

IDP EDUCATION LIMITED
ABN 59 117 676 463

Interim Financial Report
For the half-year ended 31 December 2017

Appendix 4D
IDP EDUCATION LIMITED
ABN 59 117 676 463
Half-year ended 31 December 2017

Results for Announcement to the Market

	31 December 2017	31 December 2016	Movement	Movement
	\$000	\$000	\$000	%
Revenue from ordinary activities	241,968	189,814	52,154	27.48
Net profit for the period attributable to the owners of IDP Education Limited	30,459	24,127	6,332	26.24

Dividends	Amount per ordinary share cents	Franked amount per ordinary share cents
FY17 final dividend	5.50	3.03
FY18 interim dividend (declared after balance date)	8.50	5.95

Record date for determining entitlements to the dividends 8 March 2018

Dividend payment date 29 March 2018

Net tangible assets per ordinary share	31 December 2017	30 June 2017
	cents	cents
Net tangible assets per share	(10.50)	(14.51)
Net assets per share	43.33	35.48

Net tangible assets are defined as the net assets less intangible assets and capitalised development costs.

A significant proportion of the Group's assets are intangible in nature totalling \$114.8m, including software, goodwill and identifiable intangible assets relating to businesses acquired. These assets are excluded from the calculation of net tangible assets per share, which results in the negative net tangible assets.

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 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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 2017 (H1 FY18) is set out below. The financial performance of the Company during the period was strong with record half-year revenue and earnings being recorded.

Summary Financials

Six Months to 31 December	Unit	Half Year Actuals		Growth		Constant Currency Growth (%) *
		H1 FY18	H1 FY17	A\$m	%	
English Language Testing	A\$m	148.4	118.7	29.7	25%	27%
Student Placement	A\$m	64.9	54.0	10.9	20%	21%
- Australia	A\$m	37.5	34.5	3.0	9%	9%
- Multi-destination	A\$m	27.4	19.5	7.9	41%	42%
English Language Teaching	A\$m	11.1	10.5	0.6	5%	8%
Advertising and Events	A\$m	15.9	4.9	11.0	225%	225%
Other	A\$m	1.7	1.7	0.0	3%	-2%
Total Revenue	A\$m	242.0	189.8	52.2	28%	29%
Gross Profit	A\$m	136.3	102.7	33.6	33%	33%
EBIT	A\$m	45.1	33.9	11.2	33%	28%
NPAT	A\$m	30.5	24.1	6.4	27%	19%
NPAT (Adjusted)**	A\$m	31.6	24.2	7.4	31%	22%
Basic EPS	cents	12.2	9.6	2.5	26%	
EPS (Adjusted)**	cents	12.6	9.6	3.0	31%	
Debt	A\$m	47.1	-	47.1	nmf	

* Growth based on H1 FY17 restated to reflect the exchange rates reflected in IDP Education's H1 FY18 results

** Adjusted NPAT and earnings per share excludes acquired intangible amortisation.

Note: "nmf" denotes not meaningful

Review of operations (continued)

The Group recorded a strong increase in earnings for H1 FY18 with net profit after tax increasing approximately 27% to \$30.5m compared to the half-year ended 31 December 2016 (H1 FY17) of \$24.1m.

The result was primarily driven by a 28% increase in revenue with each of the Group's product lines delivering strong volume growth. English Language Testing revenue rose 25% with IELTS testing volumes rising strongly in the half. Student placement revenue growth of 20% was underpinned by increased student placement volumes to the UK and Canada. Revenue growth of 225% in Advertising and Events primarily reflects the inclusion of the Hotcourses Group in the reporting period. The Hotcourses Group was acquired in January 2017 and therefore was not reflected in the H1 FY17 result.

An improvement in gross margin was largely driven by the inclusion of Hotcourses with increased overheads and depreciation offsetting this to dynamic produce steady margins at NPAT level.

Currency movements had a lower impact on the results than in prior periods with relatively steady exchange rates in key markets reducing the impact of this variable. In aggregate, currency movements had a slight negative impact on revenue with constant currency revenue growth for H1 FY18 at 29% relative to the actual reported growth rate of was 28%. This was offset by a positive impact at the direct cost line which included the impact of a higher realised AUD:GBP exchange rate that reduced reported direct costs in the English Language testing business.

The table above also includes a measure of "adjusted" NPAT and "adjusted" Earnings Per Share ("EPS"). These measures exclude amortisation of intangible assets acquired through business combinations from the calculation. This amortisation charge in H1 FY18 relates primarily to the acquisition of Hotcourses which was completed on 31 January 2017.

