



## RedHill Education Limited

### Release of FY20 Preliminary Final Report

RedHill Education Limited (RedHill) today released its Preliminary Final Report for the financial year ended 30 June 2020 (FY20).

#### 1. FY20 FINANCIAL RESULTS

The consolidated RedHill group reported the following results for FY20:

- Revenues: \$64.6 million – 10% increase\*
- Profit before impairment, unrecognition of deferred tax asset, and provision for onerous contracts \$0.9 million – 145% increase\*
- Positive net cashflow from operating activities: \$9.3 million – 19% decrease\*
- Net loss after income tax: \$19.6 million – 5,761% decrease\*
- Cash balance at 30 June: \$22.2 million – 71% increase\*

#### 2. COMMENTS ON FY20 FINANCIAL PERFORMANCE

RedHill's FY20 operating performance was impressive despite the extraordinary disruptive impact of the COVID-19 pandemic.

RedHill's statutory FY20 financial performance was negatively impacted by the:

- COVID-19 pandemic and government responses to it;
- decision by directors to record an appropriate impairment charge of \$17.2 million;
- decision by directors to unrecognise a deferred tax asset of \$2.8 million; and
- recognition of an onerous contract provision of \$0.5 million after tax associated with leases over surplus campus facilities.

RedHill undertook a capital raising via an institutional placement and a non-renounceable entitlement offer in June 2020 and raised a total amount of approximately \$12 million, of which \$9.2 million was received into RedHill's bank account before the end of the financial year. The remaining \$2.1 million of the new capital (net of all capital raising costs) was received in July 2020.

The consolidated entity had \$22.2 million of cash on hand at 30 June 2020. The cash balance at the end of July 2020 had increased to approximately \$25.0 million.

The purpose of the June 2020 capital raising was to enhance RedHill's balance sheet and increase its available cash to support the business during the economic uncertainties caused by the COVID-19 pandemic, and to have sufficient funds available for future recovery and operational change initiatives when pandemic conditions improve.

The capital raised was expected to ensure that RedHill has sufficient funds to operate until at least the end of calendar year 2021, assuming international borders continued to remain closed at that point in time preventing a possible earlier recovery.

### **3. IMPACT OF COVID-19**

The COVID-19 pandemic emergency has resulted in decisions being taken by the Australian Government and the governments of other countries to enforce travel bans, lock-downs, self-isolations, and social distancing measures which have had a material impact upon RedHill's operations.

Approximately 85% of RedHill's FY20 revenues were generated from delivering courses and services to international students undertaking studies in Australia. Border closures introduced by the Australian Government from 20 March 2020 have meant that international students who had planned to enter Australia after that date to commence their courses at RedHill are unable to do so until travel bans are lifted and international airlines resume commercial flights.

RedHill's directors have implemented a wide range of significant measures to ensure the safety of employees and students, and to preserve cash so that the organisation is well placed to reinvigorate the business when circumstances improve.

These measures have included:

- temporarily closing campuses and moving to 100% online course delivery;
- standing down employees;
- non-executive directors forfeiting their fees in Q4 of FY20;
- cutting and deferring business development projects;
- temporarily closing most offshore operations;
- undertaking a capital raising on ASX;
- seeking rental relief from lessors; and
- accessing and implementing governmental relief measures (including the JobKeeper scheme).

### **4. IMPAIRMENT, UNRECOGNITION OF DEFERRED TAX ASSET, AND PROVISION FOR ONEROUS CONTRACT**

In preparing RedHill's FY20 financial statements, the directors have carefully considered the carrying values of assets on the balance sheet and future liabilities and contractual obligations.

With reference to the material negative impacts that the COVID-19 pandemic is having upon financial performance, RedHill's directors have determined that it is prudent and appropriate to record a non-cash impairment charge of \$17.2 million in FY20 comprising:

- \$6.1 million goodwill;
- \$8.2 million right of use asset (leases);
- \$2.7 million property, plant & equipment; and
- \$0.2 million copyright.

RedHill's directors have determined that it is also appropriate to unrecognise a deferred tax asset of \$2.8 million, and to raise an onerous contract provision of \$0.5 million, after tax, associated with leases over surplus campus facilities.

The impairment charges, onerous contract provision, and unrecognition of the deferred tax asset are all non-cash accounting adjustments.

RedHill's prudent approach in calculating these charges against the FY20 profit and loss are detailed in the accompanying Appendix 4E.

## **5. PRIOR YEAR REVENUE RESTATEMENT**

RedHill adopted AASB 15 'Revenue from Contracts with Customers' effective 1 July 2018 with a full retrospective approach. A detailed evaluation of the revenue recognition treatment was undertaken by management and reviewed by the previous external auditor at the time of adopting the standard. The FY19 financial statements were audited and an unqualified audit opinion was given.

Following a subsequent internal review during FY20 with the current external auditors, the accounting treatment of recognising a component of Greenwich operating segment revenue at the time of enrolment was determined to be more appropriately recognised over the period of course delivery. This change in the interpretation of AASB 15 has been retrospectively adopted and the prior year comparative period ended 30 June 2019 has been restated accordingly.

This restatement has had no impact on revenues, profits, or cash flows in FY20. Details are included in the accompanying Appendix 4E.

## **6. NO DECLARATION OF DIVIDEND**

RedHill's directors announced its decision to revoke payment of an FY20 interim dividend on 23 March 2020 due to the impacts of COVID-19.

In view of the continuation of the extraordinary circumstances caused by the COVID-19 pandemic and government responses, the directors regard it as prudent to conserve cash and have decided that no full year dividend will be declared in relation to FY20.

## **7. AREAS OF OPERATIONAL FOCUS**

RedHill intends to focus on the following operational areas in FY21:

- continuing to enhance its digital capabilities to support online course delivery and student support for both existing and new courses;
- marketing to domestic student seeking to undertake accredited higher education and vocational courses;
- marketing to international students who are already in Australia who are seeking to enrol into new courses;
- continuing with tight overhead management and cash flow management initiatives; and
- maintaining an engaged workforce so the organisation can quickly adapt to changes and emerging opportunities in the market.

\* Over the restated previous financial year.

*Authorised for release to ASX by the Board of Directors of RedHill.*

## **CONTACTS**

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Chief Financial Officer  
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## **ABOUT REDHILL**

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

## RedHill Education Limited and its Controlled Entities

### Appendix 4E

#### Preliminary final report

#### 1. Company details

Name of entity:	RedHill Education Limited
ABN:	41 119 952 493
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

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#### 2. Results for announcement to the market

	Year ended 30 June 2020	Year ended 30 June 2019 restated	% change
	\$'000	\$'000	
Revenues from ordinary activities	64,619	58,868	10%
Profit/(Loss) from ordinary activities after tax attributable to the shareholders of RedHill Education Limited – before impairment and provision for onerous contracts	851	347	145%
Profit/(Loss) from ordinary activities after tax attributable to the shareholders of RedHill Education Limited	(19,645)	347	(5761%)
Profit/(Loss) for the year attributable to the shareholders of RedHill Education Limited	(19,645)	347	(5761%)
Cash and cash equivalents	22,194	12,954	71%

#### *Comments on financial performance*

RedHill's operating performance for the year ended 30 June 2020 was impressive despite the extraordinary disruptive impact of the COVID-19 pandemic.

Financial performance for the financial year ended 30 June 2020 was negatively impacted by:

- the COVID-19 pandemic and Government responses to it;
- an impairment charge of \$17,203,000;
- the unrecognition of a deferred tax asset of \$2,769,000; and
- recognition of an onerous contract provision of \$524,000 after tax associated with leases over surplus campus facilities.

The consolidated entity undertook a capital raising via an institutional placement and a non-renounceable entitlement offer in June 2020 and raised a total amount of \$9,213,000 net of costs associated with the raising. An additional \$2,081,000 from the retail component of the capital raising, net of costs, was received in July 2020.

