



REDHILL EDUCATION

RedHill Education Limited

ABN 41 119 952 493

Annual Report - 30 June 2011

RedHill Education Limited
Corporate directory
30 June 2011

Directors	Bill Beerworth - Chairman Bruce Baird AM William Deane James Hyndes Benjamin Lunn Edward Keller
Company secretaries	Mark Zworestine William Deane
Registered office	Level 2 7 Kelly Street Ultimo NSW 2007 Telephone: +61 2 9211 8399 Fax: +61 2 9211 8355
Principal place of business	Level 2 7 Kelly Street Ultimo NSW 2007
Share register	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 Telephone: +61 2 8234 5000 Fax: +61 2 8235 8150
Auditor	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street Sydney NSW 2000
Solicitors	Norton Rose Level 18, 225 George Street Sydney NSW 2000
Bankers	National Australian Bank Ltd NAB Education and Community Business Level 5, 10 Century Circuit Baulkham Hills NSW 2153
Stock exchange listing	RedHill Education Limited shares are listed on the Australian Securities Exchange (ASX code: RDH)
Website address	www.redhilleducation.com

RedHill Education Limited
Chairman and Chief Executive Officer's Report
30 June 2011

This is RedHill Education Limited's (ASX: RDX) ('RedHill') first annual report as a publicly listed company on the Australian Securities Exchange ('ASX').

RedHill is focussed on building an integrated group of high quality education providers in Australia. It proposes to achieve this through organic growth of its existing businesses and the acquisition of recognised brands that deliver quality education and high customer service to domestic and international students.

RedHill offers a pathway from offshore recruitment through English and vocational programs to higher education for international students and from vocational to higher education for domestic students.

A key aspect of RedHill's vision is to differentiate itself in the market through its focus on superior levels of customer service for both foreign and domestic students.

In August 2010, RedHill issued its prospectus to raise \$16 million, mainly for the purpose of acquiring two new colleges. This initial public offering was fully subscribed and on 21 September 2010, RedHill was admitted to the official list of the ASX.

The RedHill Group comprises the following businesses:

Greenwich College (Greenwich)

A provider of English Language foundation courses, advanced English, International English Language Testing System programs and English teacher training programs.

Go Study Australia (Go Study)

An education agency that provides counselling services to students who seek to pursue English language, vocational and higher education in Australia. Go Study currently operates from Sydney, Brisbane, Milan, Barcelona, Madrid and Medellin with an office in Rome to open shortly.

AIT

A provider of nationally recognised higher education and vocational qualifications in information technology, digital design, business, multimedia and games development. AIT is approved for government VET FEE-HELP.

ISCD

ISCD delivers cutting edge art and design courses, including accredited vocational courses and professional industry recognised diplomas. ISCD offers distance education in addition to classroom based education.

It was disappointing in February 2011 to announce that RedHill would not meet its forecasts for FY2011. As described in previous announcements, this was largely due to major deterioration in the conditions affecting the vocational private education sector, including a strengthening Australian Dollar and sector wide factors impacting overseas student enrolments such as changes to migration and visa regulations.

RedHill's consolidated net loss after income tax for the year ended 30 June 2011 is \$1.89 million after recognising all non-recurring items.

On 29 March 2011, RedHill appointed Andrew Leary as its new Chief Executive Officer with a mandate to integrate RedHill's businesses to increase and diversify the student population from both domestic and international markets.

Part of Greenwich College has been located at AIT's attractive Ultimo campus resulting in better utilisation of that facility and a more enjoyable student experience. ISCD has also made progress to better target distance education enrolments, a key market for ISCD as the demand for non-traditional course delivery grows.

Go Study will open a new office in Rome, Italy, in October 2011 which will support Go Study's other agencies in the region.

We are also pleased to report that in August 2011, AIT signed a pathway agreement with the University of Sydney to allow RedHill AIT students to continue their education at a post-graduate level at the University. This is an important articulation agreement for RedHill and will enable AIT students more easily to achieve post graduate higher tertiary education.

RedHill has now fully implemented an integrated accounting system for all business units that will provide quicker and more reliable results.

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The Hon. Michael Knight AO released the "Strategic Review of the Student Visa Program 2011" on 22 September. Subsequent announcements from Senator the Hon. Christopher Evans and the Hon. Chris Bowen MP included a suite of measures to enhance the competitiveness of Australia's international education sector.

However, we remain cautious in our assessment of the government's policies to encourage students from overseas countries.

We have a single-minded focus on achieving cash flow positive operations and net profitability in the 2012 financial year while we grow RedHill's revenue base and consolidate the existing business strategy.



Bill Beerworth
Chairman

30 September 2011
Sydney



Andrew Leary
Chief Executive Officer

RedHill Education Limited
Directors' report
30 June 2011

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of RedHill Education Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2011.

Directors

The following persons were directors of RedHill Education Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Bill Beerworth - Non-executive Chairman
Bruce Baird AM - Non-executive Director
William Deane - Non-executive Director
James Hyndes - Non-executive Director
Benjamin Lunn - Executive Director
Edward Keller - Executive Director (appointed on 1 March 2011)
Paul Tobin - Former Chief Executive Officer and Former Executive Director (resigned on 28 February 2011)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- providing high quality vocational training courses, and
- providing advice and counselling to students.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,890,955 (30 June 2010: profit of \$136,220).

The consolidated entity generated revenue of \$14.02 million (up 78.4% from FY2010).

On 15 September 2010, the consolidated entity acquired Academy of Information Technology Pty Limited ('AIT') and International School of Colour and Design Pty Limited ('ISCD'). The acquisitions were funded from the proceeds of the company's Initial Public Offering under the terms of its prospectus dated 24 August 2010, as well as shares in the company.

The consolidated entity's performance was impacted by a number of well reported factors during the 2011 financial year, which included the following:

- Uncertainty caused by changes to government policy have had a strong negative impact on student visas and immigration. This made it much harder for students to study in Australia.
- The relative strength of the Australian dollar has made education more expensive for some foreign students;
- Damage to Australia's reputation as a safe education destination; and
- Foreign students have tended to prefer other destinations.

As a result of these factors, the consolidated entity failed to meet its prospectus forecast.

In November 2010, AIT relocated to a state of the art campus in Ultimo that was designed for its use. The new campus more than doubled the space available to AIT.

In March 2011, the company's corporate head office exited the serviced offices it occupied and moved in to the AIT campus.

Up until August 2011, Greenwich College (Greenwich) was operating from two campuses.

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In August 2011, part of Greenwich co-located with AIT to improve campus utilisation at the Ultimo campus. The net saving in rent was approximately \$0.3million per annum.

Also in August 2011, AIT signed a pathway agreement with the University of Sydney which allows AIT's students to continue their education at a post graduate level with the University. This is an important articulation agreement that enables our students to achieve further tertiary education.

The consolidated entity is now targeting diversification of its student demographic at AIT with a pleasing result in its July 2011 intake of an increased number of Australian students as well as a range of other nationalities. In addition, the consolidated entity is targeting growth in ISCD's distance education offering and has strengthened this division of the college to achieve this outcome.

The consolidated entity remains committed to achieving its objectives and to growing its student numbers and expanding its range of services and products to its students.

Significant changes in the state of affairs

On 15 September 2010, the consolidated entity acquired 100% of the issued shares in:

- Academy of Information Technology Pty Limited ('AIT'), an information technology and multimedia college; and
- International School of Colour and Design Pty Limited ('ISCD'), a creative arts college,

in accordance with the prospectus dated 24 August 2010.

Subsequent to the acquisition of AIT, in February 2011, certain vendors agreed to a purchase price reduction in the sum of \$1.83 million that resulted in an increase in cash and a commensurate decrease in goodwill in the consolidated entity's statement of financial position.

See further details on this acquisition in note 29 to the financial statements.

On 21 September 2010, the company listed on the Australian Securities Exchange.

On 7 February 2011, RedHill announced a substantial reduction of its full year earnings forecast.

On 28 February 2011, Paul Tobin, the company's Chief Executive Officer resigned and on 29 March 2011, Andrew Leary was appointed as the company's new Chief Executive Officer.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 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.

Likely developments and expected results of operations

On 22 September 2011, the Federal Government announced the changes in response to the strategic review of the Student Visa Program by former Olympics Minister Michael Knight. These changes are expected to have a positive impact on RedHill's student enrolments.

Environmental regulation

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

Information on directors

Name:	Bill Beerworth
Title:	Non-executive Chairman
Qualifications:	BA LLB (Sydney), LLM SJD (Virginia), MCOM (NSW), MBA (Macquarie)
Experience and expertise:	Before founding Beerworth + Partners, 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 Mallesons Stephen Jaques where he specialised in corporate and commercial law Senior Assistant Secretary of the Australian Attorney-General's Department responsible for corporate and securities policy; and Bill has been Chairman or a Director of a number of listed and private companies and Advisory Boards.
Other current directorships:	He has been Chairman of the Macquarie Graduate School of Management, 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. Bill is Managing Director of Beerworth + Partners Limited, a corporate advisory firm specialising in corporate transactions, especially in mergers and acquisitions.
Former directorships (in the last 3 years):	He is Chairman of Contango Capital Partners Limited, a listed funds management company, and of the Australian Commission on Safety and Quality in Health Care.
Special responsibilities:	Bill is Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.
Interests in shares:	None
Interests in options:	30,000 options
Name:	Bruce Baird AM
Title:	Non-executive Director
Qualifications:	BA (Sydney), MBA (Melbourne), Hon PhD (Newcastle)
Experience and expertise:	In 2009, Bruce was commissioned by the Federal Government to conduct a review of the ESOS Act and reported his findings to the Government with changes designed to ensure Australia continues to offer world class quality international education in a challenging and changing environment. Bruce served in Federal Parliament from October 1998 until his retirement before the 2007 election. During this time Bruce was Chairman of the Joint Select Committee on Retailing, the Australian Crime Commission Committee, the Trade Sub-Committee, the Sport and The Arts Committee, the Friends of Tourism and the Parliamentary Christian Fellowship. He was Chairman of National Rail Corporation from 1997 to 1998, and was a Member of the NSW Legislative Assembly from 1984 to 1995. He was also Deputy Leader of the Liberal Party in NSW from 1992 to 1995.
Other current directorships:	Bruce is currently Chairman of the Tourism and Transport Forum Advisory Board and the Refugee Resettlement Advisory Council.
Former directorships (in the last 3 years):	None
Special responsibilities:	Bruce is Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.
Interests in shares:	None
Interests in options:	15,000 options

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Name: William Deane
Title: Non-executive Director
Qualifications: BA (Sydney), LLB (Bond)
Experience and expertise: William is a director of Exto Partners Pty Ltd, a Sydney-based investment company formed in 2003. Will is a director of several of Exto Partners' investee companies and is experienced at building high growth companies. He has practised as a corporate lawyer in Australia with Blake Dawson and in the United States with Skadden Arps and Sidley Austin. As a lawyer he focussed on equity capital markets and mergers and acquisitions.

