



**REDHILL EDUCATION**

## **REDHILL EDUCATION LIMITED**

**ABN 41 119 952 493**

### **Appendix 4D**

**for the six months ended 31 December 2010**

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**Lodged with the ASX under Listing Rule 4.2A.3**

This report is to be read in conjunction with the Annual Report for the year ended 30 June 2010 and any ASX and/or public announcements made by RedHill Education Limited since the release of that Report.

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**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	<b>6 Months Ended 31 December 2010</b>		<b>6 Months Ended 31 December 2009</b>		<b>% Change</b>
	<b>\$</b>		<b>\$</b>		
Revenue from ordinary activities	6,568,462	from	4,042,783	Increase	62%
Profit/(loss) from ordinary activities after tax attributable to members	(33,303)	from	287,728	Decrease	(112%)
Net profit/(loss) for the period attributable to members	(33,303)	from	287,728	Decrease	(112%)

**Dividends**

It is not proposed to pay a dividend.

**Explanation of result**

The consolidated group, which comprises RedHill Education Limited and its controlled entities (“the company”), made a net loss before tax of \$276,787 and a net loss after tax of \$33,303 for the six months ending 31 December 2010.

Total revenue for the six months ended 31 December 2010 increased by 62% to \$6.6 million. This was below expectations) due to competitive and regulatory pressures on the company’s key markets (please refer to further details below).

Corporate overhead costs, excluding depreciation, for the half-year to 31 December 2010 accounted for approximately \$990,000. These costs related to in some part to the establishment of corporate head office, incremental costs of being a public company, and costs associated with the integration of acquired businesses.

On 7 February 2011, the company announced a substantial reduction of its full year earnings forecast as per the prospectus dated 24 August 2010 and provided the following principal reasons:

- deepening impact of restrictive Federal Government international student policy changes
- increasingly negative reputation of Australia as a destination for overseas students
- rhetoric and commentary during the August Federal Election that exacerbated the impression that Australia will retain stringent immigration controls and a relatively low immigration rate
- Chinese Government recommendations preferring Australian public educational institutions to private
- increasingly aggressive campaigns by Canada, the United Kingdom, the United States and Singapore to attract overseas students at the same time as Australia appears to be discouraging them
- sharply increased commission demands in a diminishing student pool by agencies which recommend institutions to students
- aggressive fee cost cutting by other private education businesses switching from permanent residency driven courses to compete in English language courses
- continued and sustained increase in the value of the Australian dollar

**RESULTS FOR ANNOUNCEMENT TO THE MARKET (cont.)**

The Government had been expected to address the adverse impact of its policies on the international student sector, but this has not occurred. Accordingly, the difficult trading conditions experienced in the first half are likely also to impact earnings in the second half.

RedHill also announced on 7 February 2011 that its revised full year earnings forecast of pro forma EBITDA is approximately \$1M compared to its original forecast of \$4.9M. This forecast assumes no substantial growth in student numbers during the second half of the financial year.

Key international markets continue to be severely impacted by changes to Government policy and negative perceptions of Australia and Australian education. Promising indications in late 2010 that these issues would be addressed by the Federal Government did not materialise into policy changes. In fact, Visa approval processes have become even more difficult, uncertain and costly for overseas students.

The implications for key overseas markets have been far more extensive than were originally expected, and now extend well beyond India and the subcontinent—where RedHill has limited exposure—to more traditional markets including Asia, Europe and South America.

In contrast, alternative overseas markets (including Canada, the UK, and the USA ) have simultaneously exploited the situation in Australia by implementing aggressive policy changes to attract international students, including simplification of Visa approvals and relaxed residency requirements. These countries are moving to provide Visa approvals quickly and easily whereas Australia has significantly increased its rejection rate and is imposing new restrictive conditions.

The impact on RedHill's operations has been as follows:

English language

The combined effects of the reputational, regulatory and competitive issues outlined above have reversed the stabilising market conditions in the English language business experienced in late 2010. Pricing pressures in the onshore student market have increased. Applicants from "Level 1" countries are now being subjected by Australian authorities to the same restrictive scrutiny previously reserved for other countries. Many of these applicants find Australian application conditions unacceptable.

Information Technology

The company's information technology college has experienced a disappointing response to its marketing efforts, particularly in the "school leavers" category and among overseas students. This will impact the important March 2011 intake which includes its new higher education program, international and domestic (fee help) students.

RedHill is increasing its international and domestic marketing effort, including a closer focus on career advisors, and remains confident that the information technology college's reputation, curriculum and state-of-the-art facilities offered at its new Campus will attract forecast levels of students over time.

