

**IDP EDUCATION LIMITED**  
ABN 59 117 676 463

**Interim Financial Report**  
For the half-year ended 31 December 2016

**Appendix 4D**  
**IDP EDUCATION LIMITED**  
**ABN 59 117 676 463**  
**Half-year ended 31 December 2016**

**Results for Announcement to the Market**

	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>Movement</b>	<b>Movement</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>%</b>
Revenue from ordinary activities	189,814	181,610	8,204	4.52
Net profit for the period attributable to the owners of IDP Education Limited	24,127	20,347	3,780	18.58

<b>Dividends</b>	<b>Amount per ordinary share cents</b>	<b>Franked amount per ordinary share cents</b>
2017 interim dividend (declared after balance date)	7.00	3.50
Record date for determining entitlements to the dividends		9 March 2017
Dividend payment date		31 March 2017
<b>Net tangible assets per ordinary share</b>	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>cents</b>	<b>cents</b>
Net tangible assets per ordinary share	11.38	7.94

Net tangible assets are defined as the net assets of IDP Education Limited group less intangible assets and capitalised development costs.

**Other information required by Listing Rule 4.2A**

The remainder of information requiring disclosure to comply with Listing Rule 4.2A is contained in the Interim Financial Report (which includes the Directors' report).

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## Directors' report

The Directors of IDP Education Limited present the interim financial report of IDP Education Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2016.

### Directors

The following persons were directors of IDP Education Limited during the half-year and up to the date of this report unless otherwise stated:

Name	Particulars
Peter Polson	Non-Executive Director and Chairman
Andrew Barkla	Managing Director and Chief Executive Officer
Ariane Barker	Non-Executive Director
Professor David Battersby AM	Non-Executive Director
Chris Leptos AM	Non-Executive Director
Belinda Robinson	Non-Executive Director
Greg West	Non-Executive Director

### Review of operations

#### Group result

A summary of IDP Education Limited's consolidated financial results for the half-year ended 31 December 2016 (H1 FY17) is set out below. The financial performance of the Group during the half-year was strong with record revenue and earnings being recorded.

#### Summary Financials

Six Months to 31 December	Unit	Half Year Actuals		Growth		Constant Currency Growth (%) *
		H1 FY17	H1 FY16		%	
Total Revenue	A\$m	189.8	181.6	8.2	4.5%	9.5%
Gross Profit	A\$m	102.7	94.9	7.8	8.3%	14.1%
EBIT	A\$m	33.9	28.6	5.3	18.6%	29.2%
NPAT	A\$m	24.1	20.3	3.8	18.6%	32.7%
Basic EPS	cents	9.64	8.13	1.5	18.6%	
Net Debt	A\$m	0.0	0.0	0.0	0.0%	

\* Constant currency growth - To illustrate the estimated impact of foreign currency exchange rate movements on H1 FY17 financial results, the Group has restated its H1 FY16 financial results using the actual foreign exchange rates of H1 FY17 to derive period on period growth based on a constant foreign currency exchange rate.

The Group recorded a strong increase in earnings for H1 FY17 with net profit after tax increasing approximately 18.6% to \$24.1 m compared to the half-year ended 31 December 2015 (H1 FY16) of \$20.3 m.

The result was driven by a 4.5% increase in revenue and improved gross profit margin. A 37% decline in depreciation and amortisation as a result of fully amortised software also contributed to the strong increase in reported earnings.

On a constant currency basis underlying revenue growth for H1 FY17 was 9.5% with Student Placement showing 17.4% underlying growth and English Language Testing 6.5% underlying growth. Gross Profit underlying growth of 14.1% was a result of improved Student Placement revenue mix and lower direct costs in the English Language Testing business. The underlying earnings growth was a result of the higher gross profit margin and decline in depreciation and amortisation.

