



RedHill Education Limited FY20 Interim Financial Report

RedHill Education Limited (RedHill) today released its Interim Financial Report for the half-year ended 31 December 2019 (FY20 H1).

1. FY20 HALF-YEAR RESULTS

The consolidated RedHill group reported the following results for FY20 H1:

- Revenues: \$34.0 million – 18.3% increase*
- Profit after income tax: \$0.7 million – 21.0% decrease*
- Cash flows from operating activities: \$2.2 million – \$0.5 million decrease*
- Cash balance: \$11.0 million at 31 December 2019 – \$2.3 million increase*

FY20 H1 consolidated net profit was impacted by important investments in campus expansions, IT system implementations, and increases in employee wage related costs. We expect that these important investments will improve RedHill's operations and will support future revenue and profit growth.

2. MELBOURNE CAMPUS EXPANSION – ON TRACK TO OPEN IN MARCH 2020

RedHill launched its Melbourne campus in September 2015; doubled it's size in January 2017; and expanded it by a further 50% in July 2018. The Melbourne campus is currently approximately 4,800m2 in size and has been fitted-out with 58 classrooms.

Due to strong expected growth in student numbers, the Melbourne campus will be expanded by a further 19 classrooms in FY20 H2. A lease commenced over additional space in January 2020, and directors are pleased to announce that the additional classrooms are on-track to be ready for use by mid-March 2020 after completing a quality fit-out.

As with previous Melbourne campus expansions, directors expect some initial profit drag in the early months of operations in FY20 H2, but are confident that over time this expansion and the overall Melbourne campus will deliver strong financial returns.

3. ADDITIONAL GREENWICH CAMPUS IN SYDNEY – PERFORMING WELL

In September 2019, RedHill commenced a lease over additional premises for the Greenwich division in Mary Street, Surry Hills, nearby its existing Sydney campus. The Mary Street campus commenced operations in October 2019 upon receipt of regulatory approvals, and operated at over 65% of its capacity during the daytime on weekdays over the remainder of FY20 H1.

RedHill plans to undertake refurbishment works on the Mary Street campus during FY20 H2 to increase its overall number of classrooms and student number capacity.

RedHill's directors expect the financial performance of Greenwich's Sydney operations to improve in FY20 over the previous corresponding year, and expect the Mary Street campus to positively contribute to Greenwich's revenue and profit performance in FY20 H2.

4. IMPACT OF COVID-19 UPON FY20 PERFORMANCE – NOT MATERIAL

RedHill has intentionally built a broad nationality mix of international students, and is particularly strong in recruiting students from European, South American, and South East Asian countries.

Mainland Chinese students currently represent less than 1% of the student population at Greenwich, and less than 10% of the student population at the Technology & Design (T&D) division.

All currently enrolled Chinese students of T&D are understood to be in Australia and have confirmed their study intentions for the upcoming semester commencing in March 2020.

The Go Study Australia (GSA) division recruits approximately 15% of its students from Italy, where there are reports of an emerging COVID-19 cluster although no travel bans have yet been announced. There is an average period of approximately 12 weeks from the time that an Italian student's enrolment is confirmed and their arrival into Australia to commence studies, at which point in time GSA commission revenues are recognised.

With reference to the above comments, RedHill's directors do not anticipate any material negative impact of COVID-19 upon FY20 H2 financial performance.

5. INTERIM DIVIDEND DECLARATION

RedHill's directors are pleased to have declared a fully franked dividend of \$0.02 per ordinary share, payable on 30 March 2020, out of retained profits at 31 December 2019.

** Over the previous corresponding half-year financial period, which has been restated for the affect of adoption of AASB 16 Leases.*

CONTACTS

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Chief Executive Officer
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Michael Fahey
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.

