



RedHill Education Limited FY2016 Interim Financial Report

RedHill Education Limited (RedHill) today released its Interim Financial Report for the half-year ended 31 December 2015.

The consolidated RedHill group reported the following results:

- Revenues: \$12.7 million – 15% increase*
- EBITDA**:
- Loss after income tax: \$0.05 million - \$0.8 million decrease*
- Cash flows from operating activities: negative \$1.6 million- \$2.8 million decrease*
- Cash balance: \$3.0 million at 31 December 2015 – 54% decrease*

Comments on performance

Significant investment costs in campus and course range expansion, including RedHill's substantial new Melbourne campus, are included in the half-year results, impacting both profitability and the balance sheet.

RedHill expects financial performance to improve significantly in the second half of FY2016.

Launch of new Melbourne campus

RedHill's new Melbourne campus is substantial and commenced operations in September 2015. Three of RedHill's schools are now operating from the Melbourne campus, and its Go Study Australia international student recruitment agency business is operating at nearby premises.

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

The capital investment to build and fit-out out the Melbourne campus in the first half of FY2016 was \$1.6 million.

Melbourne campus operations have reduced EBITDA by \$0.8 million in the half-year results, which included property and occupancy costs of \$0.3 million and salaries and employee benefits expenses of \$0.3 million.

RedHill expects the Melbourne campus to begin generating positive EBITDA results from the fourth quarter of FY2016.

Comments on financial performance

The depreciation and amortisation expense for the consolidated RedHill group for the half-year ended 31 December 2015 was \$616,000 (31 December 2014: \$326,000). The increase over the previous corresponding half-year period was due to commencing depreciation in relation to the new Melbourne campus and the increased campus capacity at the Sydney operations of Greenwich English College and International School of Colour and Design.

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

	Consolidated	
	Half-year ended 31 Dec 15 \$'000	Half-year ended 31 Dec 14 \$'000
EBITDA	480	1,253
Less: Depreciation and amortisation	(616)	(326)
Less: Finance costs	(5)	(4)
Add: Interest income	31	77
(Loss)/profit before income tax benefit/(expense)	(110)	1,000
Income tax benefit/(expense)	63	(271)
(Loss)/profit after income tax benefit/(expense)	(47)	729

* Over the previous corresponding half-year financial period.

** EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between statutory profit after tax attributable to the shareholders of RedHill and EBITDA for the half-year ended 31 December 2015 is included in the attached Interim Financial Report.

CONTACT **Glenn Elith**
Chief Executive Officer
Email: gelith@redhilleducation.com
Mobile: 0405 906 212

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.

APPENDIX 4D

INTERIM FINANCIAL REPORT

1. Company details

Name of entity:	RedHill Education Limited and Controlled Entities
ABN:	41 119 952 493
Reporting period:	Half-year ended 31 December 2015
Previous corresponding period:	Half-year ended 31 December 2014

2. Results for announcement to the market

	Half-year ended 31 Dec 15 \$'000	Half-year ended 31 Dec 14 \$'000	% Change
Revenues from ordinary activities	12,713	11,095	15%
EBITDA	480	1,253	(62%)
(Loss)/profit from ordinary activities after tax attributable to the shareholders of RedHill Education Limited	(47)	729	(106%)
(Loss)/profit for the period attributable to the shareholders of RedHill Education Limited	(47)	729	(106%)
Cash and cash equivalents	2,962	6,491	(54%)

Comments on performance

Significant investment costs in campus and course range expansion, including RedHill's substantial new Melbourne campus, are included in the half-year results, impacting both profitability and the balance sheet.

RedHill expects financial performance to improve significantly in the second half of FY2016.

Launch of new Melbourne campus

RedHill's new Melbourne campus is substantial and commenced operations in September 2015. Three of RedHill's schools are now operating from the Melbourne campus, and its Go Study Australia international student recruitment agency business is operating at nearby premises.

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

The capital investment to build and fit-out out the Melbourne campus in the first half of FY2016 was \$1.6 million.

Melbourne campus operations have reduced EBITDA by \$0.8 million in the half-year results, which included property and occupancy costs of \$0.3 million and salaries and employee benefits expenses of \$0.3 million.

