

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

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**Interim Financial Report**  
For the half-year ended 31 December 2015

## Appendix 4D

### IDP EDUCATION LIMITED

ABN 59 117 676 463

Half-year ended 31 December 2015

(Previous corresponding period: Half-year ended 31 December 2014)

### Results for Announcement to the Market

	31 December 2015 \$000	31 December 2014 \$000	Movement \$000	Movement %
Revenue from ordinary activities	181,610	145,822	35,788	24.5%
Net profit for the period attributable to the owners of IDP Education Limited	20,347	17,042	3,305	19.4%

### Dividend information

On 16 November 2015, a special dividend of \$9.95 per share amounting to \$30 million was paid to Education Australia Limited and Seek Investment Pty Ltd. In line with our expectations in the prospectus lodged with the Australian Securities and Investments Commission in November 2015, no interim dividend has been declared since listing, for the half-year period ended 31 December 2015.

Net tangible assets per ordinary share	31 December 2015 cents	30 June 2015 cents
Net tangible assets per ordinary share	0.87	12.78

Net tangible assets are defined as the net assets of the IDP Education Limited Group less intangible assets and capitalised development costs. A share split took place prior to the Group's Initial Public Offering in the half-year period ended 31 December 2015, whereby an additional 82 shares were issued for every one existing share. In addition to the share split, two additional shares were issued at Initial Public Offering. The number of shares on issue at 31 December 2015 was 250,294,968 (31 December 2014: 3,015,602). For comparative purposes, the number of shares on issue at 30 June 2015 has been adjusted.

### 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 2015.

### 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:

<b>Name</b>	<b>Particulars</b>
Peter Polson	Non-Executive Director and Chairman
Andrew Barkla	Managing Director and Chief Executive Officer (appointed on 17 August 2015)
Ariane Barker	Non-Executive Director (appointed on 12 November 2015)
Professor David Battersby AM	Non-Executive Director
Chris Leptos AM	Non-Executive Director (appointed on 12 November 2015)
Belinda Robinson	Non-Executive Director (appointed on 12 November 2015)
Greg West	Non-Executive Director
Eddie Collis	Non-Executive Director (resigned on 12 November 2015)
Professor Greg Hill	Non-Executive Director (resigned on 12 November 2015)
Michael Ilczynski	Non-Executive Director (resigned on 12 November 2015)
Joe Powell	Non-Executive Director (resigned on 12 November 2015)
Andrew J Thompson	Managing Director and Chief Executive Officer (resigned on 14 August 2015)

### Review of operations

#### *Group result*

The Group recorded a record result for the half-year ended 31 December 2015 ("H1 FY2016") with strong growth in revenue of 24.5% to \$181.6 million and net profit after tax increasing 19.4% to \$20.3 million compared to the half-year ended 31 December 2014 ("H1 FY2015") of \$17.0 million. The result was underpinned by strong underlying growth in Asia and the Rest of World segments.

Asia revenue grew 44.6% to \$111.5 million with India and China making significant contributions, but all markets in Asia are showing good growth.

Rest of World revenue grew 22.1% to \$34.5 million with most markets in the Middle East, Europe and South America showing some growth.

Australasia revenue declined 11.9% to \$35.6 million largely as expected due to the introduction of competition in English Language Testing in November 2014 in Australia.

Student Placement revenue grew 42.8% to \$48.8 million with the primary driver being multi-destination student placement revenue growth of 120.8% to \$18.1 million. Multi-destination volume grew 75.9% to 5,100 placements when compared to H1 FY2015 of 2,900. This gives us confidence in the importance of our multi-destination growth strategy.

IELTS revenue grew 18.4% to \$116.3 million with underlying volume growth of 5.9% to 419,700 candidates compared to H1 FY2015 of 400,000 candidates.

The Group's EBITDA result was \$32.5 million an increase of 17.3% compared to H1 FY2015.



## Listing

IDP Education Limited listed on the Australian Securities Exchange (ASX) on 26 November 2015. A diversified group of institutional and retail shareholders, both domestic and international, acquired stock in IDP Education at the listing.