The consolidated entity had \$22,194,000 of cash on hand at 30 June 2020. The cash balance at the end of July 2020 had increased to approximately \$25,000,000.

#### **New Australian Accounting Standards**

The consolidated entity adopted Accounting Standard AASB 16 'Leases' for the year ended 30 June 2020 using the full retrospective approach and the consolidated entity has restated the comparative prior year. Refer to note 2 of the notes to financial statements.

## **RedHill Education Limited and its Controlled Entities**

### **Appendix 4E**

#### **Preliminary final report**

#### **Impact of COVID-19**

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors. The consolidated entity has been materially impacted by the COVID-19 pandemic in the financial year ended 30 June 2020 due to its impact on international student travel and mandated campus closures. The pandemic has caused the consolidated entity to undertake a wide range of significant measures to ensure the safety of our employees and students, and to preserve cash so that the consolidated entity can re-invigorate when circumstances improve. These measures have included:

- temporarily closing campuses and moving to 100% online course delivery;
- standing down employees;
- non-executive directors forfeiting their fees in Q4 of FY20;
- cutting and deferring business development projects;
- temporarily closing most of the consolidated entity's offshore operations;
- undertaking a capital raising on ASX;
- seeking rental relief from lessors; and
- accessing and implementing governmental relief measures (including the JobKeeper scheme).

#### **Impairment of assets**

The COVID-19 pandemic has adversely impacted the consolidated entity's performance in the financial year ended 30 June 2020, and is also expected to impact future financial performance. The consolidated entity recorded an impairment charge of \$17,203,000 as at 30 June 2020 comprising:

- Goodwill impairment of \$6,145,000;
- Right of Use asset impairment of \$8,196,000;
- Copyright impairment of \$205,000; and
- Property, plant, and equipment impairment of \$2,657,000.

Refer to note 10 of the financial statements for further details.

The consolidated entity has unrecognised the deferred tax asset balance of \$2,769,000. Refer to note 5 of the financial statements for further details.

#### **Provision for onerous contract**

The consolidated entity operates four campuses in Sydney and one campus in Melbourne. Due to the reduction in student numbers and the increase in on-line course delivery since the commencement of the COVID-19 pandemic, the North Sydney campus has been closed and all students have been transferred to other Sydney campuses for the face-to-face components of their courses. The lease asset associated with the North Sydney campus has been fully impaired and written down to nil.

The North Sydney campus comprises two separate leases, with expiry dates in November 2021 and January 2023. The consolidated entity is actively seeking to sub-let the premises, but to date has not secured any suitable sub-tenants.

The consolidated entity will continue to incur costs in relation to the North Sydney leased premises including outgoings, utilities and security costs. In accordance with AASB137 *Provisions, Contingent Liabilities and Contingent Assets* the consolidated entity has provided for the expected costs of meeting the obligations associated with these premises for the balance of the lease terms. These costs amount to \$749,000.

**RedHill Education Limited and its Controlled Entities**  
**Appendix 4E**  
**Preliminary final report**

Below is a reconciliation between the loss on ordinary activities and the loss before impairment and onerous contract provision charges:

	<b>Pre-tax</b>	<b>Tax</b>	<b>After-Tax</b>
<b>Year end 30 June 2020</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) from ordinary activities after tax attributable to the shareholders of RedHill Education Limited	(16,499)	(3,146)	(19,645)
Impairment charges	17,203	-	17,203
Provision for onerous contracts	749	(225)	524
Impairment of deferred tax assets	-	2,769	2,769
Profit/(Loss) from ordinary activities after tax attributable to the shareholders of RedHill Education Limited – before impairment and provision for onerous contracts	1,453	(602)	851

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**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>5.85</u>	<u>23.47</u>

The net tangible assets calculations include right-of-use assets of \$12,707,000 (30 Jun 2019: \$15,487,000) and lease liabilities of \$24,261,000 (30 Jun 2019: \$17,210,000).

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**4. Prior year revenue restatement**

RedHill adopted AASB 15 'Revenue from Contracts with Customers' effective 1 July 2018 with a full retrospective approach. A detailed evaluation of the revenue recognition treatment was undertaken by management and reviewed by the previous external auditor at the time of adopting the standard. The financial statements for the year ended 30 June 2019 were audited and an unqualified audit opinion was given.

Following a subsequent internal review during the year ended 30 June 2020 with the current external auditors, the accounting treatment of recognising a component of Greenwich operating segment revenue at the time of enrolment was determined to be more appropriately recognised over the period of course delivery. This change in the interpretation of AASB 15 has been retrospectively adopted and the prior year comparative period ended 30 June 2019 has been restated accordingly.

This restatement has had no impact on revenues, profits, or cash flows in the year ended 30 June 2020. Details are included in the accompanying Preliminary Financial Report.

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**5. Dividends**

The directors declared a half year fully franked dividend of \$0.02 per share, which was subsequently revoked on 23 March 2020 in response to the COVID-19 pandemic.

Due to the ongoing impact of COVID-19, the directors do not propose to declare a dividend in relation to the year ended 30 June 2020.

**RedHill Education Limited and its Controlled Entities**  
**Appendix 4E**  
**Preliminary final report**

*Current period*

	<b>Amount per security Cents</b>	<b>Franked amount per security Cents</b>
Final dividend – year ended 30 June 2019 (paid 30 September 2019)	2.0	2.0

A fully franked dividend of \$0.02 per ordinary share was paid on 30 September 2019 out of retained profits as at 30 June 2019. For the purposes of determining an entitlement to the dividend, the record date was 11 September 2019.

*Previous period*

	<b>Amount per security Cents</b>	<b>Franked amount per security Cents</b>
Final dividend – year ended 30 June 2018 (paid 26 September 2018)	2.0	2.0
Interim dividend – year ended 30 June 2019 (paid 2 April 2019)	2.0	2.0

During the previous period fully franked dividends of \$0.02 per ordinary share were paid on 26 September 2018 and 2 April 2019.

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**6. Audit review**

*Details of audit:*

The financial statements are in the process of being audited, and no material adjustments or qualifications are expected.

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**7. Attachments**

*Details of attachments (if any):*

The Preliminary Financial Report of RedHill Education Limited for the year ended 30 June 2020 is attached.

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**8. Signed**

As authorised by the Board of Directors.

Signed  \_\_\_\_\_

Date: 27 August 2020

William J. Beerworth  
Chairman  
Sydney



**REDHILL** EDUCATION

**RedHill Education Limited and its Controlled Entities**

**ABN 41 119 952 493**

**Preliminary Financial Report - 30 June 2020**



**RedHill Education Limited and its Controlled Entities**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>Restated</b>
			<b>\$'000</b>
<b>Revenue from contracts with customers</b>	3	64,619	58,868
Other income	4	1,966	-
Interest revenue		103	148
<b>Expenses</b>			
Salaries and employee benefits expense		(34,899)	(31,740)
Cost of services		(11,913)	(10,153)
Depreciation and amortisation expense		(7,186)	(5,972)
Impairment of assets		(17,203)	-
Impairment of receivables	7	(733)	(887)
Property and occupancy costs		(2,804)	(2,509)
Professional and consulting fees		(545)	(493)
Marketing expenses		(1,834)	(2,058)
Public company related costs		(688)	(649)
Onerous contract expense		(749)	-
Other expenses		(2,395)	(2,216)
Finance costs		(2,238)	(1,938)
<b>Profit/(loss) before income tax expense</b>		(16,499)	401
Income tax expense	5	(3,146)	(54)
<b>Profit/(loss) after income tax expense for the year attributable to the shareholders of RedHill Education Limited</b>		(19,645)	347
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		10	-
Other comprehensive income for the year, net of tax		10	-
<b>Total comprehensive income/(loss) for the year attributable to the shareholders of RedHill Education Limited</b>		(19,635)	347
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	19	(63.11)	1.13
Diluted earnings per share	19	(63.11)	1.12

Refer to note 2 for detailed information on the restatement of comparatives.