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

Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY18	H1 FY17	A\$m	%
Revenue				
Asia	154.1	120.7	33.4	28%
Australasia	34.8	31.6	3.2	10%
Rest of World	53.1	37.5	15.6	42%
Total revenue	242.0	189.8	52.2	28%
EBIT				
Asia	48.1	38.2	9.9	26%
Australasia	8.5	8.7	-0.2	-2%
Rest of World	12.5	8.3	4.2	51%
Total EBIT pre corporate costs	69.1	55.1	14.0	25%
Corporate costs	24.0	21.2	2.8	13%
Total EBIT	45.1	33.9	11.2	33%

From a segmental perspective the result was underpinned by ongoing growth in Asia and the Rest of the World. In Asia the performance of the Indian operation was a highlight. India posted strong growth across both English Language Testing and Student Placement. Demand from Indian consumer for overseas education and migration opportunities remain strong and IDP benefitted from this dynamic during the period.

Strong performances in Asia were also recorded in Cambodia and Vietnam. China recorded solid growth in multi-destination student placement but placements to Australia were down slightly on the prior comparable period. Hong Kong, Nepal, Taiwan and Japan also recorded strong growth in English Language Testing volumes.

Australasian revenue rose 10% which in part reflected a recovery in the Australian on-shore student placement market and inclusion of advertising revenue. English Language Testing volumes in Australasia also recorded growth after a number of periods of decline due to increased competition in Australia. Australasian EBIT declined slightly reflecting increased costs associated with additional staff and office expansions undertaken during the period in Australia and New Zealand.

The growth in the Rest of the World reflects in part the inclusion of UK and USA Hotcourses' revenue in this segment in the reporting period. Good growth was recorded in Canada and Saudi Arabia where increased IELTS volumes underpinned the performance. The UAE also recorded double digit volume growth in student placement which was a highlight for the middle east operations.

From a product perspective the company recorded volume growth in each of the business lines as shown in the table below.

Review of operations (continued)

Volumes by product (000s)

Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY18	H1 FY17	'000s	%
English Language Testing	558.9	436.9	122.0	28%
Student Placement	22.2	18.9	3.3	18%
-Australia	12.3	12.1	0.2	2%
-Multi-destination	9.9	6.8	3.1	46%
English Language Teaching students	40.5	37.4	3.1	8%

In English Language Testing, the Group recorded double digit volume growth in a large number of countries during the period. The breadth of contribution to the overall result was a highlight in the result. Individual countries that were key contributors to growth in testing included India, New Zealand, Canada, Nepal and Vietnam. Markets that saw volume declines include Pakistan, Turkey and the UAE.

Operationally, the opening of the first computer-delivered IELTS test centre in Melbourne in December was a highlight.

In Student Placement the highlight for the period was the volume growth recorded to Canada and the UK. Growth in Canada was primarily driven by demand from Indian students with Vietnam and China also key contributors. The UK saw broad-based growth from across a range of countries with China, India, Vietnam, Malaysia, Hong Kong and the UAE the best performers.

The Australian market continued to perform solidly with volume growth of 2% combining with an average price increase of 7% to drive revenue growth of approximately 9% relative to H1 FY17. Volume growth to Australia was below that recorded in previous periods due primarily to weaker conditions in China, Singapore and Thailand.

Financial Position

The financial position of IDP Education Limited remains strong. As at 31 December 2017, the Group had total assets of \$268.8m of which 43% related to intangible assets and the remaining being comprised primarily of cash, trade receivables and property, plant and equipment. Total assets exceeded total liabilities by \$108.5 m.

Interest bearing debt on the balance sheet comprised the following facilities:

-) acquisition facility drawn to \$44.1m.
-) working capital facility drawn to \$3.0m.

Offsetting this debt was \$34.4m of cash and cash equivalents at the end of the period. Net debt as at 31 December 2017 was therefore \$12.7m.

Significant changes in state of affairs

Investment in HCP Limited

On 4 July 2017, IDP Education completed the investment of a 20% equity interest in HCP Limited, a Chinese company specialising in delivering English language test preparation materials via social media and its mobile app.

The investment provides IDP Education with a significant opportunity to further develop its student placement business in China by securing access to a growing digital community of prospective international students.

It also provides IDP Education with exposure to the large IELTS test preparation market in China. HCP provides online courses to students to help improve their speaking, reading, writing and listening and has plans to expand its offering in English language teaching and test preparation.