Creative arts college and education services agency

RedHill's creative arts college and its education services agency, are expected to perform to forecasts.

**RESULTS FOR ANNOUNCEMENT TO THE MARKET (cont.)**

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The Company is taking action to address these issues, including:

- rigorous focus on costs, particularly at the corporate head office
- targeted marketing initiatives in domestic and international markets
- expanding the education services agency's ability to offer courses in other countries
- pursuit of Australian and international collaborations

In the circumstances, the Directors resolved not to pay a dividend this financial year.

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	<u>31 December 2010</u>	<u>31 December 2009</u>
<b>Net tangible assets per fully paid ordinary share</b>	\$0.10	\$0.06

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**Control gained over entities**

Details regarding the acquisition made by the group during the half-year are disclosed in the attached interim financial report.

**Interim financial report**

The interim financial report is attached. The independent auditor's review report is provided as an attachment to the Appendix 4D.



**Henry William Walter Deane**  
**Director**  
Sydney, 28 February 2011



**REDHILL EDUCATION**

**REDHILL EDUCATION LIMITED**

**ABN 41 119 952 493**

**Interim Financial Report**

**for the six months ended 31 December 2010**

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**CORPORATE INFORMATION**

**Directors**

Mr William John Beerworth  
The Hon. Bruce George Baird AM  
Mr Paul Xavier Tobin  
Mr Henry William Walter Deane  
Mr James William Hyndes  
Mr Benjamin Joseph Lunn

**Company Secretaries**

Mr Mark Zworestine  
Mr Henry William Walter Deane

**Registered Office**

Suite 302, 19A Boundary Street  
Rushcutters Bay NSW 2011

**Share Registry**

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street  
Sydney NSW 2000

RedHill Education Limited shares are listed on the Australian Securities Exchange (ASX Code: RDH).

**Solicitors**

Norton Rose  
Level 18, 225 George Street  
Sydney NSW 2000

**Auditors**

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000

**Internet Address**

[www.redhilleducation.com](http://www.redhilleducation.com)

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**DIRECTOR'S REPORT**

**DIRECTORS**

The names and details of the company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr William John Beerworth  
The Hon. Bruce George Baird AM  
Mr Paul Xavier Tobin  
Mr Henry William Walter Deane  
Mr James William Hyndes  
Mr Benjamin Joseph Lunn

**Company Secretaries**

Mr Mark Zworestine  
Mr Henry William Walter Deane

**REVIEW AND RESULTS OF OPERATIONS**

A summary of consolidated revenue and results for the half-year by significant industry segment is set out below:

**Segment information**

<b>Half-year 2010</b>	<b>Information technology</b>	<b>Creative arts</b>	<b>English language</b>	<b>Student agency</b>	<b>Total</b>
Total segment revenue	1,538,214	1,075,078	2,977,492	1,016,529	<b>6,607,313</b>
Inter segment revenue			(35,860)	(123,615)	<b>(159,475)</b>
<b>Revenue from external customers</b>	<b>1,538,214</b>	<b>1,075,078</b>	<b>2,941,632</b>	<b>892,914</b>	<b>6,447,838</b>
<b>Adjusted EBITDA</b>	<b>638,608</b>	<b>241,263</b>	<b>(487,505)</b>	<b>(5,426)</b>	<b>386,940</b>
<b>Head office cost allocation</b>	<b>18%</b>	<b>18%</b>	<b>32%</b>	<b>32%</b>	<b>100%</b>

**Half year 2009**

Total segment revenue	-	-	3,352,633	767,704	<b>4,120,337</b>
Inter segment revenue	-	-	-	(101,344)	<b>(101,344)</b>
<b>Revenue from external customers</b>	<b>-</b>	<b>-</b>	<b>3,352,633</b>	<b>666,360</b>	<b>4,018,993</b>
<b>Adjusted EBITDA</b>	<b>-</b>	<b>-</b>	<b>387,797</b>	<b>(48,293)</b>	<b>339,504</b>
<b>Head office cost allocation</b>	<b>-</b>	<b>-</b>	<b>50%</b>	<b>50%</b>	<b>100%</b>

**Total segment assets**

31 December 2010	8,802,762	1,337,203	1,843,395	680,056	<b>12,663,416</b>
30 June 2010	-	-	2,315,285	373,936	<b>2,689,221</b>

**Explanation of result**

The consolidated group, which comprises RedHill Education Limited and its controlled entities ("the company") made a net loss before tax of \$276,787 and a net loss after tax of \$33,303 for the six months ending 31 December 2010.