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

**RedHill Education Limited and its Controlled Entities**  
**Consolidated statement of financial position**  
**As at 30 June 2020**

	Note	2020 \$'000	Consolidated 2019 Restated \$'000	1 Jul 2018 Restated \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		22,194	12,954	9,980
Trade receivables	7	7,322	2,186	3,958
Income tax refund due		568	1,587	-
Prepayments and other assets		2,531	4,117	2,934
<b>Total current assets</b>		<b>32,615</b>	<b>20,844</b>	<b>16,872</b>
<b>Non-current assets</b>				
Property, plant and equipment	8	4,409	6,228	6,360
Right-of-use assets	9	12,707	15,487	18,731
Intangibles	10	693	6,922	6,541
Deferred tax	11	-	1,894	2,719
Prepayments and other assets		2,454	2,522	2,477
<b>Total non-current assets</b>		<b>20,263</b>	<b>33,053</b>	<b>36,828</b>
<b>Total assets</b>		<b>52,878</b>	<b>53,897</b>	<b>53,700</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	12	4,630	5,396	4,621
Contract liabilities	13	17,518	15,547	12,006
Lease liabilities	14	4,674	3,657	2,963
Income tax		-	-	1,324
Employee benefits		1,350	944	744
<b>Total current liabilities</b>		<b>28,172</b>	<b>25,544</b>	<b>21,658</b>
<b>Non-current liabilities</b>				
Lease liabilities	14	19,587	13,553	16,576
Employee benefits		90	33	113
Make good provisions		826	613	540
Onerous contracts provisions		749	-	-
<b>Total non-current liabilities</b>		<b>21,252</b>	<b>14,199</b>	<b>17,229</b>
<b>Total liabilities</b>		<b>49,424</b>	<b>39,743</b>	<b>38,887</b>
<b>Net assets</b>		<b>3,454</b>	<b>14,154</b>	<b>14,813</b>
<b>Equity</b>				
Issued capital	15	28,557	19,166	19,000
Reserves		188	22	79
Accumulated losses		(25,291)	(5,034)	(4,266)
<b>Total equity</b>		<b>3,454</b>	<b>14,154</b>	<b>14,813</b>

Refer to note 2 for detailed information on the restatement of comparatives.

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

**RedHill Education Limited and its Controlled Entities**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2020**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Share-based payments reserves \$'000</b>	<b>Foreign currency translation reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2018	19,000	79	-	(2,277)	16,802
Restatement of comparatives (note 2)	-	-	-	(1,989)	(1,989)
Balance at 1 July 2018 - restated	19,000	79	-	(4,266)	14,813
Profit after income tax expense for the year	-	-	-	347	347
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	347	347
<i>Transactions with shareholders in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 15)	166	-	-	-	166
Share-based payments	-	57	-	-	57
Transfer back of forfeited options	-	(5)	-	5	-
Transfer back lapsed options	-	(19)	-	19	-
Fair value of exercised options	-	(90)	-	90	-
Dividends paid (note 16)	-	-	-	(1,229)	(1,229)
Balance at 30 June 2019	<u>19,166</u>	<u>22</u>	<u>-</u>	<u>(5,034)</u>	<u>14,154</u>

Refer to note 2 for detailed information on the restatement of comparatives.

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

**RedHill Education Limited and its Controlled Entities**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2020**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Share-based payments reserves \$'000</b>	<b>Foreign currency translation reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2019	19,166	22	-	(5,034)	14,154
Loss after income tax expense for the year	-	-	-	(19,645)	(19,645)
Other comprehensive income for the year, net of tax	-	-	10	-	10
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>(19,645)</b>	<b>(19,635)</b>
<i>Transactions with shareholders in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 15)	9,391	-	-	-	9,391
Share-based payments	-	29	-	-	29
Transfer back lapsed options	-	(35)	-	-	(35)
Fair value of exercised options	-	(4)	-	4	-
Share rights reserve	-	166	-	-	166
Dividends paid (note 16)	-	-	-	(616)	(616)
<b>Balance at 30 June 2020</b>	<b>28,557</b>	<b>178</b>	<b>10</b>	<b>(25,291)</b>	<b>3,454</b>

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

**RedHill Education Limited and its Controlled Entities**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>Restated</b>
			<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		63,666	64,363
Receipts from government (JobKeeper scheme)		1,316	-
Payments to suppliers and employees (inclusive of GST)		<u>(55,663)</u>	<u>(50,961)</u>
		9,319	13,402
Interest received		71	148
Interest and other finance costs paid		-	(4)
Income taxes paid		<u>(33)</u>	<u>(2,033)</u>
Net cash from operating activities	17	<u>9,357</u>	<u>11,513</u>
<b>Cash flows from investing activities</b>			
Proceeds/(payments) from release of security deposits		(65)	148
Payments for property, plant and equipment		(2,736)	(1,975)
Payments for intangibles		<u>(518)</u>	<u>(653)</u>
Net cash used in investing activities		<u>(3,319)</u>	<u>(2,480)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	15	9,213	166
Repayments made under finance leases		(16)	(11)
Dividends paid		(616)	(1,229)
Repayment of lease liabilities		<u>(5,379)</u>	<u>(4,985)</u>
Net cash from / (used in) financing activities		<u>3,202</u>	<u>(6,059)</u>
Net increase in cash and cash equivalents		9,240	2,974
Cash and cash equivalents at the beginning of the financial year		<u>12,954</u>	<u>9,980</u>
Cash and cash equivalents at the end of the financial year		<u><u>22,194</u></u>	<u><u>12,954</u></u>

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

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 1. Basis of preparation**

The unaudited preliminary final report of RedHill Education Limited as at and for the year ended 30 June 2020 comprises the Company and its controlled entities (together referred to as the 'Group').

The unaudited preliminary final report does not include all the information presented within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance and financial position of the Group.

The unaudited preliminary final report is a general-purpose financial report and has been prepared in accordance with the applicable Australian Accounting Standards and the interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The unaudited preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The unaudited preliminary final report has been prepared under the historical cost convention. This unaudited preliminary final report is presented in Australian dollars which is the Group functional and presentation currency.

*Going Concern*

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus has seen an unprecedented global response by Governments, regulators and industry sectors.

The consolidated entity has been materially impacted by the COVID-19 pandemic in the financial year ended 30 June 2020 due to its impact on international student travel and mandated campus closures. The pandemic has caused the consolidated entity to undertake a wide range of significant measures to ensure the safety of our employees and students, and to preserve cash so that the consolidated entity may re-invigorate when circumstances improve. These measures have included:

- temporarily closing campuses and moving to 100% online course delivery;
- standing down employees;
- non-executive directors forfeiting their fees in Q4 of FY20;
- cutting and deferring business development projects;
- temporarily closing most of the consolidated entity's offshore operations;
- undertaking a capital raising on ASX;
- seeking rental relief from lessors; and
- accessing and implementing governmental relief measures (including the JobKeeper scheme).

At 31 July 2020, the consolidated entity had approximately \$25,000,000 of cash and cash equivalents on hand.

The directors have considered cash flow forecast scenarios for the consolidated entity taking into consideration the likely continued negative impacts of COVID-19. These forecast scenarios indicate that the consolidated entity is expected to continue to operate within the limits of its available cash reserves at least until the end of 2021 calendar year. Key variables considered in the forecast scenarios included when international students would be able to resume travel to Australia, the timeframe for the recovery of student numbers once international travel is possible, and the provision of ongoing government support including the JobKeeper scheme.

