



ASX / MEDIA RELEASE

26 AUGUST 2019

RedHill Education Limited

FY2019 Preliminary Final Report and Dividend Declaration

RedHill Education Limited (RedHill) today released its Preliminary Final Report for the financial year ended 30 June 2019.

1. FY2019 FINANCIAL RESULTS

The consolidated RedHill group reported the following results:

- Revenues: \$59.8 million – 10% increase*
- EBITDA** \$6.2 million – 6% decrease*
- Profit after income tax: \$3.0 million – 15% decrease*
- Cash balance: \$13.0 million – 30% increase*
- Positive net cashflow from operating activities: \$6.1 million - \$2.1 million or 26% decrease*

Comments on financial performance

The financial results are in line with the market guidance provided on 1 May 2019.

Profitability has been impacted by important investments made in the first half of FY2019 to support future revenue and profit growth, including:

- expanding RedHill's Melbourne campus by 50% (additional rental and utility costs of approximately \$0.9 million in FY2019); and
- making new senior executive appointments in the marketing, people & culture, and regulatory compliance functions (additional salary and recruitment costs of approximately \$0.6 million in FY2019).

2. GREENWICH - SYDNEY CAMPUS EXPANSION

In FY2019 the Greenwich operating segment delivered revenues of approximately \$33.5 million, which was approximately 8% growth over the previous corresponding year.

RedHill expects Greenwich to achieve student number and revenue growth in FY2020, and will commence a lease over additional premises in Sydney nearby its existing campus in September 2019 to support this expected growth.

The new Greenwich premises will expand the Greenwich Sydney operations by 16 classrooms.

Approximately \$0.4 million of additional rental and utility costs are expected to be incurred in the first half of FY2020 as a result of this campus expansion.

RedHill expects the financial performance of Greenwich Sydney operations to improve significantly in FY2020 over the previous corresponding year.

3. DIVIDEND DECLARATION

RedHill's directors are pleased to announce the declaration of a fully franked dividend of two cents per share, payable on 30 September 2019, out of retained profits at 30 June 2019. For the purposes of determining any entitlement to the dividend, the record date has been set at 11 September 2019.

* Over the previous corresponding financial year.

** 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 EBITDA and profit after income tax for the financial year ended 30 June 2019 is included in the attached Preliminary Financial Report.

CONTACT

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Chief Executive 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.

APPENDIX 4E

PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	RedHill Education Limited and its controlled entities
ABN:	41 119 952 493
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

	Year ended 30 June 19 \$'000	Year ended 30 June 18 \$'000	Change %
Revenues from ordinary activities	59,834	54,594	10% increase
EBITDA	6,216	6,619	6% decrease
Profit from ordinary activities after tax attributable to the shareholders of RedHill Education Limited	2,971	3,510	15% decrease
Profit for the year attributable to the shareholders of RedHill Education Limited	2,971	3,510	15% decrease
Cash and cash equivalents	12,954	9,980	30% increase

Comments on financial performance

The profit for the consolidated entity after providing for income tax amounted to \$2,971,000 (30 June 2018: \$3,510,000).

The consolidated earnings before interest, tax, depreciation and amortisation ('EBITDA') was \$6,216,000 (30 June 2018: \$6,619,000).

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	
	2019 \$'000	2018 \$'000
EBITDA	6,216	6,619
Less: Depreciation and amortisation	(1,992)	(1,803)
Less: Finance cost	(4)	(1)
Add: Interest revenue	148	173
	<hr/>	<hr/>
Profit before income tax	4,368	4,988
Income tax expense	(1,397)	(1,478)
	<hr/>	<hr/>
Profit after income tax	<u>2,971</u>	<u>3,510</u>

The financial results are in line with the market guidance issued on 1 May 2019.

RedHill Education Limited and its controlled entities
Appendix 4E
Preliminary final report

New Australian accounting standards

The consolidated entity adopted Australian Accounting Standards AASB 9 '*Financial Instruments*' and AASB 15 '*Revenue from Contracts with Customers*' for the year ended 30 June 2019. Both Accounting Standards were adopted from 1 July 2018.

AASB 9 was adopted with a modified retrospective approach, and comparatives have not been restated in the financial statements.