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 2019
Previous period:	Half-year ended 31 December 2018

2. Results for announcement to the market

	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018 Restated	Change
	\$'000	\$'000	%
Revenues from ordinary activities	34,027	28,763	18.3% increase
Profit from ordinary activities after tax attributable to the shareholders of RedHill Education Limited	658	833	21.0% decrease
Profit for the period attributable to the shareholders of RedHill Education Limited	598	833	28.2% decrease
Cash and cash equivalents	11,027	8,705	26.7% increase

The consolidated entity adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the full retrospective approach and the consolidated entity has restated the comparative periods for ease of reference. Refer to Note 2 for further details.

Comments on financial performance

The half-year profit for the consolidated entity after providing for income tax amounted to \$658,000 (31 December 2018: \$833,000).

The balance of cash and cash equivalents at 31 December 2019 was \$11,027,000 (30 June 2019: \$12,954,000).

Net cash flows inflows from operating activities were \$2,249,000 for the half-year period ended 31 December 2019 (31 December 2018: inflow \$2,742,000).

The half-year profit was impacted by important investments in campus expansions, IT system implementations, and increases in employee wage related costs. We expect that these important investments will improve RedHill's operations and will support future revenue and profit growth.

Interim dividend declaration

A fully franked dividend of \$0.02 per ordinary share was declared on 26 February 2020, payable on 30 March 2020, out of retained profits as at 31 December 2019. For the purposes of determining the entitlement of the dividend, the record date has been set as 11 March 2020.

RedHill Education Limited and Controlled Entities
Appendix 4D
for the half-year ended 31 December 2019

3. Net tangible assets

	Half-year ended 31 Dec 2019	Half-year ended 31 Dec 2018 Restated
	Cents	Cents
Net tangible assets per ordinary security	<u>37.61</u>	<u>37.75</u>

4. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Dividends paid during the half-year	<u>2.000</u>	<u>2.000</u>

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

Previous period

	Amount per security Cents	Franked amount per security Cents
Dividends paid during the half-year	<u>2.000</u>	<u>2.000</u>

Dividends paid in the current and previous corresponding half-year periods were fully franked based on a tax rate of 30%.

5. Audit qualification or review

The financial statements 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 2019.

6. Attachments

Interim Financial Report of RedHill Education Limited and Controlled Entities for the half-year ended 31 December 2019.

RedHill Education Limited and Controlled Entities
Appendix 4D
for the half-year ended 31 December 2019

7. Signed



Date: 26 February 2020

William J. Beerworth
Chairman
Sydney



REDHILL EDUCATION

**RedHill Education Limited
and Controlled Entities
ABN 41 119 952 493**

**Interim Financial Report
for the Half-Year Ended
31 December 2019**

RedHill Education Limited and Controlled Entities
Corporate directory

Directors	William J. Beerworth Glenn Elith William Deane Sandra Hook Stephen Heath
Company secretary	Lisa Jones
Registered office	Level 2, 7 Kelly Street Ultimo, NSW 2007 Head office telephone: +61 2 8355 3820
Principal place of business	Level 2, 7 Kelly Street Ultimo, NSW 2007
Share register	Computershare Investor Services Pty Limited Level 4, 60 Carrington Street Sydney, NSW 2000 Shareholders enquiries: 1300 787 272
Auditor	RSM Australia Partners Level 13, 60 Castlereagh Street Sydney, NSW 2000
Solicitors	Norton Rose Fulbright Level 18, 225 George Street Sydney, NSW 2000
Stock exchange listing	RedHill Education Limited shares are listed on the Australian Securities Exchange (ASX: RDH)
Website	www.redhilleducation.com
ASIC registrations	ACN: 119 952 493 ABN: 41 119 952 493

RedHill Education Limited and Controlled Entities

Directors' report

for the half-year ended 31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of RedHill Education Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2019.

Directors

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

William J. Beerworth - Chairman

Glenn Elith - Managing Director

William Deane

Sandra Hook (appointed 1 September 2019)

Stephen Heath (appointed 1 September 2019)

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

Company secretary

Lisa Jones

Principal activities

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

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

Review of operations

The half-year profit for the consolidated entity after providing for income tax amounted to \$658,000 (31 December 2018: \$833,000).