Total revenue for the six months ending 31 December 2010 increased by 62% to \$6.6 million (below expectations) due to competitive and regulatory pressures on the company's key markets (please refer to further details below).



**DIRECTOR'S REPORT (cont.)**

Corporate overhead costs, excluding depreciation, for the half-year to 31 December 2010 accounted for approximately \$990,000. These costs related to in some part to the establishment of corporate head office, incremental costs of being a public company, and costs associated with the integration of acquired businesses.

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**DIRECTOR'S REPORT (cont.)**

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**EVENTS AFTER BALANCE DATE**

On 7 February 2011, the company announced that its revised full year earnings forecast of pro forma EBITDA is approximately \$1M compared to its original forecast of \$4.9M. This forecast assumed no substantial growth in student numbers during the second half of the financial year.

There has not arisen in the interval between 1 January 2011 and the date of this report any other item, transactions or events of a material and unusual nature likely, in the opinion of the directors of the company, to significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

**AUDITOR INDEPENDENCE**

We have obtained the independence declaration from our auditors, PricewaterhouseCoopers, a copy of which is included in the interim financial report at page 7.

Signed in accordance with a resolution of the directors.



**Henry William Walter Deane**  
Director  
Sydney, 28 February 2011

## Auditor's Independence Declaration

As lead auditor for the review of RedHill Education Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
  - b) no contraventions of any applicable code of professional conduct in relation to the review.
- This declaration is in respect of RedHill Education Limited and the entities it controlled during the period.



Manoj Santiago  
Partner  
PricewaterhouseCoopers

Sydney  
28 February 2011

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## STATEMENT OF COMPREHENSIVE INCOME – 6 MONTHS ENDED 31 DECEMBER 2010

	CONSOLIDATED	
	6 Months ended	
	31 December 2010	31 December 2009
	\$	\$
<b>Revenue</b>		
Net revenue	6,447,838	4,018,993
Interest and other revenue	120,624	23,791
	<b>6,568,462</b>	<b>4,042,784</b>
<b>Expenses</b>		
Salaries and employee benefits expense	3,663,572	1,981,092
Agent fees	783,714	636,456
Depreciation and amortisation	153,213	20,536
Property and occupancy costs	905,987	417,473
Professional and consulting fees	225,709	112,924
Marketing	262,978	136,147
Public company related costs	128,099	-
Other expenses	721,977	395,936
	<b>6,845,249</b>	<b>3,700,564</b>
<b>Loss before tax</b>	(276,787)	342,220
Income tax (benefit)/expense	(243,484)	54,492
<b>Comprehensive loss for the period after tax</b>	<b>(33,303)</b>	<b>287,728</b>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive (loss)/profit for the period</b>	<b>(33,303)</b>	<b>287,728</b>
<b>Basic profit per share (cents per share) for the period, attributable to ordinary equity members of RedHill Education Limited</b>	(0.17)	0.03
<b>Diluted/profit per share (cents per share) for the period, attributable to ordinary equity members of RedHill Education Limited</b>	(0.17)	0.02

The accompanying notes form part of these financial statements.

REDHILL EDUCATION LIMITED – INTERIM FINANCIAL REPORT  
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Notes	CONSOLIDATED	
		31 December 2010 \$	30 June 2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	8,236,271	1,476,689
Trade and other receivables		1,503,000	1,230,938
Acquisition adjustment receivable from vendors		1,829,321	-
Other		1,355,173	27,222
<b>Total Current Assets</b>		<b>12,923,765</b>	<b>2,734,849</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		1,353,847	140,814
Intangible assets		14,284,441	14,165
Deferred tax assets		1,237,770	275,080
<b>Total Non-Current Assets</b>		<b>16,876,058</b>	<b>430,059</b>
<b>Total Assets</b>		<b>29,799,823</b>	<b>3,164,908</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		7,977,520	2,237,263
Pre acquisition dividend payable to vendors		4,421,865	-
Current tax liabilities		346,370	180,158
<b>Total Current Liabilities</b>		<b>12,745,755</b>	<b>2,417,421</b>
<b>Non-Current Liabilities</b>			
Provisions		25,580	84,180
Deferred tax liability		85,060	-
<b>Total Non-Current Liabilities</b>		<b>110,640</b>	<b>84,180</b>
<b>Total Liabilities</b>		<b>12,856,395</b>	<b>2,501,601</b>
<b>Net Assets</b>		<b>16,943,428</b>	<b>663,307</b>
<b>EQUITY</b>			
Contributed equity	7	18,508,809	2,485,320
Reserves		289,935	-
Accumulated losses		(1,855,316)	(1,822,013)
<b>Total Equity</b>		<b>16,943,428</b>	<b>663,307</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY – 6 MONTHS ENDED 31 DECEMBER 2010