## Revenue and EBIT by Geographic Segment (A\$m)

Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY17	H1 FY16	A\$m	%
<b>Revenue</b>				
Asia	120.7	111.5	9.2	8.3%
Australasia	31.6	35.6	-4.0	-11.3%
Rest of World	37.5	34.5	3.0	8.7%
<b>Total revenue</b>	<b>189.8</b>	<b>181.6</b>	<b>8.2</b>	<b>4.5%</b>
<b>EBIT</b>				
Asia	38.2	33.6	4.6	13.7%
Australasia	8.7	9.3	-0.6	-6.7%
Rest of World	8.3	7.7	0.6	7.9%
<b>Total EBIT pre corporate costs</b>	<b>55.1</b>	<b>50.5</b>	<b>4.6</b>	<b>9.1%</b>
Overhead & corporate costs	21.2	22.0	-0.8	-3.5%
<b>Total EBIT</b>	<b>33.9</b>	<b>28.6</b>	<b>5.3</b>	<b>18.7%</b>

From a segmental perspective the result was underpinned by ongoing strong growth in China and India which were the largest components of the Asia segment. Asian revenue grew 8.3% to \$120.7m with EBIT increasing 13.7% to \$38.2m. Asia represented 71% of group EBIT (before corporate overheads) highlighting the significance of this segment to group profitability.

Revenue from Australasian segment fell 11.3% reflecting primarily an ongoing decline in revenues from English Language Testing in Australia. This revenue stream has been impacted since Department of Immigration and Border Protection started accepting test results from a number of competing test providers for all Australian visa categories. The introduction of competition in Australia removed what was a previously an exclusive market for IELTS and has resulted in reduced testing volumes and revenue in the Australasian segment.

The Rest of the World reported strong revenue growth of 8.7% with English Language testing underpinning the majority of this growth. EBIT of this segment increased 7.9% to \$8.3m as result of strong revenue growth.

From a service segment perspective (see also page 14) the Group recorded volume growth in each of the business lines as shown in the table below.

## Summary of Key Operational Metrics

Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY17	H1 FY16	'000s	%
<b>Volumes (000s)</b>				
English Language Testing	436.9	423.5	13.3	3.1%
Student Placement	<b>18.9</b>	<b>16.7</b>	<b>2.2</b>	<b>12.9%</b>
-Australia	12.1	11.6	0.5	4.4%
-Multi-destination	6.8	5.1	1.7	32.2%
English Language Teaching students	37.4	34.8	2.5	7.3%

English Language Testing volume growth during the period was driven primarily by good growth in Canada and the Middle East. This growth offset a decline in test volumes in Australia which was again impacted by competition. Whilst overall volumes in India increased, growth was impacted by the bank note demonetisation process which reduced test registration growth during the period.

In student placement the core Australian market continued to perform strongly with volume growth of 4.4% combining with an average price increase of 7% to drive revenue growth of approximately 12% relative to H1 FY16.

Placement volumes to the other destinations (UK, USA, Canada and New Zealand) increased by 32.2%. This was driven by a 105% increase in volumes to Canada and a 36% increase to the UK.

## Financial Position

The financial position of IDP Education Limited is strong. As at 31 December 2016, the Group had total assets of \$160.9m of which 33% related to intangible assets and the remainder being comprised primarily of cash, trade receivables and property, plant and equipment. Total Assets exceeded total liabilities by \$89.9 m.

The Group had \$24.0m of cash and no drawn interest bearing debt at the balance date.

### Significant changes in state of affairs

There was no significant change in the state of affairs of the Group during the half-year ended 31 December 2016.

### Subsequent events

On 16 January 2017, IDP Education Limited entered into an agreement to acquire 100% of the shares in Hotcourses Limited ("Hotcourses"), a digital marketing and online student recruitment company in the UK. Hotcourses owns and operates a portfolio of education search websites that help students make the right study choices and connect with universities and colleges around the world. Hotcourses provides students with unique online tools to search for appropriate courses and plan their studies.

Under the terms of the acquisition agreement, IDP Education Limited acquired Hotcourses for a total acquisition price of GBP 35m (AUD 58.1m), of which GBP 4.9m (AUD8.1m) representing net cash in the business upon completion. The consideration is structured in two tranches with 75% of the enterprise value paid upfront and the remaining 25% paid in 12 months subject to a number of performance conditions. The acquisition was funded via debt with IDP Education entering into an acquisition facility for the entire purchase price. The acquisition was completed on 31 January 2017.

### Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

### Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and interim financial report have been rounded off, in accordance with that Instrument, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors.