The balance of cash and cash equivalents at 31 December 2019 was \$11,027,000 (30 June 2019: \$12,954,000).

Net cash flows inflows from operating activities were \$2,249,000 for the half-year period ended 31 December 2019 (31 December 2018: inflow \$2,742,000).

The half-year profit for the consolidated entity was impacted by important investments in campus expansions, IT system implementations, and increases in employee wage related costs. We expect that these important investments will improve RedHill's operations and will support future revenue and profit growth.

Dividends

RedHill's directors are pleased to have announced the declaration of a fully franked dividend of two cents per share, payable on 30 March 2020, out of retained profits at 31 December 2019. For the purpose of determining any entitlement to the dividend, the record date was set at 11 March 2020.

During the previously corresponding half year period fully franked dividends of two cents per ordinary share was paid on 26 September 2018 out of retained profits.

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 ended 31 December 2019.

RedHill Education Limited and Controlled Entities

Directors' report

31 December 2019

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

26 February 2020
Sydney

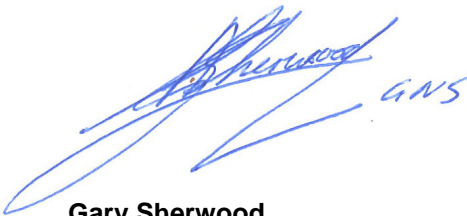
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of RedHill Education Limited for the half year ended 31 December 2019, 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



GNS

Gary Sherwood
Partner

Sydney, NSW
Dated: 26 February 2020

RedHill Education Limited and Controlled Entities
Interim Financial Report
for the half-year ended 31 December 2019

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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 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 26 February 2020.

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 2019

	Note	Consolidated	
		31 Dec 2019	31 Dec 2018
		\$'000	Restated \$'000
Revenue from contracts with customers	4	34,027	28,763
Interest revenue		63	48
Expenses			
Salaries and employee benefits expense		(17,670)	(14,571)
Cost of services		(6,319)	(4,870)
Depreciation and amortisation expense	5	(3,361)	(2,879)
Impairment of receivables		(390)	(159)
Property and occupancy costs		(1,381)	(1,258)
Professional and consulting fees		(313)	(251)
Marketing expenses		(1,194)	(1,057)
Public company related costs		(332)	(349)
Other expenses		(1,248)	(1,164)
Finance costs	5	(942)	(991)
Profit before income tax expense		940	1,262
Income tax expense		(282)	(429)
Profit after income tax expense for the half-year attributable to the owners of RedHill Education Limited		658	833
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(60)	-
Other comprehensive income for the half-year, net of tax		(60)	-
Total comprehensive income for the half-year attributable to the owners of RedHill Education Limited		598	833
		Cents	Cents
Basic earnings per share	14	2.14	2.72
Diluted earnings per share	14	2.11	2.67

Refer to note 2 for detailed information on Restatement of comparatives - adoption of AASB 16 'Leases'.

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 2019

		Consolidated	
	Note	31 Dec 2019	30 Jun 2019
		\$'000	Restated \$'000
Assets			
Current assets			
Cash and cash equivalents		11,027	12,954
Trade receivables	6	7,078	2,186
Income tax refund due		416	616
Prepayments and other assets		4,578	4,117
Total current assets		<u>23,099</u>	<u>19,873</u>
Non-current assets			
Property, plant and equipment		6,145	6,228
Right-of-use assets	7	16,327	15,487
Intangibles		7,076	6,922
Deferred tax		1,840	1,894
Other financial assets		2,406	2,522
Total non-current assets		<u>33,794</u>	<u>33,053</u>
Total assets		<u>56,893</u>	<u>52,926</u>
Liabilities			
Current liabilities			
Trade and other payables		4,374	5,396
Contract liabilities	8	15,774	12,309
Lease liabilities	9	4,146	3,657
Employee benefits		996	944
Total current liabilities		<u>25,290</u>	<u>22,306</u>
Non-current liabilities			
Lease liabilities	9	14,402	13,553
Employee benefits		40	33
Make good provision		718	613
Total non-current liabilities		<u>15,160</u>	<u>14,199</u>
Total liabilities		<u>40,450</u>	<u>36,505</u>
Net assets		<u>16,443</u>	<u>16,421</u>
Equity			
Issued capital	10	19,166	19,166
Reserves		2	22
Accumulated losses		(2,725)	(2,767)
Total equity		<u>16,443</u>	<u>16,421</u>

Refer to note 2 for detailed information on Restatement of comparatives - adoption of AASB 16 'Leases'.