	CONSOLIDATED				
	Issued Capital \$	Reserves \$	Accumulated Losses \$	Minority Interest \$	Total \$
<b>As at 1 July 2009</b>	2,460,320	(523,946)	(1,238,826)	(171,011)	<b>526,537</b>
Exchange differences on translation of foreign operation	-	(4,798)	-	-	<b>(4,798)</b>
Profit for the half year	-	-	287,728	-	<b>287,728</b>
Minority interest movement	-	-	(199,573)	171,011	<b>(28,562)</b>
Employee share options - value of employee services	-	8,802	-	-	<b>8,802</b>
<b>As at 31 December 2009</b>	<b>2,460,320</b>	<b>(519,942)</b>	<b>(1,150,671)</b>	-	<b>789,707</b>
<b>As at 1 July 2010</b>	2,485,320	-	(1,822,013)	-	<b>663,307</b>
Profit/(loss) for the half year			(33,303)		<b>(33,303)</b>
Capital raising net of associated costs and tax	14,567,756	-	-	-	<b>14,567,756</b>
Shares issued as part consideration for acquisition	1,206,566	-	-	-	<b>1,206,566</b>
Shares issued as consideration for services relating to the capital raising	82,500	-	-	-	<b>82,500</b>
Shares issued to the CEO under the terms of his contract of employment	166,667	-	-	-	<b>166,667</b>
Share based payments reserve		289,935			<b>289,935</b>
<b>As at 31 December 2010</b>	<b>18,508,809</b>	<b>289,935</b>	<b>(1,855,316)</b>	-	<b>16,943,428</b>

The accompanying notes form part of these financial statements.

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## STATEMENT OF CASHFLOWS – 6 MONTHS ENDED 31 DECEMBER 2010

	CONSOLIDATED	
	31 December	31 December
	2010	2009
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	6,608,234	4,698,441
Payments to suppliers and employees	(6,859,184)	(4,386,353)
Interest received	119,630	23,252
Income tax refund	58,346	-
<b>Net cash from operating activities</b>	<b>(72,974)</b>	<b>335,340</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	(6,210,220)	-
Payments for plant and equipment	(911,480)	26,361
<b>Net cash flows used in investing activities</b>	<b>(7,121,700)</b>	<b>26,361</b>
<b>Cash flows from financing activities</b>		
Net proceeds from share placement	13,954,256	-
<b>Net cash flows used in financing activities</b>	<b>13,954,256</b>	<b>-</b>
Net increase / (decrease) in cash and cash equivalents	<b>6,759,582</b>	<b>361,701</b>
Cash and cash equivalents at beginning of period	1,476,689	1,648,715
<b>Cash and cash equivalents at end of period</b>	<b>8,236,271</b>	<b>2,010,416</b>

The accompanying notes form part of these financial statements.

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## 1. Corporate Information

The financial report of RedHill Education Limited, for the half-year ended 31 December 2010 was authorised for issuance in accordance with a resolution of the directors on 28 February 2011. RedHill Education Limited is a company limited by shares, which are publicly traded on the Australian Securities Exchange.

## 2. Summary of Significant Accounting Policies

### a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by RedHill Education Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from any changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

### b) Changes in accounting policy AASB 134.16(a)

The Group has not elected to early adopt any new standards or amendments.

### c) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010.

### d) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of RedHill Education Limited and its subsidiaries as at 31 December 2010 ('the Entity', 'the Group' or 'RedHill Education Limited').

Subsidiaries are consolidated from the date on which control is transferred to the consolidated entity. RedHill Education Limited gained control of the information technology and creative arts colleges on 15 September 2010.

### e) Changes in accounting policies

Certain Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted by the company for the interim reporting period. The directors have not yet assessed the impact of these new or amended standards (to the extent relevant to the group) and interpretations.

### f) Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.



In preparing this consolidated interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010.

**g) Going concern**

For the half year ended 31 December 2010 the consolidated entity had a loss after income tax of \$33,303 and deficiency in operating cashflow of \$72,974. As outlined in the Directors' report, the company has revised downwards its normalised pro forma EBITDA forecast communicated in its prospectus.