Peter Polson

Chairman



Andrew Barkla

Managing Director

Melbourne

8 February 2017

The Board of Directors  
IDP Education Limited  
Level 8, 535 Bourke Street  
Melbourne VIC 3000

8 February 2017

Dear Board Members

**IDP Education Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of IDP Education Limited.

As lead audit partner for the review of the financial statements of IDP Education Limited for the half-year ended 31 December 2016, 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 review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann  
Partner  
Chartered Accountants  
Melbourne, 8 February 2017

**Consolidated statement of profit or loss  
for the half-year ended 31 December 2016**

		<b>31 December 2016 \$'000</b>	<b>31 December 2015 \$'000</b>
	<b>Notes</b>		
Revenue	3	189,814	181,610
Expenses	4	(153,429)	(149,099)
Depreciation and amortisation		(2,507)	(3,984)
Finance income		145	332
Finance costs		-	(43)
<b>Profit for the half-year before income tax expense</b>		<b>34,023</b>	<b>28,816</b>
Income tax expense	5	(9,896)	(8,469)
<b>Profit for the half-year</b>		<b>24,127</b>	<b>20,347</b>
Profit for the half-year attributable to:			
Owners of IDP Education Limited		24,127	20,347
		<b>24,127</b>	<b>20,347</b>
		<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Earnings per share for profit attributable to ordinary equity holders</b>	<b>Notes</b>		
Basic earnings per share (cents per share)	6	9.64	8.13
Diluted earnings per share (cents per share)	6	9.39	7.98

The above statement should be read in conjunction with the accompanying notes.



**Consolidated statement of comprehensive income  
for the half-year ended 31 December 2016**

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Profit for the half-year</b>	24,127	20,347
<b>Other comprehensive income, net of income tax</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating the foreign operations	(22)	98
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	(2,714)	(365)
Cumulative gain/(loss) arising on changes in fair value of hedging instruments reclassified to profit or loss	2,353	(2,930)
Income tax related to gains/losses recognised in other comprehensive income	108	997
Items that will not be reclassified subsequently to profit or loss:	-	-
Other comprehensive income/(loss) for the half-year, net of income tax	(275)	(2,200)
<b>Total comprehensive income for the half-year</b>	<b>23,852</b>	<b>18,147</b>
Total comprehensive income attributable to:		
Owners of IDP Education Limited	23,852	18,147
	<b>23,852</b>	<b>18,147</b>

The above statement should be read in conjunction with the accompanying notes.

**Consolidated statement of financial position  
as at 31 December 2016**

	Notes	31 December 2016 \$'000	30 June 2016 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		23,963	35,353
Trade and other receivables		47,364	31,114
Derivative financial instruments	8	476	838
Current tax assets		901	698
Other current assets		8,727	9,270
<b>Total current assets</b>		<b>81,431</b>	<b>77,273</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		12,159	11,299
Intangible assets	7	52,799	53,360
Capitalised development costs		8,605	6,096
Deferred tax assets		5,419	5,619
Derivative financial instruments	8	220	176
Other non-current assets		280	253
<b>Total non-current assets</b>		<b>79,482</b>	<b>76,803</b>
<b>TOTAL ASSETS</b>		<b>160,913</b>	<b>154,076</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		39,412	41,300
Deferred revenue		15,262	14,111
Provisions		7,347	7,087
Current tax liabilities		2,186	2,837
Financial liabilities at fair value through profit or loss		-	2,356
Derivative financial instruments	8	3,598	3,996
<b>Total current liabilities</b>		<b>67,805</b>	<b>71,687</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		68	102
Derivative financial instruments	8	453	268
Provisions		2,704	2,701
<b>Total non-current liabilities</b>		<b>3,225</b>	<b>3,071</b>
<b>TOTAL LIABILITIES</b>		<b>71,030</b>	<b>74,758</b>
<b>NET ASSETS</b>		<b>89,883</b>	<b>79,318</b>
<b>EQUITY</b>			
Issued capital	9	24,422	25,050
Reserves		193	(639)
Retained earnings		65,268	54,907
<b>TOTAL EQUITY</b>		<b>89,883</b>	<b>79,318</b>

The above statement should be read in conjunction with the accompanying notes.