The directors believe it remains appropriate to prepare the financial statements on a going concern basis and have a reasonable expectation that the consolidated entity has sufficient funds on hand to pay its debts as and when they fall due over the next twelve months.

**Note 2. Restatement of comparatives**

**Revenue recognition**

The consolidated entity adopted AASB15 '*Revenue from Contracts with Customers*' effective 1 July 2018 with a full retrospective approach. A detailed evaluation of the revenue recognition treatment was undertaken by management and reviewed by the previous external auditor at the time of adopting the standard. This evaluation considered the practice of recognising a portion of Greenwich revenue at the time of enrolment.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 2. Restatement of comparatives (continued)**

Following a subsequent internal review during the year ended 30 June 2020 with the current external auditors, the accounting treatment of recognising a component of Greenwich revenue at the time of enrolment was determined to be more appropriately recognised over the period of tuition delivery. This change has been retrospectively adopted and the changes recognised in the prior year comparative period ended 30 June 2019. The financial statements have been restated accordingly.

This restatement has had no impact on revenues, profits, or cash flows in the year ended 30 June 2020. The impact of the restatement of the prior year comparative period statement of financial position as at 30 June 2019 and the prior year comparative period statement of profit or loss and other comprehensive income for the year ended 30 June 2019 are summarised in the tables below.

*Change in accounting policy*

**AASB16 'Leases'**

The consolidated entity has adopted AASB 16 'Leases' from 1 July 2018, using the full retrospective approach. The impact of the full retrospective approach on the restatement of the prior year comparative period statement of financial position as at 30 June 2019 and the prior year comparative period statement of profit or loss and other comprehensive income for the year ended 30 June 2019 are in the tables summarised below.

**The changes to the statement of profit or loss and other comprehensive income for the year ended 30 June 2019 are summarised as follows:**

	AASB 15 \$'000	AASB 16 \$'000	2019 Restatement Total \$'000
Revenue	(966)	-	(966)
Depreciation & amortization	-	(3,980)	(3,980)
Rental expense	-	5,223	5,223
Finance costs	-	(1,934)	(1,934)
Profit before tax	(966)	(691)	(1,657)
Income tax expense	290	207	497
Profit after tax	(676)	(484)	(1,160)

These changes are reflected in the restated statement of profit or loss and other comprehensive income for the year ended 30 June 2019 in this report.

**The changes to the statement of financial position as at 30 June 2019 are summarised as follows:**

	AASB 15 \$'000	AASB 16 \$'000	2019 Restatement Total \$'000
Income tax refund due	971	-	971
Prepayments and other assets – current	-	(256)	(256)
Property plant and equipment	-	(520)	(520)
Right of use assets	-	15,487	15,487
Deferred tax	-	381	381
Prepayments and other assets – non-current	-	(638)	(638)
Contract liabilities - current	3,238	-	3,238
Lease liabilities – current	-	3,646	3,646
Lease liabilities – non-current	-	13,533	13,533
Other provisions - current	-	(184)	(184)
Other provisions - non-current	-	(1,659)	(1,659)
Accumulated losses	(2,267)	(882)	(3,149)

These changes are reflected in the restated statement of financial position for the year ended 30 June 2019 in this report.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 2. Restatement of comparatives (continued)**

*Statement of profit or loss and other comprehensive income*

	<b>2019 \$'000 Reported</b>	<b>Consolidated \$'000 Adjustment</b>	<b>2019 \$'000 Restated</b>
<b>Revenue from contracts with customers</b>	59,834	(966)	58,868
Interest revenue	148	-	148
<b>Expenses</b>			
Salaries and employee benefits expense	(31,740)	-	(31,740)
Cost of services	(10,153)	-	(10,153)
Depreciation and amortisation expense	(1,992)	(3,980)	(5,972)
Impairment of receivables	(887)	-	(887)
Property and occupancy costs	(7,732)	5,223	(2,509)
Professional and consulting fees	(493)	-	(493)
Marketing expenses	(2,058)	-	(2,058)
Public company related costs	(649)	-	(649)
Other expenses	(2,216)	-	(2,216)
Finance costs	(4)	(1,934)	(1,938)
<b>Profit before income tax expense</b>	2,058	(1,657)	401
Income tax expense	(551)	497	(54)
<b>Profit after income tax expense for the year attributable to the shareholders of RedHill Education Limited</b>	1,507	(1,160)	347
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive income for the year attributable to the shareholders of RedHill Education Limited</b>	1,507	(1,160)	347
	<b>Cents Reported</b>	<b>Cents Adjustment</b>	<b>Cents Restated</b>
Basic earnings per share	4.90	(3.77)	1.13
Diluted earnings per share	4.87	(3.75)	1.12



**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 2. Restatement of comparatives (continued)**

*Statement of financial position at the beginning of the earliest comparative period*

	<b>1 Jul 2018</b>	<b>Consolidated</b>	<b>1 Jul 2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>Reported</b>	<b>Adjustment</b>	<b>Restated</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9,980	-	9,980
Trade receivables	3,958	-	3,958
Prepayments and other assets	2,934	-	2,934
<b>Total current assets</b>	<b>16,872</b>	<b>-</b>	<b>16,872</b>
<b>Non-current assets</b>			
Property, plant and equipment	6,493	(133)	6,360
Right-of-use assets	-	18,731	18,731
Intangibles	6,541	-	6,541
Deferred tax	1,865	854	2,719
Prepayments and other assets	3,454	(977)	2,477
<b>Total non-current assets</b>	<b>18,353</b>	<b>18,475</b>	<b>36,828</b>
<b>Total assets</b>	<b>35,225</b>	<b>18,475</b>	<b>53,700</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4,621	-	4,621
Contract liabilities	9,735	2,271	12,006
Lease liabilities	10	2,953	2,963
Income tax	1,324	-	1,324
Employee benefits	744	-	744
Make good provisions	231	(231)	-
<b>Total current liabilities</b>	<b>16,665</b>	<b>4,993</b>	<b>21,658</b>
<b>Non-current liabilities</b>			
Lease liabilities	32	16,544	16,576
Employee benefits	113	-	113
Make good provisions	1,613	(1,073)	540
<b>Total non-current liabilities</b>	<b>1,758</b>	<b>15,471</b>	<b>17,229</b>
<b>Total liabilities</b>	<b>18,423</b>	<b>20,464</b>	<b>38,887</b>
<b>Net assets</b>	<b>16,802</b>	<b>(1,989)</b>	<b>14,813</b>
<b>Equity</b>			
Issued capital	19,000	-	19,000
Reserves	79	-	79
Accumulated losses	(2,277)	(1,989)	(4,266)
<b>Total equity</b>	<b>16,802</b>	<b>(1,989)</b>	<b>14,813</b>

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 2. Restatement of comparatives (continued)**