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 2019

	Issued capital \$'000	Share-based payments reserves \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2018	19,000	79	-	(2,031)	17,048
Effect on adoption of AASB 16 (note 2)	-	-	-	(405)	(405)
Balance at 1 July 2018 - restated	19,000	79	-	(2,436)	16,643
Profit after income tax expense for the half-year	-	-	-	833	833
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	833	833
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	121	-	-	-	121
Share-based payments	-	48	-	-	48
Exercised options	-	(86)	-	86	-
Dividends paid (note 11)	-	-	-	(613)	(613)
Balance at 31 December 2018 - restated	19,121	41	-	(2,130)	17,032
Consolidated					
Balance at 1 July 2019	19,166	22	-	(1,885)	17,303
Effect on adoption of AASB 16 (note 2)	-	-	-	(882)	(882)
Balance at 1 July 2019 - restated	19,166	22	-	(2,767)	16,421
Profit after income tax expense for the half-year	-	-	-	658	658
Other comprehensive income for the half-year, net of tax	-	-	(60)	-	(60)
Total comprehensive income for the half-year	-	-	(60)	658	598
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments – options (note 12)	-	40	-	-	40
Share-based payments – rights (note 12)	-	55	-	-	55
Transfer back of lapsed Option (note 12)	-	(55)	-	-	(55)
Dividends paid (note 11)	-	-	-	(616)	(616)
Balance at 31 December 2019	19,166	62	(60)	(2,725)	16,443

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 2019

	Note	Consolidated	
		31 Dec 2019	31 Dec 2018
		\$'000	Restated \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,722	29,401
Payments to suppliers and employees (inclusive of GST)		(32,067)	(25,426)
		1,655	3,975
Interest received		46	48
Income taxes paid		548	(1,281)
Net cash from operating activities		2,249	2,742
Cash flows from investing activities			
Receipts/(payments) from security deposits		243	(220)
Payments for property, plant and equipment		(817)	(667)
Payments for intangibles		(341)	(238)
Net cash used in investing activities		(915)	(1,125)
Cash flows from financing activities			
Payments of lease liabilities	9	(2,643)	(2,400)
Proceeds from issue of shares	10	-	121
Dividends paid	11	(616)	(613)
Net cash used in financing activities		(3,259)	(2,892)
Net decrease in cash and cash equivalents		(1,925)	(1,275)
Cash and cash equivalents at the beginning of the financial half-year		12,954	9,980
Effects of exchange rate changes on cash and cash equivalents		(2)	-
Cash and cash equivalents at the end of the financial half-year		11,027	8,705

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 consolidated financial statements
for the half-year ended 31 December 2019

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019 and has adopted a fully retrospective approach. The new standard removes the distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts.

Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

For classification within the statement of cash flows, the interest portion and the principal portion of the lease payments are separately disclosed in financing activities.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 2.

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 1. Significant accounting policies (continued)

Right-of-use assets

The consolidated entity recognises a right-of-use asset at the commencement date of a lease.

The right-of-use asset is measured at cost. This comprises of the initial amount of the lease liability, adjusted for;

- Any lease payments made at or before the commencement date net of any lease incentives received.
- Initial direct costs incurred.
- Estimate of costs expected to be incurred for dismantling and removing the underlying asset.
- Restoring the property.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets, less than \$5,000. Lease payments on these assets will be recognised as an expense on a straight-line basis over the lease term.