A share split took place prior to the Group's Initial Public Offering in the half-year period ended 31 December 2015, whereby an additional 82 shares were issued for every one existing share. In addition to the share split, two additional shares were issued during the Initial Public Offering, which increased the number of shares on issue to 250,294,968.

## Significant changes in the state of affairs

### *Appointment of Chief Executive Officer and Managing Director*

Andrew Barkla was appointed Chief Executive Officer and Managing Director at IDP Education in August 2015. Andrew has extensive experience in the technology, services and software industry, with over 20 years of senior management experience in roles across Australia, New Zealand, Asia and North America. Prior to joining IDP Education, Andrew worked for SAP as President of Australia and New Zealand. Prior to his role at SAP, Andrew held leadership roles at Unisys, including as Vice President of Unisys' Asia Pacific Japan operations covering 13 countries, as Member of Unisys' Global Executive Committee and as Chairman of Unisys West, a technology services joint venture between BankWest and Unisys. Earlier in his career, Andrew was Vice President and General Manager of PeopleSoft's Asia Pacific region prior to the company's acquisition by Oracle, and was Managing Director for certain other companies in the technology, services and software industry.

### *Appointment of new board members*

#### Ariane Barker

Ariane was appointed Non-Executive Director at IDP Education in November 2015. With an extensive career in international financial services and over a decade working in Asia, Ariane brings a diversity of perspectives to strategic decision-making. Ariane is a board member and Chair of the Investment Committee of Emergency Services & State Superannuation (ESSSuper), a member of ESSSuper's Audit and Risk Committee and a member of the Murdoch Childrens Research Institute Investment Committee and Development Board. Ariane has extensive experience in international finance, risk management, and debt and equity capital markets, having worked in executive roles with Merrill Lynch, Goldman Sachs and HSBC in the United States, Europe, Japan and Hong Kong. In 2010, Ariane was awarded an Australian Institute of Company Directors (AICD) board diversity scholarship and successfully completed the AICD Company Directors course.

#### Chris Leptos AM

Chris was appointed Non-Executive Director at IDP Education in November 2015. His other Board roles include Deputy Chairman of Linking Melbourne Authority (responsible for the East West Link project), Non-Executive Director of Arete Capital Partners, Non-Executive Director of PPB Advisory, and Deputy Chairman of Flagstaff Partners. He is also a member of the Australian Research Industry Advisory Board, the Advisory Board of The University of Melbourne Faculty of Business and the Advisory Council of Asialink, a Governor of The Smith Family, and a Fellow of the AICD. Chris was previously a Senior Partner with KPMG and Managing Partner Government at Ernst & Young where he had national responsibility for leading the public sector and higher education practice. Earlier in his career, Chris was General Manager of Corporate Development for Western Mining Corporation and Chief of Staff to Senator John Button. He was a member of the Infrastructure Planning Council of Victoria and the Australian Information Economy Advisory Council. Chris has lived and worked in Jakarta, Shanghai, Tokyo, London and Toronto, and in 2000 he was designated a Member of the Order of Australia for services to business and the community.

#### Belinda Robinson

Belinda was appointed Non-Executive Director at IDP Education in November 2015. Belinda is the Chief Executive and Executive Director of Universities Australia, the peak body representing Australia's 39 comprehensive universities to the Government. Belinda is a director of Education Australia. Belinda is also a Non-Executive Director and Chair of the Remuneration and Nomination Committee of Beach Energy and a director of The Conversation Media Group Limited and The Conversation Foundation Limited. Belinda has been the Chief Executive of peak industry bodies for almost 15 years and has held a number of senior and senior executive positions within the Federal Australian Government, including eight years with the Department of the Prime Minister and Cabinet. Belinda has extensive knowledge and experience in higher education policy, government processes, political advocacy, change management and corporate governance. She is a graduate member of the AICD, has completed the Company Director's course, was selected to participate in the AICD's ASX Chairman's Mentoring Program and has held positions on numerous not-for-profit boards and management/advisory committees.