**Consolidated statement of changes in equity  
for the half-year ended 31 December 2016**

		Contributed equity	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2015</b>		<b>27,450</b>	<b>2,930</b>	<b>(1,938)</b>	<b>-</b>	<b>62,993</b>	<b>91,435</b>
Change in the fair value of cash flow hedges, net of income tax		-	(2,298)	-	-	-	(2,298)
Exchange differences arising on translating the foreign operations		-	-	98	-	-	98
Profit for the half-year		-	-	-	-	20,347	20,347
Total comprehensive income for the period		-	(2,298)	98	-	20,347	18,147
Buy back of treasury shares		(2,400)	-	-	-	-	(2,400)
Share-based payments		-	-	-	1,907	-	1,907
Dividends paid	10	-	-	-	-	(48,000)	(48,000)
<b>As at 31 December 2015</b>		<b>25,050</b>	<b>632</b>	<b>(1,840)</b>	<b>1,907</b>	<b>35,340</b>	<b>61,089</b>
		Contributed equity	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2016</b>		<b>25,050</b>	<b>(2,353)</b>	<b>(1,404)</b>	<b>3,118</b>	<b>54,907</b>	<b>79,318</b>
Change in the fair value of cash flow hedges, net of income tax		-	(253)	-	-	-	(253)
Exchange differences arising on translating the foreign operations		-	-	(22)	-	-	(22)
Profit for the half-year		-	-	-	-	24,127	24,127
Total comprehensive income for the period		-	(253)	(22)	-	24,127	23,852
Buy back of treasury shares	9.2	(628)	-	-	-	-	(628)
Share-based payments		-	-	-	1,107	-	1,107
Dividends paid	10	-	-	-	-	(13,766)	(13,766)
<b>As at 31 December 2016</b>		<b>24,422</b>	<b>(2,606)</b>	<b>(1,426)</b>	<b>4,225</b>	<b>65,268</b>	<b>89,883</b>

The above statement should be read in conjunction with the accompanying notes.

**Consolidated statement of cash flow  
for the half-year ended 31 December 2016**

	Note	31 December 2016 \$'000	31 December 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		150,722	146,853
Payments to suppliers and employees		(129,653)	(121,420)
Interest received		158	343
Interest paid		-	(34)
Income tax paid		(10,505)	(10,276)
<b>Net cash inflow from operating activities</b>		<b>10,722</b>	<b>15,466</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment, intangible assets and capitalised development costs		(5,378)	(3,084)
Contingent consideration payments for acquisition of a subsidiary		(2,356)	-
<b>Net cash outflow from investing activities</b>		<b>(7,734)</b>	<b>(3,084)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	15,000
Repayments of borrowings		-	(8,000)
Payments for treasury shares		(628)	(2,400)
Dividends paid	10	(13,766)	(48,000)
<b>Net cash outflow from financing activities</b>		<b>(14,394)</b>	<b>(43,400)</b>
Net decrease in cash and cash equivalents		(11,406)	(31,018)
Cash and cash equivalents at the beginning of the half-year		35,353	51,184
Effect of exchange rates on cash holdings in foreign currencies		16	180
<b>Cash and cash equivalents at the end of the half-year</b>		<b>23,963</b>	<b>20,346</b>

The above statement should be read in conjunction with the accompanying notes.

## Notes to the consolidated financial statements for the half-year ended 31 December 2016

### Notes to the financial statements

#### 1. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year and corresponding interim period, as set out in the annual financial report for the year ended 30 June 2016, except as set out in section (ii) below. The financial statements are for the consolidated Group, consisting of IDP Education Limited (the Company) and its controlled subsidiaries. IDP Education Limited is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange (ASX). The Company was admitted to the official list of the ASX on 26 November 2015.

##### (i) Basis of preparation

The consolidated interim financial report for the half-year reporting period ended 31 December 2016 is a general purpose financial report prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by IDP Education Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

##### Going concern

The half-year financial report has been prepared on a going concern basis.

##### (ii) New accounting standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

##### **Impact of the application of AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation**

The Group has applied these amendments for the first time in the current year. The amendments to AASB 116 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 Intangible Assets introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) When the intangible asset is expressed as a measure of revenue, or
- (b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.

## Notes to the consolidated financial statements for the half-year ended 31 December 2016

### 1. Significant accounting policies (continued)

#### (ii) New accounting standards and interpretations (continued)

##### Impact of the application of AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

The Group has applied these amendments for the first time in the current year. The Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle include a number of amendments to various Accounting Standards, which are summarised below:

- The amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued
- The amendments to AASB 7 *Financial Instruments: Disclosures* remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets
- The amendments to AASB 119 *Employee Benefits* clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead
- The amendments to AASB 134 *Interim Financial Reporting* make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The application of these amendments has had no effect on the Group's consolidated financial statements.

##### Impact of the application of AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other Accounting Standards:

- (a) Will not be reclassified subsequently to profit or loss
- (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not had a material presentation impact on the financial performance or financial position of the Group.