Lease liabilities

A lease liability is recognised at the commencement date of a lease.

The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the consolidated entity's incremental borrowing rate.

Lease payments comprise of fixed payments less any lease incentives receivable. The variable lease payments on short term leases are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments; or the expiry date of the lease.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 2. Restatement of comparatives - adoption of AASB 16 'Leases'

The consolidated entity has adopted AASB 16 'Leases' from 1 July 2019, using the full retrospective approach, resulting in the following restatement of comparatives for the statement of financial position as at 30 June 2019:

- Additional right-of-use assets of \$15,487,000 were recognised (using a pre-tax incremental borrowing rate of 10.2% and net of accumulated depreciation).
- Additional lease liabilities of \$17,179,000 were recognised (current \$3,646,000 and non-current \$13,533,000).
- Make good asset (previously recognised under property, plant and equipment), net of accumulated depreciation has been reclassified to right-of-use assets by \$520,000.
- Non-current make good provision has decreased by \$301,000 (non-current liabilities).
- Lease incentive assets (rent free periods and annual rental increases) decreased by \$894,000 (current \$256,000 and non-current \$638,000).
- Lease incentive provision (rent free periods and annual rental increases) decreased by \$1,542,000 (current \$184,000 and non-current \$1,358,000).
- The above results in a pre-tax net liability increase to the consolidated entity's balance sheet of \$1,262,000.
- Deferred tax assets increased by \$380,500 (tax effect on adoption of AASB 16 'Leases').
- The overall impact on total equity was an increase in retained losses of \$882,000.

Corresponding adjustments were also made as at 31 December 2018, resulting in the following restatement of comparatives for the statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018:

- Depreciation of \$1,945,000 was recognised against the right-of-use assets.
- Finance costs of \$991,000 were recognised against lease liabilities.
- Lease payments of \$2,564,000 were reclassified from property and occupancy costs to payments of lease liabilities
- Income tax expense reduced by \$111,000.
- Profit after income tax expense reduced by \$261,000
- The above adjustments to the statement of profit or loss and other comprehensive income for the half-year year ended 31 December 2018 are shown below:

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 2. Restatement of comparatives - adoption of AASB 16 'Leases' (continued)

Consolidated statement of profit or loss and other comprehensive income

The adjustments to the consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2018 are shown in the table below.

	31 Dec 2018	Consolidated	31 Dec 2018
	\$'000	\$'000	\$'000
	Reported	Adjustment	Restated
Revenue from contracts with customers	28,763	-	28,763
Interest revenue	48	-	48
Expenses			
Salaries and employee benefits expense	(14,571)	-	(14,571)
Cost of services	(4,870)	-	(4,870)
Depreciation and amortisation expense	(934)	(1,945)	(2,879)
Impairment of receivables	(159)	-	(159)
Property and occupancy costs	(3,822)	2,564	(1,258)
Professional and consultancy fees	(251)	-	(251)
Marketing expenses	(1,057)	-	(1,057)
Public company related costs	(349)	-	(349)
Other expenses	(1,164)	-	(1,164)
Finance costs	-	(991)	(991)
Profit before income tax expense	1,634	(372)	1,262
Income tax expense	(540)	111	(429)
Profit after income tax expense for the half-year attributable to the owners of RedHill Education Limited	1,094	(261)	833
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year attributable to the owners of RedHill Education Limited	<u>1,094</u>	<u>(261)</u>	<u>833</u>
	Cents	Cents	Cents
	Reported	Adjustment	Restated
Basic earnings per share	3.57	(0.85)	2.72
Diluted earnings per share	3.51	(0.84)	2.67

Consolidated statement of financial position at the beginning of the earliest comparative period

Retained profits as at 1 July 2018 were restated by \$405,000, as result of right-of-use assets and lease liabilities as described above.

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 2. Restatement of comparatives - adoption of AASB 16 'Leases' (continued)

Consolidated statement of financial position at the end of the earliest comparative period

The adjustments to the consolidated statement of financial position as at 30 June 2019 are shown in the table below.