**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 company is of a kind referred to in Class Order 98/100 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 Class Order, 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

Melbourne

10 February 2016

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

10 February 2016

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 2015, 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



**Condensed consolidated statement of profit or loss  
for the half-year ended 31 December 2015**

		31 December 2015 \$'000	31 December 2014 \$'000
Revenue	4	181,610	145,822
Expenses	5	(149,099)	(118,085)
Share of net loss of joint ventures		-	(10)
Depreciation and amortisation		(3,984)	(3,272)
Finance income		332	527
Finance costs		(43)	-
<b>Profit for the half-year before income tax expense</b>		<b>28,816</b>	<b>24,982</b>
Income tax expense	6	(8,469)	(7,940)
<b>Profit for the half-year</b>		<b>20,347</b>	<b>17,042</b>
Profit for the half-year attributable to:			
Owners of IDP Education Limited		20,347	17,042
		<b>20,347</b>	<b>17,042</b>

		31 December 2015	31 December 2014 Restated
<b>Earnings per share for profit attributable to ordinary equity holders</b>	<b>Notes</b>		
Basic earnings per share (cents per share)	7	8.13	6.81
Diluted earnings per share (cents per share)	7	7.98	6.76

The above statement should be read in conjunction with the accompanying notes on pages 12 to 20.



**Condensed consolidated statement of profit or loss and other comprehensive income  
for the half-year ended 31 December 2015**

	31 December 2015 \$'000	31 December 2014 \$'000
<b>Profit for the half-year</b>	20,347	17,042
<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	98	(384)
Gain arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	(365)	2,633
Cumulative gain/loss arising on changes in fair value of hedging instruments reclassified to profit or loss	(2,930)	183
Income tax related to gains/losses recognised in other comprehensive income	997	(832)
Items that will not be reclassified subsequently to profit or loss:	-	-
Other comprehensive income for the half-year, net of income tax	(2,200)	1,600
<b>Total comprehensive income for the half-year</b>	<b>18,147</b>	<b>18,642</b>
Total comprehensive income attributable to:		
Owners of IDP Education Limited	18,147	18,642
	<b>18,147</b>	<b>18,642</b>

The above statement should be read in conjunction with the accompanying notes on pages 12 to 20.

**Condensed consolidated statement of financial position  
as at 31 December 2015**

		31 December 2015 \$'000	30 June 2015 \$'000
	Notes		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		20,346	51,184
Trade and other receivables		37,026	27,995
Derivative financial instruments		3,416	5,992
Current tax assets		1,247	1,102
Other assets		8,181	9,852
<b>Total current assets</b>		<b>70,216</b>	<b>96,125</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8,152	8,495
Intangible assets	8	54,937	56,816
Capitalised development costs		3,970	2,625
Deferred tax assets		2,724	1,291
Derivative financial instruments		431	-
Other non-current assets		312	-
<b>Total non-current assets</b>		<b>70,526</b>	<b>69,227</b>
<b>TOTAL ASSETS</b>		<b>140,742</b>	<b>165,352</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		32,261	37,397
Deferred revenue		17,829	15,329
Current tax liabilities		9,392	8,798
Provisions		6,674	5,884
Borrowings	9	7,000	-
Financial liabilities at fair value through profit or loss	10	2,799	-
Derivative financial instruments		739	163
<b>Total current liabilities</b>		<b>76,694</b>	<b>67,571</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		95	1,143
Financial liabilities at fair value through profit or loss	10	-	2,836
Derivative financial instruments		563	-
Provisions		2,301	2,367
<b>Total non-current liabilities</b>		<b>2,959</b>	<b>6,346</b>
<b>TOTAL LIABILITIES</b>		<b>79,653</b>	<b>73,917</b>
<b>NET ASSETS</b>		<b>61,089</b>	<b>91,435</b>
<b>EQUITY</b>			
Contributed equity	11	25,050	27,450
Reserves		699	992
Retained earnings		35,340	62,993
<b>TOTAL EQUITY</b>		<b>61,089</b>	<b>91,435</b>

The above statement should be read in conjunction with the accompanying notes on pages 12 to 20.