## Notes to the consolidated financial statements for the half-year ended 31 December 2016

### 2. Segment information

#### Basis of segmentation

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Maker (CODM) in assessing performance and in determining the allocation of resources. The Chief Operation Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Chief Operating Decision Maker determined that its operating segments comprise the geographic regions of:

- Asia – which includes India, Malaysia, Indonesia, Mauritius, Bangladesh, Nepal, Sri Lanka, Singapore, Cambodia, Philippines, Vietnam, Thailand, Laos, China, Taiwan, Hong Kong, South Korea and Japan;
- Australasia – which includes Australia, New Zealand, Fiji and New Caledonia; and
- Rest of World – which includes Saudi Arabia, UAE, Turkey, Pakistan, Oman, Kuwait, Bahrain, Qatar, Egypt, Jordan, Libya, Azerbaijan, Iran, Canada, Russia, Germany, Mexico, Argentina, Columbia, Kazakhstan, Ukraine, South Africa, Greece, Spain and Italy.

These geographic segments are based on the Group's management reporting system and the way management views the business. No operating segments have been aggregated in arriving at the reportable segments of the Group.

The principal activities of each segment are provision of student placement services, International English Language Testing (IELTS) and English language teaching services.

#### Segment revenue and results

	Segment revenue		Segment EBIT	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	\$'000	\$'000	\$'000	\$'000
Asia	120,748	111,508	38,156	33,554
Australasia	31,585	35,617	8,697	9,325
Rest of World	37,481	34,485	8,263	7,658
Consolidated total	189,814	181,610	55,116	50,537
<b>Revenue</b>	<b>189,814</b>	<b>181,610</b>	-	-
Corporate cost			(21,238)	(22,010)
<b>Segment EBIT</b>			<b>33,878</b>	<b>28,527</b>
Net finance income			145	289
<b>Profit before tax</b>			<b>34,023</b>	<b>28,816</b>

#### Information about major customers

No single customer contributed 10% or more to the Group's revenue for either 2016 or 2015.

#### Service segment

The Group also uses a secondary segment which shows revenue and gross profit by service. Revenue by service segment is disclosed in Note 3. Gross profit by service segment is shown below:

	31 December 2016 \$'000	31 December 2015 \$'000
Student placement revenue	45,743	41,367
IELTS revenue	49,495	45,520
English language teaching revenue	6,978	7,048
Event and other	528	955
	<b>102,744</b>	<b>94,890</b>

## Notes to the consolidated financial statements for the half-year ended 31 December 2016

### 3. Revenue

The following is an analysis of the Group's revenue from its major services.

	31 December 2016 \$'000	31 December 2015 \$'000
Student placement revenue	54,014	48,828
IELTS revenue	118,704	116,297
English language teaching revenue	10,548	10,454
Event revenue	4,872	4,483
Other revenue	1,676	1,548
	<b>189,814</b>	<b>181,610</b>

### 4. Expenses

	31 December 2016 \$'000	31 December 2015 \$'000
Student placement direct costs	8,271	7,461
Examination direct costs	69,209	70,777
English language teaching direct costs	3,570	3,406
Event direct costs	5,273	4,460
Other direct costs	747	616
Employee benefits expense	41,131	39,123
Occupancy expenses	7,821	6,875
Marketing expenses	5,708	6,115
Administrative expenses	2,788	2,900
IT and communication expenses	2,448	2,240
Consultancy and professional expenses	3,037	2,508
Foreign exchange gain	570	27
Other expenses	2,856	2,591
	<b>153,429</b>	<b>149,099</b>

### 5. Income taxes

The income tax expense for the half-year can be reconciled to the accounting profit as follows:

	31 December 2016 \$'000	31 December 2015 \$'000
Profit before tax	34,023	28,816
Income tax expense calculated at 30% (2015: 30%)	10,207	8,645
Add tax effect of:		
Non-deductible expenses	83	794
Attributed Income	-	96
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	392	220
Withholding taxes	254	221
Under/(over) provision of income tax in previous year	108	(263)
Less tax effect of:		
Non-assessable income	(449)	(176)
Other deductible items	(178)	(121)
Effect of different tax rates in foreign jurisdictions	(521)	(947)
<b>Income tax expense recognised in profit or loss</b>	<b>9,896</b>	<b>8,469</b>