AASB 15 was adopted with a full retrospective approach, and comparatives have been restated to reflect this standard.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>38.44</u>	<u>34.26</u>

4. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
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

On 26 August 2019, the directors declared a fully franked dividend of 2.0 cents per ordinary share, with a payment date of 30 September 2019, from retained profits at 30 June 2019. For the purposes of determining any entitlement to the dividend, the record date has been set as 11 September 2019.

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

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend – year ended 30 June 2017 (paid 2 November 2017)	2.0	2.0
Interim dividend – year ended 30 June 2018 (paid 3 April 2018)	2.0	2.0

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

5. Audit review

Details of audit:

The financial statements are in the process of being audited, but no material adjustment or qualification is expected.

RedHill Education Limited and its controlled entities
Appendix 4E
Preliminary final report

6. Attachments

Details of attachments (if any):

The Preliminary Financial Report of RedHill Education Limited for the year ended 30 June 2019 is attached.

7. Signed

Signed



Date: 26 August 2019

William J. Beerworth
Chairman
Sydney



REDHILL EDUCATION

**RedHill Education Limited
and its Controlled Entities**

ABN 41 119 952 493

**Preliminary Financial Report
for the Year Ended
30 June 2019**

RedHill Education Limited and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 \$'000	2018 \$'000
Revenue from contracts with customers	1	59,834	54,594
Interest revenue		148	-
Expenses			
Salaries and employee benefits expense		(29,347)	(26,413)
Cost of services		(10,153)	(9,514)
Depreciation and amortisation expense		(1,992)	(1,803)
Impairment of receivables	4	(887)	-
Property and occupancy costs		(7,732)	(6,170)
Professional and consulting fees		(493)	(524)
Marketing expenses		(2,058)	(2,349)
Public company related costs		(649)	(660)
Other expenses		(2,299)	(2,172)
Finance costs		(4)	(1)
Profit before income tax expense		4,368	4,988
Income tax expense	2	(1,397)	(1,478)
Profit after income tax expense for the year attributable to the shareholders of RedHill Education Limited		2,971	3,510
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the shareholders of RedHill Education Limited		2,971	3,510
		Cents	Cents
Basic earnings per share	18	9.67	11.53
Diluted earnings per share	18	9.60	11.41

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 its controlled entities
Consolidated statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents		12,954	9,980
Contract assets and trade receivables	4	11,107	13,286
Prepayments and other assets		4,290	2,934
Total current assets		<u>28,351</u>	<u>26,200</u>
Non-current assets			
Contract assets and trade receivables	5	12,227	11,715
Property, plant and equipment	6	6,326	6,493
Intangibles	7	6,922	6,541
Deferred tax	8	1,350	1,865
Other financial assets		3,160	3,454
Total non-current assets		<u>29,985</u>	<u>30,068</u>
Total assets		<u>58,336</u>	<u>56,268</u>
Liabilities			
Current liabilities			
Trade and other payables	9	2,580	4,621
Contract liabilities	10	26,496	23,050
Finance leases		11	10
Income tax		68	1,324
Employee benefits		944	744
Other provisions	11	184	231
Total current liabilities		<u>30,283</u>	<u>29,980</u>
Non-current liabilities			
Contract liabilities	12	6,961	7,482
Finance leases		20	32
Employee benefits		33	113
Other provisions	13	2,272	1,613
Total non-current liabilities		<u>9,286</u>	<u>9,240</u>
Total liabilities		<u>39,569</u>	<u>39,220</u>
Net assets		<u>18,767</u>	<u>17,048</u>
Equity			
Issued capital	14	19,166	19,000
Reserves		22	79
Accumulated losses		(421)	(2,031)
Total equity		<u>18,767</u>	<u>17,048</u>

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 2019

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	18,770	111	(4,406)	14,475
Profit after income tax expense for the year	-	-	3,510	3,510
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,510	3,510
<i>Transactions with shareholders in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	230	-	-	230
Share-based payments	-	52	-	52
Fair value of exercised options	-	(84)	84	-
Dividends paid (note 15)	-	-	(1,219)	(1,219)
Balance at 30 June 2018	19,000	79	(2,031)	17,048

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018 (previously reported)	19,000	79	(2,031)	17,048
Effect of adoption of AASB 9 *	-	-	(246)	(246)
Balance at 1 July 2018 (restated)	19,000	79	(2,277)	16,802
Profit after income tax expense for the year	-	-	2,971	2,971
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	2,971	2,971
<i>Transactions with shareholders in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	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 15)	-	-	(1,229)	(1,229)
Balance at 30 June 2019	19,166	22	(421)	18,767

* AASB 9 was adopted with a modified retrospective approach, and comparatives have not been restated in the financial statements.