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: William is member of Remuneration and Audit and Risk Management Committee
Interests in shares: 866,666 ordinary shares.
Interests in options: 1,693,482 options

Name: James Hyndes
Title: Non-executive Director
Qualifications: Bachelor of Arts (Asian Studies) (ANU), Bachelor of Economics (ANU), Graduate Diploma in Defence Studies (UNSW), Graduate Diploma in Applied Finance and Investment (SIA).
Experience and expertise: James is a partner of Canning Park Capital, a Singapore based fund. He was previously employed for a total of 15 years as Director at Goldman Sachs, JP Morgan and Macquarie in a number of senior roles focusing on equity markets. During that time he advised or assisted on a large number of IPOs on Asian and Australian securities exchanges. While employed by investment banks, James worked in Korea, Hong Kong and London and he is fluent in Korean.

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: None
Interests in shares: 3,375,306 ordinary shares (337,000 directly and 3,038,306 indirectly)
Interests in options: 1,693,482 options

Name: Benjamin Lunn
Title: Executive Director
Qualifications: MBA (UQ), BBUS (UQ), CERT IV TESOL, CERT IV WPTA
Experience and expertise: Ben has spent the past 10 years working in the education sector, initially as an instructor then in operations, marketing and management. Ben spent four years teaching and managing in Japan before returning to Brisbane where he was a Business Development Manager at an emerging RTO, sourcing education business through Asia. Ben has also led a Teacher Training team while writing TESOL curriculum for accreditation. He is also a registered IELTS Examiner.

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: Ben is the Principal of Greenwich College.
Interests in shares: None
Interests in options: 162,574 options

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Name: Edward Keller (appointed on 1 March 2011)
Title: Executive Director
Qualifications: Corporate Management (INSEAD, France), Bachelor of Science (ASU, Arizona)
Experience and expertise: Ed has been a senior manager for over 25 years for businesses such as Schneider Electric in China, BP in Australia, Shell Oil Company in California, and a number of fast growing start-ups. He has led successful teams in petroleum exploration and production, alternative fuels technologies, energy efficiency, environmental protection and technical education. Since 2006, Edward has been the Managing Director of AIT.

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: Ed is the Managing Director of AIT
Interests in shares: 444,571 ordinary shares
Interests in options: None

Name: Paul Tobin (resigned on 28 February 2011)
Title: Former Chief Executive Officer and Former Executive Director
Qualifications: BA (Ohio, USA) Juris Doctor (New York, USA)
Experience and expertise: Paul has had an executive career in Australia and overseas focused on growing companies by the successful purchase and integration of complementary businesses. Paul resigned during the year.

Other current directorships: Paul is also a Non-executive Director of The Smith Family.
Former directorships (in the last 3 years): Not applicable as no longer a director
Special responsibilities: Not applicable as no longer a director
Interests in shares: Not applicable as no longer a director
Interests in options: Not applicable as no longer a director

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 secretaries

Mark Zworestine is an Australian Chartered Accountant and has had a great deal of experience as a public company CFO and Company Secretary. He was previously with E*TRADE Australia (ASX code ETR) for over 8 years up until its \$432 million takeover by ANZ Bank, after which time he took up the CFO role at Engin Limited (ASX code ENG), becoming CEO shortly thereafter. He then joined Investorfirst Limited (ASX:INQ), another ASX listed financial services company, prior to joining RedHill Education Limited.

On 5 September 2011, Mark Zworestine resigned as Chief Financial Officer and Company Secretary with 3 months notice.

William Deane is joint Company Secretary. William's details can be found in the 'information of directors' above.

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Directors' report
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Meetings of directors

The number of meetings of the company's Board of Directors held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Bill Beerworth	10	10
Bruce Baird AM	9	10
William Deane	10	10
James Hyndes	10	10
Benjamin Lunn	10	10
Edward Keller	4	4
Paul Tobin	6	6

Held: represents the number of meetings held during the time the director held office.

The Remuneration Committee and Audit & Risk Committee functions were undertaken by the full Board.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, 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

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure 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 with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures 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 its directors and executives. The performance of the consolidated entity and company 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 and company. The Remuneration Committee may from time to time use external consultants to assist in strategy.

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Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth; and
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

In accordance with the prospectus dated 24 August 2010, the aggregate maximum amount payable to non-executive directors as director fees (excluding salary payments to the executive directors) which has been approved by shareholders is \$350,000.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may seek to advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to 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 determination of his own remuneration. Non-executive directors received share options upon their commencement in accordance with the prospectus dated 24 August 2010.

Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, 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 costs 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 in charge of 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 management.

The long-term incentives ('LTI') includes long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is linked to their divisional performance. There is no direct link to performance of the consolidated entity.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, 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) and specified executives of RedHill Education Limited are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors of RedHill Education Limited and the following executives:

- Andrew Leary - CEO (appointed on 29 March 2011)
- Mark Zworestine - CFO and Company Secretary (appointed on 28 June 2010, resigned with 3 months notice on 5 September 2011)
- Gavin Dowling - Director of Go Study Australia
- Luke Harrison - General manager of ISCD (appointed on 16 September 2010)
- Prue Royle - Director of ISCD (appointed on 16 September 2010)

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2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Bill Beerworth	61,978	-	-	-	-	2,031	64,009
Bruce Baird AM	42,813	-	-	3,853	-	1,015	47,681
William Deane	37,675	-	-	-	-	-	37,675
James Hyndes	15,000	-	-	-	-	-	15,000
<i>Executive Directors:</i>							
Ben Lunn	122,992	-	-	10,938	-	-	133,930
Ed Keller *	105,723	-	-	9,515	-	-	115,238
Paul Tobin	259,229	-	-	11,609	-	-	270,838
<i>Other Key Management Personnel:</i>							
Andrew Leary	68,947	26,250	-	4,033	-	18,600	117,830
Mark Zworestine	205,228	-	-	15,475	-	1,554	222,257
Gavin Dowling	100,769	28,069	-	9,033	-	-	137,871
Luke Harrison	73,866	2,710	-	6,404	-	518	83,498
Prue Royle	118,750	-	-	-	-	-	118,750
	<u>1,212,970</u>	<u>57,029</u>	<u>-</u>	<u>70,860</u>	<u>-</u>	<u>23,718</u>	<u>1,364,577</u>

* Ed Keller is entitled to receive an aggregate earn-out of 25% of the average EBIT for FY2011 and FY2012 which is subject to certain conditions and is payable in shares following receipt of the audited FY2012 results for AIT. The price per share is determined based on the daily weighted average sale price of RedHill shares sold on the ASX for 30 consecutive trading days ending on 30 June 2012. At 30 June 2011, Ed Keller's accrued earnout is \$180,368.

2010	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Executive Directors:</i>							
Ben Lunn	100,000	25,000	-	11,250	-	-	136,250
<i>Other Key Management Personnel:</i>							
Gavin Dowling	103,076	-	-	8,896	-	-	111,972
	<u>203,076</u>	<u>25,000</u>	<u>-</u>	<u>20,146</u>	<u>-</u>	<u>-</u>	<u>248,222</u>

C Service agreements

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

Name: Edward Keller
Title: Executive Director of AIT
Agreement commenced: 16 September 2010
Details: Gross salary per annum of \$140,000 inclusive of superannuation, to be reviewed annually by the Remuneration Committee. There is an employee incentive "earnout" based on ordinary shares and depends on AIT results in the next 2 years, as specified in Ed's agreement. 4 weeks termination notice by either party after 30 June 2012.

Name: Gavin Dowling
Title: Director of Go Study Australia
Agreement commenced: 3 January 2007
Details: Gross salary per annum of \$104,000 plus superannuation which increases automatically on each 1 July by 4%. Bonus of 10% of the net profit after tax of Go Study Australia Pty Limited and its subsidiaries and branch offices. 4 weeks termination notice by either party.

Name: Mark Zworestine
Title: CFO and Company Secretary
Agreement commenced: 28 June 2010. Mark resigned on 5 September 2011 with 3 months notice.
Details: Gross salary per annum of \$218,000 including superannuation, to be reviewed annually by the Remuneration Committee. Cash bonus with a target short term incentive payment (STI) of \$40,000 per annum subject to achievement of KPIs and the discretion of the board of directors. 3 months termination notice.

Name: Prudence Royle
Title: Director of ISCD
Agreement commenced: 16 September 2010
Term of agreement: 36 months after the commencement date
Details: Consultancy agreement between International School of Colour and Design Pty Ltd (Principal) and PR Consultants Pty Limited (Consultant) and Prue Royle as a nominated person. Fees of \$150,000 per annum will be paid on a monthly basis. 3 months termination notice by either party after 30 June 2011.

Name: Ben Lunn
Title: Executive Director
Agreement commenced: 7 April 2008
Details: Gross salary per annum of \$130,800 inclusive of superannuation. 4 weeks notice of termination by either party.

Name: Luke Harrison
Title: General Manager of ISCD
Agreement commenced: 16 September 2010 upon the acquisition of ISCD. Luke commenced with ISCD on 8 January 2007.
Details: Gross salary per annum of \$103,414 inclusive of superannuation. 4 weeks notice of termination by either party.

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Name: Andrew Leary
Title: Chief Executive Officer
Agreement commenced: 29 March 2011
Term of agreement: Andrew is employed under a continuing contract with no fixed term.
Details: (i) Fixed Salary: the remuneration package is \$275,000 per annum, inclusive of superannuation and any other benefits agreed between the CEO and the Board from time to time but excluding any securities based benefits and any other short term or long term incentives granted to the CEO. The board will review the CEO's performance approximately every 12 months. The remuneration will also be reviewed, however, this does not necessarily mean it will be increased.
(ii) Short Term Incentive: Provided the CEO achieves specified KPIs, the CEO will be entitled to a short term incentive of up to \$80,000 per annum (inclusive of superannuation). KPIs include, but are not limited to, targets relating to earnings before interest, taxation, depreciation and amortisation, revenue and operational and management controls and business growth.
(iii) Long Term Incentive: The CEO will be issued with the following options to subscribe for Shares. The Share Options will be issued for \$nil.

- Tranche 1: 100,000 options (exercised at \$0.50 per share and to vest 18 months from commencement date).
- Tranche 2: 100,000 options (exercised at \$0.75 per share and to vest 30 months from commencement date).
- Tranche 3: 100,000 options (exercised at \$1.00 per share and to vest 42 months from commencement date).
- Tranche 4: 100,000 options (exercised at \$1.25 per share and to vest 54 months from commencement date).

Vesting of the Share Options is conditional upon the CEO performing his duties to the satisfaction of the Board and achievement of specified KPIs.
The Share Options are exercisable until the 5 year anniversary of the date the Share Options vest in the CEO.

Probationary period; 6 months from the date of commencement.
Notice period; if during the probationary period, 4 weeks. Thereafter, 12 weeks.

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

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2011.

Under the term of Paul Tobin's executive services agreement, Paul was issued 166,667 shares. The company and Paul entered into a limited recourse loan to be used by Paul to pay the subscription amount on these shares.

