

IDP EDUCATION LIMITED
ABN 59 117 676 463

Interim Financial Report
For the half-year ended 31 December 2018

Appendix 4D
IDP EDUCATION LIMITED
ABN 59 117 676 463
Half-year ended 31 December 2018

Results for Announcement to the Market

	31 December 2018	31 December 2017	Movement	Movement
	\$000	\$000	\$000	%
Revenue from ordinary activities	304,274	241,968	62,306	25.75
Net profit for the period attributable to the owners of IDP Education Limited	40,826	30,459	10,367	34.04

Dividends	Amount per ordinary share cents	Franked amount per ordinary share cents
FY18 final dividend	6.50	3.90
FY19 interim dividend (declared after balance date)	12.00	6.00
Record date for determining entitlements to the dividends		8 March 2019
Dividend payment date		29 March 2019
Net tangible assets per ordinary share	31 December 2018 cents	30 June 2018 cents
Net tangible assets per share	6.54	(14.99)
Net assets per share	61.61	40.46

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 \$140.1m, including software, goodwill, identifiable intangible assets relating to businesses acquired and capitalised development costs. These assets are excluded from the calculation of net tangible assets per share.

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 2018.

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
Professor Colin J. Stirling	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 2018 (H1 FY19) 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 FY19	H1 FY18	A\$m	%	
English Language Testing	A\$m	178.6	148.4	30.2	20%	19%
Student Placement	A\$m	90.7	64.9	25.8	40%	36%
- Australia	A\$m	48.7	37.5	11.2	29%	29%
- Multi-destination	A\$m	42.0	27.4	14.6	53%	44%
English Language Teaching	A\$m	13.3	11.1	2.2	20%	13%
Digital Marketing and Events	A\$m	20.2	15.9	4.3	27%	22%
Other	A\$m	1.5	1.7	-0.2	-11%	-14%
Total Revenue	A\$m	304.3	242.0	62.3	26%	23%
Gross Profit	A\$m	172.2	136.3	35.9	26%	24%
EBIT	A\$m	58.5	45.1	13.4	30%	29%
NPAT	A\$m	40.7	30.5	10.2	34%	31%
NPAT (Adjusted)**	A\$m	41.8	31.6	10.2	32%	30%
Basic EPS	cents	16.1	12.2	3.9	32%	
EPS (Adjusted)**	cents	16.6	12.6	4.0	31%	
Debt	A\$m	64.4	47.1	17.3	37%	

* Growth based on H1 FY18 restated to reflect the exchange rates reflected in IDP Education's H1 FY19 results

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

*** The Group has adopted the new revenue recognition accounting standard, AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The impact from the adoption of the new accounting standard is not material to the H1 FY19 results. The impact to H1 FY19 was \$0.6m decrease to revenue and \$0.3m decrease to NPAT. The H1 FY18 comparatives have not been restated.

Review of operations (continued)

The Group recorded a strong increase in earnings for H1 FY19 with net profit after tax increasing approximately 34% to \$40.7m compared to the half-year ended 31 December 2017 (H1 FY18) of \$30.5m.

The result was primarily driven by a 26% increase in revenue with each of the Group's product lines delivering strong volume growth. English Language Testing revenue rose 20% with IELTS testing volumes increasing by 18% in the half. Student Placement revenue growth of 40% was underpinned by strong growth in volumes to the UK and Canada and increases in average price. Digital Marketing and Events revenue grew 27% with Hotcourses the key driver of that growth.

An improvement in gross margin was largely driven by the strong student placement revenue growth. Depreciation is significantly higher with the amortisation of the capital expenditure program associated with the student placement digital platform commencing in June 2018. NPAT margin is at 13.4% as a result of the improved gross margin and overheads growing at a lower rate than revenue in the period.

Currency movements had a net positive impact on the results. In aggregate, currency movements had a positive impact on revenue with constant currency revenue growth for H1 FY19 at 23% relative to the actual reported growth rate of 26%. This was partially offset by a negative currency impact at both the direct cost and overhead lines with constant currency NPAT growth for H1 FY19 at 30% relative to the actual reported growth rate of 32%.