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 2019

	Note	Consolidated 2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		64,363	46,543
Payments to suppliers and employees (inclusive of GST)		<u>(56,368)</u>	<u>(37,899)</u>
		7,995	8,644
Interest received		148	81
Interest and other finance costs paid		(4)	(1)
Income taxes paid		<u>(2,033)</u>	<u>(522)</u>
Net cash from operating activities	17	<u>6,106</u>	<u>8,202</u>
Cash flows from investing activities			
Proceeds/(payments) from release of security deposits		148	(263)
Payments for property, plant and equipment		(1,553)	(3,043)
Payments for intangibles		<u>(653)</u>	<u>(172)</u>
Net cash used in investing activities		<u>(2,058)</u>	<u>(3,478)</u>
Cash flows from financing activities			
Proceeds from issue of shares	14	166	163
Drawn under finance leases		-	28
Repayments made under finance leases		(11)	(30)
Dividends paid		<u>(1,229)</u>	<u>(1,219)</u>
Net cash used in financing activities		<u>(1,074)</u>	<u>(1,058)</u>
Net increase in cash and cash equivalents		2,974	3,666
Cash and cash equivalents at the beginning of the financial year		<u>9,980</u>	<u>6,314</u>
Cash and cash equivalents at the end of the financial year		<u><u>12,954</u></u>	<u><u>9,980</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 2019

Note 1. Revenue from contracts with customers

	Consolidated	
	2019	2018
	\$'000	\$'000
<i>Revenue from contracts with customers</i>		
Tuition related revenue	53,930	49,092
Commission revenue	5,904	5,329
	<u>59,834</u>	<u>54,421</u>
<i>Other revenue</i>		
Interest *	-	173
	<u>59,834</u>	<u>54,594</u>

* Interest has been disclosed as per the transitional arrangements for AASB 9 'Financial Instruments'.

Disaggregation of revenue

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

	Consolidated	
	2019	2018
	\$'000	\$'000
<i>Geographical revenue from contracts with customers</i>		
Australia	58,258	52,786
Europe	1,534	1,612
South America	42	23
	<u>59,834</u>	<u>54,421</u>
<i>Timing of revenue recognition from contracts with customers</i>		
Services transferred at a point in time	9,470	7,955
Services transferred over time	50,364	46,466
	<u>59,834</u>	<u>54,421</u>

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 2019

Note 2. Income tax expense

	Consolidated	
	2019	2018
	\$'000	\$'000
<i>Income tax expense</i>		
Current tax	882	1,803
Deferred tax - origination/(reversal) of temporary differences	515	(368)
Adjustment recognised for prior periods	-	43
	<u>1,397</u>	<u>1,478</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 8)	<u>515</u>	<u>(368)</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>4,368</u>	<u>4,988</u>
Tax at the statutory tax rate of 30%	1,310	1,496
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Share-based payments	17	16
- Foreign branch income	(109)	(114)
- Foreign branch tax expense	7	8
- Sundry items	172	29
	<u>1,397</u>	<u>1,435</u>
Adjustments to opening deferred tax asset:		
- on tax losses	-	52
- on timing differences	-	(9)
	<u>-</u>	<u>(9)</u>
Income tax expense	<u><u>1,397</u></u>	<u><u>1,478</u></u>