**Condensed consolidated statement of changes in equity  
for the half-year ended 31 December 2015**

	Note	Contributed equity \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Total \$'000
<b>As at 1 July 2014</b>		<b>27,450</b>	<b>(183)</b>	<b>(1,050)</b>	<b>-</b>	<b>70,517</b>	<b>96,734</b>
Change in the fair value of cash flow hedges, net of income tax		-	1,984	-	-	-	1,984
Exchange differences arising on translating the foreign operations		-	-	(384)	-	-	(384)
Profit for the half-year		-	-	-	-	17,042	17,042
Total comprehensive income for the period		-	1,984	(384)	-	17,042	18,642
Dividends paid		-	-	-	-	(20,000)	(20,000)
<b>As at 31 December 2014</b>		<b>27,450</b>	<b>1,801</b>	<b>(1,434)</b>	<b>-</b>	<b>67,559</b>	<b>95,376</b>

	Note	Contributed equity \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Total \$'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	11(b)	(2,400)	-	-	-	-	(2,400)
Share-based payments		-	-	-	1,907	-	1,907
Dividends paid		-	-	-	-	(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>

The above statement should be read in conjunction with the accompanying notes on pages 12 to 20.



**Condensed consolidated statement of cash flow  
for the half-year ended 31 December 2015**

	31 December 2015 \$'000	31 December 2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	146,853	119,912
Payments to suppliers and employees	(121,420)	(98,821)
Interest received	343	527
Interest paid	(34)	-
Income tax paid	(10,276)	(8,881)
<b>Net cash inflow from operating activities</b>	<b>15,466</b>	<b>12,737</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant and equipment, intangible assets and capitalised development costs	(3,084)	(2,487)
<b>Net cash outflow from investing activities</b>	<b>(3,084)</b>	<b>(2,487)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	15,000	-
Repayments of borrowings	(8,000)	-
Payments for treasury shares	(2,400)	-
Dividends paid	(48,000)	(20,000)
<b>Net cash outflow from financing activities</b>	<b>(43,400)</b>	<b>(20,000)</b>
Net decrease in cash and cash equivalents	(31,018)	(9,750)
Cash and cash equivalents at the beginning of the half-year	51,184	52,961
Effect of exchange rates on cash holdings in foreign currencies	180	1,630
<b>Cash and cash equivalents at the end of the half-year</b>	<b>20,346</b>	<b>44,841</b>

The above statement should be read in conjunction with the accompanying notes on pages 12 to 20.

## Notes to the consolidated financial statements for the half-year ended 31 December 2015

### Notes to the financial statements

#### 1. Significant accounting policies

The principal accounting policies adopted in the preparation of these condensed 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 2015, 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. The costs involved with the share sale and listing of approximately \$15.0 million were borne by the shareholders.

##### (i) Basis of preparation

The consolidated interim financial report for the half-year reporting period ended 31 December 2015 is a general purpose financial report prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

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 2015 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.

As at 31 December 2015, the Group is in a net current liability position of \$6.5 million due to the payment of \$30 million special dividend prior to the IPO.

The Directors are of the opinion that the Group is a going concern based on the factors:

- The strong performance of the Group including strong cash inflow from operating activities and the Group's cash flow forecast;
- available unutilised finance facilities of \$10.0 million which has a maturity to 30 December 2016 and \$3 million which has a maturity to 30 June 2016; and
- The Group's net asset position of \$61.1 million.

##### (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 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Impact of the application of AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations.

The adoption of amending Standards does not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

## Notes to the consolidated financial statements for the half-year ended 31 December 2015

### 2. Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### (i) Fair value of financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions in relation to these factors could affect the reported fair value of financial instruments.

#### (ii) Contingent consideration

Contingent consideration resulting from business combination is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

#### (iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with its accounting policy. The recoverable amounts of the cash-generating units have been determined based on the value in use valuation model. These calculations require the use of assumptions.