	30 Jun 2019 \$'000 Reported	Consolidated \$'000 Adjustment	30 Jun 2019 \$'000 Restated
Assets			
Current assets			
Cash and cash equivalents	12,954	-	12,954
Trade receivables	2,186	-	2,186
Income tax refund due	616	-	616
Prepayments and other assets	4,373	(256)	4,117
Total current assets	<u>20,129</u>	<u>(256)</u>	<u>19,873</u>
Non-current assets			
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
Other financial assets	3,160	(638)	2,522
Total non-current assets	<u>18,343</u>	<u>14,710</u>	<u>33,053</u>
Total assets	<u>38,472</u>	<u>14,454</u>	<u>52,926</u>
Liabilities			
Current liabilities			
Trade and other payables	5,396	-	5,396
Contract liabilities	12,309	-	12,309
Lease liabilities	11	3,646	3,657
Employee benefits	944	-	944
Other provisions	184	(184)	-
Total current liabilities	<u>18,844</u>	<u>3,462</u>	<u>22,306</u>
Non-current liabilities			
Lease liabilities	20	13,533	13,553
Employee benefits	33	-	33
Other provisions	2,272	(1,659)	613
Total non-current liabilities	<u>2,325</u>	<u>11,874</u>	<u>14,199</u>
Total liabilities	<u>21,169</u>	<u>15,336</u>	<u>36,505</u>
Net assets	<u>17,303</u>	<u>(882)</u>	<u>16,421</u>
Equity			
Issued capital	19,166	-	19,166
Reserves	22	-	22
Accumulated losses	(1,885)	(882)	(2,767)
Total equity	<u>17,303</u>	<u>(882)</u>	<u>16,421</u>

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 2. Restatement of comparatives - adoption of AASB 16 'Leases' (continued)

Consolidated statement of cash flows has been restated at the beginning of the earliest comparative period

The adjustments to the consolidated statement of cash flows for the period ending 31 December 2019 are shown in the table below.

	31 Dec 2018	Consolidated	31 Dec 2018
	\$'000	\$'000	\$'000
	Reported	Adjustment	Restated
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	29,401	-	29,401
Payments to suppliers and employees (inclusive of GST)	(27,820)	2,394	(25,426)
	<u>1,581</u>	<u>2,394</u>	<u>3,975</u>
Interest received	48	-	48
Income tax paid	(1,281)	-	(1,281)
	<u>348</u>	<u>2,394</u>	<u>2,742</u>
Net cash from operating activities			
Cash flows from investing activities			
Receipts/(payments) from security deposits	(220)	-	(220)
Payments for property, plant and equipment	(667)	-	(667)
Payments for intangibles	(238)	-	(238)
	<u>(1,125)</u>	<u>-</u>	<u>(1,125)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	121	-	121
Payments of lease liabilities	(6)	(2,394)	(2,400)
Dividend paid	(613)	-	(613)
	<u>(498)</u>	<u>(2,394)</u>	<u>(2,892)</u>
Net cash used in financing activities			
Net decrease in cash and cash equivalents	(1,275)	-	(1,275)
Cash and cash equivalents at the beginning of the financial half-year	9,980	-	9,980
	<u>8,705</u>	<u>-</u>	<u>8,705</u>
Cash and cash equivalents at the end of the financial half-year			