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 FY19 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 FY19	H1 FY18	A\$m	%
Revenue				
Asia	204.4	154.1	50.3	33%
Australasia	31.0	34.8	-3.8	-11%
Rest of World	68.9	53.1	15.8	30%
Total revenue	304.3	242.0	62.3	26%
EBIT				
Asia	63.4	48.1	15.3	32%
Australasia	6.2	8.5	-2.3	-27%
Rest of World	17.9	12.5	5.4	43%
Total EBIT pre corporate costs	87.5	69.1	18.4	27%
Corporate costs	29.0	24.0	5.0	21%
Total EBIT	58.5	45.1	13.4	30%

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 operations continued to be a highlight. India posted strong growth across both English Language Testing and Student Placement. Demand from Indian consumers for overseas education and migration opportunities remains strong and IDP benefitted from this dynamic during the period.

Strong performances in Asia were also recorded in Indonesia, Bangladesh and Vietnam. China recorded strong growth in both Australian and multi-destination student placement revenue although placement volumes to Australia were down slightly on the prior comparable period. Vietnam and Bangladesh also recorded strong growth in English Language Testing volumes.

Australasian revenue declined 11% with declines recorded in English Language Testing volumes in Australia and New Zealand due to competition in the onshore market. This was only partially offset by an increase in student placement revenue in Australasia which benefited from increased volumes and average prices versus the prior comparable period. Australasian EBIT declined 27% reflecting the lower revenue and increased costs associated with FY18 H2 investment in student placement digital marketing, contact centre and student essentials resources.

The positive result in the Rest of the World segment reflects good growth in IELTS volumes in Canada, Nigeria, Uzbekistan and the Middle East. The UAE also recorded double digit volume growth in student placement which was a highlight for the Middle East student placement operations.

Review of operations (continued)*Financial Position*

The financial position of IDP Education Limited remains strong. As at 31 December 2018, the Group had total assets of \$361.6m of which 39% 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 \$156.7m.

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

- acquisition facility drawn to \$60.4m.
- working capital facility drawn to \$4.0m.

Offsetting this debt was \$54.8m of cash and cash equivalents at the end of the period. Net debt as at 31 December 2018 was therefore \$9.6m.

Subsequent events

There has not been any matter or circumstance 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 years.

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 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 2019

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

6 February 2019

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 2018, 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, 6 February 2019

**Consolidated statement of profit or loss
for the half-year ended 31 December 2018**

		31 December 2018	31 December 2017
	Notes	\$'000	\$'000
Revenue	3	304,274	241,968
Expenses	4	(237,494)	(191,694)
Depreciation and amortisation		(8,273)	(5,206)
Finance income		132	176
Finance costs		(1,025)	(1,262)
Share of loss of associate		(14)	-
Profit for the half-year before income tax expense		57,600	43,982
Income tax expense	5	(16,910)	(13,523)
Profit for the half-year		40,690	30,459
Profit for the half-year attributable to:			
Owners of IDP Education Limited		40,826	30,459
Non-controlling interests		(136)	-
		40,690	30,459

		31 December 2018	31 December 2017
Earnings per share for profit attributable to ordinary equity holders	Notes		
Basic earnings per share (cents per share)	6	16.13	12.17
Diluted earnings per share (cents per share)	6	16.01	11.86

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

**Consolidated statement of comprehensive income
for the half-year ended 31 December 2018**

	31 December 2018 \$'000	31 December 2017 \$'000
Profit for the half-year	40,690	30,459
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Net investment hedge of foreign operations	(697)	(1,131)
Exchange differences arising on translating the foreign operations	2,290	1,404
Gain arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	733	254
Cumulative (losses)/gain arising on changes in fair value of hedging instruments reclassified to profit or loss	(240)	701
Income tax related to gains/(losses) recognised in other comprehensive income	(12)	(188)
Items that will not be reclassified subsequently to profit or loss:	-	-
Other comprehensive income for the half-year, net of income tax	2,074	1,040
Total comprehensive income for the half-year	42,764	31,499
Total comprehensive income attributable to:		
Owners of IDP Education Limited	42,908	31,499
Non-controlling interests	(144)	-
	42,764	31,499

