



ASX / MEDIA RELEASE

14 AUGUST 2014

RedHill Education Limited FY2014 Preliminary Final Report

RedHill Education Limited (**RedHill**) today released its Preliminary Final Report for the financial year ended 30 June 2014.

The consolidated RedHill group reported the following results:

- Revenues of **\$19.2 million**, a 19% increase over the previous corresponding financial period.
- Earnings before interest, taxation, depreciation and amortisation ('EBITDA')* of **\$2.7 million**, a 110% improvement over the previous corresponding financial period EBITDA of \$1.3 million.
- Net profit after income tax of **\$4.8 million**, an improvement of \$5.7 million over the previous corresponding financial period net loss of \$0.9 million.
- Full year positive net cashflow from operating activities of **\$3.2 million**, a 93% improvement over the previous corresponding financial period net positive cashflow from operating activities of \$1.6 million.
- A cash balance of **\$6.0 million** at 30 June 2014.

Each of RedHill's business units reported revenue and EBITDA improvements over the previous corresponding financial period.

RedHill Chief Executive Officer, Mr Glenn Elith, commented:

"RedHill's excellent financial results reflect the enthusiasm of all our staff and the determination of our leadership team. In addition, there have been significant innovations at each of our business units to enhance the student experience and strengthen our brands."

* 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 net profit for the financial year ended 30 June 2014 is included in the attached Preliminary Final Report.

CONTACT

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About RedHill Education

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 2014
Previous period:	For the year ended 30 June 2013

2. Results for announcement to the market

	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000	% change
Revenues from ordinary activities	19,215	16,103	19%
EBITDA *	2,713	1,293	110%
Profit/(loss) from ordinary activities after tax attributable to the shareholders of RedHill Education Limited	4,816	(874)	651%
Profit/(loss) for the year attributable to the shareholders of RedHill Education Limited	4,816	(874)	651%
Cash and cash equivalents	5,987	3,917	53%

Comments on financial performance

The profit for the consolidated entity after providing for income tax amounted to \$4,816,000 (30 June 2013: loss of \$874,000).

The consolidated earnings before interest, tax, depreciation and amortisation ('EBITDA') was \$2,713,000 (30 June 2013: \$1,293,000).

Each business unit and the consolidated entity reported revenue and EBITDA growth against the previous corresponding financial year.

* Earnings before interest, taxation, depreciation and amortisation ('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 2014 \$'000	2013 \$'000
EBITDA	2,713	1,293
Less: Depreciation and amortisation	(627)	(2,218)
Less: Finance cost	(3)	-
Add: Interest income	98	72
Profit/(loss) before income tax benefit/(expense)	2,181	(853)
Income tax benefit/(expense)	2,635	(21)
Profit/(loss) after income tax	<u>4,816</u>	<u>(874)</u>

RedHill Education Limited
Appendix 4E
Preliminary Final Report

Amortisation of intangible assets other than goodwill associated with the purchase of Academy of Information Technology and International School of Colour and Design business units in 2010 was completed during the full year ended 30 June 2014. Amortisation expense in the full-year ended 30 June 2014 was \$81,000 (30 June 2013: \$1,525,000).

At the financial year ended 30 June 2014, the consolidated entity recorded a \$2,661,000 tax benefit from the re-recognition of its deferred tax asset, attributable to both unused tax losses and favourable timing differences held in the tax balance sheet (30 June 2013: \$nil). The accounting for the deferred tax asset is deemed appropriate as there is convincing evidence that the consolidated entity will generate sufficient profit in the foreseeable future to utilise these tax benefits.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per share	<u>14.31</u>	<u>(1.04)</u>

4. Dividends

Current period

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

Previous period

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

5. Audit qualification or review

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

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

6. Attachments

Details of attachments (if any):

The Preliminary Financial Report for the year ended 30 June 2014 is attached.

7. Signed



Signed _____

Date: 14 August 2014

William J. Beerworth
Chairman
Sydney



REDHILL EDUCATION

**RedHill Education Limited
and Controlled Entities**

ABN 41 119 952 493

**Preliminary Financial Report
for the Year Ended
30 June 2014**

RedHill Education Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

		Consolidated	
	Note	2014	2013
		\$'000	\$'000
Revenue	1	19,215	16,103
Expenses			
Salaries and employee benefits expense		(9,259)	(8,057)
Cost of services		(2,065)	(1,909)
Depreciation and amortisation expense		(627)	(2,218)
Property and occupancy costs		(2,562)	(2,468)
Professional and consulting fees		(422)	(507)
Marketing expenses		(1,008)	(873)
Public company related costs		(316)	(280)
Other expenses		(772)	(644)
Finance costs		(3)	-
Profit/(loss) before income tax (expense)/benefit		2,181	(853)
Income tax (expense)/benefit	2	2,635	(21)
Profit/(loss) after income tax expense for the year attributable to the owners of RedHill Education Limited		4,816	(874)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(4)	-
Other comprehensive income for the year, net of tax		(4)	-
Total comprehensive income for the year attributable to the owners of RedHill Education Limited		4,812	(874)
		Cents	Cents
Basic earnings per share	15	15.97	(2.99)
Diluted earnings per share	15	15.94	(2.99)