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Options

The terms and conditions of each grant of options affecting remuneration in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
29/03/2011	29/09/2012	29/09/2017	\$0.500	\$0.0677
29/03/2011	29/09/2013	29/09/2018	\$0.750	\$0.0495
29/03/2011	29/09/2014	29/09/2019	\$1.000	\$0.0382
29/03/2011	29/09/2015	29/09/2020	\$1.250	\$0.0306
22/09/2010	22/09/2011	22/09/2016	\$1.000	\$0.0677
22/09/2010	22/09/2012	22/09/2017	\$1.000	\$0.0495
22/09/2010	22/09/2013	22/09/2018	\$1.000	\$0.0382
22/09/2010	22/09/2011	22/09/2016	\$1.000	\$0.0677
22/09/2010	22/09/2011	22/09/2016	\$1.000	\$0.0677
26/10/2010	26/10/2011	26/10/2016	\$1.000	\$0.0677
26/10/2010	26/10/2012	26/10/2017	\$1.000	\$0.0495
26/10/2010	26/10/2013	26/10/2018	\$1.000	\$0.0382

Options granted carry no dividend or voting rights.

Details of options over ordinary shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2011 are set out below:

Name	Number of options granted during the year		Number of options vested during the year	
	2011	2010	2011	2010
Bill Beerworth	30,000	-	30,000	-
Bruce Baird AM	15,000	-	15,000	-
Paul Tobin *	734,560	-	-	-
Mark Zworestine	30,000	-	-	-
Luke Harrison	10,000	-	-	-
Benjamin Lunn	-	81,287	27,095	-
Andrew Leary	400,000	-	-	-

* Options were cancelled on his termination

This concludes the remuneration report, which has been audited.

RedHill Education Limited
Directors' report
30 June 2011

Shares under option

Unissued ordinary shares of RedHill Education Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30/04/2008	30/04/2012	\$0.890	27,096
30/04/2008	30/04/2013	\$0.890	27,096
30/04/2008	30/04/2014	\$0.890	27,096
10/12/2009	10/12/2013	\$0.590	27,096
10/12/2009	10/12/2014	\$0.590	27,096
10/12/2009	10/12/2015	\$0.590	27,096
01/06/2006	31/07/2012	\$0.300	1,693,482
01/06/2006	31/07/2012	\$0.300	1,693,482
29/03/2011	29/09/2017	\$0.500	100,000
29/03/2011	29/09/2018	\$0.750	100,000
29/03/2011	29/09/2019	\$1.000	100,000
29/03/2011	29/09/2020	\$1.250	100,000
22/09/2010	22/09/2016	\$1.000	10,000
22/09/2010	29/09/2017	\$1.000	10,000
22/09/2010	29/09/2018	\$1.000	10,000
22/09/2010	22/09/2016	\$1.000	30,000
22/09/2010	22/09/2016	\$1.000	15,000
26/10/2010	26/10/2016	\$1.000	3,333
26/10/2010	26/10/2017	\$1.000	3,333
26/10/2010	26/10/2018	\$1.000	3,334
30/04/2008	30/04/2012	\$0.890	27,095
30/04/2008	30/04/2013	\$0.890	27,095
30/04/2008	30/04/2014	\$0.890	27,095
10/12/2009	10/12/2013	\$0.590	6,774
10/12/2009	10/12/2014	\$0.590	6,774
10/12/2009	20/12/2015	\$0.590	6,774
10/12/2009	10/12/2013	\$0.590	6,774
10/12/2009	10/12/2014	\$0.590	6,774
10/12/2009	20/12/2015	\$0.590	6,774
			<u>4,156,469</u>

Shares issued on the exercise of options

There were no shares of RedHill Education Limited issued on the exercise of options during the year ended 30 June 2011.

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 there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the 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 24 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 24 to the financial statements do not compromise the external auditor's independence 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 PricewaterhouseCoopers

There are no officers of the company who are former audit partners of PricewaterhouseCoopers.

Auditor's independence declaration

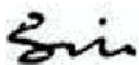
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

PricewaterhouseCoopers 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



Bill Beerworth
Director

30 September 2011
Sydney



Auditor's Independence Declaration

As lead auditor for the audit of RedHill Education Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of RedHill Education Limited and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read 'Manoj Santiago', is written over a light grey circular stamp.

Manoj Santiago
Partner
PricewaterhouseCoopers

Sydney
30 September 2011

PricewaterhouseCoopers, ABN 52 780 433 757
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Liability limited by a scheme approved under Professional Standards Legislation

RedHill Education Limited
Corporate Governance Statement
30 June 2011

The Board of directors of RedHill Education Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of RedHill Education Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations		Compliance	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board of directors ('Board') of RedHill Education Limited ('company') and those delegated to manage and disclose those functions.	<p>The Board is responsible for the overall corporate governance of the company.</p> <p>The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management.</p> <p>The Board is in the process of adopting a Delegation of Authority that sets limits of authority for senior executives.</p>	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	Senior executives prepare strategic objectives that are reviewed and signed off by the Board. These objectives must then be met by senior executives as part of their key performance targets. The Chief Executive Officer ('CEO') then reviews the performance of the senior executives against those objectives. The Board reviews the CEO's compliance against his and the company's objectives. These reviews occur annually.	Complies.
1.3	Provide the information indicated in <i>Guide to reporting on Principle 1</i> .	<p>A Board charter has been disclosed on the company's website and is summarised in this Corporate Governance Statement.</p> <p>A performance evaluation process is included in the Board Charter.</p> <p>A performance evaluation for senior executives will be conducted in the 2012 financial year in accordance with the process above.</p>	<p>Complies.</p> <p>Complies.</p> <p>Complies.</p>
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	<p>The majority of the Board's directors are not independent. One member of the Board is associated with a substantial shareholder and two members of the Board are executive directors of the company.</p> <p>Messrs Beerworth and Baird are independent non-executive directors.</p>	Does not comply however the skills and experience of both the independent and non-independent directors allow the Board to act in the best interests of shareholders.

Principles and Recommendations	Compliance	Comply	
	<p>Mr Deane is considered to be an independent non-executive director. Whilst he was employed as Interim Chief Executive Officer for the month of March 2011, the company considers that this short period of service does not preclude him from being classified as independent.</p> <p>Mr Hyndes is a non-executive director but not independent due to his being associated with a substantial shareholder.</p> <p>Messrs Lunn and Keller are not independent as they are executive directors.</p>		
2.2	The Chair should be an independent director.	Mr Beerworth is an independent non-executive director of the Board.	Complies.
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Mr Beerworth is the Chairman and Mr Leary the Chief Executive Officer.	Complies.
2.4	The Board should establish a nomination committee.	<p>The company has not established a specific Nomination Committee as the Board as a whole constitutes the Nominations Committee.</p> <p>The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company.</p> <p>The Board supports the nomination and re-election of the directors at the company's forthcoming Annual General Meeting.</p>	Complies.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Board Charter which is available on the company's website.	Complies.
2.6	Provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	<p>This information has been disclosed (where applicable) in the directors' report attached to this Corporate Governance Statement. Messrs Beerworth, Baird and Deane are independent directors of the company. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the company.</p> <p>Mr Beerworth, non-executive Chairman, was appointed to the Board in June 2010.</p> <p>Mr Baird, non-executive director, was</p>	<p>Complies.</p> <p>The Board as a whole fulfils the function of the Nomination Committee. In addition, the Board does not consist of a majority of independent directors however the skills and experience of both the independent and non-independent directors allow the Board to act in the best interests of shareholders.</p>

Principles and Recommendations		Compliance	Comply
		<p>appointed to the Board in June 2010.</p> <p>Mr Deane, non-executive director, was appointed to the Board in July 2006.</p> <p>Mr Hyndes, non-executive director, was appointed to the Board in May 2006.</p> <p>Mr Lunn, executive director, was appointed to the Board in January 2009.</p> <p>Mr Tobin, executive director and Chief Executive Officer, was appointed to the Board in June 2010 and resigned on 28 February 2011.</p> <p>Mr Keller, executive director, was appointed to the Board in March 2011.</p> <p>The company has established a Remuneration Committee.</p> <p>The Board has considered the mix of skills and experience on the Board in light of the company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the company.</p> <p>In accordance with the information suggested in <i>Guide to Reporting on Principle 2</i>, the company has disclosed full details of its directors in the director's report attached to this Corporate Governance Statement.</p>	
Principle 3 – Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code is available on the company's website.	Complies.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity	The Board has considered the mix of skills and experience on the Board in light of the company's principal activities and direction. The Board will prepare a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the company, education programs to develop skills and	Does not comply however the Board has committed the company to review and prepare a Diversity Policy that considers all aspects of diversity in accordance with corporate governance guidelines.

Principles and Recommendations		Compliance	Comply
	and for the Board to assess annually both the objectives and progress in achieving them.	experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measurable diversity performance objectives for the Board, CEO and senior management.	
3.3	Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	<p>On completion and acceptance of a Diversity Policy, the company will report in each annual report the measurable objectives for achieving gender diversity set by the Board,</p> <p>The company will include in the 2012 directors' Report the proportion of women employees and their positions held within the company.</p>	<p>Does not comply however the Board has committed the company to review and prepare a Diversity Policy that considers all aspects of diversity in accordance with corporate governance guidelines.</p> <p>Does not comply.</p>
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board has established an audit and risk committee which operates under an audit and risk committee charter to focus on issues relevant to the integrity of the company's financial reporting.	Complies.
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Members of the audit and risk committee are Mr Baird (Chair), Mr Beerworth and Mr Deane. Mr Baird is a non-executive director and is not chair of the Board. The committee consists of three non-executive directors. All three Committee Members are considered independent.	Complies.
4.3	The audit committee should have a formal charter.	<p>The Board has adopted an audit and risk charter.</p> <p>This charter is available on the company's website.</p>	Complies.
4.4	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	<p>In accordance with the information suggested in <i>Guide to Reporting on Principle 2</i>, this has been disclosed in the directors' Report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement.</p> <p>The members of the audit and risk committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution.</p>	Complies.

Principles and Recommendations		Compliance	Comply
		<p>The audit and risk committee held two meetings during the period to the date of the directors Report and meets at least twice per annum.</p> <p>The audit and risk charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the company's website.</p>	
Principle 5 – Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	<p>The company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.</p> <p>This policy is available on the company's website.</p>	Complies.
5.2	Provide the information indicated in the <i>Guide to reporting on Principle 5</i> .	The company's continuous disclosure policy is available on the company's website.	Complies.
Principle 6 – Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The company uses its website (www.redhilleducation.com), annual report, market announcements, letters to shareholders and media disclosures to communicate with its shareholders, as well as encourages participation at general meetings.	Complies.
6.2	Provide the information indicated in the <i>Guide to reporting on Principle 6</i> .		Complies.
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board.	Complies.

RedHill Education Limited
Corporate Governance Statement
30 June 2011

Principles and Recommendations		Compliance	Comply
		The audit and risk charter is available on the company's website and is summarised in this Corporate Governance Statement.	
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	<p>The company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks.</p> <p>Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.</p>	Complies.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	<p>The Board has adopted an audit and risk charter which includes a statement of the company's risk policies.</p> <p>This charter is available on the company's website and is summarised in this Corporate Governance Statement.</p> <p>The company has identified key risks within the business and has received a statement of assurance from the Chief Executive Officer and Chief Financial Officer.</p>	Complies.
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should	The Board has established a Remuneration	Complies.