## Notes to the consolidated financial statements for the half-year ended 31 December 2015

### 3. 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 in determining the allocation of resources.

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

- Australasia – which includes Australia, New Zealand, Fiji and New Caledonia;
- Asia – which includes India, Malaysia, Indonesia, Mauritius, Bangladesh, Sri Lanka, Singapore, Cambodia, Philippines, Vietnam, Thailand, Laos, China, Taiwan, Hong Kong and South Korea; 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 and South Africa.

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.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

#### Segment revenue and results

	Segment revenue		Segment EBIT	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Australasia	35,617	40,450	9,325	12,200
Asia	111,508	77,122	33,554	24,679
Rest of World	34,485	28,240	7,658	6,005
Consolidated total	181,610	145,812	50,537	42,884
Share of loss of joint ventures	-	10	-	-
<b>Revenue</b>	<b>181,610</b>	<b>145,822</b>	-	-
Corporate cost			(22,010)	(18,429)
<b>Segment EBIT</b>			<b>28,527</b>	<b>24,455</b>
Net finance income			289	527
<b>Profit before tax</b>			<b>28,816</b>	<b>24,982</b>

#### Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2015 and 2014.

#### Service segment

Revenue by service segment is disclosed in Note 4. Gross profit by service segment is shown below:

	31 December 2015 \$'000	31 December 2014 \$'000
Student placement revenue	41,367	29,160
IELTS revenue	45,520	37,586
English language teaching revenue	7,048	5,289
Event and other	955	1,538
	<b>94,890</b>	<b>73,573</b>

## Notes to the consolidated financial statements for the half-year ended 31 December 2015

### 4. Revenue

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

	31 December 2015 \$'000	31 December 2014 \$'000
Student placement revenue	48,828	34,192
IELTS revenue	116,297	98,218
English language teaching revenue	10,454	7,579
Event revenue	4,483	4,208
Other revenue	1,548	1,625
	<b>181,610</b>	<b>145,822</b>

### 5. Expenses

	31 December 2015 \$'000	31 December 2014 \$'000
Student placement direct costs	7,461	5,032
Examination direct costs	70,777	60,632
English language teaching direct costs	3,406	2,290
Event direct costs	4,460	3,827
Other direct costs	616	468
Employee benefits expense	39,123	28,730
Occupancy expenses	6,875	5,032
Marketing expenses	6,115	3,808
Administrative expenses	2,900	2,527
IT and communication expenses	2,240	1,830
Consultancy and professional expenses	2,508	1,988
Foreign exchange gain	27	(397)
Other expenses	2,591	2,318
	<b>149,099</b>	<b>118,085</b>

### 6. Income taxes

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

	31 December 2015 \$'000	31 December 2014 \$'000
Profit before tax	28,816	24,982
Income tax expense calculated at 30% (2014: 30%)	8,645	7,495
Add tax effect of:		
Non-deductible expenses	794	35
Attributed Income	96	288
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	220	301
Withholding taxes	221	174
Under provision of income tax in previous year	(263)	751
Less tax effect of:		
Non-assessable income	(176)	(146)
Other deductible items	(121)	(420)
Effect of tax rate in foreign jurisdictions	(947)	(538)
<b>Income tax expense recognised in profit or loss</b>	<b>8,469</b>	<b>7,940</b>



## Notes to the consolidated financial statements for the half-year ended 31 December 2015

### 7. Earnings per share

	31 December 2015		31 December 2014	
	Cents		Cents	
	Basic	Diluted	Basic	Diluted
Earnings per share	8.13	7.98	6.81	6.76
			31 December	31 December
Earnings used in calculating earnings per share			2015	2014
			\$000	\$000
Earnings used in the calculation of basic and diluted earnings per share			20,347	17,042
			31 December	31 December
Weighted average number of shares used as the denominator			2015	2014
Weighted average number of shares used as denominator in calculating basic EPS			250,294,966	250,294,966
Weighted average of potential dilutive ordinary shares:				
- options			3,067,391	-
- performance rights			1,527,421	1,752,960
Weighted average number of shares used as denominator in calculating diluted EPS			254,889,778	252,047,926

A share split took place prior to the Group's IPO in the half-year period ended 31 December 2015 (refer Note 11). The basic and diluted earnings per share presented for both the current and comparative half-year periods are calculated using the number of shares on issue following the share split.