At 31 December 2010 the consolidated entity had capital reserves of \$16.9 million and cash equivalents of \$8.2million.

The directors are of the view that the consolidated entity has adequate cash and there is no material uncertainty as to its ability to continue as a going concern and that the consolidated entity will realise its assets and liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

**3. Property plant and equipment**

During the half-year ended 31 December 2010, the group acquired plant and equipment to the value of \$0.9 million. This predominantly related to the relocation and fitout for the new information technology college's campus.

**4. Commitments and contingencies**

Since the last annual reporting date and to 31 December 2010, there has been no material change of any contingent liabilities or contingent assets as reported in the 30 June 2010 annual report.

During the half-year ended 31 December 2010, the information technology college moved into a new campus during November 2010 and executed a seven year lease. The commitment associated with this is as follows:

Payable in the next year	860,919
Payable in years 2 to 5	3,848,921
Payable after 5 years	<u>2,096,735</u>
	<b><u>6,806,575</u></b>

**5. Segment information**

The Company operates in the following segments:

- Information technology education
- Creative arts education
- English language education
- Student agency services

The colleges are in one geographical segment, which is Australia. The study agency operates in Australia, Brazil, Colombia, Italy and Spain.

The segment information determined by management for the reportable segments for the half-year ended 31 December 2010 is as follows:

**NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 December 2010 (cont.)**

Half-year 2010	Information technology	Creative arts	English language	Student agency	Total
Total segment revenue	1,538,214	1,075,078	2,977,492	1,016,529	<b>6,607,313</b>
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<b>Adjusted EBITDA</b>	<b>-</b>	<b>-</b>	<b>387,797</b>	<b>(48,293)</b>	<b>339,504</b>
<b>Head office cost allocation</b>	<b>-</b>	<b>-</b>	<b>50%</b>	<b>50%</b>	<b>100%</b>
<b>Total segment assets</b>					
31 December 2010	8,802,762	1,337,203	1,843,395	680,056	<b>12,663,416</b>
30 June 2010	-	-	2,315,285	373,936	<b>2,689,221</b>

Management assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs. Furthermore, the measure excludes the effects of equity-settled share-based payments.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

<b>Reconciliation of adjusted EBITDA to operating profit</b>	<b>2010</b>	<b>2009</b>
<b>Adjusted EBITDA</b>	<b>386,940</b>	<b>339,504</b>
Interest revenue	120,624	23,791
Finance costs	(995)	(539)
Depreciation and amortisation expenses	(153,213)	(20,536)
Earnout	(243,248)	-
Cost of acquisitions	(90,050)	-
Deferred revenue adjustment on consolidation	(210,630)	-
Relocation costs	(86,215)	-
<b>Profit before income tax from continuing operations</b>	<b>(276,787)</b>	<b>342,220</b>

The amounts provided to the chief Operating Decision Maker with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

<b>CONSOLIDATED</b>	
<b>31 December</b>	<b>30 June</b>
<b>2010</b>	<b>2010</b>
<b>\$</b>	<b>\$</b>

**6. Cash and cash equivalents**

Cash at bank and in hand	8,229,313	1,468,682
Other cash and cash equivalents	6,958	8,007
	<b>8,236,271</b>	<b>1,476,689</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 December 2010 (cont.)**

	CONSOLIDATED		CONSOLIDATED	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	Number of shares		\$	
<b>7. Contributed equity</b>				
<b>(a) Issued and paid up capital</b>				
Ordinary Shares, fully paid, pre share split	-	2,792,942	-	-
Ordinary Shares, fully paid, post share split	27,000,000	9,459,593	18,508,809	2,460,320
<b>(b) Movements in shares on issue</b>				
<b>Ordinary Shares, fully paid</b>				
Beginning of the half year	9,544,267	9,459,593	2,485,320	2,460,320
Minority interest acquired	-	-	-	-
Shares issued as part consideration for acquisition	1,206,566	-	1,206,566	-
Shares issued as consideration for services relating to the capital raising	82,500	-	82,500	-
Shares issued to the CEO under the terms of his contract of employment	166,667	-	166,667	-
Shares issued for capital raising	16,000,000	-	16,000,000	-
Costs associated with the capital raising net of tax	-	-	(1,432,244)	-
<b>End of the half-year</b>	<b>27,000,000</b>	<b>9,459,593</b>	<b>18,508,809</b>	<b>2,460,320</b>

**8. Related party transactions**

During the half-year, the company paid fees of \$41,243 for consulting services to Exto Partners Pty Limited. Mr Deane is a director and shareholder of this entity. The services were provided on commercial terms.