The investment comprises of two tranches with an upfront payment of \$4.1m completed on 4 July followed by up to a further \$2.3m in twelve months based on certain key performance indicators.

Subsequent events

There has not been any matter or circumstances occurring subsequent to the balance date that has significantly affected, or may significantly affect, the operation of the Group, the results of those operations, or the state of affairs of the Group in future financial year.

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 7.

Rounding of amounts

The Group is of a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission. In accordance with that Corporations Instrument, amounts in the directors' report and interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.



Peter Polson
Chairman



Andrew Barkla
Managing Director

Melbourne
6 February 2018

6 February 2018

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

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 2017, 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



Genevra Cavallo
Partner
Chartered Accountants
Melbourne

**Consolidated statement of profit or loss
for the half-year ended 31 December 2017**

		31 December 2017 \$'000	31 December 2016 \$'000
	Notes		
Revenue	3	241,968	189,814
Expenses	4	(191,694)	(153,429)
Depreciation and amortisation		(5,206)	(2,507)
Finance income		176	145
Finance costs		(1,262)	-
Profit for the half-year before income tax expense		43,982	34,023
Income tax expense	5	(13,523)	(9,896)
Profit for the half-year		30,459	24,127
Profit for the half-year attributable to:			
Owners of IDP Education Limited		30,459	24,127
		30,459	24,127
		31 December 2017	31 December 2016
Earnings per share for profit attributable to ordinary equity holders	Notes		
Basic earnings per share (cents per share)	6	12.17	9.64
Diluted earnings per share (cents per share)	6	11.86	9.39

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

**Consolidated statement of comprehensive income
for the half-year ended 31 December 2017**

	31 December 2017 \$'000	31 December 2016 \$'000
Profit for the half-year	30,459	24,127
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Net investment hedge of foreign operations	(1,131)	-
Exchange differences arising on translating the foreign operations	1,404	(22)
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	254	(2,714)
Cumulative gain arising on changes in fair value of hedging instruments reclassified to profit or loss	701	2,353
Income tax related to gains/(losses) recognised in other comprehensive income	(188)	108
Items that will not be reclassified subsequently to profit or loss:	-	-
Other comprehensive income/(loss) for the half-year, net of income tax	1,040	(275)
Total comprehensive income for the half-year	31,499	23,852
Total comprehensive income attributable to:		
Owners of IDP Education Limited	31,499	23,852
	31,499	23,852

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

**Consolidated statement of financial position
as at 31 December 2017**

	Notes	31 December 2017 \$'000	30 June 2017 \$'000
CURRENT ASSETS			
Cash and cash equivalents		34,375	41,958
Trade and other receivables		61,037	41,519
Derivative financial instruments	9	638	484
Current tax assets		809	804
Other current assets		11,655	9,815
Total current assets		108,514	94,580
NON-CURRENT ASSETS			
Investment in associate		4,130	-
Property, plant and equipment		15,837	14,123
Intangible assets	7	114,788	115,233
Capitalised development costs		19,952	9,890
Deferred tax assets		5,128	5,818
Derivative financial instruments	9	226	-
Other non-current assets		230	204
Total non-current assets		160,291	145,268
TOTAL ASSETS		268,805	239,848
CURRENT LIABILITIES			
Trade and other payables		51,236	50,277
Borrowings	8	3,000	-
Deferred revenue		28,324	25,718
Provisions		9,144	7,722
Current tax liabilities		191	2,796
Financial liabilities at fair value through profit or loss	9	12,898	12,012
Derivative financial instruments	9	721	3,070
Total current liabilities		105,514	101,595
NON-CURRENT LIABILITIES			
Trade and other payables		239	124
Borrowings	8	44,128	39,108
Derivative financial instruments	9	44	-
Deferred tax liabilities		6,791	6,952
Provisions		3,635	3,266
Total non-current liabilities		54,837	49,450
TOTAL LIABILITIES		160,351	151,045
NET ASSETS		108,454	88,803
EQUITY			
Issued capital	10	19,426	19,426
Reserves		7,204	4,246
Retained earnings		81,824	65,131
TOTAL EQUITY		108,454	88,803