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

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2019	Technology & Design \$'000	Greenwich \$'000	Go Study \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	9,695	21,353	2,979	-	34,027
Intersegment sales	-	-	651	(651)	-
Total sales revenue	9,695	21,353	3,630	(651)	34,027
Other revenue	-	-	-	63	63
Total revenue	9,695	21,353	3,630	(588)	34,090
Segment operating result	2,203	5,694	614	-	8,511
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(2,322)	(2,322)
Professional and consulting fees	-	-	-	(205)	(205)
Public company related costs	-	-	-	(332)	(332)
Property and occupancy costs	-	-	-	(52)	(52)
Other expenses	-	-	-	(420)	(420)
Depreciation and amortisation	(1,245)	(1,583)	(136)	(397)	(3,361)
Finance cost	-	-	-	(942)	(942)
Interest income-unallocated	-	-	-	63	63
Profit/(loss) before income tax expense	958	4,111	478	(4,607)	940
Income tax expense					(282)
Profit after income tax expense					658
Consolidated - 31 Dec 2019					
Assets					
Segment assets	18,965	40,766	4,262	-	63,993
Intersegment eliminations					(3,765)
Unallocated assets					(3,335)
Total assets					56,893
Liabilities					
Segment liabilities	8,609	27,113	707	-	36,429
Intersegment eliminations					-
Unallocated liabilities					4,021
Total liabilities					40,450

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2018 - restated	Technology & Design \$'000	Greenwich \$'000	Go Study \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue					
Sales to external customers	10,150	15,683	2,930	-	28,763
Intersegment sales	-	-	253	(253)	-
Total sales revenue	10,150	15,683	3,183	(253)	28,763
Other revenue	-	-	-	48	48
Total revenue	10,150	15,683	3,183	(205)	28,811
Segment operating result	2,564	4,488	401	-	7,453
Unallocated items:					
Corporate, finance and IT expenses	-	-	-	(1,450)	(1,450)
Professional and consulting fees	-	-	-	(251)	(251)
Public company related costs	-	-	-	(349)	(349)
Property and occupancy costs	-	-	-	(43)	(43)
Other expenses	-	-	-	(276)	(276)
Depreciation and amortisation	(1,181)	(1,292)	(110)	(296)	(2,879)
Finance cost	-	-	-	(991)	(991)
Interest income-unallocated	-	-	-	48	48
Profit/(loss) before income tax expense	1,383	3,196	291	(3,608)	1,262
Income tax expense					(429)
Profit after income tax expense					833
Consolidated - 30 Jun 2019 - restated					
Assets					
Segment assets	21,338	29,314	4,168	-	54,820
Intersegment eliminations					(3,764)
Unallocated assets					1,870
Total assets					52,926
Liabilities					
Segment liabilities	11,136	18,094	931	-	30,161
Intersegment eliminations					-
Unallocated liabilities					6,344
Total liabilities					36,505

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 4. Revenue from contracts with customers

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Tuition related revenue	31,047	25,833
Commission revenue	2,980	2,930
	<hr/>	<hr/>
Revenue from contracts with customers	<u>34,027</u>	<u>28,763</u>

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
<i>Geographical regions</i>		
Australia	33,043	28,022
Europe	893	722
South America	91	19
	<hr/>	<hr/>
	<u>34,027</u>	<u>28,763</u>

Timing of revenue recognition

Goods transferred at a point in time	4,577	3,955
Services transferred over time	29,450	24,808
	<hr/>	<hr/>
	<u>34,027</u>	<u>28,763</u>

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 5. Expenses

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	Restated \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	497	462
Plant and equipment	402	334
Land and buildings right-of-use assets (adoption of AASB 16)	2,275	1,945
	<u>3,174</u>	<u>2,741</u>
<i>Amortisation</i>		
Copyrights	187	138
	<u>3,361</u>	<u>2,879</u>
<i>Finance costs</i>		
Interest and finance charges paid on lease liabilities (adoption of AASB 16)	942	991
<i>Leases</i>		
Short-term lease payments	190	162
Low-value assets lease payments	38	32
	<u>228</u>	<u>194</u>

Note 6. Current assets – Trade receivables

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Trade receivables	8,215	3,085
Less: Allowance for expected credit losses	(1,137)	(899)
	<u>7,078</u>	<u>2,186</u>

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 7. Non-current assets - right-of-use assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	Restated \$'000
Land and buildings - right-of-use	26,732	23,617
Less: Accumulated depreciation	<u>(10,405)</u>	<u>(8,130)</u>
	<u>16,327</u>	<u>15,487</u>

Additions to the right-of-use assets during the half-year were \$3,115,000.