RedHill Education Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2019

Note 3. Operating segments

Identification of reportable operating segments

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

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

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 2019

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 2019	Technology & Design \$'000	Greenwich \$'000	Go Study \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	20,414	33,523	5,897	-	59,834
Intersegment sales	-	-	709	(709)	-
Total revenue	20,414	33,523	6,606	(709)	59,834
Segment operating result					
Unallocated items:	3,291	6,825	920	-	11,036
Corporate, finance and IT expenses	-	-	-	(2,702)	(2,702)
Professional and consulting fees	-	-	-	(305)	(305)
Public company related costs	-	-	-	(649)	(649)
Property and occupancy costs	-	-	-	(353)	(353)
Other expenses	-	-	-	(811)	(811)
EBITDA *	3,291	6,825	920	(4,820)	6,216
Depreciation and amortisation	(838)	(569)	(42)	(543)	(1,992)
Finance cost	-	(4)	-	-	(4)
Interest revenue	45	41	30	32	148
Profit/(loss) before income tax expense	2,498	6,293	908	(5,331)	4,368
Income tax expense					(1,397)
Profit after income tax expense					2,971
Assets					
Segment assets	20,638	45,448	3,926		
Intersegment eliminations				(3,409)	
Unallocated assets				(8,267)	58,336
Total assets					58,336
Liabilities					
Segment liabilities	9,736	33,476	649		
Intersegment eliminations				356	
Unallocated liabilities				(4,648)	39,569
Total liabilities					39,569

* 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 its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2019

Note 3. Operating segments (continued)

Consolidated - 2018	Technology & Design \$'000	Greenwich \$'000	Go Study \$'000	Intersegment eliminations/ unallocated** \$'000	Total \$'000
Revenue					
Sales to external customers	18,143	30,949	5,329	-	54,421
Intersegment sales	-	-	482	(482)	-
Total sales revenue	18,143	30,949	5,811	(482)	54,421
Other revenue	-	-	-	173	173
Total revenue	18,143	30,949	5,811	(309)	54,594
Segment operating result					
	2,833	6,972	748	-	10,553
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(2,189)	(2,189)
Professional and consulting fees	-	-	-	(330)	(330)
Public company related costs	-	-	-	(660)	(660)
Property and occupancy costs	-	-	-	(310)	(310)
Other expenses	-	-	-	(445)	(445)
EBITDA *	2,833	6,972	748	(3,934)	6,619
Depreciation and amortisation	(758)	(364)	(42)	(639)	(1,803)
Finance cost	-	-	-	(1)	(1)
Interest revenue	57	51	11	54	173
Profit/(loss) before income tax expense	2,132	6,659	717	(4,520)	4,988
Income tax expense					(1,478)
Profit after income tax expense					3,510
Assets					
Segment assets	18,836	35,587	2,772		
Intersegment eliminations				(18,547)	
Unallocated assets				17,620	56,268
Total assets					56,268
Liabilities					
Segment liabilities	9,602	27,727	251		
Intersegment eliminations				(15,923)	
Unallocated liabilities				17,563	39,220
Total liabilities					39,220

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

RedHill Education Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2019

Note 4. Current assets - contract assets and trade receivables

	Consolidated	
	2019	2018
	\$'000	\$'000
Trade receivables	1,025	648
Contract assets	10,981	12,859
Less: Allowance for expected credit losses	(899)	(221)
	<u>11,107</u>	<u>13,286</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$887,000 (2018: loss of \$252,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2019. The consolidated entity has adopted the simplified approach to expected credit losses (ECL), which requires the recognition of lifetime ECL at all times.

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

	Consolidated	
	2019	2018
	\$'000	\$'000
Opening balance	221	97
Additional provisions recognised *	887	252
Receivables written off during the year as uncollectable	(209)	(128)
Closing balance	<u>899</u>	<u>221</u>

* In 2019, additional provisions include the adoption of AASB 9 '*Financial Instruments*'.

Note 5. Non-current assets - contract assets and trade receivables

	Consolidated	
	2019	2018
	\$'000	\$'000
Contract assets	<u>12,227</u>	<u>11,715</u>

Non-current contract assets and trade receivables relate to fees in relation to international students where an agreement has been signed and a payment plan is in place. For the purposes of quantifying the non-current contract assets, management has made the assumption that the existing outstanding fees in relation to courses that are only expected to be completed in excess of 12 months from the balance date will only be paid in the period following the 12 months from the balance date.

RedHill Education Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2019

Note 6. Non-current assets – property, plant and equipment

	Consolidated	
	2019	2018
	\$'000	\$'000
Leasehold improvements - at cost	9,214	5,780
Less: Accumulated depreciation	<u>(4,394)</u>	<u>(3,388)</u>
	<u>4,820</u>	<u>2,392</u>
Plant and equipment - at cost	5,322	4,742
Less: Accumulated depreciation	<u>(4,008)</u>	<u>(3,294)</u>
	<u>1,314</u>	<u>1,448</u>
Assets under construction - at cost *	<u>192</u>	<u>2,653</u>
	<u><u>6,326</u></u>	<u><u>6,493</u></u>