**Notes to the consolidated financial statements  
for the half-year ended 31 December 2016**

**6. Earnings per share**

	31 December 2016		31 December 2015	
	Cents		Cents	
	Basic	Diluted	Basic	Diluted
Earnings per share	9.64	9.39	8.13	7.98

	31 December 2016 \$000	31 December 2015 \$000
<b>Earnings used in calculating earnings per share</b>		
Earnings used in the calculation of basic and diluted earnings per share	24,127	20,347

	31 December 2016	31 December 2015
<b>Weighted average number of shares used as the denominator</b>		
Weighted average number of shares used as denominator in calculating basic EPS	250,294,968	250,294,966
Weighted average of potential dilutive ordinary shares		
- options	4,150,000	3,067,391
- performance rights	2,564,359	1,527,421
<b>Weighted average number of shares used as denominator in calculating diluted EPS</b>	<b>257,009,327</b>	<b>254,889,778</b>

**Basic earnings per share**

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the reporting period.

**Diluted earnings per share**

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:

- the after income tax effect of any interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## Notes to the consolidated financial statements for the half-year ended 31 December 2016

### 7. Intangible assets

Cost	Software \$'000	Student placement licence \$'000	Trade name \$'000	University relationship \$'000	Goodwill \$'000	Contracts for English language testing \$'000	Total \$'000
Balance at 30 June 2016	22,785	2,493	1,059	249	13,225	35,200	75,011
Additions	5	-	-	-	-	-	5
Balance at 31 December 2016	22,790	2,493	1,059	249	13,225	35,200	75,016
<b>Accumulated depreciation</b>							
Balance at 30 June 2016	(21,376)	(180)	(77)	(18)	-	-	(21,651)
Amortisation for the period	(439)	(83)	(36)	(8)	-	-	(566)
Balance at 31 December 2016	(21,815)	(263)	(113)	(26)	-	-	(22,217)
<b>Net Book Value</b>							
At 30 June 2016	1,409	2,313	982	231	13,225	35,200	53,360
At 31 December 2016	975	2,230	946	223	13,225	35,200	52,799

#### Student placement licence

Student placement licence is a separately identifiable intangible asset arising from business combination and is recognised at fair value at the acquisition date. Student placement licence is amortised over 15 years.

#### Trade name

Trade name is a separately identifiable intangible asset arising from business combination and is recognised at fair value at the acquisition date. Trade name is amortised over 15 years.

#### University relationship

University relationship is a separately identifiable intangible asset arising from business combination and is recognised at fair value at the acquisition date. University relationship is amortised over 15 years.

#### Contracts for English language testing and goodwill

Contracts for English language testing acquired on 1 September 2006 are recognised at their fair value at date of acquisition. There is no termination date in accordance with its term and management has re-assessed the events and circumstances, which supports an indefinite useful life assessment for Contracts for English language testing. These contracts are considered to have an indefinite useful life and as such are not amortised.

Contracts of English language testing and Goodwill are not amortised but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Contracts of English language testing and Goodwill are allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the Contracts for English language testing and business combination in which the Goodwill arose.

## Notes to the consolidated financial statements for the half-year ended 31 December 2016

### 8. Financial instruments

#### 8.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value hierarchy	Fair value as at 31 December 2016 '000	Fair value as at 30 June 2016 '000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Foreign currency forward contracts	Level 2	Assets: 696  Liabilities: 4,051	Assets: 1,014  Liabilities: 4,264	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

#### 8.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

## Notes to the consolidated financial statements for the half-year ended 31 December 2016

### 9. Contributed equity

#### 9.1 Share capital

	Note	31 December 2016 \$'000	30 June 2016 \$'000
Ordinary shares fully paid		24,422	27,450
Treasury shares	9.2	-	(2,400)
		24,422	25,050

Movement in ordinary shares (fully paid)	Number of shares	\$'000
Balance at 30 June 2016 (including treasury shares)	250,294,968	27,450
Issue of new shares	-	-
Transfer of treasury shares to employees	-	(3,028)
Balance at 31 December 2016 (including treasury shares)	250,294,968	24,422

#### 9.2 Treasury shares

Movement in treasury shares	Number of shares	\$ per share	\$'000
Balance at 30 June 2016	905,660	2.65	2,400
Buy back of treasury shares	136,571	4.60	628
Transfer to employees	(1,042,231)	-	(3,028)
Balance at 31 December 2016	-	-	-

During August 2016, IDP Education Employee Share Scheme Trust acquired 136,571 shares (at an average price of \$4.60 per share) to be held in the Trust for the benefit of IDP Education group employees who are participants in the IDP Education Employee Incentive Plan.