RedHill Education Limited
Corporate Governance Statement
30 June 2011

Principles and Recommendations		Compliance	Comply
	establish a remuneration committee.	Committee and has adopted a remuneration committee charter. The remuneration committee consists of a majority of independent directors, is chaired by an independent director and has three members.	
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The company complies with the guidelines for executive remuneration packages and non-executive director remuneration. No senior executive is involved directly in deciding their own remuneration.	Complies.
8.3	Provide the information indicated in <i>the Guide to reporting on Principle 8</i> .	The Board has adopted a Remuneration Committee charter. The company does not have any schemes for retirement benefits other than superannuation for non-executive directors.	Complies.

RedHill Education Limited's corporate governance practices were in place for the financial year ended 30 June 2011 and to the date of signing the directors' report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by RedHill Education Limited, refer to our website: www.redhilleducation.com.

Board functions

The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, goals for management and the operation of the Company. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include:

- approving the strategic objectives of the Company and establishing goals to promote their achievement;
- monitoring the operational and financial position and performance of the Company;
- ensuring the directors inform themselves of the Company's business and financial status;
- establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;
- approving and monitoring the progress of major capital expenditure, capital management and major acquisitions and divestitures;
- providing oversight of the Company, including its control and accountability systems;
- considering and approving the Company's budgets;
- establishing written policies on compliance, risk oversight and management;
- reviewing and ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, in conjunction with the Company's Audit and Risk Management Committee, and ensuring they are operating effectively;
- appointing and removing the Chief Executive Officer, monitoring performance and approving remuneration of the Chief Executive Officer and the remuneration policy and succession plans for the Chief Executive Officer, where applicable and appropriate;
- appointing casual directors and, where appropriate or applicable, the Secretary;
- ensuring that business risks facing the Company are, where possible, identified and that appropriate monitoring and reporting internal controls are in place to manage such risks;
- approving and monitoring financial and other reporting and disclosure;
- determining the dividend policy of the Company and declaring dividends; and

RedHill Education Limited
Corporate Governance Statement
30 June 2011

- ensuring the Company complies with its responsibilities under the Corporations Act 2001, the Company's constitution, the ASX Listing Rules and other relevant laws.

Responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the Chief Executive Officer ('CEO');
- reviewing procedures in place for appointment of senior management and monitoring of its performance, and for succession planning. This includes ratifying the appointment and the removal of the Chief Financial Officer and the Company Secretary;
- input into and final approval of management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing and guiding systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures in place to identify the main risks associated with the company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes in place aimed at ensuring the integrity of financial and other reporting;
- monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards; and
- performing such other functions as are prescribed by law or are assigned to the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director, employee or other person subject to ultimate responsibility of the directors under the Corporations Act 2001.

Matters which are specifically reserved for the Board or its committees include the following:

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment of directors to fill a vacancy or as additional directors;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- development and review of corporate governance principles and policies;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

Structure of the Board

The company's constitution governs the regulation of meetings and proceedings of the Board.

The Board determines its size and composition, subject to the terms of the constitution. The Board does not believe that it should establish a limit on tenure other than stipulated in the company constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight in the company and its operation and, therefore, an increasing contribution to the Board as a whole. The Board does not currently comprise a majority of independent non-executive directors. It does comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. It is also intended that the Chair should be an independent non-executive director. The Board considers the independence of each director in light of the interests disclosed to the Board.

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Revised Principles and Recommendations. The Board will review the independence of each director in light of interests disclosed to the Board from time to time.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of RedHill Education Limited are considered to be independent:

<u>Name</u>	<u>Position</u>
Bill Beerworth	Non-executive director, Chairman
Bruce Baird AM	Non-executive director
William Deane	Non-executive director

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the company's expense.

The appointment date of each director in office at the date of this report is as follows:

<u>Name</u>	<u>Position</u>	<u>Appointment Date</u>
Bill Beerworth	Non-executive director, Chairman	Appointed 25 June 2010
Bruce Baird AM	Non-executive director	Appointed 25 June 2010
William Deane	Non-executive director	Appointed 1 July 2006
James Hyndes	Non-executive director	Appointed 30 May 2006
Ben Lunn	Executive director	Appointed 28 January 2009
Edward Keller	Executive director	Appointed 1 March 2011

Further details on each director can be found in the directors' report attached to this Corporate Governance Statement.

Securities trading policy

Under the company's Guidelines for Dealing in Securities Policy, directors, officers and employees of the company should not trade in the company's securities when he or she is in possession of price sensitive information that is not generally available to the market.

Directors and senior management are likely to be in possession of unpublished price sensitive information concerning the company by virtue of their position within the company. Therefore those persons are restricted from dealing in the company's securities in the thirty day period immediately preceding the release of price sensitive information to the ASX (Non-Trading Period).

In addition, directors, officers and employees can only deal in the company's securities after having first obtained clearance from the Chairman, and must notify the Company Secretary when a trade has occurred.

As required by the ASX Listing Rules, the company notifies the ASX of any transaction conducted by directors in the securities of the company within five days of the transaction taking place.

The Securities Trading Policy has been issued to ASX and can be found on the company's website.

Audit and Risk Committee

The Board has established an Audit and Risk Committee which operates under a Charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the year were:

- Bruce Baird (Non-executive director, Chairman) AM, BA (Sydney), MBA (Melbourne) Hon PhD (Newcastle);

RedHill Education Limited
Corporate Governance Statement
30 June 2011

- Bill Beerworth (Non-executive director) BA LLB (Sydney), LLM SJD (Virginia), MCOM (NSW), MBA (Macquarie); and
- William Deane (Non-executive director) BA (Sydney) LLB (Bond).

Whilst operating as a separate Committee, the Audit and Risk Committee provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, refer to the directors' Report.

Risk

The responsibility of overseeing risk falls within the charter of the Audit and Risk Committee. The company identifies areas of risk within the company and management and the Board continuously undertake a risk assessment of the company's operations, procedures and processes. The risk assessment is aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the company, which is being done through natural or instinctive process by employees of the company;
- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance policies, or ensuring compliance reporting is up to date.

CEO and CFO certification

The Chief Executive Officer and Chief Financial Officer have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating effectively in all material respects.

Performance

The performance of the Board and key executives is reviewed regularly using both measurable and qualitative indicators.

On an annual basis, directors will provide written feedback in relation to the performance of the Board and its Committees against a set of agreed criteria.

- Each Committee of the Board will also be required to provide feedback in terms of a review of its own performance.
- Feedback will be collected by the chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees.
- The Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of Board performance review.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board, in assuming the responsibilities of assessing remuneration to employees, links the nature and amount of executive directors' and officers' remuneration to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the company; and
- performance incentives that allow executives to share in the success of RedHill Education Limited.

RedHill Education Limited
Corporate Governance Statement
30 June 2011

For a more comprehensive explanation of the company's remuneration framework and the remuneration received by directors and key executives in the current period, please refer to the Remuneration Report, which is contained within the directors' Report.

There is no scheme to provide retirement benefits to non-executive (or executive) directors.

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors themselves and the Chief Executive Officer and executive team.

RedHill Education Limited
Financial report
For the year ended 30 June 2011

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General information

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

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

Level 2
7 Kelly Street
Ultimo NSW 2007

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 30 September 2011. The directors have the power to amend and reissue the financial report.

RedHill Education Limited
Statement of comprehensive income
For the year ended 30 June 2011

	Note	Consolidated	
		2011	2010
		\$	\$
Revenue	4	14,020,357	7,858,871
Expenses			
Salaries and employee benefits expense		(7,301,858)	(4,081,606)
Cost of services		(1,898,858)	(1,330,005)
Depreciation and amortisation expense	5	(2,215,525)	(70,884)
Property and occupancy costs		(2,068,569)	(703,064)
Professional and consulting fees		(763,296)	-
Marketing		(666,981)	(178,767)
Public company related costs	5	(784,340)	-
Administration expenses		<u>(1,329,693)</u>	<u>(1,249,142)</u>
Profit/(loss) before income tax (expense)/benefit		(3,008,763)	245,403
Income tax (expense)/benefit	6	<u>1,117,808</u>	<u>(109,183)</u>
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of RedHill Education Limited	20	(1,890,955)	136,220
Other comprehensive income			
Foreign currency translation		<u>-</u>	<u>(4,798)</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>(4,798)</u>
Total comprehensive income for the year attributable to the owners of RedHill Education Limited		<u><u>(1,890,955)</u></u>	<u><u>131,422</u></u>
		Cents	Cents
Basic earnings per share	34	(8.10)	1.43
Diluted earnings per share	34	(8.10)	1.03

The above statement of comprehensive income should be read in conjunction with the accompanying notes

RedHill Education Limited
Statement of financial position
As at 30 June 2011

		Consolidated	
	Note	2011	2010
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	7	4,973,960	1,476,689
Trade and other receivables	8	1,358,862	469,045
Income tax refund due	9	490,000	-
Other	10	1,295,245	789,115
Total current assets		<u>8,118,067</u>	<u>2,734,849</u>
Non-current assets			
Property, plant and equipment	11	1,268,268	140,814
Intangibles	12	12,506,489	14,165
Deferred tax	13	1,808,675	275,080
Other	14	894,311	-
Total non-current assets		<u>16,477,743</u>	<u>430,059</u>
Total assets		<u>24,595,810</u>	<u>3,164,908</u>
Liabilities			
Current liabilities			
Trade and other payables	15	8,259,784	2,237,263
Income tax	16	-	180,158
Total current liabilities		<u>8,259,784</u>	<u>2,417,421</u>
Non-current liabilities			
Provisions	17	1,246,886	84,180
Total non-current liabilities		<u>1,246,886</u>	<u>84,180</u>
Total liabilities		<u>9,506,670</u>	<u>2,501,601</u>
Net assets		<u>15,089,140</u>	<u>663,307</u>
Equity			
Contributed equity	18	18,427,750	2,485,320
Reserves	19	(145,476)	(519,834)
Accumulated losses	20	(3,193,134)	(1,302,179)
Total equity		<u>15,089,140</u>	<u>663,307</u>

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

RedHill Education Limited
Statement of changes in equity
For the year ended 30 June 2011

	Contributed equity \$	Reserves \$	Non- controlling interest \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2009	2,460,320	(523,946)	(171,011)	(1,238,826)	526,537
Other comprehensive income for the year, net of tax	-	(4,798)	-	-	(4,798)
Profit after income tax (expense)/benefit for the year	-	-	-	136,220	136,220
Total comprehensive income for the year	-	(4,798)	-	136,220	131,422
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	25,000	-	-	-	25,000
Share-based payments		8,910	-	-	8,910
Non-controlling interest acquired		-	171,011	(199,573)	(28,562)
Balance at 30 June 2010	<u>2,485,320</u>	<u>(519,834)</u>	<u>-</u>	<u>(1,302,179)</u>	<u>663,307</u>
	Contributed equity \$	Reserves \$	Non- controlling interest \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2010	2,485,320	(519,834)	-	(1,302,179)	663,307
Other comprehensive income for the year, net of tax	-	-	-	-	-
Loss after income tax (expense)/benefit for the year	-	-	-	(1,890,955)	(1,890,955)
Total comprehensive income for the year	-	-	-	(1,890,955)	(1,890,955)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments		13,623	-	-	13,623
AIT vendor earnout		360,735	-	-	360,735
Contributions of equity, net of transaction costs (refer note 18)	15,942,430	-	-	-	15,942,430
Balance at 30 June 2011	<u>18,427,750</u>	<u>(145,476)</u>	<u>-</u>	<u>(3,193,134)</u>	<u>15,089,140</u>