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

RedHill Education Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 \$'000	2013 \$'000
Assets			
Current assets			
Cash and cash equivalents		5,987	3,917
Trade and other receivables	4	2,658	1,174
Other		646	675
Total current assets		<u>9,291</u>	<u>5,766</u>
Non-current assets			
Property, plant and equipment	5	1,876	1,647
Intangibles	6	6,340	6,301
Deferred tax	7	2,661	-
Other		1,100	840
Total non-current assets		<u>11,977</u>	<u>8,788</u>
Total assets		<u>21,268</u>	<u>14,554</u>
Liabilities			
Current liabilities			
Trade and other payables	8	8,741	7,017
Finance lease		55	-
Employee benefits		267	263
Provisions		216	147
Total current liabilities		<u>9,279</u>	<u>7,427</u>
Non-current liabilities			
Finance lease		100	-
Employee benefits		120	99
Provisions	9	1,111	1,242
Total non-current liabilities		<u>1,331</u>	<u>1,341</u>
Total liabilities		<u>10,610</u>	<u>8,768</u>
Net assets		<u>10,658</u>	<u>5,786</u>
Equity			
Contributed equity	10	18,747	18,735
Reserves	11	86	(499)
Accumulated losses		(8,175)	(12,450)
Total equity		<u>10,658</u>	<u>5,786</u>

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

RedHill Education Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2012	18,418	(180)	(11,576)	6,662
Loss after income tax (expense)/benefit for the year	-	-	(874)	(874)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(874)	(874)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	7	-	7
Share-based payment as earn-out for acquisition of subsidiary	317	(326)	-	(9)
Balance at 30 June 2013	<u>18,735</u>	<u>(499)</u>	<u>(12,450)</u>	<u>5,786</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2013	18,735	(499)	(12,450)	5,786
Profit after income tax (expense)/benefit for the year	-	-	4,816	4,816
Other comprehensive income for the year, net of tax	-	(4)	-	(4)
Total comprehensive income for the year	-	(4)	4,816	4,812
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	12	-	-	12
Share-based payments	-	48	-	48
Transfer of non-controlling interest (note 11)	-	541	(541)	-
Balance at 30 June 2014	<u>18,747</u>	<u>86</u>	<u>(8,175)</u>	<u>10,658</u>

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

RedHill Education Limited
Statement of cash flows
For the year ended 30 June 2014

		Consolidated	
	Note	2014	2013
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		18,517	16,759
Payments to suppliers and employees (inclusive of GST)		(15,409)	(15,161)
		3,108	1,598
Interest received		98	72
Interest and other finance costs paid		(3)	-
Income taxes paid		(26)	(21)
Net cash from operating activities	14	3,177	1,649
Cash flows from investing activities			
Payments for security deposits		(361)	-
Payments for property, plant and equipment		(751)	(198)
Payments for intangibles		(162)	(123)
Proceeds from sale of property, plant and equipment		-	14
Net cash used in investing activities		(1,274)	(307)
Cash flows from financing activities			
Proceeds from issue of shares		12	-
Proceeds of leases		155	-
Net cash from financing activities		167	-
Net increase in cash and cash equivalents		2,070	1,342
Cash and cash equivalents at the beginning of the financial year		3,917	2,575
Cash and cash equivalents at the end of the financial year		<u>5,987</u>	<u>3,917</u>

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

RedHill Education Limited
Notes to the financial statements
30 June 2014

Note 1. Revenue

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Sales revenue</i>		
Tuition related revenue	16,035	13,709
Commission revenue	3,082	2,322
	<u>19,117</u>	<u>16,031</u>
<i>Other revenue</i>		
Interest	98	72
Revenue	<u>19,215</u>	<u>16,103</u>

Note 2. Income tax expense/(benefit)