On 24 August 2016, 575,107 treasury shares were transferred to employees under 2013 LTI Performance Rights Award and on 26 November 2016, 467,124 were transferred to employees under The IPO Award. These shares therefore ceased to be held as treasury shares after these dates.

### 10. Dividends

#### 10.1 Dividends paid

Fully ordinary shares	31 December 2016		31 December 2015	
	\$ per share	Total \$'000	\$ per share	Total \$'000
Final dividend paid in respect of prior financial year – 35.0% (2015: 24.5%) franked	0.055	13,766	0.072	18,000
Special dividend paid prior to the IPO – 24.5% franked	-	-	0.120	30,000

The final dividend for the financial year ended 30 June 2016 was paid on 30 September 2016.

#### 10.2 Dividends proposed and not recognised at the end of the reporting period

A dividend of 7.0 cents per share franked at 50% was declared on 8 February 2017, payable on 31 March 2017 to shareholders registered on 9 March 2017.

## Notes to the consolidated financial statements for the half-year ended 31 December 2016

### 11. Key management personnel

IDP Education Limited has granted performance rights awards and option awards to the Managing Director and other key management personnel as the long-term incentive component of their remuneration. Remuneration arrangements of key management personnel are disclosed in the annual financial report.

The total value of the arrangement is being expensed over the vesting period, commencing on the grant date and ending on the vesting date. Specific performance and service conditions must be satisfied over this period for the performance rights and options to vest.

### 12. Subsequent events

On 16 January 2017, IDP Education Limited entered into an agreement to acquire 100% of the shares in Hotcourses Limited ("Hotcourses"), a digital marketing and online student recruitment company in the UK. Hotcourses owns and operates a portfolio of education search websites that help students make the right study choices and connect with universities and colleges around the world. Hotcourses provides students with unique online tools to search for appropriate courses and plan their studies.

Under the terms of the acquisition agreement, IDP Education Limited acquired Hotcourses for a total acquisition price of GBP 35m (AUD 58.1m), of which GBP 4.9m (AUD8.1m) representing net cash in the business upon completion. The consideration is structured in two tranches with 75% of the enterprise value paid upfront and the remaining 25% paid in 12 months subject to a number of performance conditions. The acquisition was funded via debt with IDP Education entering into an acquisition facility for the entire purchase price. The acquisition was completed on 31 January 2017.


## Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes of IDP Education Limited and its controlled entities (the Group) set out on pages 7 to 20 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 Group's financial position as at 31 December 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the period ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 303(5) of the *Corporations Act 2001*.

The declaration is made in accordance with a resolution of the Directors.



Peter Polson

Chairman



Andrew Barkla

Managing Director

Melbourne

8 February 2017

## **Independent Auditor's Review Report to the members of IDP Education Limited**

### *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of IDP Education Limited which comprises the statement of financial position as at 31 December 2016, the statement of profit and loss, the statement of comprehensive income, the statement of cash flow and the statement of changes in equity 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 end of the half-year or from time to time during the half-year as set out on pages 7 to 21.

### *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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 half-year 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 2016 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 IDP 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.

## *Auditor's Independence Declaration*

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 IDP Education Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of IDP 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 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann  
Partner  
Chartered Accountants  
Melbourne, 8 February 2017



## Corporate Directory

### Directors

Peter Polson  
*Chairman*

Andrew Barkla  
*Managing Director and Chief Executive Officer*

Ariane Barker

Professor David Battersby AM

Chris Leptos AM

Belinda Robinson

Greg West

### Secretary

Murray Walton

### Principal registered office in Australia

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MELBOURNE VIC 3000  
AUSTRALIA  
Ph: +61 3 9612 4400

### Share Registry

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Tower 4  
727 Collins Street  
MELBOURNE VIC 3008  
AUSTRALIA

### Auditor

Deloitte Touche Tohmatsu  
550 Bourke Street  
MELBOURNE VIC 3000  
AUSTRALIA  
Ph: +61 3 9671 7000

### Stock exchange listing

IDP Education Limited shares are listed on the Australian Securities Exchange (ASX code: IEL)

### Website

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

### ABN

59 117 676 463