RedHill expects the Melbourne campus to begin generating positive EBITDA results from the fourth quarter of FY2016.

Comments on financial performance

The loss for the consolidated entity after providing for income tax amounted to \$47,000 (31 December 2014: profit of \$729,000).

The consolidated entity's earnings before interest, tax, depreciation and amortisation ('EBITDA') was \$480,000 (31 December 2014: \$1,253,000).

The depreciation and amortisation expense for the consolidated RedHill group for the half-year ended 31 December 2015 was \$616,000 (31 December 2014: \$326,000). The increase over the previous corresponding half-year period was due to commencing depreciation in relation to the new Melbourne campus and the increased campus capacity at the Sydney operations of Greenwich English College and International School of Colour and Design.

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

	Consolidated	
	Half-year ended 31 Dec 15 \$'000	Half-year ended 31 Dec 14 \$'000
EBITDA	480	1,253
Less: Depreciation and amortisation	(616)	(326)
Less: Finance costs	(5)	(4)
Add: Interest income	31	77
	<hr/>	<hr/>
(Loss)/profit before income tax benefit/(expense)	(110)	1,000
Income tax benefit/(expense)	63	(271)
	<hr/>	<hr/>
(Loss)/profit after income tax benefit/(expense)	<u>(47)</u>	<u>729</u>

3. Net tangible assets

	Half-year ended 31 Dec 15 cents	Half-year ended 31 Dec 14 cents
Net tangible assets per share	18.54	16.60

4. Dividends

Current period

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

Previous corresponding period

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

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The accounts were reviewed by the company's auditors whose unmodified report is attached as part of the Interim Financial Report for the half-year ended 31 December 2015.

6. Attachment

Details of attachments (if any):

Interim Financial Report for the half-year ended 31 December 2015.

7. Signed



William J. Beerworth
Chairman

24 February 2016
Sydney



REDHILL EDUCATION

**RedHill Education Limited
and Controlled Entities**

ABN 41 119 952 493

**Interim Financial Report
for the Half-Year Ended
31 December 2015**

RedHill Education Limited and Controlled Entities
Corporate directory

Directors	William J. Beerworth Glenn Elith William Deane Dr Christopher Clark Caroline Trotman
Company Secretary	Ian Gilmour
Registered office	Level 2 7 Kelly Street Ultimo NSW 2007 Head office telephone: +61 2 8355 3820
Principal place of business	Level 2 7 Kelly Street Ultimo NSW 2007
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Shareholders enquiries: 1300 787 272
Auditor	RSM Australia Pty Limited Level 13 60 Castlereagh Street Sydney NSW 2000
Solicitors	Norton Rose Fullbright Level 18 225 George Street Sydney NSW 2000
Stock Exchange listing	RedHill Education Limited shares are listed on the Australian Securities Exchange (ASX code: RDH)
Website	www.redhilleducation.com

RedHill Education Limited and Controlled Entities

Directors' report

for the half-year ended 31 December 2015

The directors present their report, together with the financial statements, on the consolidated entity (referred to as the 'consolidated entity' or 'RedHill') consisting of RedHill Education Limited (referred to as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2015.

Directors

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

William J. Beerworth – Chairman

Glenn Elith – Managing Director

William Deane

Dr Christopher Clark

Caroline Trotman

Principal activities

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

- delivering high quality English language, creative digital technologies and creative design courses; and
- providing education recruitment agency services to students.

Review of financial performance

The half-year loss for the consolidated entity after providing for income tax amounted to \$47,000 (31 December 2014: profit of \$729,000).

The consolidated entity's earnings before interest, tax, depreciation and amortisation ('EBITDA') for the financial half-year was \$480,000 (31 December 2014: \$1,253,000).

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

The following table summarises reconciling items between statutory profit after tax attributable to the shareholders of RedHill Education Limited and EBITDA.