* Represents the capital work in progress associated with 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:

Consolidated	Leasehold improvement \$'000	Plant and equipment \$'000	Assets under construction \$'000	Total \$'000
Balance at 1 July 2017	3,027	1,297	-	4,324
Additions	229	809	2,653	3,691
Depreciation expense	<u>(864)</u>	<u>(658)</u>	<u>-</u>	<u>(1,522)</u>
Balance at 30 June 2018	2,392	1,448	2,653	6,493
Additions	781	580	192	1,553
Transfers in/(out)	2,653	-	(2,653)	-
Depreciation expense	<u>(1,006)</u>	<u>(714)</u>	<u>-</u>	<u>(1,720)</u>
Balance at 30 June 2019	<u><u>4,820</u></u>	<u><u>1,314</u></u>	<u><u>192</u></u>	<u><u>6,326</u></u>

RedHill Education Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2019

Note 7. Non-current assets - intangibles

	Consolidated	
	2019	2018
	\$'000	\$'000
Goodwill - at cost	9,145	9,145
Less: Accumulated impairment	<u>(3,000)</u>	<u>(3,000)</u>
	<u>6,145</u>	<u>6,145</u>
Customer contracts - at cost	406	406
Less: Accumulated amortisation	<u>(406)</u>	<u>(406)</u>
	<u>-</u>	<u>-</u>
Software - at cost	470	470
Less: Accumulated amortisation	<u>(470)</u>	<u>(470)</u>
	<u>-</u>	<u>-</u>
Copyrights - at cost	6,520	5,867
Less: Accumulated amortisation	<u>(5,743)</u>	<u>(5,471)</u>
	<u>777</u>	<u>396</u>
Licenses - at cost	20	20
Less: Accumulated amortisation	<u>(20)</u>	<u>(20)</u>
	<u>-</u>	<u>-</u>
	<u><u>6,922</u></u>	<u><u>6,541</u></u>

Reconciliations

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

Consolidated	Goodwill	Copyrights	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2017	6,145	505	6,650
Additions	-	172	172
Amortisation expense	<u>-</u>	<u>(281)</u>	<u>(281)</u>
Balance at 30 June 2018	6,145	396	6,541
Additions	-	653	653
Amortisation expense	<u>-</u>	<u>(272)</u>	<u>(272)</u>
Balance at 30 June 2019	<u><u>6,145</u></u>	<u><u>777</u></u>	<u><u>6,922</u></u>

RedHill Education Limited and its controlled entities
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For the year ended 30 June 2019

Note 8. Non-current assets - deferred tax

	Consolidated	
	2019	2018
	\$'000	\$'000
<i>Deferred tax assets comprise temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Employee benefits	343	439
Provision for lease make good	139	100
Accrued expenses	108	267
Intangibles	1,074	1,066
Lease incentive	204	134
Allowance for expected credit losses	270	-
Deferred student acquisition costs	(713)	(215)
Other	(75)	74
	<u>1,350</u>	<u>1,865</u>
Deferred tax asset	<u>1,350</u>	<u>1,865</u>
<i>Movements:</i>		
Opening balance	1,865	1,497
Credited/(charged) to profit or loss (note 2)	(515)	368
	<u>1,350</u>	<u>1,865</u>
Closing balance	<u>1,350</u>	<u>1,865</u>

Note 9. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	\$'000	\$'000
Trade payables	1,462	2,445
Payroll accruals	424	795
Other accruals	694	1,381
	<u>2,580</u>	<u>4,621</u>
	<u>2,580</u>	<u>4,621</u>

Note 10. Current liabilities - contract liabilities

	Consolidated	
	2019	2018
	\$'000	\$'000
Contract liabilities	<u>26,496</u>	<u>23,050</u>
	<u>26,496</u>	<u>23,050</u>

Tuition related performance obligations

The aggregate amount of the transaction price allocated to tuition related services that are yet to be delivered at balance date was \$33,457,000 as at 30 June 2019 (2018: \$30,532,000) 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.