*Statement of financial position at the end of the earliest comparative period*

	<b>2019 \$'000 Reported</b>	<b>Consolidated \$'000 Adjustment</b>	<b>2019 \$'000 Restated</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12,954	-	12,954
Trade receivables	2,186	-	2,186
Income tax refund due	616	971	1,587
Prepayments and other assets	4,373	(256)	4,117
<b>Total current assets</b>	<b>20,129</b>	<b>715</b>	<b>20,844</b>
<b>Non-current assets</b>			
Property, plant and equipment	6,748	(520)	6,228
Right-of-use assets	-	15,487	15,487
Intangibles	6,922	-	6,922
Deferred tax	1,513	381	1,894
Prepayments and other assets	3,160	(638)	2,522
<b>Total non-current assets</b>	<b>18,343</b>	<b>14,710</b>	<b>33,053</b>
<b>Total assets</b>	<b>38,472</b>	<b>15,425</b>	<b>53,897</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5,396	-	5,396
Contract liabilities	12,309	3,238	15,547
Lease liabilities	11	3,646	3,657
Employee benefits	944	-	944
Make good provisions	184	(184)	-
<b>Total current liabilities</b>	<b>18,844</b>	<b>6,700</b>	<b>25,544</b>
<b>Non-current liabilities</b>			
Lease liabilities	20	13,533	13,553
Employee benefits	33	-	33
Make good provisions	2,272	(1,659)	613
<b>Total non-current liabilities</b>	<b>2,325</b>	<b>11,874</b>	<b>14,199</b>
<b>Total liabilities</b>	<b>21,169</b>	<b>18,574</b>	<b>39,743</b>
<b>Net assets</b>	<b>17,303</b>	<b>(3,149)</b>	<b>14,154</b>
<b>Equity</b>			
Issued capital	19,166	-	19,166
Reserves	22	-	22
Accumulated losses	(1,885)	(3,149)	(5,034)
<b>Total equity</b>	<b>17,303</b>	<b>(3,149)</b>	<b>14,154</b>

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 2. Restatement of comparatives (continued)**

*Statement of cash flows at the end of the earliest comparative period*

	<b>2019</b>	<b>Consolidated</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>Reported</b>	<b>Adjustment</b>	<b>Restated</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	64,363	-	64,363
Payments to suppliers and employees (inclusive of GST)	(55,946)	4,985	(50,961)
Interest received	148	-	148
Interest and other finance costs paid	(4)	-	(4)
Income taxes paid	(2,033)	-	(2,033)
<b>Net cash from operating activities</b>	<b>6,528</b>	<b>4,985</b>	<b>11,513</b>
<b>Cash flows from investing activities</b>			
Proceeds/(payments) from release of security deposits	148	-	148
Payments for property, plant and equipment	(1,975)	-	(1,975)
Payments for intangibles	(653)	-	(653)
<b>Net cash used in investing activities</b>	<b>(2,480)</b>	<b>-</b>	<b>(2,480)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	166	-	166
Repayments made under finance leases	(11)	-	(11)
Dividends paid	(1,229)	-	(1,229)
Repayment of lease liabilities	-	(4,985)	(4,985)
<b>Net cash used in financing activities</b>	<b>(1,074)</b>	<b>(4,985)</b>	<b>(6,059)</b>
Net increase/(decrease) in cash and cash equivalents	2,974	-	2,974
Cash and cash equivalents at the beginning of the financial year	9,980	-	9,980
<b>Cash and cash equivalents at the end of the financial year</b>	<b>12,954</b>	<b>-</b>	<b>12,954</b>

**Note 3. Revenue from contracts with customers**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Tuition related revenue	59,389	52,964
Commission revenue	5,230	5,904
<b>Revenue from contracts with customers</b>	<b>64,619</b>	<b>58,868</b>

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 3. Revenue from contracts with customers (continued)**

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Geographical revenue from contracts with customers</i>		
Australia	62,968	57,292
Europe	1,504	1,534
South America	147	42
	<u>64,619</u>	<u>58,868</u>
<i>Timing of revenue recognition from contracts with customers</i>		
Services transferred over time	59,389	52,964
Services transferred at a point in time	5,230	5,904
	<u>64,619</u>	<u>58,868</u>

**Note 4. Other income**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Government grants (JobKeeper)	<u>1,966</u>	<u>-</u>

*Government grants (JobKeeper)*

During COVID-19 pandemic, the consolidated entity has received JobKeeper payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The JobKeeper scheme in its current form runs for the fortnights from 30 March 2020 until 28 September 2020 and the Australian Government has announced that it will be extended until 28 March 2021.

The directors anticipate that the consolidated entity will likely qualify for the JobKeeper extension period, subject to no material changes being made to the eligibility provisions.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 5. Income tax expense**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax expense</i>		
Current tax	1,348	435
Deferred tax - origination/(reversal) of temporary differences	(971)	(381)
Deferred tax unrecognised	2,769	-
	<u>3,146</u>	<u>54</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 11)	1,983	(381)
	<u>(16,499)</u>	<u>401</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense	(16,499)	401
Tax at the statutory tax rate of 30%	(4,950)	120
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	48	17
- Foreign branch income	-	(109)
- Foreign branch tax expense	94	7
- Impairment of assets	5,161	-
- Sundry items	24	19
	<u>377</u>	<u>54</u>
Deferred tax asset unrecognised	2,769	-
Income tax expense	<u>3,146</u>	<u>54</u>
	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Amounts credited directly to equity</i>		
Deferred tax assets (note 11)	(142)	-

*Recognition of deferred tax assets*

The consolidated entity is required to re-assess both recognised and unrecognised deferred tax assets at the end of each reporting period. A deferred tax asset is recognised to the extent that it is probable that future tax profits will be available to against which the temporary difference can be utilised.

Deferred tax assets relating to unused tax losses are recognised only to the extent there is convincing evidence that the consolidated entity will have sufficient taxable profits in the foreseeable short term to use those unused tax losses.

The directors have considered the recognition of a deferred tax asset for the consolidated entity as at 30 June 2020 and have decided that given the consolidated entity is not expected to make tax payments in the foreseeable short term future (as a result of the impacts from Covid19) the consolidated entity that they would unrecognised the deferred tax balance of \$2,769,000, which is the balance it would have otherwise recognised as at 30 June 2020.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 6. Operating segments**

*Identification of reportable operating segments*

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

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

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

*Types of products and services*

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

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

*Intersegment transactions*

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

*Intersegment receivables, payables and loans*

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

*Major customers*

The consolidated entity has no significant individual customers.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 6. Operating segments (continued)**

*Operating segment information*

<b>Consolidated - 2020</b>	<b>Technology &amp; Design \$'000</b>	<b>Greenwich \$'000</b>	<b>Go Study \$'000</b>	<b>Intersegment eliminations/ unallocated \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Sales to external customers	19,009	40,381	5,229	-	64,619
Intersegment sales	-	-	1,109	(1,109)	-
<b>Total sales revenue</b>	<b>19,009</b>	<b>40,381</b>	<b>6,338</b>	<b>(1,109)</b>	<b>64,619</b>
Government grants (JobKeeper)	-	-	19	1,947	1,966
<b>Total revenue</b>	<b>19,009</b>	<b>40,381</b>	<b>6,357</b>	<b>838</b>	<b>66,585</b>
<b>Segment operating result</b>					
Unallocated items:	4,134	11,110	469	1,951	17,664
Corporate, finance and IT expenses	-	-	-	(4,807)	(4,807)
Professional and consulting fees	-	-	-	(349)	(349)
Public company related costs	-	-	-	(688)	(688)
Property and occupancy costs	-	-	-	(231)	(231)
Other expenses	-	-	-	(815)	(815)
Depreciation and amortisation	(2,519)	(3,430)	(288)	(949)	(7,186)
Finance cost	-	-	-	(2,238)	(2,238)
Interest revenue	-	-	-	103	103
Onerous contract expense	(749)	-	-	-	(749)
Impairment of assets	(8,020)	(8,787)	(396)	-	(17,203)
<b>Loss before income tax expense</b>	<b>(7,154)</b>	<b>(1,107)</b>	<b>(215)</b>	<b>(8,023)</b>	<b>(16,499)</b>
Income tax expense	-	-	-	-	(3,146)
<b>Loss after income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,645)</b>
<b>Assets</b>					
Segment assets	10,122	33,767	3,877	-	47,766
Intersegment eliminations	-	-	-	-	(3,767)
Unallocated assets	-	-	-	-	8,879
<b>Total assets</b>	<b>10,122</b>	<b>33,767</b>	<b>3,877</b>	<b>-</b>	<b>52,878</b>
<b>Liabilities</b>					
Segment liabilities	9,212	29,789	1,121	-	40,122
Unallocated liabilities	-	-	-	-	9,302
<b>Total liabilities</b>	<b>9,212</b>	<b>29,789</b>	<b>1,121</b>	<b>-</b>	<b>49,424</b>