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 2017

		Issued capital	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2016		25,050	(2,353)	(1,404)	3,118	54,907	79,318
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		(628)	-	-	-	-	(628)
Share-based payments		-	-	-	1,107	-	1,107
Dividends paid	11	-	-	-	-	(13,766)	(13,766)
As at 31 December 2016		24,422	(2,606)	(1,426)	4,225	65,268	89,883
		Issued capital	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2017		19,426	(701)	(936)	5,883	65,131	88,803
Change in the fair value of cash flow hedges, net of income tax		-	668	-	-	-	668
Exchange differences arising on translating the foreign operations		-	-	372	-	-	372
Profit for the half-year		-	-	-	-	30,459	30,459
Total comprehensive income for the period		-	668	372	-	30,459	31,499
Share-based payments		-	-	-	1,918	-	1,918
Dividends paid	11	-	-	-	-	(13,766)	(13,766)
As at 31 December 2017		19,426	(33)	(564)	7,801	81,824	108,454

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

**Consolidated statement of cash flow
for the half-year ended 31 December 2017**

	Note	31 December 2017 \$'000	31 December 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		201,206	150,722
Payments to suppliers and employees		(168,593)	(129,653)
Interest received		176	158
Interest paid		(471)	-
Income tax paid		(15,800)	(10,505)
Net cash inflow from operating activities		16,518	10,722
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment, intangible assets and capitalised development costs		(13,406)	(5,378)
Payments for investment in an associate		(4,130)	-
Contingent consideration payments for acquisition of a subsidiary		-	(2,356)
Net cash outflow from investing activities		(17,536)	(7,734)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		9,130	-
Repayments of borrowings		(2,000)	-
Payments for treasury shares		-	(628)
Dividends paid	11	(13,766)	(13,766)
Net cash outflow from financing activities		(6,636)	(14,394)
Net decrease in cash and cash equivalents		(7,654)	(11,406)
Cash and cash equivalents at the beginning of the half-year		41,958	35,353
Effect of exchange rates on cash holdings in foreign currencies		71	16
Cash and cash equivalents at the end of the half-year		34,375	23,963

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 2017

Notes to the financial statements

1. Significant accounting policies

The principal accounting policies and methods of computation adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, as set out in the annual financial report for the year ended 30 June 2017, except for the impact of the Standards and Interpretations described in section (ii) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. 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 2017 is a general purpose financial report prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with *AASB 134* ensures compliance with *International Financial Reporting Standard IAS 34 Interim Financial Reporting*.

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 2017 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 1048 *Interpretation of Standards*
-) AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
-) AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
-) AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016*

AASB 1048 Interpretation of Standards

The Group has applied the new principal version of AASB 1048 providing an up-to-date listing of Australian Interpretations, including Interpretation 22 *Foreign Currency Transactions and Advance Consideration* and Interpretation 23 *Uncertainty over Income Tax Treatments*.

The application of these amendments has had no impact on the Group's consolidated financial statements as this is a service standard that ensures there is no difference between the status of Interpretations in the hierarchy between IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Notes to the consolidated financial statements for the half-year ended 31 December 2017

1. Significant accounting policies (continued)

(ii) New accounting standards and interpretations (continued)

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings and certain other financial liabilities. A reconciliation between the opening and closing balances of these items will be provided in the annual financial report for the year ending 30 June 2018. Consistent with the transition provisions of the amendments, the Group will not disclose comparative information for the prior period. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016

The Group has applied the amendments to AASB 12 *Disclosure of Interest in Other Entities* for the first time in the current year. The other amendments are not yet mandatorily effective and they have not been early adopted by the Group.

AASB 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

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 in assessing performance and 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 Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Laos, Malaysia, Mauritius, Nepal, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, and Vietnam;
-) Australasia – which includes Australia, Fiji, New Zealand and New Caledonia; and
-) Rest of World – which includes Argentina, Azerbaijan, Bahrain, Brazil, Canada, Colombia, Cyprus, Egypt, Germany, Greece, Iran, Italy, Jordan, Kazakhstan, Kuwait, Lebanon, Mexico, Nigeria, Oman, Pakistan, Qatar, Russia, Saudi Arabia, Spain, Switzerland, Ukraine, the United Arab Emirates, the United Kingdom, United States of America and Turkey.

These geographic segments are based on the Group's management reporting system and the way management views the business.

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

Notes to the consolidated financial statements for the half-year ended 31 December 2017

2. Segment information (continued)

Geographic segment revenue and results

	Segment revenue		Segment EBIT	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	\$'000	\$'000	\$'000	\$'000
Asia	154,071	120,748	48,130	38,156
Australasia	34,799	31,585	8,465	8,697
Rest of World	53,098	37,481	12,481	8,263
Consolidated total	241,968	189,814	69,076	55,116
Revenue	241,968	189,814	-	-
Corporate cost			(24,008)	(21,238)
Segment EBIT			45,068	33,878
Net finance (cost)/income			(1,086)	145
Profit before tax			43,982	34,023

Information about major customers

No single customer contributed 10% or more to the Group's revenue for either December 2017 or December 2016.