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

RedHill Education Limited
Statement of cash flows
For the year ended 30 June 2011

	Note	Consolidated	
		2011	2010
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		15,682,125	8,096,545
Payments to suppliers and employees (inclusive of GST)		<u>(15,420,195)</u>	<u>(7,783,692)</u>
		261,930	312,853
Interest received		316,159	51,257
Income taxes paid		<u>(590,000)</u>	<u>-</u>
Net cash from/(used in) operating activities	32	<u>(11,911)</u>	<u>364,110</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(919,502)	(40,859)
Payments for intangibles	12	(142,699)	-
Deposit for acquisition		-	(500,000)
Payment for the acquisition of subsidiaries, net of cash acquired		(4,880,449)	-
Pre-acquisition dividend paid		<u>(4,421,865)</u>	<u>-</u>
Net cash used in investing activities		<u>(10,364,515)</u>	<u>(540,859)</u>
Cash flows from financing activities			
Proceeds from issue of shares	18	<u>13,873,697</u>	<u>4,723</u>
Net cash from financing activities		<u>13,873,697</u>	<u>4,723</u>
Net increase/(decrease) in cash and cash equivalents		3,497,271	(172,026)
Cash and cash equivalents at the beginning of the financial year		<u>1,476,689</u>	<u>1,648,715</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>4,973,960</u></u>	<u><u>1,476,689</u></u>

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 amending Accounting Standards and Interpretations adopted

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2009-8 Share-based Payment Transactions - amendments for Group Cash-settled Share-based Payment Transactions

The consolidated entity has applied the amendments to AASB 2009-8 from 1 July 2010. The amendments clarified the scope of AASB 2009-8 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 101 'Presentation of Financial Statements' - classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;

AASB 107 'Statement of Cash Flows' - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;

AASB 117 'Leases' - removal of specific guidance on classifying land as a lease;

AASB 118 'Revenue' - provides additional guidance to determine whether an entity is acting as a principal or agent; and

AASB 136 'Impairment of Assets' - clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 'Operating Segments' before aggregation for reporting purposes.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-3 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 127 'Consolidated and Separate Financial Statements' and AASB 3 Business Combinations - clarifies that contingent consideration from a business combination that occurred before the effective date of revised AASB 3 is not restated; the scope of the measurement choices of non-controlling interest is limited to when the rights acquired include entitlement to a proportionate share of net assets in the event of liquidation; requires an entity in a business combination to account for the replacement of acquiree's share-based payment transactions, unreplaced and voluntarily replaced, by splitting between consideration and post combination expenses.

Note 1. Significant accounting policies (continued)

Going concern

These financial statements have been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business for a period of 12 months from the date of this report. This statement is made after noting that as at 30 June 2011 current liabilities exceed current assets by \$141,717 (2010: net current assets was \$317,428), the consolidated entity had a loss after income tax of \$1,890,955 (2010: profit of \$136,220) and a deficiency in operating cash flow of \$11,911 (2010: surplus \$364,110).

Notwithstanding the above, the directors have formed the view that the financial statements should continue to be prepared on a going concern basis and there is no material uncertainty as to its ability to continue as a going concern and that the consolidated entity will realise its assets and liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. This view was formed after taking into account a number of factors including the following;

The adequate cash in hand and at bank of \$4,973,960 held by the consolidated entity.

The consolidated entity is forecasting profitability for the year ending 30 June 2012.

The consolidated entity is forecasting positive cash flows from operations for the year ending 30 June 2012 to fund the excess of current liabilities over current assets at 30 June 2011.

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. 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 28.

Note 1. Significant accounting policies (continued)

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 2011 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 the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. 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. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Note 1. Significant accounting policies (continued)

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 fees

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

Agent fees

Agent fees are recognised at the point at which the consolidated entity is deemed to have fulfilled its commitment as an agent in 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 fees have been paid by them to the education provider.

Administration fees

Administration fees are recognised at the date of cash receipt and course commencement.

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 changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply 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 investments in subsidiaries, associates or interests in 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 entity's within the tax consolidated group which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

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

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

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

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.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 1. Significant accounting policies (continued)

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.

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 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 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 incentives are recognised as a liability. 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.

Note 1. Significant accounting policies (continued)

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. 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 intangibles 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.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life between 1 and 5 years.

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 life between 2 and 3 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 life of 2 to 3 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are 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 to sell 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. Refer note 12

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 not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Significant accounting policies (continued)

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

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is 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 national government 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 Ltd 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 either the Binomial or 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.

Note 1. Significant accounting policies (continued)

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.

Contributed equity

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 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.

Note 1. Significant accounting policies (continued)

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 ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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.

Adoption of AASB 1 'First time adoption of Australian Accounting Standards'

There were no reconciling differences on adoption of AASB1.

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 2011. 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.

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures', Interpretation 12 'Service Concession Arrangements' and Interpretation 13 'Customer Loyalty Programmes'. The adoption of this standard from 1 January 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made by the consolidated entity in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

Note 1. Significant accounting policies (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets, but not liabilities. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Statements'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 1054 Australian Additional Disclosures

This Standard is applicable to annual reporting periods beginning on or after 1 July 2011. The standard sets out the Australian-specific disclosures, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

The amendments are applicable to annual reporting periods beginning on or after 1 July 2011. They make changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The amendments remove certain guidance and definitions from Australian Accounting Standards for conformity of drafting with International Financial Reporting Standards but without any intention to change requirements. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

The amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

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 within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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 debtors 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 definite 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 and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have 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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets 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 to sell 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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into 4 operating segments: Information Technology, Creative Arts and 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 (segment result) 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:

Information technology	Academy of Information Technology, a provider of courses in information technology, business, digital design, multimedia and games development, and an Associate Degree in Interactive Media
Creative arts and design	International School of Colour and Design, a provider of on campus and distance learning colour and design courses.
English language	Greenwich College, an Australian provider of English Language Intensive Courses for Overseas Students (ELICOS), English teacher training programs and other English and vocational programs.
Student agency	Go Study Australia an education agency with offices in Barcelona (Spain), Brisbane (Australia), Madrid (Spain), Medellin (Colombia), Milan (Italy) and Sydney (Australia)

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Major customers

The consolidated entity has no significant individual customers.

RedHill Education Limited
Notes to the financial statements
30 June 2011

Note 3. Operating segments (continued)

Operating segment information

	Information technology \$	Creative arts \$	English language \$	Student agency \$	Intersegment eliminations/ unallocated \$	Consolidated \$
2011						
Revenue						
Sales to external customers	3,707,793	2,248,952	6,215,191	1,798,765	-	13,970,701
Intersegment sales	-	-	(66,669)	(199,834)	-	(266,503)
Total sales revenue	<u>3,707,793</u>	<u>2,248,952</u>	<u>6,148,522</u>	<u>1,598,931</u>	-	<u>13,704,198</u>
Other income	-	-	-	-	316,159	316,159
Total revenue	<u>3,707,793</u>	<u>2,248,952</u>	<u>6,148,522</u>	<u>1,598,931</u>	<u>316,159</u>	<u>14,020,357</u>
Segment result	164,310	47,176	(876,455)	(444,428)	-	(1,109,397)
Depreciation and amortisation	(275,350)	(57,175)	(55,867)	(27,347)	(1,799,786)	(2,215,525)
Interest revenue	222,889	383	18,015	2,672	72,200	316,159
Profit/(loss) before income tax benefit	<u>111,849</u>	<u>(9,616)</u>	<u>(914,307)</u>	<u>(469,103)</u>	<u>(1,727,586)</u>	<u>(3,008,763)</u>
Income tax benefit						1,117,808
Loss after income tax benefit						<u>(1,890,955)</u>
Assets						
Segment assets	<u>7,620,028</u>	<u>1,414,248</u>	<u>2,732,348</u>	<u>588,563</u>	<u>16,358,023</u>	28,713,210
Intersegment eliminations						(4,117,400)
Total assets						<u>24,595,810</u>
Liabilities						
Segment liabilities	<u>5,734,842</u>	<u>1,684,337</u>	<u>2,625,924</u>	<u>1,065,289</u>	<u>2,624,420</u>	13,734,812
Intersegment eliminations						(4,228,142)
Total liabilities						<u>9,506,670</u>

RedHill Education Limited
Notes to the financial statements
30 June 2011

Note 3. Operating segments (continued)

	English language \$	Student agency \$	Intersegment eliminations/ unallocated \$	Consolidated \$
2010				
Revenue				
Sales to external customers	6,651,154	1,283,232	-	7,934,386
Intersegment sales	-	(126,772)	-	(126,772)
Total sales revenue	<u>6,651,154</u>	<u>1,156,460</u>	<u>-</u>	<u>7,807,614</u>
Other income	-	-	51,257	51,257
Total revenue	<u>6,651,154</u>	<u>1,156,460</u>	<u>51,257</u>	<u>7,858,871</u>
Segment result	511,788	(246,758)	-	265,030
Depreciation and amortisation	(58,024)	(12,860)	-	(70,884)
Interest revenue	24,194	16,895	10,168	51,257
Profit/(loss) before income tax expense	<u>477,958</u>	<u>(242,723)</u>	<u>10,168</u>	<u>245,403</u>
Income tax expense				(109,183)
Profit after income tax expense				<u>136,220</u>
Assets				
Segment assets	<u>2,315,285</u>	<u>373,936</u>	<u>1,400,016</u>	4,089,237
Intersegment eliminations				(924,329)
Total assets				<u>3,164,908</u>
Liabilities				
Segment liabilities	<u>2,136,490</u>	<u>1,062,754</u>	<u>169,596</u>	3,368,840
Intersegment eliminations				(867,239)
Total liabilities				<u>2,501,601</u>

Note 4. Revenue

	Consolidated	
	2011	2010
	\$	\$
<i>Sales revenue</i>		
Tuition related revenue	12,238,881	6,396,062
Commission revenue	<u>1,465,317</u>	<u>1,411,552</u>
	<u>13,704,198</u>	<u>7,807,614</u>
<i>Other revenue</i>		
Interest	<u>316,159</u>	<u>51,257</u>
Revenue	<u>14,020,357</u>	<u>7,858,871</u>

RedHill Education Limited
Notes to the financial statements
30 June 2011

Note 5. Expenses

	Consolidated	
	2011	2010
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	<u>374,216</u>	<u>66,604</u>
<i>Amortisation</i>		
Copyrights	1,384,674	-
Licenses	11,718	4,280
Customer contracts	365,750	-
Software	<u>79,167</u>	<u>-</u>
Total amortisation	<u>1,841,309</u>	<u>4,280</u>
Total depreciation and amortisation	<u>2,215,525</u>	<u>70,884</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>1,923,212</u>	<u>124,487</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>528,125</u>	<u>42,355</u>
<i>Public company related costs</i>		
Other public company related costs	642,174	-
Impairment expense for Paul Tobin loan	<u>142,166</u>	<u>-</u>
Total public company related costs	<u>784,340</u>	<u>-</u>

Public company costs comprise ASX costs, directors' fees, AIT earnout, impairment of the prior CEO's share loan and other equity related costs.