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Income tax expense/(benefit)</i>		
Current tax	26	21
Deferred tax - origination and reversal of temporary differences	<u>(2,661)</u>	<u>-</u>
Aggregate income tax expense/(benefit)	<u>(2,635)</u>	<u>21</u>
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets (note 7)	<u>(2,661)</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit/(loss) before income tax (expense)/benefit	<u>2,181</u>	<u>(853)</u>
Tax at the statutory tax rate of 30%	654	(256)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
- Foreign branch income	(158)	(156)
- Foreign branch tax expense	26	21
- Sundry items	5	8
	<u>527</u>	<u>(383)</u>
Current year decrease/(increase) in deferred tax asset:		
- on tax losses	400	111
- on timing differences	<u>(501)</u>	<u>293</u>
Recognition of prior year unrecognised deferred tax asset:		
- on prior year tax losses	(1,349)	-
- on prior year timing differences	<u>(1,712)</u>	<u>-</u>
Income tax expense/(benefit)	<u>(2,635)</u>	<u>21</u>

Note 2. Income tax expense/(benefit) (continued)

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	-	3,465
Potential tax benefit @ 30%	-	1,040

Recognition of deferred tax assets

The consolidated entity is required to re-assess both recognised and unrecognised deferred tax assets at the end of each reporting period. Deferred tax assets relating to unused tax losses are recognised only to the extent there is convincing evidence that the consolidated entity will have sufficient taxable profits in the foreseeable short term to use unused tax losses.

The directors have considered the deferred tax asset and have determined it to be recoverable due to the fact that the consolidated entity has now become profitable and future assessable income is expected to be derived. The deferred tax asset of \$2,661,000 comprises the following:

- Recognition of previously unrecognised deferred tax asset - on tax losses of \$1,349,000;
- Recognition of previously unrecognised deferred tax asset - on timing differences of \$1,712,000; and
- Decrease in deferred tax assets - current year utilisation of losses of (\$400,000).

Note 3. Operating segments

Identification of reportable operating segments

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

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

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

Types of products and services

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

Information Technology	Academy of Information Technology, a provider of courses in information technology, business, digital design, multimedia and games development, and a Bachelor Degree in Interactive Media.
Creative Design	International School of Colour and Design, a provider of on campus and distance learning colour and design courses.
English Language	Greenwich College, an Australian provider of English Language Intensive Courses for Overseas Students (ELICOS), English teacher training programs and other English and vocational programs.
Student Agency	Go Study Australia an education agency with offices in Barcelona (Spain), Brisbane (Australia), Madrid (Spain), Milan (Italy), Rome (Italy) and Sydney (Australia).

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.

Note 3. Operating segments (continued)

Major customers

The consolidated entity has no significant individual customers.

Operating segment information

Consolidated - 2014	Information Technology \$'000	Creative Design \$'000	English Language \$'000	Student Agency \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue						
Sales to external customers	5,100	2,902	7,693	3,406	16	19,117
Intersegment sales	-	-	-	326	(326)	-
Total sales revenue	5,100	2,902	7,693	3,732	(310)	19,117
Other revenue	-	-	-	-	98	98
Total revenue	5,100	2,902	7,693	3,732	(212)	19,215
Segment operating result	1,366	690	1,438	1,180	15	4,689
Unallocated items:						
Corporate, finance and IT expenses					(1,215)	(1,215)
Professional and consulting fees					(215)	(215)
Public company related costs					(316)	(316)
Other expenses					(230)	(230)
EBITDA *	1,366	690	1,438	1,180	(1,961)	2,713
Depreciation and amortisation	(210)	(105)	(186)	(6)	(120)	(627)
Finance cost	(3)	-	-	-	-	(3)
Interest income-unallocated	-	-	-	-	98	98
Profit/(loss) before income tax benefit	1,153	585	1,252	1,174	(1,983)	2,181
Income tax benefit						2,635
Profit after income tax benefit						4,816
Assets						
Segment assets	9,019	2,775	4,624	2,510	2,340	21,268
Total assets						21,268
Liabilities						
Segment liabilities	4,372	1,969	3,259	383	627	10,610
Total liabilities						10,610

* 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.