Product segment

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

	31 December 2017 \$'000	31 December 2016 \$'000
Student placement	55,952	45,743
IELTS examination	62,607	49,495
English language teaching	7,430	6,978
Advertising and events	9,489	(401)
Other	820	929
	136,298	102,744

3. Revenue

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

	31 December 2017 \$'000	31 December 2016 \$'000
Student placement revenue	64,926	54,014
IELTS examination revenue	148,397	118,704
English language teaching revenue	11,068	10,548
Advertising and event revenue	15,851	4,872
Other revenue	1,726	1,676
	241,968	189,814

Notes to the consolidated financial statements for the half-year ended 31 December 2017

4. Expenses

	31 December 2017 \$'000	31 December 2016 \$'000
Student placement direct costs	8,974	8,271
Examination direct costs	85,790	69,209
English language teaching direct costs	3,638	3,570
Advertising and event direct costs	6,362	5,273
Other direct costs	906	747
Employee benefits expense	55,758	41,131
Occupancy expenses	9,259	7,821
Marketing expenses	6,916	5,708
Administrative expenses	3,256	2,788
IT and communication expenses	3,211	2,448
Consultancy and professional expenses	4,356	3,037
Foreign exchange loss	103	570
Other expenses	3,165	2,856
	191,694	153,429

5. Income taxes

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

	31 December 2017 \$'000	31 December 2016 \$'000
Profit before tax	43,982	34,023
Income tax expense calculated at 30% (2016: 30%)	13,195	10,207
Add tax effect of:		
Non-deductible expenses	381	83
Attributed Income	323	-
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	216	392
Withholding taxes	308	254
Under/(over) provision of income tax in previous year	32	108
Less tax effect of:		
Non-assessable income	(182)	(449)
Other deductible items	(30)	(178)
Previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	(143)	-
Effect of different tax rates in foreign jurisdictions	(577)	(521)
Income tax expense recognised in profit or loss	13,523	9,896

Notes to the consolidated financial statements for the half-year ended 31 December 2017

6. Earnings per share

	31 December 2017		31 December 2016	
	Cents		Cents	
	Basic	Diluted	Basic	Diluted
Earnings per share	12.17	11.86	9.64	9.39
Earnings used in calculating earnings per share			31 December 2017	31 December 2016
			\$000	\$000
Earnings used in the calculation of basic and diluted earnings per share			30,459	24,127
Weighted average number of shares used as the denominator			31 December 2017	31 December 2016
Weighted average number of shares used as denominator in calculating basic EPS			250,294,968	250,294,968
Weighted average of potential dilutive ordinary shares				
- options			4,150,000	4,150,000
- performance rights			2,458,319	2,564,359
Weighted average number of shares used as denominator in calculating diluted EPS			256,903,287	257,009,327

7. Intangible assets

	Software	Student placement licence	Brand and trade names	Customer relationships	Website technology and database	Goodwill	Contracts for English language testing	Total
Cost	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2017	29,836	2,493	14,364	13,465	6,840	37,517	35,200	139,715
Additions	927	-	-	-	-	-	-	927
Effect of foreign currency exchange differences	-	-	287	286	148	525	-	1,246
Balance at 31 December 2017	30,763	2,493	14,651	13,751	6,988	38,042	35,200	141,888
Accumulated amortisation								
Balance at 30 June 2017	(22,876)	(346)	(148)	(371)	(741)	-	-	(24,482)
Amortisation for the year	(1,112)	-	-	-	-	-	-	(1,112)
Amortisation of intangible assets generated from business combinations	-	(83)	(34)	(488)	(842)	-	-	(1,447)
Effect of foreign currency exchange differences	-	-	-	(20)	(39)	-	-	(59)
Balance at 31 December 2017	(23,988)	(429)	(182)	(879)	(1,622)	-	-	(27,100)
Net Book Value								
At 30 June 2017	6,960	2,147	14,216	13,094	6,099	37,517	35,200	115,233
At 31 December 2017	6,775	2,064	14,469	12,872	5,366	38,042	35,200	114,788

Notes to the consolidated financial statements for the half-year ended 31 December 2017

7. Intangible assets (continued)

Recognition and measurement

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is not amortised however it is subject to impairment testing at least annually.