RedHill Education Limited
Notes to the financial statements
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Note 6. Income tax expense/(benefit)

	Consolidated	
	2011	2010
	\$	\$
<i>Income tax expense/(benefit)</i>		
Current tax	(80,663)	110,945
Deferred tax	(957,145)	(1,762)
Over provision in prior years	(80,000)	-
	<u>(1,117,808)</u>	<u>109,183</u>
Aggregate income tax expense/(benefit)		
Deferred tax included in income tax expense/(benefit)		
Increase in deferred tax assets (note 13)	(957,145)	(1,762)
<i>Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable</i>		
Profit/(loss) before income tax (expense)/benefit	(3,008,763)	245,403
Tax at the Australian tax rate of 30%	(902,629)	73,621
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	-	5,050
Entertainment expenses	1,473	3,131
Sundry items	(136,652)	27,381
	<u>(1,037,808)</u>	<u>109,183</u>
Over provision in prior years	(80,000)	-
	<u>(1,117,808)</u>	<u>109,183</u>
Income tax expense/(benefit)		
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 13)	(453,990)	-

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2011	2010
	\$	\$
Cash at bank and on hand	<u>4,973,960</u>	<u>1,476,689</u>

RedHill Education Limited
Notes to the financial statements
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Note 8. Current assets - trade and other receivables

	Consolidated	
	2011	2010
	\$	\$
Trade receivables	1,333,773	219,017
Less: Provision for impairment of receivables	-	(50,502)
	<u>1,333,773</u>	<u>168,515</u>
Other receivables	167,255	300,530
Less: Provision for impairment of receivables	(142,166)	-
	<u>25,089</u>	<u>300,530</u>
	<u><u>1,358,862</u></u>	<u><u>469,045</u></u>

The other receivable amount in 2011 is a loan provided to the ex-CEO (Paul Tobin) as part of his termination benefits to acquire shares in the company. This loan has been partially impaired in the amount of \$142,166.

Impairment of receivables

The consolidated entity has recognised a loss of \$142,166 (2010: \$50,502) in profit or loss in respect of impairment of receivables for the year ended 30 June 2011.

The ageing of the impaired receivables recognised above are as follows:

	Consolidated	
	2011	2010
	\$	\$
1 to 3 months overdue	<u>142,166</u>	<u>50,502</u>

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

	Consolidated	
	2011	2010
	\$	\$
Opening balance	50,502	
Additional provisions recognised	142,166	50,502
Unused amounts reversed	(50,502)	-
Closing balance	<u><u>142,166</u></u>	<u><u>50,502</u></u>

RedHill Education Limited
Notes to the financial statements
30 June 2011

Note 8. Current assets - trade and other receivables (continued)

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$136,433 as at 30 June 2011 (\$17,237 as at 30 June 2010). The consolidated entity did not consider a credit risk on the aggregate balances after reviewing agency credit information and credit terms of customers based on recent collection practices.

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

	Consolidated	
	2011	2010
	\$	\$
1 to 3 months overdue	119,240	15,065
3 to 6 months overdue	15,900	2,009
Over 6 months overdue	1,293	163
	<u>136,433</u>	<u>17,237</u>

Note 9. Current assets - income tax refund due

	Consolidated	
	2011	2010
	\$	\$
Income tax refund due	<u>490,000</u>	<u>-</u>

Note 10. Current assets - other

	Consolidated	
	2011	2010
	\$	\$
Lease incentive asset	166,650	-
Prepayments	233,486	44,947
Deposits	728,479	684,594
Other current assets	<u>166,630</u>	<u>59,574</u>
	<u>1,295,245</u>	<u>789,115</u>

RedHill Education Limited
Notes to the financial statements
30 June 2011

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

	Consolidated	
	2011	2010
	\$	\$
Leasehold improvements - at cost	809,453	9,122
Less: Accumulated depreciation	<u>(117,052)</u>	<u>(22,155)</u>
	<u>692,401</u>	<u>(13,033)</u>
Plant and equipment - at cost	1,482,988	276,769
Less: Accumulated depreciation	<u>(907,121)</u>	<u>(122,922)</u>
	<u>575,867</u>	<u>153,847</u>
	<u><u>1,268,268</u></u>	<u><u>140,814</u></u>

Reconciliations

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

	Leasehold improvement \$	Plant and equipment \$	Total \$
Consolidated			
Balance at 1 July 2009	-	166,559	166,559
Additions	9,122	31,737	40,859
Depreciation expense	<u>(22,155)</u>	<u>(44,449)</u>	<u>(66,604)</u>
Balance at 30 June 2010	(13,033)	153,847	140,814
Additions	642,164	277,338	919,502
Additions through business combinations (note 29)	104,046	424,001	528,047
Make good assets	54,121	-	54,121
Depreciation expense	<u>(94,897)</u>	<u>(279,319)</u>	<u>(374,216)</u>
Balance at 30 June 2011	<u><u>692,401</u></u>	<u><u>575,867</u></u>	<u><u>1,268,268</u></u>

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Note 12. Non-current assets - intangibles

	Consolidated	
	2011	2010
	\$	\$
Goodwill - at cost	9,114,934	-
	<u>9,114,934</u>	<u>-</u>
Customer contracts - at cost	406,000	-
Less: Accumulated amortisation	(365,750)	-
	<u>40,250</u>	<u>-</u>
Software - at cost	470,000	-
Less: Accumulated amortisation	(79,167)	-
	<u>390,833</u>	<u>-</u>
Copyrights	4,335,229	29,265
Less: Accumulated amortisation	(1,384,674)	(29,265)
	<u>2,950,555</u>	<u>-</u>
Licenses	28,870	21,400
Less: Accumulated amortisation	(18,953)	(7,235)
	<u>9,917</u>	<u>14,165</u>
	<u>12,506,489</u>	<u>14,165</u>

Reconciliations

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

	Goodwill	Copyrights	Licenses	Customer contract	Software	Total
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2009	-	-	18,445	-	-	18,445
Amortisation expense	-	-	(4,280)	-	-	(4,280)
Balance at 30 June 2010	-	-	14,165	-	-	14,165
Additions	-	135,229	7,470	-	-	142,699
Additions through business combinations (note 29)	9,114,934	4,200,000	-	406,000	470,000	14,190,934
Amortisation expense	-	(1,384,674)	(11,718)	(365,750)	(79,167)	(1,841,309)
Balance at 30 June 2011	<u>9,114,934</u>	<u>2,950,555</u>	<u>9,917</u>	<u>40,250</u>	<u>390,833</u>	<u>12,506,489</u>

(a) Impairment test for goodwill

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

RedHill Education Limited
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Note 12. Non-current assets - intangibles (continued)

	Consolidated	
	2011	2010
	\$	\$
Academy of Information Technology Pty Ltd ('AIT') (note 29)	4,086,087	-
International School of Colour and Design Pty Ltd ('ISCD') (note 29)	5,028,847	-
	<u>9,114,934</u>	<u>-</u>

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

	AIT	ISCD
Post tax discount rate	15.0%	15.0%
Student growth rate	10.0-15.0%	7.5-10.0%
Student growth rate-terminal year	2.5%	2.5%
Revenue price increase *	4.0%	4.0%
Annual rate of cost increase	4.0%	4.0%

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

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

Information Technology: Rebound in foreign students due to improved visa regulations
Continued growth of domestic students due to Fee-Help

Creative Arts and Design: Continued growth of the correspondence course offering
The focus on premium offerings leading to greater growth potential

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

(c) Impact of possible changes in key assumptions

Information Technology:

If the estimated cost of capital used in determining the post-tax discount rate for this CGU had been 1% higher than management's estimates (16.0% instead of 15.0%), the consolidated entity would not have recognised impairment against goodwill.

If the student growth rate forecast for this CGU decreased by 20.0% in all years excluding the terminal year, the consolidated entity would not have recognised impairment against goodwill.

If the price increase was limited to on average 3.0% , the consolidated entity would not have recognised impairment against goodwill.

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Note 12. Non-current assets - intangibles (continued)

Creative Arts:

If the estimated cost of capital used in determining the post-tax discount rate for this CGU had been 1% higher than management's estimates (16.0% instead of 15.0%), the consolidated entity would not have recognised impairment against goodwill.

If the student growth rate forecast for this CGU decreased by 20.0% in all years excluding the terminal year, the consolidated entity would not have recognised impairment against goodwill.

If the price increase was limited to on average 3.0%, the consolidated entity would not have recognised impairment against goodwill.

Note 13. Non-current assets - deferred tax

	Consolidated	
	2011	2010
	\$	\$
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	271,762	167,794
Impairment of receivables	42,649	-
Employee benefits	169,194	42,460
Accrued expenses	617,364	64,826
Intangibles	253,716	-
	<u>1,354,685</u>	<u>275,080</u>
Amounts recognised in equity:		
Transaction costs on share issue	<u>453,990</u>	-
	<u>453,990</u>	-
Deferred tax asset	<u>1,808,675</u>	<u>275,080</u>
Deferred tax asset to be recovered within 12 months	<u>1,808,675</u>	<u>275,080</u>
<i>Movements:</i>		
Opening balance	275,080	273,318
Credited to profit or loss (note 6)	957,145	1,762
Credited to equity	453,990	-
Additions through business combinations (note 29)	<u>122,460</u>	-
Closing balance	<u>1,808,675</u>	<u>275,080</u>

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Note 14. Non-current assets - other

	Consolidated	
	2011	2010
	\$	\$
Lease incentive asset	869,358	-
Other non-current assets	24,953	-
	<u>894,311</u>	<u>-</u>

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2011	2010
	\$	\$
Trade payables	328,948	344,641
Deferred income	4,219,027	556,518
ISCD Contingent liability	1,585,000	-
Lease incentive provision	80,391	-
Other payables	2,046,418	1,336,104
	<u>8,259,784</u>	<u>2,237,263</u>

Refer to note 22 for detailed information on financial instruments.

Note 16. Current liabilities - income tax

	Consolidated	
	2011	2010
	\$	\$
Provision for income tax	-	180,158
	<u>-</u>	<u>180,158</u>

Note 17. Non-current liabilities - provisions

	Consolidated	
	2011	2010
	\$	\$
Employee benefits	69,216	-
Lease make good	133,055	84,180
Lease incentive provision	1,044,615	-
	<u>1,246,886</u>	<u>84,180</u>

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Note 17. Non-current liabilities - provisions (continued)

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.

Under the terms of its lease agreement the consolidated entity must restore certain leased premises to their condition as at the commencement of the lease.