	Consolidated	
	Half-year ended 31 Dec 15 \$'000	Half-year ended 31 Dec 14 \$'000
EBITDA	480	1,253
Less: Depreciation and amortisation	(616)	(326)
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Add: Interest income	31	77
(Loss)/profit before income tax benefit/(expense)	(110)	1,000
Income tax benefit/(expense)	63	(271)
(Loss)/profit after income tax benefit/(expense)	(47)	729

RedHill Education Limited and Controlled Entities
Directors' report
for the half-year ended 31 December 2015

The depreciation and amortisation expense for the consolidated RedHill group for the half-year ended 31 December 2015 was \$616,000 (31 December 2014: \$326,000). The increase over the previous corresponding half-year period was due to commencing depreciation in relation to the new Melbourne campus and the increased campus capacity at the Sydney operations of Greenwich English College and International School of Colour and Design.

The balance of cash and cash equivalents at 31 December 2015 was \$2,962,000 (31 December 2014: \$6,491,000). The net decrease in cash and cash equivalents for the consolidated entity during the first six months ending 31 December 2015 was \$3,699,000 (half-year ended 31 December 2014: increase of \$504,000).

Launch of new Melbourne campus

RedHill's new Melbourne campus is substantial and commenced operations in September 2015. Three of RedHill's schools are now operating from the Melbourne campus, and its Go Study Australia international student recruitment agency business is operating at nearby premises.

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

The capital investment to build and fit-out the Melbourne campus in the first half of FY2016 was \$1.6 million.

Melbourne campus operations have reduced EBITDA by \$0.8 million in the half-year results, which included property and occupancy costs of \$0.3 million and salaries and employee benefits expenses of \$0.3 million.

RedHill expects the Melbourne campus to begin generating positive EBITDA results from the fourth quarter of FY2016.

Significant changes in the state of affairs

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

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases the nearest dollar.

Auditor's Independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



William J. Beerworth
Chairman
24 February 2016
Sydney

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of RedHill Education Limited for the half year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS



G N Sherwood
Partner

Sydney, NSW

Dated: 24 February 2016

RedHill Education Limited and Controlled Entities
Interim Financial Report
for the half-year ended 31 December 2015

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General information

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

The Interim 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 interim directors' report, which is not part of the Interim Financial Report.

The Interim Financial Report was authorised for issue, in accordance with a resolution of directors, on 24 February 2016. The directors have the power to amend and reissue the Interim Financial Report.

RedHill Education Limited and Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2015

		Consolidated	
	Note	31 Dec 15	31 Dec 14
		\$'000	\$'000
Revenue	3	12,713	11,095
Expenses			
Salaries and employee benefits expense		(7,006)	(5,519)
Cost of services		(1,435)	(1,422)
Depreciation and amortisation expense		(616)	(326)
Property and occupancy costs		(1,939)	(1,275)
Professional and consulting fees		(152)	(203)
Marketing expenses		(810)	(691)
Public company related costs		(246)	(249)
Other expenses		(614)	(406)
Finance costs		<u>(5)</u>	<u>(4)</u>
(Loss)/profit before income tax benefit/(expense)		(110)	1,000
Income tax benefit/(expense)		<u>63</u>	<u>(271)</u>
(Loss)/profit after income tax benefit/(expense) for the half-year attributable to the owners of RedHill Education Limited		(47)	729
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the half-year attributable to the owners of RedHill Education Limited		<u><u>(47)</u></u>	<u><u>729</u></u>
		Cents	Cents
Basic (loss)/earnings per share	7	(0.15)	2.42
Diluted (loss)/earnings per share	7	(0.16)	2.41

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 Controlled Entities
Consolidated statement of financial position
as at 31 December 2015

	Note	Consolidated	
		31 Dec 15 \$'000	30 Jun 15 \$'000
Assets			
Current assets			
Cash and cash equivalents		2,962	6,661
Trade and other receivables		3,457	3,293
Prepayments and other assets		1,002	934
Total current assets		<u>7,421</u>	<u>10,888</u>
Non-current assets			
Property, plant and equipment		3,892	2,453
Intangibles		6,619	6,513
Deferred tax		1,984	1,912
Other		1,804	1,840
Total non-current assets		<u>14,299</u>	<u>12,718</u>
Total assets		<u>21,720</u>	<u>23,606</u>
Liabilities			
Current liabilities			
Trade and other payables		7,027	8,733
Finance lease		95	92
Employee benefits		344	315
Other provisions		427	386
Total current liabilities		<u>7,893</u>	<u>9,526</u>
Non-current liabilities			
Finance lease		59	107
Employee benefits		141	133
Other provisions		1,324	1,524
Total non-current liabilities		<u>1,524</u>	<u>1,764</u>
Total liabilities		<u>9,417</u>	<u>11,290</u>
Net assets		<u>12,303</u>	<u>12,316</u>
Equity			
Contributed equity	8	18,770	18,752
Reserves		56	40
Accumulated losses		(6,523)	(6,476)
Total equity		<u>12,303</u>	<u>12,316</u>