Brand and trade names related to Hotcourses and Contracts for English language testing have been assessed as having an indefinite useful life and are not amortised. This assessment reflects the terms of the respective arrangements and management's intention to continue to utilise these assets for the foreseeable future. Each period, the useful life of these assets is reviewed to determine whether events or circumstances continue to support an indefinite useful life for these assets.

Intangible assets that have an indefinite useful life are carried at cost less accumulated impairment losses.

Software, student placement licenses, brand and trade names related to Promising Education, customer relationships and website technology and databases are measured at cost less accumulated amortisation and impairment losses.

Useful life and amortisation

) Software	3 to 5 years
) Student placement licences	15 years
) Brand and trade names: Promising Education	15 years
) Brand and trade names: Hotcourses	Indefinite
) Customer relationships	8 to 19 years
) Website technology and databases	3 to 5 years
) Contracts for English language testing	Indefinite

Impairment testing

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Intangible assets with an indefinite life are allocated to Cash Generating Units (CGUs) or groups of CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which they arose.

8. Borrowings

	31 December 2017	30 June 2017
	\$'000	\$'000
Current		
Bank loans	3,000	-
Non-current		
Bank loans	44,128	39,108
Total	47,128	39,108

During the half year, the Group drew down bank loan of \$4.1m and \$5.0m to fund the investment in HCP Limited and working capital. The loans bear interest at variable market rates and are repayable by 18 January 2020 and 17 January 2019 respectively. Repayments of the working capital facility amounting to \$2.0m were made before 31 December 2017.

Notes to the consolidated financial statements for the half-year ended 31 December 2017

9. Financial instruments

9.1 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 2017 \$'000	Fair value as at 30 June 2017 \$'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Foreign currency forward and options contracts	Level 2	Assets: 864 Liabilities: 765	Assets: 484 Liabilities: 3,070	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
Contingent consideration in business combinations	Level 3	12,898	12,012	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	WACC Probability of meeting contingent consideration KPIs	A slight decrease or increase in the discount rate used and/or KPIs probability in isolation would not result in a significant change in the fair value.

9.2 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 2017

10. Contributed equity

10.1 Share capital

	Note	31 December 2017 \$'000	30 June 2017 \$'000
Ordinary shares fully paid		23,483	23,483
Treasury shares	10.2	(4,057)	(4,057)
		19,426	19,426

Movement in ordinary shares (fully paid)	Number of shares	\$'000
Balance at 30 June 2017	250,294,968	23,483
Transfer of treasury shares to employees	-	-
Balance at 31 December 2017	250,294,968	23,483

10.2 Treasury shares

Movement in treasury shares	Number of shares	\$ per share	\$'000
Balance at 30 June 2017	841,416	-	4,057
Transfer to employees	-	-	-
Balance at 31 December 2017	841,416	-	4,057

11. Dividends

11.1 Dividends paid

	31 December 2017		31 December 2016	
	\$ per share	Total \$'000	\$ per share	Total \$'000
Fully ordinary shares				
Final dividend paid in respect of prior financial year – 55.0% (2016: 35.0%) franked	0.055	13,766	0.055	13,766

The final dividend for the financial year ended 30 June 2017 was paid on 28 September 2017.

11.2 Dividends proposed and not recognised at the end of the reporting period

A dividend of 8.5 cents per share franked at 70% was declared on 6 February 2018, payable on 29 March 2018 to shareholders registered on 8 March 2018. This dividend has not been included as a liability in the financial statements. The total estimated dividend to be paid is \$21.275m.

**Notes to the consolidated financial statements
for the half-year ended 31 December 2017****12. Key management personnel**

IDP Education Limited has granted performance rights awards and option awards to the Managing Director and other key management personnel as part of 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 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.

13. Subsequent events

There were no significant events since the balance date.

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the financial statements and notes thereto set out on pages 8 to 21 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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



Peter Polson
Chairman



Andrew Barkla
Managing Director

Melbourne
6 February 2018

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 consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of cash flow and the consolidated 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 8 to 22.

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 2017 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.

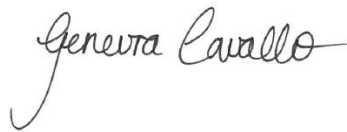
Conclusion

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 2017 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



Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 6 February 2018

Corporate Directory

Directors

Peter L 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

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Auditor

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Stock exchange listing

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

Website

www.idp.com

ABN

59 117 676 463