Lease incentive

The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

	Lease incentive \$	Lease make good \$
Consolidated - 2011		
Carrying amount at the start of the year	-	84,180
Additional provisions recognised	1,044,615	38,722
Additions through business combinations (note 29)	-	33,289
Amounts used	-	(23,136)
	<u>1,044,615</u>	<u>133,055</u>
Carrying amount at the end of the year	<u>1,044,615</u>	<u>133,055</u>

Note 18. Equity - contributed

	Consolidated		Consolidated	
	2011	2010	2011	2010
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>27,000,000</u>	<u>2,817,942</u>	<u>18,427,750</u>	<u>2,485,320</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2009	2,792,942		2,460,320
Shares issued for 25% acquisition of Go Study Australia Pty Limited	17 February 2010	<u>25,000</u>	\$1.000	<u>25,000</u>
Balance	30 June 2010	2,817,942		2,485,320
Share split	28 July 2010	6,726,325	\$0.000	-
Shares issued as part consideration for acquisition	15 September 2010	1,206,566	\$1.000	1,206,566
Shares issued as consideration for services relating to the capital raising	16 September 2010	82,500	\$1.000	82,500
Shares issued to Paul Tobin, former CEO, under the terms of his contract of employment	23 August 2010	166,667	\$1.000	166,667
Shares issued for capital raising	16 September 2010	16,000,000	\$1.000	16,000,000
Share issues costs		<u>-</u>	\$0.000	<u>(1,513,303)</u>
Balance	30 June 2011	<u>27,000,000</u>		<u>18,427,750</u>

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Note 18. Equity - contributed (continued)

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.

Share split

On 28 July 2010, the Company undertook a share split where 33,869,638 ordinary shares were issued for every 1 ordinary share.

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, issue new shares or sell assets to reduce debt.

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 consolidated entity is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 19. Equity - reserves

	Consolidated	
	2011	2010
	\$	\$
Foreign currency reserve	3,563	3,563
Share-based payments reserve	31,225	17,603
Earnout reserve	360,736	-
Non-controlling interest reserve	(541,000)	(541,000)
	<u>(145,476)</u>	<u>(519,834)</u>

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Note 19. Equity - reserves (continued)

	Foreign currency \$	Share-based payments \$	Earnout \$	Non-controlling interest \$	Total \$
Consolidated					
Balance at 1 July 2009	8,361	8,693	-	(541,000)	(523,946)
Foreign currency translation	(4,798)	-	-	-	(4,798)
Employee share options - value of employee services	-	8,910	-	-	8,910
Balance at 30 June 2010	3,563	17,603	-	(541,000)	(519,834)
Employee share options - value of employee services	-	13,622	-	-	13,622
Earnout provision	-	-	360,736	-	360,736
Balance at 30 June 2011	<u>3,563</u>	<u>31,225</u>	<u>360,736</u>	<u>(541,000)</u>	<u>(145,476)</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

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 executive option plan.

Earnout reserve

The reserve is in respect of the AIT vendor earnout.

Non-controlling interest

Non-controlling interest reserve is in respect of the interest to be contributed to the non-controlling interest holders.

Note 20. Equity - accumulated losses

	Consolidated	
	2011	2010
	\$	\$
Accumulated losses at the beginning of the financial year	(1,302,179)	(1,238,826)
Profit/(loss) after income tax (expense)/benefit for the year	(1,890,955)	136,220
Non-controlling interest	-	(199,573)
Accumulated losses at the end of the financial year	<u>(3,193,134)</u>	<u>(1,302,179)</u>

Note 21. Equity - dividends

Dividends

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

Note 21. Equity - dividends (continued)

Franking credits

	Consolidated	
	2011	2010
	\$	\$
Franking credits available at the reporting date based on a tax rate of 30%	<u>995,169</u>	<u>189,711</u>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>995,169</u>	<u>189,711</u>

Note 22. 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 ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. 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. As a result of the Australian dollar having strengthened during the year, RedHill's courses may be relatively more expensive than courses run in other countries. Management monitors this to ensure RedHill's colleges remain price competitive.

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 at bank and cash equivalents:

	2011		2010	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Consolidated				
Cash and cash equivalents	5.37	<u>4,973,960</u>	3.47	<u>1,476,689</u>
Net exposure to cash flow interest rate risk		<u>4,973,960</u>		<u>1,476,689</u>

An official increase/decrease in interest rates of one (2010: one) percentage point would have favourable/adverse effect on profit before tax of \$49,000 (2010: favourable/adverse \$15,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Note 22. Financial instruments (continued)

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 - 2011	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	328,948	-	-	-	328,948
Other payables	-	2,046,418	-	-	-	2,046,418
Total non-derivatives		<u>2,375,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,375,366</u>
Consolidated - 2010	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	344,641	-	-	-	344,641
Other payables	-	1,336,104	-	-	-	1,336,104
Total non-derivatives		<u>1,680,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,680,745</u>

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

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Note 22. Financial instruments (continued)

Fair value of financial instruments

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Contingent consideration	-	-	1,585,000	1,585,000
Total liabilities	-	-	1,585,000	1,585,000

Movements in level 3 financial instruments

Movements in level 3 financial instruments during the current and previous financial year are set out below:

	Contingent consideration \$	Total \$
Consolidated - 2011		
Balance at 1 July 2009	-	-
Balance at 30 June 2010	-	-
Contingent consideration initially recognised on business combination (refer note 29)	1,585,000	1,585,000
Balance at 30 June 2011	1,585,000	1,585,000

Contingent consideration due to be paid on 2 October 2011 to the ISCD vendors, is estimated to be \$1,585,000 based on achievement of sales targets. The amount has been initially recognised at fair value of \$1,585,000.

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 23. Key management personnel disclosures

Directors

The following persons were directors of RedHill Education Limited during the financial year:

Bill Beerworth	Chairman
Bruce Baird AM	Non-Executive Director
William Deane	Non-Executive Director
James Hyndes	Non-executive Director
Benjamin Lunn	Executive Director
Edward Keller	Executive Director
Paul Tobin (resigned on 28 February 2011)	Former Chief Executive Officer and Former Executive Director

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Note 23. Key management personnel disclosures (continued)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Andrew Leary (appointed on 29 March 2011)	CEO
Mark Zworestine (appointed on 28 June 2010 and resigned on 5 September 2011, with 3 months notice)	CFO and Company Secretary
Gavin Dowling	Director at student agency Go Study Australia
Luke Harrison (appointed on 16 September 2010)	General manager at Art school ISCD
Prue Royle (appointed on 16 September 2010)	Director at Art school ISCD

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	1,269,999	228,076
Post-employment benefits	70,860	20,146
Share-based payments	23,718	-
	<u>1,364,577</u>	<u>248,222</u>

Shareholding

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

2011	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
William Deane* **	255,883	-	-	610,783	866,666
James Hyndes* ***	897,059	-	337,000	2,141,247	3,375,306
Edward Keller	-	-	444,571	-	444,571
Paul Tobin*	-	166,667	-	(166,667)	-
Mark Zworestine	-	-	10,000	-	10,000
Gavin Dowling*	25,000	-	-	59,674	84,674
Prue Royle	-	-	10,000	-	10,000
	<u>1,177,942</u>	<u>166,667</u>	<u>801,571</u>	<u>2,645,037</u>	<u>4,791,217</u>

* Disposals/other - for Paul Tobin represents no longer being a key management personnel, not necessarily physical disposal of shareholding. For William Deane, James Hyndes and Gavin Dowling represents the change on additional shares following share split on 28 July 2010.

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

*** James Hyndes holds the beneficial interest in Ordinary Shares through Redhill Partners Pte Ltd and due to the ownership structure of that company he only claims an interest in 14% of the Ordinary Shares stated next to his name. Also holds on his name 337,000 ordinary shares.

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Note 23. Key management personnel disclosures (continued)

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2010					
<i>Ordinary shares</i>					
William Deane	255,883	-		-	255,883
James Hyndes	897,059	-	-	-	897,059
Gavin Dowling	25,000	-		-	25,000
Michael Ratcliff *	170,000	-		(170,000)	-
	<u>1,347,942</u>	<u>-</u>	<u>-</u>	<u>(170,000)</u>	<u>1,177,942</u>

* Disposals/other - represents no longer being a key management personnel, not necessarily physical disposal of shareholding.

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2011					
<i>Options over ordinary shares</i>					
Bill Beerworth	-	30,000	-	-	30,000
Bruce Baird AM	-	15,000	-	-	15,000
William Deane **	500,000	-	-	1,193,482	1,693,482
James Hyndes **	500,000	-	-	1,193,482	1,693,482
Benjamin Lunn **	48,000	-	-	114,574	162,574
Paul Tobin*	-	734,560	-	(734,560)	-
Mark Zworestine	-	30,000	-	-	30,000
Andrew Leary	-	400,000	-	-	400,000
Luke Harrison	-	10,000	-	-	10,000
	<u>1,048,000</u>	<u>1,219,560</u>	<u>-</u>	<u>1,766,978</u>	<u>4,034,538</u>

* Other - represents no longer being a key management personnel, not necessarily physical disposal of option holding.

** Other corresponds to split of the options to the opening balance in 2010.

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2010					
<i>Options over ordinary shares</i>					
William Deane	500,000	-	-	-	500,000
James Hyndes	500,000	-	-	-	500,000
Benjamin Lunn	24,000	24,000	-	-	48,000
Michael Ratcliff *	24,000	-	-	(24,000)	-
	<u>1,048,000</u>	<u>24,000</u>	<u>-</u>	<u>(24,000)</u>	<u>1,048,000</u>

* Disposals/other - represents no longer being a key management personnel, not necessarily physical disposal of shareholding.

Related party transactions

Related party transactions are set out in note 27.

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Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company, and its related practices:

	Consolidated	
	2011	2010
	\$	\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial report	293,600	30,000
<i>Other services - PricewaterhouseCoopers</i>		
Tax services	22,000	-
Consulting services	450,200	-
	<u>472,200</u>	<u>-</u>
	<u>765,800</u>	<u>30,000</u>

Note 25. Contingent liabilities

There were no contingent liabilities as at 30 June 2011.

The consolidated entity has given bank guarantees as at 30 June 2011 of \$656,216 (2010: \$152,937) to various lessors.

Note 26. Commitments for expenditure

	Consolidated	
	2011	2010
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,269,588	915,326
One to five years	3,935,198	354,250
More than five years	1,562,308	-
	<u>6,767,094</u>	<u>1,269,576</u>

In November 2010, the information technology college moved into a new campus and executed a seven year lease.

RedHill Education Limited
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Note 27. Related party transactions

Parent entity

RedHill Education Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2011	2010
	\$	\$
Payment for other expenses:		
Consulting fees paid to key management personnel	105,200	196,591

The consulting fees of \$58,959 was paid to entities associated with William Deane and fees of \$46,241 paid to Bill Beerworth.