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

RedHill Education Limited and Controlled Entities
Consolidated statement of changes in equity
for the half-year ended 31 December 2015

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2015	18,752	40	(6,476)	12,316
Profit after income tax benefit/(expense) for the half-year	-	-	(47)	(47)
Other comprehensive income for the half-year, net of tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the half-year	-	-	(47)	(47)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	18	-	-	18
Share-based payments	-	16	-	16
Balance at 31 December 2015	<u>18,770</u>	<u>56</u>	<u>(6,523)</u>	<u>12,303</u>

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2014	18,747	86	(8,175)	10,658
Profit after income tax benefit/(expense) for the half-year	-	-	729	729
Other comprehensive income for the half-year, net of tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the half-year	-	-	729	729
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	5	-	-	5
Share-based payments	-	24	-	24
Recycling of lapsed and exercised options	-	(47)	47	-
Balance at 31 December 2014	<u>18,752</u>	<u>63</u>	<u>(7,399)</u>	<u>11,416</u>

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

RedHill Education Limited and Controlled Entities
Consolidated statement of cash flows
for the half-year ended 31 December 2015

	Consolidated	
	31 Dec 15	31 Dec 14
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	11,567	11,340
Payments to suppliers and employees (inclusive of GST)	<u>(13,139)</u>	<u>(10,143)</u>
	(1,572)	1,197
Interest received	31	77
Interest and other finance costs paid	(5)	(4)
Income tax paid	<u>(9)</u>	<u>(8)</u>
Net cash from operating activities	<u>(1,555)</u>	<u>1,262</u>
Cash flows from investing activities		
Payments for security deposits	-	(187)
Payments for property, plant and equipment	(1,951)	(458)
Payments for intangibles	<u>(211)</u>	<u>(118)</u>
Net cash used in investing activities	<u>(2,162)</u>	<u>(763)</u>
Cash flows from financing activities		
Proceeds from issue of shares	<u>18</u>	<u>5</u>
Net cash from financing activities	<u>18</u>	<u>5</u>
Net increase in cash and cash equivalents	(3,699)	504
Cash and cash equivalents at beginning of the financial half-year	<u>6,661</u>	<u>5,987</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,962</u></u>	<u><u>6,491</u></u>

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

RedHill Education Limited and Controlled Entities
Notes to the financial statements
for the half-year ended 31 December 2015

Note 1. Significant accounting policies

Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The Interim Financial Report is intended to provide users with an update on the latest annual financial statements of the consolidated entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year with the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the consolidated entity for the year ended 30 June 2015, together with any public announcements during the following half-year.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Accounting policies

The same accounting policies and methods of computation have been followed in this Interim Financial Report as were applied in the most recent financial statements, except in relation to the matters discussed below.

Critical accounting estimates and judgements

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2015 annual report.

New and revised accounting requirements applicable to the current half-year reporting period

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.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

RedHill Education Limited and Controlled Entities
Notes to the financial statements
for the half-year ended 31 December 2015

Note 2. Operating segments

Identification of reportable operating segments

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

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

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

Types of products and services

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

Information Technology	Academy of Information Technology, a provider of courses in information technology, digital design, interactive multimedia and games and apps programming.
Creative Design	International School of Colour and Design, a provider of campus and distance learning in interior design and styling courses.
English Language	Greenwich English College, an Australian provider of English Language Intensive Courses for Overseas Students (ELICOS), and other English and vocational programs.
Student agency	Go Study Australia, an international student recruitment agency with offices in Barcelona (Spain), Brisbane (Australia), Madrid (Spain), Melbourne (Australia), Milan (Italy), Rome (Italy), Sydney (Australia), Toulouse (France) and Valencia (Spain).