#### 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, adjusted for bonus elements in ordinary shares issued during the reporting period. For comparative purposes, the weighted average number of ordinary shares outstanding as at 31 December 2014 has been updated to reflect the share split which took place prior to the Group's Initial Public Offering (IPO) (refer Note 11).

#### 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 2015

### 8. 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 2015	22,639	2,493	1,059	249	13,225	35,200	74,865
Additions	79	-	-	-	-	-	79
Balance at 31 December 2015	22,718	2,493	1,059	249	13,225	35,200	74,944
<b>Accumulated depreciation</b>							
Balance at 30 June 2015	(18,027)	(14)	(6)	(2)	-	-	(18,049)
Amortisation for the period	(1,832)	(83)	(35)	(8)	-	-	(1,958)
Balance at 31 December 2015	(19,859)	(97)	(41)	(10)	-	-	(20,007)
<b>Net Book Value</b>							
At 31 December 2015	2,859	2,396	1,018	239	13,225	35,200	54,937
At 30 June 2015	4,612	2,479	1,053	247	13,225	35,200	56,816

#### Student placement licence

Student placement licence is a separately identifiable intangible assets 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 assets 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 assets 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. These contracts are considered to have an indefinite useful life and as such are not amortised.

Goodwill of \$10.8 million was recognised on 9 April 2008 when the Group acquired the remaining interests in IELTS Australia Pty Ltd from the external shareholders. Goodwill of \$2.4 million was generated on 20 May 2015 when the Group gained control of Beijing Promising Education Limited.

Contracts for English language testing and goodwill are tested annually for impairment.

## Notes to the consolidated financial statements for the half-year ended 31 December 2015

### 9. Borrowings

	31 December	30 June
Secured – at amortised cost	2015	2015
	\$000	\$000
Bank loans	7,000	-

During the half-year, the Group drew down the bank loan to the amount of \$15.0 million. The loan bears interest at variable market rates and is repayable within one year. The proceeds from the loan have been used to meet short-term expenditure needs. Repayments of the bank loans amounting to \$8.0 million were made before 31 December 2015.

Financing arrangement	31 December	30 June
	2015	2015
	\$000	\$000
Total facilities available	20,000	10,000
Facilities utilised at the end of the period	7,000	-
Total facilities not utilised at the end of the period	13,000	10,000

### 10. Financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

Financial assets/ financial liabilities	Fair value hierarchy	Fair value as at 31 December 2015	Fair value as at 30 June 2015	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Foreign currency forward contracts	Level 2	Assets: \$3.8 million and Liabilities: \$1.3 million	Assets: \$6.0 million and Liabilities: \$0.2 million	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 a business combination	Level 3	\$2.8 million	\$2.8 million	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.	Discount rate of 9.5 per cent determined using a Capital Asset Pricing Model.	A slight decrease or increase in the discount rate used in isolation would not result in a significant change in the fair value.

#### 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 2015

### 11. Contributed equity

#### (a) Share capital

	Note	31 December 2015 \$'000	30 June 2015 \$'000
Ordinary shares fully paid		27,450	27,450
Treasury shares	11(b)	(2,400)	-
		25,050	27,450

Movement in share capital	Number of shares	\$ per share	\$'000
Balance at 1 July 2015	3,015,602		27,450
12 November 2015 Share split prior to IPO	247,279,364	-	-
12 November 2015 Issue of new shares	2	-	-
Balance at 31 December 2015 (including treasury shares)	250,294,968		27,450
Less: Treasury shares	(905,660)	2.65	(2,400)
Balance at 31 December 2015 (excluding treasury shares)	249,389,308		25,050

A share split took place prior to the Group's IPO in the half-year period ended 31 December 2015, whereby an additional 82 shares were issued for every one existing share. In addition to the share split, two additional shares were issued at IPO. The number of shares on issue at 31 December 2015 was 250,294,968 (31 December 2014: 3,015,602).