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 6. Operating segments (continued)**

<b>Consolidated – 2019 (restated)</b>	<b>Technology &amp; Design \$'000</b>	<b>Greenwich \$'000</b>	<b>Go Study \$'000</b>	<b>Intersegment eliminations/ unallocated \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Sales to external customers	20,414	32,557	5,897	-	58,868
Intersegment sales	-	-	709	(709)	-
<b>Total revenue</b>	<u>20,414</u>	<u>32,557</u>	<u>6,606</u>	<u>(709)</u>	<u>58,868</u>
<b>Segment operating result</b>	4,775	8,638	1,130	-	14,543
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(4,603)	(4,603)
Professional and consulting fees	-	-	-	(305)	(305)
Public company related costs	-	-	-	(649)	(649)
Property and occupancy costs	-	-	-	(94)	(94)
Other expenses	-	-	-	(729)	(729)
Depreciation and amortisation	(2,416)	(2,633)	(231)	(692)	(5,972)
Finance cost	-	-	-	(1,938)	(1,938)
Interest revenue	-	-	-	148	148
<b>Profit/(loss) before income tax expense</b>	<u>2,359</u>	<u>6,005</u>	<u>899</u>	<u>(8,862)</u>	<u>401</u>
Income tax expense					(54)
<b>Profit after income tax expense</b>					<u>347</u>
<b>Assets</b>					
Segment assets	21,338	30,285	4,168	-	55,791
Intersegment eliminations					(3,764)
Unallocated assets					1,870
<b>Total assets</b>					<u>53,897</u>
<b>Liabilities</b>					
Segment liabilities	11,136	21,332	931	-	33,399
Unallocated liabilities					6,344
<b>Total liabilities</b>					<u>39,743</u>

**Note 7. Trade receivables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Trade receivables	8,189	3,085
Less: Allowance for expected credit losses	(867)	(899)
	<u>7,322</u>	<u>2,186</u>

*Allowance for expected credit losses*

The consolidated entity has recognised a loss of \$153,000 in respect of impairment of receivables for the year ended 30 June 2020 (2019: \$887,000). The consolidated entity has adopted the simplified approach to expected credit losses (ECL) under AASB 9, which requires the recognition of lifetime ECL at all times.



**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 7. Trade receivables (continued)**

	<b>Expected credit loss rate 2020</b>	<b>Carrying amount 2020</b>	<b>Allowance for expected credit losses 2020</b>	<b>Expected credit loss rate 2019</b>	<b>Carrying amount 2019</b>	<b>Allowance for expected credit losses 2019</b>
<b>Consolidated - Domestic Students</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
0 to 6 months overdue	20.3%	<u>950</u>	<u>193</u>	6.0%	<u>1,290</u>	<u>78</u>
	<b>Expected credit loss rate 2020</b>	<b>Carrying amount 2020</b>	<b>Allowance for expected credit losses 2020</b>	<b>Expected credit loss rate 2019</b>	<b>Carrying amount 2019</b>	<b>Allowance for expected credit losses 2019</b>
<b>Consolidated - International students</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
0 to 6 months overdue	4.7%	6,869	322	5.9%	1,016	60
Over 6 months overdue	94.9%	<u>370</u>	<u>352</u>	97.7%	<u>779</u>	<u>761</u>
		<u>7,239</u>	<u>674</u>		<u>1,795</u>	<u>821</u>

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the COVID-19 pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased for domestic students and has been maintained at similar levels for international students.

Movements in the allowance for expected credit losses are as follows:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	899	221
Additional provisions recognised *	733	887
Receivables written off during the year as uncollectable	<u>(765)</u>	<u>(209)</u>
Closing balance	<u>867</u>	<u>899</u>

\* In 2019, additional provisions include the adoption of AASB 9 'Financial Instruments'. This includes a credit adjustment of \$351,000 (net of tax \$246,000) recognised in the prior period opening retained earnings.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 8. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Leasehold improvements - at cost	9,980	8,330
Less: Accumulated depreciation	(5,061)	(4,030)
Less: Impairment	(2,657)	-
	2,262	4,300
Plant and equipment - at cost	6,703	5,322
Less: Accumulated depreciation	(4,874)	(4,008)
	1,829	1,314
Assets under construction - at cost *	318	614
	4,409	6,228

\* In 2020 the asset under construction represents campus improvements projects yet to be finalised. In 2019, the assets under construction represents the development of software systems.

*Reconciliations*

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

<b>Consolidated</b>	<b>Leasehold improvement \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2018	2,392	1,448	2,653	6,493
Additions	781	580	614	1,975
Restatement on adoption of AASB16	(520)	-	-	(520)
Transfers in/(out)	2,653	-	(2,653)	-
Depreciation expense	(1,006)	(714)	-	(1,720)
Balance at 30 June 2019	4,300	1,314	614	6,228
Additions	1,650	982	102	2,734
Impairment of assets	(2,657)	-	-	(2,657)
Transfers in/(out)	-	398	(398)	-
Depreciation expense	(1,031)	(865)	-	(1,896)
Balance at 30 June 2020	2,262	1,829	318	4,409

Refer to note 10 for details on the impairment of assets.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 9. Right-of-use assets**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Land and buildings - right-of-use	33,883	23,616
Less: Accumulated depreciation	(13,015)	(8,129)
Less: Impairment	(8,196)	-
	<u>12,672</u>	<u>15,487</u>
Office equipment - right-of-use	42	-
Less: Accumulated depreciation	(7)	-
	<u>35</u>	<u>-</u>
	<u>12,707</u>	<u>15,487</u>

Additions to the right-of-use assets during the year were \$10,266,000.

The consolidated entity leases buildings for its office and campus operations under lease agreements of between 1 to 6 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases IT equipment under agreements expiring within 3 years.

**Note 10. Intangibles**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Goodwill - at cost	9,145	9,145
Less: Accumulated impairment	(9,145)	(3,000)
	<u>-</u>	<u>6,145</u>
Customer contracts - at cost	406	406
Less: Accumulated amortisation	(406)	(406)
	<u>-</u>	<u>-</u>
Software - at cost	470	470
Less: Accumulated amortisation	(470)	(470)
	<u>-</u>	<u>-</u>
Copyrights - at cost	7,037	6,520
Less: Accumulated amortisation	(6,139)	(5,743)
Less: Impairment	(205)	-
	<u>693</u>	<u>777</u>
Licenses - at cost	20	20
Less: Accumulated amortisation	(20)	(20)
	<u>-</u>	<u>-</u>
	<u>693</u>	<u>6,922</u>

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 10. Intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	<b>Goodwill \$'000</b>	<b>Copyrights \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2018	6,145	396	6,541
Additions	-	653	653
Amortisation expense	-	(272)	(272)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2019	6,145	777	6,922
Additions	-	517	517
Impairment of assets	(6,145)	(205)	(6,350)
Amortisation expense	-	(396)	(396)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	<u>-</u>	<u>693</u>	<u>693</u>

**Impairment tests for goodwill and other intangibles assets and non-financial assets**

The COVID-19 pandemic has had a material adverse impact on the consolidated entity as noted elsewhere in this preliminary financial report. The consolidated entity has undertaken detailed impairment testing and the results are set out below:

***Obsolete and redundant assets***

The consolidated entity operates four campuses in Sydney and one campus in Melbourne. Due to the reduction in student numbers and an increase in online course delivery following the pandemic, the North Sydney campus has been closed and students transferred to other Sydney campuses for the face-to-face components of their courses. The leased asset associated with this campus, along with non-relocatable plant and equipment has been determined to be fully impaired and has been written down to \$nil.