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Notes to the consolidated financial statements
For the year ended 30 June 2019

Note 10. Current liabilities - contract liabilities (continued)

	Consolidated	
	2019	2018
	\$'000	\$'000
Current		
Within 6 months	19,195	16,939
6 to 12 months	7,301	6,111
Non-current		
12 to 18 months	3,697	3,854
18 to 24 months	1,934	2,091
Over 24 months	1,330	1,537
	<u>33,457</u>	<u>30,532</u>

Note 11. Current liabilities - other provisions

	Consolidated	
	2019	2018
	\$'000	\$'000
Lease incentive provision	<u>184</u>	<u>231</u>

Note 12. Non-current liabilities - contract liabilities

	Consolidated	
	2019	2018
	\$'000	\$'000
Contract liabilities	<u>6,961</u>	<u>7,482</u>

Non-current contract liabilities relate to tuition fees in relation to international students where an agreement has been signed and a payment plan is in place for studies which are not expected to be undertaken until at least 12 months from the balance date.

Note 13. Non-current liabilities - other provisions

	Consolidated	
	2019	2018
	\$'000	\$'000
Lease make-good	914	463
Lease incentive	<u>1,358</u>	<u>1,150</u>
	<u>2,272</u>	<u>1,613</u>

Lease make-good

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

Lease incentive

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

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Note 14. Equity - issued capital

	2019	Consolidated		
	Shares	2018	2019	2018
		Shares	\$'000	\$'000
Ordinary shares - fully paid	30,815,885	30,665,052	19,166	19,000

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2017	30,289,052		18,770
Shares issued *	9 November 2017	36,000	\$1.90	68
Shares issued **	17 November 2017	65,000	\$0.30	20
Shares issued **	5 March 2018	25,000	\$0.30	7
Shares issued **	5 March 2018	100,000	\$0.40	40
Shares issued **	5 March 2018	100,000	\$0.50	50
Shares issued **	5 March 2018	50,000	\$0.90	45
Balance	30 June 2018	30,665,052		19,000
Shares issued **	3 December 2018	60,000	\$1.20	72
Shares issued **	24 December 2018	40,833	\$1.20	49
Shares issued **	22 May 2019	50,000	\$0.90	45
Balance	30 June 2019	<u>30,815,885</u>		<u>19,166</u>

* Shares issued at fair value under the RedHill Education Limited Employee Share Option Plan to certain members of the senior management team on 9 November 2017.

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

Note 15. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019	2018
	\$'000	\$'000
Dividends paid during the reporting period	1,229	1,219
Dividends not recognised at the end of the reporting period	616	613
	<u>1,845</u>	<u>1,832</u>

Note 16. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2019 of \$3,334,162 (2018: \$2,473,600) to various lessors.

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For the year ended 30 June 2019

Note 17. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2019	2018
	\$'000	\$'000
Profit after income tax expense for the year	2,971	3,510
Adjustments for:		
Depreciation and amortisation	1,992	1,803
Non-cash finance costs	24	-
Share-based payments	57	52
Shares issued for nil consideration under ESOP	-	67
Interest received in restricted accounts	(90)	(92)
Change in operating assets and liabilities:		
Decrease/(increase) in contract assets and trade receivables	1,316	(7,848)
Decrease/(increase) in deferred tax assets	620	(368)
Decrease/(increase) in prepayments	403	(484)
Increase in other operating assets	(1,550)	(682)
Increase in trade and other payables and deferred revenue	1,408	7,120
Increase/(decrease) in contract liabilities – non-current	(521)	3,570
Increase/(decrease) in provision for income tax	(1,256)	1,324
Increase in employee benefits	120	197
Increase in other provisions	612	33
Net cash from operating activities	<u>6,106</u>	<u>8,202</u>

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Note 18. Earnings per share

	Consolidated	
	2019	2018
	\$'000	\$'000
Profit after income tax attributable to the shareholders of RedHill Education Limited	<u>2,971</u>	<u>3,510</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	30,726,195	30,441,282
Adjustments for calculation of diluted earnings per share:		
Exercisable options (1)	<u>219,167</u>	<u>325,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share (2)	<u>30,945,362</u>	<u>30,766,282</u>
	Cents	Cents
Basic earnings per share	9.67	11.53
Diluted earnings per share	9.60	11.41

Additional information about the dilutive securities

- (1) All share options which the board have approved and that have past the first date in which the right can be exercised, are considered to be potential ordinary shares. These options have been included in the determination of diluted earnings per share to the extent to which they are dilutive.
- (2) The weighted average number of shares outstanding includes all dilutive options during the financial year, including share options which have expired where applicable.

Note 19. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 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.