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Major customers

The consolidated entity has no significant individual customers.

RedHill Education Limited and Controlled Entities
Notes to the financial statements
for the half-year ended 31 December 2015

Note 2. Operating segments (continued)

Operating segment information

31 Dec 15	Information Technology \$'000	Creative Design \$'000	English Language \$'000	Student Agency \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue						
Sales to external customers	3,822	1,666	4,968	2,226	-	12,682
Intersegment sales				214	(214)	-
Total sales revenue	<u>3,822</u>	<u>1,666</u>	<u>4,968</u>	<u>2,440</u>	<u>(214)</u>	<u>12,682</u>
Other income	-	-	-	-	31	31
Total revenue	<u>3,822</u>	<u>1,666</u>	<u>4,968</u>	<u>2,440</u>	<u>(183)</u>	<u>12,713</u>
Segment operating result	<u>915</u>	<u>90</u>	<u>503</u>	<u>680</u>	<u>-</u>	<u>2,189</u>
Unallocated items:						
Corporate, Finance and IT expense					(827)	(827)
Professional and consulting fees					(81)	(81)
Public company related costs					(246)	(246)
Property and occupancy costs					(322)	(322)
Other expenses					(231)	(231)
EBITDA *	<u>915</u>	<u>90</u>	<u>503</u>	<u>680</u>	<u>(1,708)</u>	<u>480</u>
Depreciation and amortisation	(166)	(127)	(144)	(13)	(166)	(616)
Finance cost	(3)	-	-	-	(2)	(5)
Interest income - unallocated	-	-	-	-	31	31
Profit/(loss) before income tax benefit	<u>746</u>	<u>(37)</u>	<u>359</u>	<u>667</u>	<u>(1,845)</u>	<u>(110)</u>
Income tax expense	-	-	-	-	-	63
Profit after income tax benefit						<u>(47)</u>
Assets						
Segment assets	<u>8,895</u>	<u>2,012</u>	<u>6,856</u>	<u>4,065</u>	<u>(108)</u>	<u>21,720</u>
Total assets						<u>21,720</u>
Liabilities						
Segment liabilities	<u>2,355</u>	<u>1,312</u>	<u>4,045</u>	<u>224</u>	<u>1,481</u>	<u>9,417</u>
Total liabilities						<u>9,417</u>

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

RedHill Education Limited and Controlled Entities
Notes to the financial statements
for the half-year ended 31 December 2015

Note 2. Operating segments (continued)

31 Dec 14	Information Technology \$'000	Creative Design \$'000	English Language \$'000	Student Agency \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue						
Sales to external customers	2,840	1,556	4,638	1,984		11,018
Intersegment sales	-	-	-	149	(149)	-
Total sales revenue	<u>2,840</u>	<u>1,556</u>	<u>4,638</u>	<u>2,133</u>	<u>(149)</u>	<u>11,018</u>
Other income	-	-	-	-	77	77
Total Revenue	<u>2,840</u>	<u>1,556</u>	<u>4,638</u>	<u>2,133</u>	<u>(72)</u>	<u>11,095</u>
Segment operating result						
	<u>650</u>	<u>324</u>	<u>837</u>	<u>660</u>	<u>0</u>	<u>2,471</u>
Unallocated items:						
Corporate, Finance and IT expense					(716)	(716)
Professional and consulting fees					(144)	(144)
Public company related costs					(249)	(249)
Other expenses					(109)	(109)
EBITDA *	<u>650</u>	<u>324</u>	<u>837</u>	<u>660</u>	<u>(1,218)</u>	<u>1,253</u>
Depreciation and amortisation						
	(121)	(77)	(102)	(5)	(20)	(325)
Finance cost	(4)	-	-	-	-	(4)
Interest revenue - unallocated	-	-	-	-	77	77
Profit/(loss) before income tax expense	<u>525</u>	<u>247</u>	<u>735</u>	<u>655</u>	<u>(1,162)</u>	<u>1,000</u>
Income tax benefit						(271)
Net profit/(loss) after income tax expense						<u><u>729</u></u>
Assets						
Segment assets	<u>8,439</u>	<u>2,829</u>	<u>5,789</u>	<u>3,157</u>	<u>1,043</u>	<u>21,257</u>
Total assets						<u><u>21,257</u></u>
Liabilities						
Segment liabilities	<u>3,239</u>	<u>1,776</u>	<u>3,665</u>	<u>383</u>	<u>778</u>	<u>9,841</u>
Total liabilities						<u><u>9,841</u></u>