The financial impact of this impairment is a write-off of \$1,032,000 pre-tax. This is comprised of:

	<b>Consolidated 2020 \$,000</b>
Right-of-use assets	976
Property, plant and equipment	56
	<hr/>
	<u>1,032</u>

***Goodwill and Intangible Assets***

Goodwill is monitored by management at cash-generating unit ('CGU') levels, which are the operating segments identified in note 6 and are the smallest group of the consolidated entity's assets that have individually identifiable cashflows.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 10. Intangibles (continued)**

The allocation of the carrying value of goodwill, intangible assets and Right of Use assets prior to any impairment and used for impairment testing is as follows:

	<b>Technology \$ Design \$'000</b>	<b>Greenwich \$'000</b>	<b>Go Study \$'000</b>	<b>Total 2020 \$'000</b>
Goodwill	6,145	-	-	6,145
Right-of-use assets	7,349	13,356	197	20,902
Copyrights intangibles	587	311	-	898
	<u>14,081</u>	<u>13,667</u>	<u>197</u>	<u>27,945</u>

**CGU impairment testing**

**(a) Technology and Design CGU**

*(i) Assumptions*

The following assumptions have been applied in calculating the recoverable amount of the Technology & Design CGU:

<b>Assumptions</b>	<b>2020</b>	<b>2019</b>
Post tax discount rate	17%	15.5%
Student growth rate	Refer below	5.0% - 40.0%
Student growth rate - terminal value	0.0%	2.5%
Revenue price increase *	1.0% - 2.0%	4.0% - 5.0%
Annual rate of cost increase - variable	Refer below	0% - 50.0%
Annual rate of cost increase - fixed	1-6 - 4.0%	4.0%

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

The discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based upon the specific circumstances of the consolidated entity and the CGU and is derived from its weighted average cost of capital ('WACC'). The discount rate used are the pre-tax equivalents of a post-tax WACC of 17%.

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

The base scenario assumes that international student travel will not resume at all during FY2021. When travel does resume, the base case modelling assumes that it will take 2 years for student volumes to return to FY2020 numbers.

Variable costs are assumed to decrease / increase in line with revenue movements.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 10. Intangibles (continued)**

*(ii) Results of impairment testing*

The directors have formed the view that the following asset impairments are required, before tax, for the Technology & Design CGU as at 30 June 2020:

	<b>Consolidated 2020 \$'000</b>
Goodwill	6,145
Copyrights	54
Right-of-use assets	583
Property, plant and equipment	206
	<hr/>
	<b>6,988</b>
	<hr/> <hr/>

*(iii) Impact of possible changes in key assumptions*

Management have carried out sensitivity analysis on the recoverable amount based on their viewpoint of a reasonably possible change in the timing of the revenue recovery to pre-COVID levels (6 or 12 months change), and discount rates of +/-2.0% and a change in the terminal value growth rate of 2%.

The outcomes of the scenario analysis are as follows:

<b>Sensitivity</b>	<b>Increase in valuation \$000's</b>	<b>Decrease in valuation \$000's</b>
200pts lower / (higher) WACC rates	1,100	(900)
6 months advance / (delay) in revenue recovery	2,700	(2,000)
12 months advance / (delay) in revenue recovery	5,400	(4,000)
200pts increase in the terminal value growth rate	600	N/A

**(b) Greenwich CGU**

*(i) Assumptions*

The following assumptions have been applied in calculating the recoverable amount of the Greenwich CGU:

<b>Assumptions</b>	<b>2020</b>	<b>2019</b>
Post tax discount rate	17%	15.5%
Student growth rate	Refer below	5.0% - 40.0%
Student growth rate - terminal value	0.0%	2.5%
Revenue price increase *	1.0% - 2.0%	4.0% - 5.0%
Annual rate of cost increase - variable	Refer below	0% - 50.0%
Annual rate of cost increase - fixed	1-6 - 4.0%	4.0%

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

The discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based upon the specific circumstances of the consolidated entity and the CGU and is derived from its weighted average cost of capital ('WACC'). The discount rate used are the pre-tax equivalents of a post-tax WACC of 17%.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 10. Intangibles (continued)**

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

The base scenario assumes that international student travel will not resume at all during FY2021. When travel does resume, the base case modelling assumes that it will take 2 years for student volumes to return to FY2020 numbers.

Variable costs are assumed to decrease / increase in line with revenue movement.

*(ii) Results of impairment testing*

The directors have formed the view that the following asset impairments, before tax, are required for the Greenwich CGU as at 30 June 2020:

	<b>Consolidated 2020 \$'000</b>
Copyrights	151
Right of Use assets	6,493
Property, plant and equipment	<u>2,143</u>
	<u><u>8,787</u></u>

*(iii) Impact of possible changes in key assumptions*

Management have carried out sensitivity analysis on the recoverable amount based on their viewpoint of a reasonably possible change in the timing of the revenue recovery to pre-COVID levels (6 or 12 months change), discount rates of +/- 2.0% and a change in the terminal value growth rate of 2%.

The outcomes of the scenario analysis are as follows:

Sensitivity	<b>Increase in valuation \$000's</b>	<b>Decrease in valuation \$000's</b>
200pts lower / (higher) WACC rates	2,100	(1,700)
6 months advance / (delay) in revenue recovery	4,000	(800)
12 months advance / (delay) in revenue recovery	7,800	(1,600)
200pts increase in the terminal value growth rate	900	N/A

**(c) Go Study Australia CGU**

*(i) Assumptions*

The following assumptions have been applied in calculating the recoverable amount of the Go Study Australia CGU:

<b>Assumptions</b>	<b>2020</b>	<b>2019</b>
Post tax discount rate	17%	15.5%
Student growth rate	Refer below	5.0% - 40.0%
Student growth rate - terminal value	0.0%	2.5%
Revenue price increase *	1.0% - 2.0%	4.0% - 5.0%
Annual rate of cost increase - variable	Refer below	0% - 50.0%
Annual rate of cost increase - fixed	1-6 - 4.0%	4.0%

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

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 10. Intangibles (continued)**

The discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based upon the specific circumstances of RedHill and the CGU and is derived from its weighted average cost of capital ('WACC'). The discount rate used are the pre-tax equivalents of a post-tax WACC of 17%.

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

The base scenario assumes that international student travel will not resume at all during FY2021. When travel does resume, the base case modelling assumes that it will take 2 years for student volumes to return to FY2020 numbers.

Variable costs are assumed to decrease / increase in line with revenue growth.

*(ii) Results of impairment testing*

The directors have formed the view that the following asset impairments, before tax, are required for the Go Study Australia as at 30 June 2020:

	<b>Consolidated 2020 \$'000</b>
Right of Use assets	144
Property, plant and equipment	252
	<u>396</u>

*(iii) Impact of possible changes in key assumptions*

Management have carried out sensitivity analysis on the recoverable amount based on their viewpoint of a reasonably possible change in the timing of the revenue recovery to pre-COVID levels (6 or 12 months change), and discount rates of +/-2.0%, discount rates of +/-1.0% and a change in the terminal value growth rate of 2%.