Receivable from and payable to related parties

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

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2011	2010
	\$	\$
Current receivables:		
Loan to key management personnel	166,667	-

The loan was provided to the ex-CEO (Paul Tobin) as part of his termination benefits to acquire shares in the company. This loan has been partially impaired in the amount of \$142,166.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

RedHill Education Limited
Notes to the financial statements
30 June 2011

Note 28. Parent entity information

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

Statement of comprehensive income

	Parent	
	2011	2010
	\$	\$
Loss after income tax	<u>(3,091,444)</u>	<u>(249,424)</u>
Total comprehensive income	<u>(3,091,444)</u>	<u>(249,424)</u>

Statement of financial position

	Parent	
	2011	2010
	\$	\$
Total current assets	<u>2,865,426</u>	<u>1,000,016</u>
Total assets	<u>16,358,023</u>	<u>1,400,016</u>
Total current liabilities	<u>2,624,421</u>	<u>169,596</u>
Total liabilities	<u>2,624,421</u>	<u>169,596</u>
Equity		
Contributed equity	17,814,750	2,428,529
Reserves	391,962	-
Accumulated losses	<u>(4,473,110)</u>	<u>(1,198,109)</u>
Total equity	<u><u>13,733,602</u></u>	<u><u>1,230,420</u></u>

Contingent liabilities

The parent entity has no contingent liability as at 30 June 2011.

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.

Note 29. Business combinations

On 15 September 2010, RedHill Education Limited acquired 100% of the ordinary shares of Academy of Information Technology Pty Limited ('AIT'), a subsidiary, for \$9,284,955. This amount is after taking into account the reduction in the purchase price of around \$1,830,000 by certain vendors in February 2011. The principal activity of Academy of Information Technology Pty Limited ('AIT') is an information technology and multimedia college. The acquired subsidiary contributed since acquisition revenues of \$3,707,793 and net profit of \$1,004,345 to the consolidated entity for the year ended 30 June 2011. If the acquisition had occurred on 1 July 2010, contributed total revenue for the year ended 30 June 2011 would have been \$5,793,500 and net profit of \$523,305. Due to the significant integration changes within the consolidated entity, full year revenues or the cost allocation cannot be made to give a meaningful entire full year profit attributable to the consolidated entity. The values identified in relation to the acquisition of Academy of Information Technology Pty Limited ('AIT') are final at 30 June 2011.

RedHill Education Limited
Notes to the financial statements
30 June 2011

Note 29. Business combinations (continued)

Details of the acquisition are as follows:

	Acquiree's carrying amount \$	Fair value \$
Cash equivalents	6,873,540	6,873,540
Trade receivables	22,262	22,262
Other current assets	694,313	694,313
Plant and equipment	483,351	483,351
Other intangible assets	-	3,976,000
Deferred tax asset	122,460	122,460
Trade payables	(630,292)	(630,292)
Other payables	(1,841,534)	(1,841,534)
Other provisions	(79,367)	(79,367)
Other liabilities	<u>(4,421,865)</u>	<u>(4,421,865)</u>
Net assets acquired	<u>1,222,868</u>	5,198,868
Goodwill		<u>4,086,087</u>
Acquisition-date fair value of the total consideration transferred		<u><u>9,284,955</u></u>
Representing:		
Cash paid or payable to vendor		8,078,389
RedHill Education Limited shares issued to vendor		<u>1,206,566</u>
		<u><u>9,284,955</u></u>
	Consolidated	
	2011	2010
	\$	\$
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	9,284,955	-
Less: cash equivalents	(6,873,540)	-
Less: shares issued by parent entity as part of consideration	<u>(1,206,566)</u>	-
Net cash used	<u><u>1,204,849</u></u>	<u><u>-</u></u>

On 15 September 2010, RedHill Education Limited acquired 100% of the ordinary shares of International School of Colour and Design Pty Limited ('ISCD'), a subsidiary, for \$3,875,000. A further amount of \$1,545,000 is due to be paid by 5 October 2011 based on the achievements of a revenue KPI. The principal activity of International School of Colour and Design Pty Limited ('ISCD') is a creative arts college. The acquired subsidiary contributed since acquisition revenues of \$2,248,952 and net profit of \$477,990 to the consolidated entity for the year ended 30 June 2011. If the acquisition had occurred on 1 July 2010, contributed total revenue for the year ended 30 June 2011 would have been \$2,669,755 and net profit of \$434,205. Due to the significant integration changes within the consolidated entity, full year revenues or the cost allocation cannot be made to give a meaningful entire full year profit attributable to the consolidated entity. The values identified in relation to the acquisition of International School of Colour and Design ('ISCD') are final at 30 June 2011.

RedHill Education Limited
Notes to the financial statements
30 June 2011

Note 30. 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 of entity	Country of incorporation	Equity holding	
		2011 %	2010 %
Greenwich Thailand College Pty Ltd	Thailand	100.00	100.00
Go Study Australia Pty Limited Academy of Information Technology Pty Ltd.	Australia	100.00	100.00
International School of Colour and Design Pty Ltd.	Australia	100.00	-
Totally Trained (International) Pty Limited	Australia	100.00	100.00
Go Study Australia Intercambio Cultural Ltda. *	Brazil	100.00	100.00
Go Study Australia S.A.C. *	Peru	100.00	100.00
Go Study Australia Sociedad Limitada **	Spain	100.00	100.00

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

** 100% owned by Go Study Australia Pty Limited

Note 31. Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2011 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
Notes to the financial statements
30 June 2011

Note 32. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated	
	2011	2010
	\$	\$
Profit/(loss) after income tax (expense)/benefit for the year	(1,890,955)	136,220
Adjustments for:		
Depreciation and amortisation	2,215,525	70,884
Share-based payments	13,623	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(889,817)	(357,955)
Increase in inventories	-	(15,126)
Increase in income tax refund due	(490,000)	-
Increase in deferred tax assets	(1,038,095)	(1,762)
Increase in other operating assets	(506,130)	-
Increase in trade and other payables	1,591,390	420,904
Increase/(decrease) in provision for income tax	(180,158)	110,945
Increase in other provisions	1,162,706	-
Net cash from/(used in) operating activities	<u>(11,911)</u>	<u>364,110</u>

Note 33. Non-cash investing and financing activities

	Consolidated	
	2011	2010
	\$	\$
Leasehold improvements - lease make good	<u>54,121</u>	<u>-</u>

RedHill Education Limited
Notes to the financial statements
30 June 2011

Note 34. Earnings per share

	Consolidated	
	2011	2010
	\$	\$
Profit/(loss) after income tax attributable to the owners of RedHill Education Limited	<u>(1,890,955)</u>	<u>136,220</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	23,331,822	9,528,445
Adjustments for calculation of diluted earnings per share:		
Options	<u>-</u>	<u>3,637,729</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>23,331,822</u>	<u>13,166,174</u>
	Cents	Cents
Basic earnings per share	(8.100)	1.430
Diluted earnings per share	(8.100)	1.030

The weighted average number of shares for 2010 reflects the effect on the share split (3.3869638 for 1) completed in June 2011, in accordance with AASB133 "Earnings per Share".

Note 35. Share-based payments

A share option plan has been 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 issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committee.

For the options granted during the current financial year, 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
29/03/11	29/09/17	\$0.200	\$0.500	60.00%	0.00%	5.50%	\$0.0677
29/03/11	29/09/18	\$0.200	\$0.750	60.00%	0.00%	5.50%	\$0.0495
29/03/11	29/09/19	\$0.200	\$1.000	60.00%	0.00%	5.50%	\$0.0382
29/03/11	29/09/20	\$0.200	\$1.250	60.00%	0.00%	5.50%	\$0.0306
22/09/10	22/09/16	\$1.200	\$1.000	60.00%	0.00%	5.50%	\$0.0677
22/09/10	22/09/17	\$1.200	\$1.000	60.00%	0.00%	5.50%	\$0.0495
22/09/10	22/09/18	\$1.200	\$1.000	60.00%	0.00%	5.50%	\$0.0382
22/09/10	22/09/16	\$1.200	\$1.000	60.00%	0.00%	5.50%	\$0.0677
22/09/10	22/09/16	\$1.200	\$1.000	60.00%	0.00%	5.50%	\$0.0677
26/10/10	26/10/16	\$1.020	\$1.000	60.00%	0.00%	5.50%	\$0.0677
26/10/10	26/10/17	\$1.020	\$1.000	60.00%	0.00%	5.50%	\$0.0495
26/10/10	26/10/18	\$1.020	\$1.000	60.00%	0.00%	5.50%	\$0.0382

RedHill Education Limited
Directors' declaration

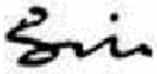
In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



Bill Beerworth
Director

30 September 2011
Sydney



Independent auditor's report to the members of RedHill Education Limited

Report on the financial report

We have audited the accompanying financial report of RedHill Education Limited (the consolidated entity), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the consolidated entity. The consolidated entity comprises the company, RedHill Education Limited, and the entities it controlled at the year's end.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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



Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of RedHill Education Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 15 of the directors' report for the year ended 30 June 2011. 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.



Auditor's opinion

In our opinion, the remuneration report of RedHill Education Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten-style logo for PricewaterhouseCoopers, featuring a large 'P' followed by the words 'PRICEWATERHOUSE COOPERS' in a smaller, uppercase font.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'Manoj Santiago', written in a cursive style.

Manoj Santiago
Partner

Sydney
30 September 2011

RedHill Education Limited
Shareholder information
30 June 2011

The shareholder information set out below was applicable as at 20 September 2011.

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	7
1,001 to 5,000	84
5,001 to 10,000	43
10,001 to 100,000	85
100,001 and over	35
	<hr/>
	254
	<hr/> <hr/>
Holding less than a marketable parcel	52
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Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Citicorp Nominees Pty Limited	3,737,158	13.84
Redhill Partners Pte Ltd	3,038,306	11.25
HSBC Custody Nominees (Australia) Limited	1,795,250	6.65
Copse Investment Limited	1,016,090	3.76
Mr David Thompson	992,000	3.67
Exto Partners Australia Pty Ltd (Exto Unit A/C)	866,666	3.21
Skilled Placements Pty Limited	822,964	3.05
Skilled Placements Pty Limited	779,000	2.89
Lourdes Lynn	761,995	2.82
Waughfire Pty Ltd	677,394	2.51
UBS Wealth Management Australia Nominees Pty Ltd	641,778	2.38
Simon Lewis Cavell	575,784	2.13
Michael Cameron Ratcliff	575,784	2.13
Jilcy Pty Ltd (Jilcy Super Fund A/C)	540,000	2.00
Forsyth Barr Custodians Ltd (Forsyth Barr Ltd-Nominee A/C)	530,000	1.96
Roy Simpson and Vanessa Simpson	508,045	1.88
Bronze Wave Pty Ltd (Caroline De Mori Family A/C)	460,000	1.70
Edward Lee Keller	444,571	1.65
Mr Tim Sandeman Staermose	345,000	1.28
Escham Pty Ltd (The Bri A/C)	338,696	1.25
	<hr/>	
	19,446,481	72.01
	<hr/> <hr/>	<hr/> <hr/>

RedHill Education Limited
Shareholder information
30 June 2011

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
		% of total
	Number held	shares
		issued
Citicorp Nominees Pty Limited	3,737,158	13.84
Redhill Partners Pte Ltd	3,038,306	11.25
HSBC Custody Nominees (Australia) Limited	1,795,250	6.65

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.

There are no other classes of equity securities.