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

RedHill Education Limited and Controlled Entities
Notes to the financial statements
for the half-year ended 31 December 2015

Note 3. Revenue

	Consolidated	
	31 Dec 15	31 Dec 14
	\$'000	\$'000
<i>Sales Revenue</i>		
Tuition related revenue	10,689	9,193
Commission revenue	<u>1,993</u>	<u>1,825</u>
	<u>12,682</u>	<u>11,018</u>
<i>Other Revenue</i>		
Interest	<u>31</u>	<u>77</u>
Revenue	<u><u>12,713</u></u>	<u><u>11,095</u></u>

Note 4. Equity – dividends

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

Note 5. Contingent liabilities

There were no contingent liabilities as at 31 December 2015.

The consolidated entity has given bank guarantees as at 31 December 2015 of \$1,590,000 (30 June 2015: \$1,590,000) to various lessors.

Note 6. Events after the end of the interim period

No matter or circumstance has arisen since 31 December 2015 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 and Controlled Entities
Notes to the financial statements
for the half-year ended 31 December 2015

Note 7. Earnings per share

	Consolidated	
	31 Dec 15	31 Dec 14
	\$'000	\$'000
(Loss)/profit after income tax attributable to the owners of Redhill Education Limited	<u>(47)</u>	<u>729</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	30,225,302	30,185,167
Adjustments for calculation of diluted earnings per share:		
Exercisable Options	<u>90,000</u>	<u>75,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>30,315,302</u>	<u>30,260,167</u>
	Cents	Cents
Basic (loss)/earnings per share	(0.15)	2.42
Diluted (loss)/earnings per share	(0.16)	2.41

Note 8. Equity – contributed equity

	Consolidated			
	31 Dec 15	30 Jun 15	31 Dec 15	30 Jun 15
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>30,289,052</u>	<u>30,204,052</u>	<u>18,770</u>	<u>18,752</u>

On 16 November 2015 the company issued 85,000 ordinary shares for \$18,000 on exercise of 85,000 share options issued under its employee share option plan. There were no other movements in the ordinary share capital of the company in the half-year period ended 31 December 2015.

RedHill Education Limited and Controlled Entities
Notes to the financial statements
for the half-year ended 31 December 2015

Note 8. Equity – contributed equity (continued)

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$'000
Balance	1 July 2014	30,179,052		18,747
Shares issued*	17 November 2014	25,000	\$0.20	5
Balance	30 June 2015	30,204,052		18,752
Shares issued*	16 November 2015	75,000	\$0.20	15
Shares issued*	16 November 2015	<u>10,000</u>	\$0.30	<u>3</u>
Balance		<u>30,289,052</u>		<u>18,770</u>

Note 9. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 15 %	30 Jun 15 %
Go Study Australia Pty Limited	Australia	100	100
Academy of Information Technology Pty Ltd	Australia	100	100
International School of Colour and Design Pty Ltd	Australia	100	100
Greenwich English College Pty Ltd	Australia	100	100
Go Study Australia Intercambio Cultural Ltda*	Brazil	100	100
Go Study Australia S.A.C.*	Peru	100	100
Go Study Australia Sociedad Limitada **	Spain	100	100

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

** 100% owned by Go Study Australia Pty Limited

RedHill Education Limited and Controlled Entities
Directors' declaration
for the half-year ended 31 December 2015

In accordance with a resolution of the directors of RedHill Education Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 16, are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



William J. Beerworth
Chairman

24 February 2016
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

REDHILL EDUCATION LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RedHill Education Limited which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RedHill Education Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of RedHill Education Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of RedHill Education Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read "G N Sherwood", with the initials "GNS" written to the right of the signature.

G N Sherwood
Partner

Sydney, NSW
Dated: 24 February 2016