#### (b) Treasury shares

On 1 December 2015, IDP Education Employee Share Scheme Trust acquired 905,660 shares (at \$2.65 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. These shares will be transferred to eligible employees under the Performance Rights plan once the vesting conditions are met.

### 12. Dividends

Fully ordinary shares	31 December 2015		31 December 2014	
	\$ per share	Total \$'000	\$ per share	Total \$'000
Final dividend paid in respect of prior financial year – 24.5% (2014: 66.1%) franked	5.97	18,000	6.63	20,000
Special dividend paid prior to the IPO – 24.5% franked	9.95	30,000	-	-

The final dividend for the financial year ended 30 June 2015 was paid on 24 September 2015. The dividend per share has been calculated based on the number of shares prior to the share split (refer Note 11(a)).

The special dividend prior to IPO was declared on 22 September 2015 and paid on 16 November 2015. The dividend per share has been calculated based on the number of shares prior to the share split (refer Note 11(a)).

No dividends have been proposed or paid since the end of the reporting period.



## Notes to the consolidated financial statements for the half-year ended 31 December 2015

### 13. Key management personnel

As disclosed in the IDP Prospectus, 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.

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.

### 14. Share based payments

IDP Education Limited has offered a range of long term incentive Awards under the IDP Education Employee Incentive Plan. These Awards are designed to assist in the motivation and retention of senior management and other selected employees in line with contemporary market practice.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Details of the various types of Award and key terms of the plan are set out below:

Performance rights/options awards	No. of performance rights/Options	Grant date	Grant date fair value	Exercise price	Vesting conditions	Vesting date
The IPO Award - Performance Rights	467,124	21-Feb-14	1.40	N/A	Completion of the IPO offer and service condition	26-Nov-16
The Prospectus Performance Rights Award	285,852	21-Feb-14	1.40	N/A	Actual earnings and service condition	01-Sep-17
2013 LTI Performance Rights Award - Part 1	499,992	21-Feb-14	1.40	N/A	EPS target compound annual growth rate (CAGR)	31-Aug-16
2013 LTI Performance Rights Award - Part 2	75,115	30-Jan-15	1.40	N/A	EPS target CAGR	31-Aug-16
2014 LTI Performance Rights Award - Part 1	499,992	21-Feb-14	1.40	N/A	EPS target CAGR	31-Aug-17
2014 LTI Performance Rights Award - Part 2	130,725	30-Jan-15	1.40	N/A	EPS target CAGR	31-Aug-17
The FY16 Performance Right Award - Tranche 1 & 2	797,132	19-Oct-15	1.68	N/A	Net profit after tax CAGR	31-Aug-18
The FY16 Performance Right Award - Tranche 3	398,317	19-Oct-15	0.95	N/A	Total shareholder return CAGR	31-Aug-18
CEO Sign-on Options - Tranche 1 & 2	2,766,722	17-Aug-15	0.60	1.44	Net profit after tax CAGR	31-Aug-18
CEO Sign-on Options - Tranche 3	1,383,278	17-Aug-15	0.51	1.44	Total shareholder return CAGR	31-Aug-18

There is no exercise, forfeit and expiry of performance rights or options during the half-year period.

### 15. Subsequent events

There are no matters or circumstances occurring subsequent to the end of the period that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial years.

## 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 2015 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 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

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Melbourne

10 February 2016



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

We have reviewed the accompanying half-year financial report of IDP Education Limited which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit and loss, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flow and the condensed 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 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 2015 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 2015 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, 10 February 2016

## 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

### Principal registered office in Australia

Level 8  
535 Bourke Street  
MELBOURNE VIC 3000  
AUSTRALIA  
Ph: +61 3 9612 4400

### Share Registry

Link Market Service Limited  
Level 12  
680 George Street  
SYDNEY NSW 2000  
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 (Listing code: IEL)

### Website

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

### ABN

59 117 676 463