As noted in the company's prospectus, a loan was provided to the CEO to acquire shares in the entity.

	Academy of Information Technology Pty Limited	International School of Colour and Design Pty Limited
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**9. Controlled entities acquired**

Date control gained	15 September 2010	15 September 2010
Contribution to profit from ordinary activities after tax in current period, where material	685,288	361,544
Profit from ordinary activities after tax during the whole of the previous corresponding period, where material	1,052,581	850

At the date of this financial report, the accounting for business combinations has not yet been finalised and has therefore been calculated provisionally.

On 15 September 2010, Redhill acquired 100% of the issued shares in the following two companies:

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

The original purchase price of AIT was \$11,114,276 and comprised the following:

A cash component of \$9,907,710 and a shares component equal to \$1,206,566 by way of the issue of shares to AIT key personnel at the issue price of the new capital raised of \$1.00 per share. ie. 1,206,566 shares.

On completion, all AIT sellers received 70% of the cash component and the AIT key personnel received 100% of the shares component. The remaining 30% of the cash component was deposited into an escrow account and released to the AIT sellers (less any setoff for the amount of any warranty claim) in the following manner:

**NOTES TO THE FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 December 2010 (cont.)**

- 66.7% after the first anniversary of the completion date; and
- 33.3% after the second anniversary of the completion date.

The cash consideration has been reduced by \$1.8 million.

The purchase price of ISCD was \$3,875,000 plus a deferred amount of up to \$2,025,000, less an expected working capital contribution of \$440,000. The full amount is paid in cash.

The initial \$3,875,000 was paid on or prior to the completion date of 15 September 2010.

The deferred payment amount is payable as follows:

- If the June 2011 audited gross sales is greater than 80% of the June 2010 audited gross sales, then the deferred payment amount is \$2,025,000 less the expected contribution.
- If the June 2011 audited gross sales are 80% or less of the June 2010 audited gross sales, then the deferred payment amount is \$1,012,500 less the expected contribution.

ISCD is currently on target to exceed 80% of the June 2010 audited gross sales and accordingly, a liability of \$1,585,000 has been recognised the accounts.

<b>Details of the purchase consideration</b>	\$ AIT	\$ ISCD	\$ Total
Cash paid	8,078,389	3,875,000	11,953,389
Equity consideration	1,206,566	-	1,206,566
Contingent consideration	-	1,585,000	1,585,000
	<b>9,284,955</b>	<b>5,460,000</b>	<b>14,744,955</b>

<b>Assets and liabilities recognised as a result of the acquisitions</b>	Fair value AIT \$	Fair value ISCD \$	Fair value Total \$
Cash and cash equivalents	6,873,540	199,400	7,072,940
Property plant and equipment	473,621	44,694	518,315
Intangible assets	9,730	-	9,730
Identifiable intangibles	462,994	281,926	744,920
Receivables	22,262	531,146	553,408
Other current assets	694,313	24,663	718,976
Net deferred tax assets	(3,540)	120,062	116,522
Deferred revenue	(1,841,534)	(1,086,233)	(2,927,767)
Payables	(630,292)	(326,808)	(957,100)
Pre acquisition dividend payable to vendors	(4,421,865)	-	(4,421,865)
Provisions	(79,367)	(55,708)	(135,075)
Net identifiable assets acquired	<b>1,559,862</b>	<b>(266,858)</b>	<b>1,293,004</b>
Add goodwill	7,725,093	5,726,858	13,451,951
	<b>9,284,955</b>	<b>5,460,000</b>	<b>14,744,955</b>

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of RedHill Education Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes set out on pages 8 to 16 are in accordance with the Corporations Act 2001, including:
  - (i) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date, and
- (b) There are reasonable grounds to believe that RedHill Education Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



**Henry William Walter Deane**

**Director**

Sydney, 28 February 2011

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## 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 statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the RedHill Education Limited Group (the consolidated entity). The consolidated entity comprises both RedHill Education Limited (the company) and the entities it controlled during that 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 (including the Australian Accounting Interpretations) 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 an Interim 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 2010 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

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**Independent auditor's review report to the members of  
RedHill Education Limited (continued)**

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the Company for the half-year ended 31 December 2010 included on RedHill Education Limited's web site. The company's directors are responsible for the integrity of the RedHill Education Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*

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

*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 2010 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*.

PricewaterhouseCoopers



Manoj Santiago  
Partner

Sydney  
28 February 2011

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