Note 3. Operating segments (continued)

Consolidated - 2013	Information Technology \$'000	Creative Design \$'000	English Language \$'000	Student Agency \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue						
Sales to external customers	4,525	2,160	6,741	2,605	-	16,031
Intersegment sales	-	-	-	287	(287)	-
Total sales revenue	4,525	2,160	6,741	2,892	(287)	16,031
Other revenue	-	-	-	-	72	72
Total revenue	4,525	2,160	6,741	2,892	(215)	16,103
Segment operating result	890	244	729	969	-	2,832
Unallocated items:						
Corporate, finance and IT expenses					(713)	(713)
Professional and consulting fees					(387)	(387)
Public company related costs					(280)	(280)
Other expenses					(159)	(159)
EBITDA *	890	244	729	969	(1,539)	1,293
Depreciation and amortisation	(1,498)	(449)	(191)	(7)	(73)	(2,218)
Interest income-unallocated	-	-	-	-	72	72
Profit/(loss) before income tax expense	(608)	(205)	538	962	(1,540)	(853)
Income tax expense						(21)
Loss after income tax expense						(874)
Assets						
Segment assets	6,203	1,709	3,044	1,436	2,162	14,554
Total assets						14,554
Liabilities						
Segment liabilities	3,393	1,631	2,742	274	728	8,768
Total liabilities						8,768

* 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.

Note 4. Current assets - trade and other receivables

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade receivables	2,706	1,206
Less: Provision for impairment of receivables	(58)	(32)
	<u>2,648</u>	<u>1,174</u>
Other receivables	10	167
Less: Provision for impairment of receivables	-	(167)
	<u>10</u>	<u>-</u>
	<u><u>2,658</u></u>	<u><u>1,174</u></u>

Note 5. Non-current assets - property, plant and equipment

	Consolidated	
	2014	2013
	\$'000	\$'000
Leasehold improvements - at cost	2,052	2,009
Less: Accumulated depreciation	(785)	(800)
	<u>1,267</u>	<u>1,209</u>
Plant and equipment - at cost	2,083	1,832
Less: Accumulated depreciation	(1,474)	(1,394)
	<u>609</u>	<u>438</u>
	<u><u>1,876</u></u>	<u><u>1,647</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	Leasehold improvement	Plant and equipment	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2012	1,450	548	1,998
Additions	25	173	198
Disposals	-	(14)	(14)
Depreciation expense	(266)	(269)	(535)
	<u>1,209</u>	<u>438</u>	<u>1,647</u>
Balance at 30 June 2013	1,209	438	1,647
Additions	357	394	751
Disposals	(6)	(12)	(18)
Depreciation expense	(293)	(211)	(504)
	<u>1,267</u>	<u>609</u>	<u>1,876</u>
Balance at 30 June 2014	<u><u>1,267</u></u>	<u><u>609</u></u>	<u><u>1,876</u></u>

RedHill Education Limited
Notes to the financial statements
30 June 2014

Note 6. Non-current assets - intangibles

	Consolidated	
	2014	2013
	\$'000	\$'000
Goodwill - at cost	9,145	9,145
Less: Accumulated Impairment	(3,000)	(3,000)
	<u>6,145</u>	<u>6,145</u>
Customer contracts - at cost	406	406
Less: Accumulated amortisation	(406)	(406)
	<u>-</u>	<u>-</u>
Software - at cost	470	470
Less: Accumulated amortisation	(470)	(470)
	<u>-</u>	<u>-</u>
Copyrights - at cost	4,704	4,542
Less: Accumulated amortisation	(4,513)	(4,392)
	<u>191</u>	<u>150</u>
Licenses - at cost	20	38
Less: Accumulated amortisation	(16)	(32)
	<u>4</u>	<u>6</u>
	<u><u>6,340</u></u>	<u><u>6,301</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	Software	Copyrights	Licenses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	6,145	155	1,561	-	7,861
Additions	-	-	114	9	123
Amortisation expense	-	(155)	(1,525)	(3)	(1,683)
	<u>6,145</u>	<u>-</u>	<u>150</u>	<u>6</u>	<u>6,301</u>
Balance at 30 June 2013	6,145	-	150	6	6,301
Additions	-	-	162	-	162
Amortisation expense	-	-	(121)	(2)	(123)
	<u>6,145</u>	<u>-</u>	<u>191</u>	<u>4</u>	<u>6,340</u>
Balance at 30 June 2014	<u><u>6,145</u></u>	<u><u>-</u></u>	<u><u>191</u></u>	<u><u>4</u></u>	<u><u>6,340</u></u>

Note 7. Non-current assets - deferred tax

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	949	-
Impairment of receivables	17	-
Employee benefits	116	-
Provision for lease make good	30	-
Accrued expenses	115	-
Impairment of intangibles	1,103	-
Transaction costs arising on shares issued	134	-
Lease incentive	197	-
	<hr/>	<hr/>
Deferred tax asset	2,661	-
	<hr/>	<hr/>
<i>Movements:</i>		
Credited to profit or loss (note 2)	2,661	-
	<hr/>	<hr/>

Deferred tax included in income tax expense/(benefit) comprises:

Recognition of previously unrecognised deferred tax asset - on tax losses of \$1,349,000;
Recognition of previously unrecognised deferred tax asset - on timing differences of \$1,712,000; and
Decrease in deferred tax assets - current year utilisation of losses of (\$400,000).

