assets and liabilities:		
Increase in trade and other receivables	(10,504)	(295)
Decrease/(increase) in deferred tax assets	552	(137)
Decrease/(increase) in prepayments	(116)	(45)
(Increase)/decrease in other operating assets	(1,425)	150
Increase/(decrease) in trade and other payables	9,064	(281)
Increase in employee benefits	79	133
Increase/(decrease) in other provisions	176	(885)
Increase in other operating liabilities	3,912	-
Net cash from operating activities	5,075	356

NOTE 37.
Earnings per share

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Profit after income tax attributable to the owners of RedHill Education Limited	1,737	330

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	30,289,052	30,257,003
Adjustments for calculation of diluted earnings per share:		
Exercisable Options (1)	190,000	90,000
Weighted average number of ordinary shares used in calculating diluted earnings per share (2)	30,493,683	30,347,003

	Cents	**Cents**
Basic earnings per share	5.73	1.09
Diluted earnings per share	5.70	1.09

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.

NOTE 38.
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:

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

2016

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

The weighted average share price during the financial year was $0.9865 (2016: $1.0310).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.6 years (2016: 1.89 years).

For options granted during the financial year ended 30 June 2017, 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
12/12/2016	12/12/2021	$0.86	$1.25	30.00%	1.59%	1.70%	$0.0442
12/12/2016	12/12/2021	$0.86	$1.75	30.00%	1.59%	1.95%	$0.0073
12/12/2016	12/12/2021	$0.86	$2.25	30.00%	1.59%	2.31%	$0.0003

NOTE 39.
Events after the reporting period

The directors declared a fully franked dividend of $0.02 per ordinary share on 24 August 2017. Further details are set out in note 26 of this report.

Apart from the dividend declared, no other matter or circumstance has arrisen since 30 June 2017 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 2017

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 2017 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 Extended 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 35 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

25 September 2017
Sydney

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

To the Members of RedHill Education Limited

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 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 this matter
Recognition of Revenue Refer to Note 1 in the financial statements	
The Group recognises revenue on provision of tuition and related educational services and materials. Risk in relation to revenue recognition is increased at RedHill due to the nature of the business with fees being routinely received in advance of the courses being delivered. Revenue is recognised in accordance with the policies set out in Note 1. The process of revenue recognition is complex in that there are multiple entities delivering multiple courses across multiple periods. We have therefore considered revenue recognition as a Key Audit Matter for the audit.	Our audit procedures in relation to the recognition of revenue included: • Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards. • Evaluating and testing the operational effectiveness of management's internal controls related to debtors, deferred revenue, and the related revenue recognition. • On a sample basis, inspecting the student agreements, course fee structure and other enrolment documentation, and review of the allocation of revenue to various elements in the agreements. • Testing of sales transactions including the recording and release of deferred revenue to ensure that revenue has been correctly recognised in the correct period. • Performing analytical review techniques in relation to revenues and student numbers in the various subsidiaries.
Impairment of Intangible Assets Refer to Note 12 in the financial statements	
In March 2016, RedHill started the implementation of some operational restructuring resulting in the formation of the Technology & Design Division (T&D) to ensure that the organisation's structure utilises the capabilities and expertise of its people and supports ongoing business expansion. The Division now combines AIT, ISCD, The Left Bank, and Coder Academy brands across all delivery locations and on-line. This operational change has effectively created a position whereby it is no longer possible to identify separate cash generating units (CGUs) in relation to AIT and ISCD. The Group has goodwill of $6.145m relating to its acquisition of both Academy of Information Technology Pty Ltd (AIT) & the International School of Colour and Design Pty Ltd (ISCD) in 2010. We identified this area as a Key Audit Matter due to the size of the goodwill balance, as well as the fact that the Directors' assessment of the 'value in use' of the CGU involves judgements and estimation uncertainty about the future underlying cash flows of the business and the discount rates applied to them.	Our audit procedures in relation to management's impairment assessment included: • obtaining an understanding of the operational changes to the business, having consideration of the requirements AASB 136 Impairment of Assets, and whether the operational changes resulted in a change in CGUs that is considered to be justified, and is consistent with the Group's identified operating segments; • assessing the valuation methodology used; • challenging the reasonableness of key assumptions, including the cash flow projections, discount rates, and sensitivities used; and • checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence, such as approved budgets, and considering the reasonableness of these budgets.

For the year ended 30 June 2017, management has performed an impairment assessment over the total goodwill balance by: • calculating the value in use for the combined CGUs using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for the combined CGUs for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Company's weighted average cost of capital (WACC); and • comparing the resulting value in use the combined CGU to the respective book. values of the underlying assets of the new division.	

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of RedHill Education Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 25 September 2017

REDHILL EDUCATION LIMITED
SHAREHOLDER INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017

The shareholder information set out below was applicable as at 15 September 2017.

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	25	0
1,001 to 5,000	46	0
5,001 to 10,000	28	0
10,001 to 100,000	70	0
100,001 and over	40	1
	209	1
Holding less than a marketable parcel	16	

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	2,891,646	9.55
BNP PARIBAS NOMS PTY LTD <DRP>	2,628,580	8.68
MS LOURDES LYNN	1,977,560	6.53
UBS NOMINEES PTY LTD	1,776,824	5.87
MR EDWARD LEE KELLER	1,709,456	5.64
J P MORGAN NOMINEES AUSTRALIA PTY LTD	1,581,496	5.22
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,500,000	4.95
SKILLED PLACEMENTS PTY LIMITED	1,328,752	4.39
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	1,232,340	4.07
SKILLED PLACEMENTS PTY LIMITED	1,095,000	3.62
CITICORP NOMINEES PTY LIMITED	1,016,808	3.36
JJC GROUP (AUST) PTY LTD <DENZEL DEEPAK A/C>	796,639	2.63
MICHAEL CAMERON RATCLIFF	575,784	1.90
JILCY PTY LTD <JILCY SUPER FUND A/C>	540,000	1.78
BYDAND CAPITAL PTY LTD	500,000	1.65
JET INVEST PTY LTD <R & L INVESTMENT A/C>	430,350	1.42
THE IRISH BUFFETT PTY LTD	426,325	1.41
MAST FINANCIAL PTY LTD <A TO Z INVESTMENT A/C>	425,000	1.40
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	414,160	1.37
NATIONAL NOMINEES LIMITED	413,814	1.37
	23,260,534	76.80

REDHILL EDUCATION LIMITED
SHAREHOLDER INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	815,000	1

Substantial holders

Substantial holders in the company are set out below:

	Number of ordinary shares disclosed as being held
Academies Australasia Group Ltd	3,197,252
Regal Funds Management Pty Ltd	3,117,158
Perpetual Limited and Subsidiaries	2,337,357
Lourdes Lynn	1,977,560
Edward Lee Keller	1,712,106
Acorn Capital Limited	1,685,820

The disclosed number of ordinary shares held by substantial shareholders may not be equal to the actual number of ordinary shares held as at 15 September 2017 as only movements of at least 1% are required to be notified to the Australian Securities Exchange.

Voting rights

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

Ordinary shares

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

Other stock exchanges

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

On-market share buy-back

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

GREENWICH English College

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