The consolidated entity leases land and buildings for its campuses under 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 8. Current liabilities – contract liabilities

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Contract liabilities	<u>15,774</u>	<u>12,309</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 \$15,774,000 as at 31 Dec 2019 (30 Jun 2019: \$12,309,000) 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.

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
The ageing of the expected performance obligation of contract liabilities are as follows:		
To be realised within 4 months	<u>15,774</u>	<u>12,309</u>
<i>Deferred revenue consists of</i>		
Revenue contracts paid in advance, or due for payment	15,774	12,309
Revenue contracts not yet due for payment	<u>17,983</u>	<u>21,148</u>
Total deferred revenue	<u>33,757</u>	<u>33,457</u>

Deferred revenue 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 Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 9. Lease liabilities

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	Restated '000
Lease liabilities - current	4,146	3,657
Lease liabilities - non-current	14,402	13,553
	<u>18,548</u>	<u>17,210</u>
		Consolidated 31 Dec 2019
		\$'000
Balance at 1 July 2019		17,210
Additions – lease liability		3,044
Additions – finance cost		937
Lease payments		<u>(2,643)</u>
Balance 31 December 2019		<u>18,548</u>

The table below provides analysis of the consolidated entity's lease liabilities undiscounted contractual cashflows as at 31 December 2019 into relevant maturity groups based on the contractual maturities.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total Contractual Cashflows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000
Undiscounted lease payments	<u>5,815</u>	<u>5,882</u>	<u>10,883</u>	<u>22,580</u>	<u>18,548</u>

Note 10. Equity - issued capital

	Consolidated			
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>30,815,885</u>	<u>30,815,885</u>	<u>19,166</u>	<u>19,166</u>

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 11. Equity - dividends

Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Dividends paid during the reporting period	616	613

Franking credits

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Franking credits available at the reporting date based on a tax rate of 30%	2,793	2,138
Franking credits available for subsequent financial years based on a tax rate of 30%	2,793	2,138

Note 12. Equity - reserves

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Share-based payments reserve	62	22

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services under the consolidated entity's Employee Share Incentive Plan.

Movements in reserves

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

Consolidated	Share-based payments
	\$'000
Balance at 1 July 2018	79
Share-based payments	57
Transfer back of forfeited options	(5)
Transfer back of lapsed options	(19)
Fair value of exercised options	(90)
Balance at 30 June 2019	22
Share-based payments – options	40
Share-based payments - rights	55
Transfer back of forfeited options	(55)
Balance at 31 December 2019	62

RedHill Education Limited and Controlled Entities
Notes to the consolidated financial statements
for the half-year ended 31 December 2019

Note 13. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2019 of \$4,262,742 (30 June 2019: \$3,334,162) to various lessors.

Note 14. Earnings per share

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	Restated \$'000
Profit after income tax attributable to the owners of RedHill Education Limited	658	833
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	30,815,885	30,676,284
Adjustments for calculation of diluted earnings per share:		
Exercisable options	385,000	469,167
Weighted average number of ordinary shares used in calculating diluted earnings per share	31,200,885	31,145,451
	Cents	Cents
Basic earnings per share	2.14	2.72
Diluted earnings per share	2.11	2.67

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 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.

RedHill Education Limited and Controlled Entities
Directors' declaration
for the half-year ended 31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



William J. Beerworth
Chairman

26 February 2020
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 2019, the consolidated statement of profit or loss and other 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 consolidated entity's financial position as at 31 December 2019 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 report.

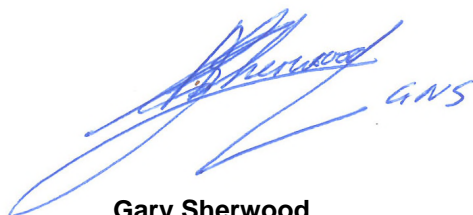
Conclusion

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 consolidated entity's financial position as at 31 December 2019 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


GNS

Gary Sherwood
Partner

Sydney, NSW
Dated: 26 February 2020