Note 8. Current liabilities - trade and other payables

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade payables	964	652
Deferred income	6,172	4,784
Payroll accruals	525	502
Other payables	1,080	1,079
	<hr/>	<hr/>
	8,741	7,017
	<hr/>	<hr/>

Note 9. Non-current liabilities - provisions

	Consolidated	
	2014	2013
	\$'000	\$'000
Lease make good	205	205
Lease incentive	906	1,037
	<u>1,111</u>	<u>1,242</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

The provision represents the present value of the estimated costs that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

Note 10. Equity - contributed equity

	2014	Consolidated		2013
	Shares	2013	2014	2013
		Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>30,179,052</u>	<u>30,158,730</u>	<u>18,747</u>	<u>18,735</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2012	27,000,000		18,418
Shares issued *	28 November 2012	<u>3,158,730</u>	\$0.10	<u>317</u>
Balance	30 June 2013	30,158,730		18,735
Shares issued **	11 December 2013	8,474	\$0.59	5
Shares issued **	19 June 2014	<u>11,848</u>	\$0.59	<u>7</u>
Balance	30 June 2014	<u>30,179,052</u>		<u>18,747</u>

* Shares issued in satisfaction of incentive payments to the vendors of Academy of Information Technology, Mr Edward Keller and Ms Lourdes Lynn, in accordance with the Share Sale Agreement entered into between the vendors and the consolidated entity.

** Shares issued upon the exercise of share options issued under the employee share option plan.

Note 11. Equity - reserves

	Consolidated	
	2014	2013
	\$'000	\$'000
Foreign currency reserve	-	4
Share-based payments reserve	86	38
Non-controlling interest reserve	-	(541)
	<u>86</u>	<u>(499)</u>

Note 11. Equity - reserves (continued)

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

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.

Earnout reserve

The reserve is in respect of the AIT vendor earnout which has been fully utilised in the prior year.

Non-controlling interest reserve

Non-controlling interest reserve is in respect of the interest to be contributed to the non-controlling interest holders. This reserve has been transferred to retained earnings during the year because the company does not have any subsidiaries with non-controlling interests.

Movements in reserves

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

Consolidated	Foreign currency \$'000	Share-based payments \$'000	Earnout reserve \$'000	Non- controlling interest \$'000	Total \$'000
Balance at 1 July 2012	4	31	326	(541)	(180)
Employee share options - value of employee services	-	7	-	-	7
Earnout reserve	-	-	(326)	-	(326)
Balance at 30 June 2013	4	38	-	(541)	(499)
Foreign currency translation	(4)	-	-	-	(4)
Employee share options - value of employee services	-	48	-	-	48
Transfer to retained earnings	-	-	-	541	541
Balance at 30 June 2014	-	86	-	-	86

Note 12. Equity - dividends

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

Note 13. Contingent liabilities

There were no contingent liabilities as at 30 June 2014.

The consolidated entity has given bank guarantees as at 30 June 2014 of \$792,000 (2013: \$432,000) to various lessors.

Note 14. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2014	2013
	\$'000	\$'000
Profit/(loss) after income tax expense for the year	4,816	(874)
Adjustments for:		
Depreciation and amortisation	627	2,218
Share-based payments	48	(2)
Foreign exchange differences	(4)	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,123)	(435)
Increase in deferred tax assets	(2,661)	-
Increase in accrued revenue	(10)	-
Increase in prepayments	(26)	-
Decrease/(increase) in other operating assets	(195)	357
Increase in trade and other payables	1,742	44
Increase/(decrease) in employee benefits	25	(208)
Increase/(decrease) in other provisions	(62)	549
Net cash from operating activities	<u>3,177</u>	<u>1,649</u>

Note 15. Earnings per share

	Consolidated	
	2014	2013
	\$'000	\$'000
Profit/(loss) after income tax attributable to the owners of RedHill Education Limited	<u>4,816</u>	<u>(874)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	30,163,809	29,267,362
Adjustments for calculation of diluted earnings per share:		
Exercisable Options	<u>45,000</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>30,208,809</u>	<u>29,267,362</u>
	Cents	Cents
Basic earnings per share	15.97	(2.99)
Diluted earnings per share	15.94	(2.99)