The outcomes of the scenario analysis are as follows:

Sensitivity	<b>Increase in valuation \$000's</b>	<b>Decrease in valuation \$000's</b>
200pts lower / (higher) WACC rates	200	(150)
6 months advance / (delay) in revenue recovery	500	(400)
12 months advance / (delay) in revenue recovery	900	(700)
200pts increase in the terminal value growth rate	150	N/A



**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 10. Intangibles (continued)**

**Consolidated summary of impairment testing**

The following table summarises the impairments recognised as a result of the impairment testing:

	Technology & Design \$'000	Greenwich \$'000	Go Study \$'000	Obsolete & redundant assets \$'000	Total 2020 \$'000
Goodwill	6,145	-	-	-	6,145
Right-of-use assets	583	6,493	144	976	8,196
Copyrights intangibles	54	151	-	-	205
Property, plant and equipment	206	2,143	252	56	2,657
	<u>6,988</u>	<u>8,787</u>	<u>396</u>	<u>1,032</u>	<u>17,203</u>

**Note 11. Deferred tax**

Consolidated	
2020	2019
\$'000	\$'000

*Non-current assets*

Deferred tax assets comprise temporary differences attributable to:

Amounts recognised in profit or loss:

Employee benefits	428	343
Right of use assets	(3,178)	(4,646)
Lease liabilities	3,950	5,163
Accrued expenses	453	261
Intangibles	1,113	1,074
Allowance for expected credit losses (AASB 9)	261	270
Deferred student acquisition costs	(453)	(713)
Share issue cost	(36)	-
Reduction in income tax refund due	89	-
Other	142	142
Deferred tax asset unrecognised	<u>(2,769)</u>	<u>-</u>

Deferred tax asset

<u>-</u>	<u>1,894</u>
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*Movements:*

Opening balance	1,894	1,513
Credited/(charged) to profit or loss (note 5)	971	381
Credited to equity (note 5)	142	-
Deferred tax unrecognised	(2,769)	-
Under / (over) provision from prior years	<u>(238)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>1,894</u>

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 12. Trade and other payables**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Trade payables	2,558	1,462
Payroll accruals	1,524	3,240
Other accruals	548	694
	<u>4,630</u>	<u>5,396</u>

**Note 13. Contract liabilities**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Contract liabilities	<u>17,518</u>	<u>15,547</u>

*Tuition related performance obligations*

The aggregate amount of the transaction price allocated to tuition related services, which are paid in advance or due for payment and are yet to be delivered at balance date was \$17,518,000 as at 30 June 2020 (2019: \$15,547,000) and is expected to be recognised as revenue in future periods.

The duration of study is used to measure the progress of the performance obligation to determine how much revenue should be recognised, and that revenue is recognised as the performance obligation is satisfied.

The ageing of the expected performance obligation of contract liabilities are as follows:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
To be realised within 12 months	<u>17,518</u>	<u>15,547</u>

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Contract liabilities consists of:		
Contract liabilities paid, and due for payment	17,518	15,547
Contract liabilities not yet due for payment	<u>19,412</u>	<u>21,148</u>
Total contract liabilities	<u>36,930</u>	<u>36,695</u>

Contract liabilities relates to tuition fees in relation to domestic and international students where an agreement has been signed and a payment plan is in place with students for studies which are expected to be undertaken after the balance date.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 14. Lease liabilities**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Lease liability	4,674	3,657
<i>Non-current liabilities</i>		
Lease liability	19,587	13,553
	<u>24,261</u>	<u>17,210</u>

The remaining contractual maturity of lease liabilities follow:

	<b>Less than 1 year \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 7 years \$'000</b>	<b>Total contractual maturity \$'000</b>
<b>2020</b>				
Undiscounted lease payments	6,845	6,840	18,546	32,231
<b>2019</b>				
Undiscounted lease payments	5,206	5,073	10,948	21,227

**Note 15. Issued capital**

	<b>Consolidated</b>			
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	47,156,520	30,815,885	28,557	19,166

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 July 2018	30,665,052		19,000
Shares issued on the exercise of options	3 December 2018	60,000	\$1.20	72
Shares issued on the exercise of options	24 December 2018	40,833	\$1.20	49
Shares issued on the exercise of options	22 May 2019	50,000	\$0.90	45
Balance	30 June 2019	30,815,885		19,166
Shares issued on the exercise of options	6 January 2020	4,167	\$1.20	5
Shares issued through placement	24 June 2020	7,703,975	\$0.60	4,622
Shares issued through Institutional Entitlement Offer	24 June 2020	8,632,493	\$0.60	5,179
Share issue cost, net of tax		-	\$0.00	(415)
Balance	30 June 2020	<u>47,156,520</u>		<u>28,557</u>

*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.

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 15. Issued capital (continued)**

*Share buy-back*

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

*Capital risk management*

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

**Note 16. Dividends**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Dividends paid during the reporting period	616	1,229
Dividends not recognised at the end of the reporting period	-	616
	616	1,845
	616	1,845

During the financial period a fully franked dividend of two cents per ordinary share was paid on 30 September 2019.

During the last financial period fully franked dividends of two cents per ordinary share were paid on 26 September 2018 and 2 April 2019.

*Franking credits*

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Franking credits available at the reporting date based on a tax rate of 30%	1,911	2,138
Franking credits available for subsequent financial years based on a tax rate of 30%	1,911	2,138
	1,911	2,138

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 17. Reconciliation of profit/(loss) after income tax to net cash from operating activities**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) after income tax expense for the year	(19,645)	347
Adjustments for:		
Depreciation and amortisation	7,186	5,972
Share-based payments	156	57
Interest received in restricted accounts	-	(90)
Impairment of assets	17,203	-
Onerous contract expense (non-cash)	749	-
Non-cash finance costs	2,238	1,934
Other non-cash items	94	(239)
Change in operating assets and liabilities:		
Decrease/(increase) in trade receivables	(5,136)	1,772
Decrease in deferred tax assets	1,894	849
Decrease in prepayments	218	320
Increase in other operating assets	1,502	(1,550)
Increase in trade and other payables	(769)	775
Increase in contract liabilities	1,972	2,574
Increase/(decrease) in provision for income tax	1,019	(1,940)
Increase in employee benefits	463	120
Increase in other provisions	213	612
Net cash from operating activities	<u>9,357</u>	<u>11,513</u>

**Note 18. Changes in liabilities arising from financing activities**

<b>Consolidated</b>	<b>Lease liabilities</b>
	<b>\$'000</b>
Balance at 1 July 2018	19,512
Net cash used in financing activities	(4,985)
Acquisition of leases	749
Finance costs	<u>1,934</u>
Balance at 30 June 2019	17,210
Net cash used in financing activities	(5,379)
Acquisition of leases	10,266
Finance costs	<u>2,164</u>
Balance at 30 June 2020	<u>24,261</u>

**Note 19. Earnings per share**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) after income tax attributable to the shareholders of RedHill Education Limited	<u>(19,645)</u>	<u>347</u>

**RedHill Education Limited and its Controlled Entities**  
**Notes to the consolidated financial statements**  
**For the year ended 30 June 2020**

**Note 19. Earnings per share (continued)**

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	31,130,347	30,726,195
Adjustments for calculation of diluted earnings per share:		
Exercisable options (1)	-	219,167
	<u>31,130,347</u>	<u>30,945,362</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share (2)	<u>31,130,347</u>	<u>30,945,362</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(63.11)	1.13
Diluted earnings per share	(63.11)	1.12

*Additional information about the dilutive securities*

- (1) All share options which the board have approved and that have past the first date in which the right can be exercised, are considered to be potential ordinary shares. These options have been included in the determination of diluted earnings per share to the extent to which they are dilutive. 355,000 options were not included in the calculations of diluted earnings per share as of 30 June 2020 as they are considered anti-dilutive.
- (2) The weighted average number of shares outstanding includes all dilutive options during the financial year, including share options which have expired where applicable.

**Note 20. Events after the reporting period**

The consolidated entity has been materially impacted by COVID-19 pandemic up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government, the state governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 9 July 2020, the consolidated entity issued 3,693,861 ordinary shares under the retail entitlement offer for a total consideration of \$2,081,000, net of costs associated with the capital raising.

No other matter or circumstance has arisen since 30 June 2020 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.