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

Consolidated statement of financial position as at 31 December 2018

	Notes	31 December 2018 \$'000	30 June 2018 \$'000
CURRENT ASSETS			
Cash and cash equivalents		54,774	48,809
Trade and other receivables		83,828	53,438
Contract assets	3	14,695	-
Derivative financial instruments		1,653	1,245
Current tax assets		10,502	2,844
Other current assets		13,739	13,072
Total current assets		179,191	119,408
NON-CURRENT ASSETS			
Contract assets	3	3,713	-
Investment in associate		4,728	4,742
Property, plant and equipment		20,181	18,987
Intangible assets	7	132,364	133,104
Capitalised development costs		7,768	5,683
Deferred tax assets		13,110	6,462
Derivative financial instruments		396	327
Other non-current assets		170	135
Total non-current assets		182,430	169,440
TOTAL ASSETS		361,621	288,848
CURRENT LIABILITIES			
Trade and other payables		79,315	69,344
Borrowings	8	4,000	5,000
Contract liabilities		35,743	29,998
Provisions		11,745	10,032
Current tax liabilities		1,837	1,720
Financial liabilities at fair value through profit or loss		174	870
Derivative financial instruments		1,037	669
Total current liabilities		133,851	117,633
NON-CURRENT LIABILITIES			
Trade and other payables		612	657
Borrowings	8	60,420	58,928
Derivative financial instruments		89	113
Deferred tax liabilities		5,994	6,196
Provisions		4,004	4,035
Total non-current liabilities		71,119	69,929
TOTAL LIABILITIES		204,970	187,562
NET ASSETS		156,651	101,286
EQUITY			
Issued capital	9	13,918	9,734
Reserves		29,466	9,918
Retained earnings		113,391	81,614
Equity attributable to owners of IDP Education Limited		156,775	101,266
Non-controlling interests		(124)	20
TOTAL EQUITY		156,651	101,286

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 2018**

	Note	Issued capital \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Equity attributable to owners of IDP Education Limited \$'000	Non- controlling interests \$'000	Total \$'000
As at 1 July 2017		19,426	(701)	(936)	5,883	65,131	88,803	-	88,803
Change in the fair value of cash flow hedges, net of income tax		-	668	-	-	-	668	-	668
Exchange differences arising on translating the foreign operations		-	-	372	-	-	372	-	372
Profit for the half-year		-	-	-	-	30,459	30,459	-	30,459
Total comprehensive income for the period		-	668	372	-	30,459	31,499	-	31,499
Share-based payments		-	-	-	1,918	-	1,918	-	1,918
Dividends paid	10	-	-	-	-	(13,766)	(13,766)	-	(13,766)
As at 31 December 2017		19,426	(33)	(564)	7,801	81,824	108,454	-	108,454

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 2018**

	Note	Issued capital \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Equity attributable to owners of IDP Education Limited \$'000	Non-controlling interests \$'000	Total \$'000
As at 1 July 2018		9,734	240	50	9,628	81,614	101,266	20	101,286
Effects of adoption of new accounting standards (i)(ii)	1 (ii)	-	-	-	-	7,490	7,490	-	7,490
As at 1 July 2018		9,734	240	50	9,628	89,104	108,756	20	108,776
Change in the fair value of cash flow hedges, net of income tax		-	345	-	-	-	345	-	345
Exchange differences arising on translating the foreign operations		-	-	1,737	-	-	1,737	(8)	1,729
Profit for the half-year		-	-	-	-	40,826	40,826	(136)	40,690
Total comprehensive income for the period		-	345	1,737	-	40,826	42,908	(144)	42,764
Issue of shares	9	4,536	-	-	-	-	4,536	-	4,536
Buy back of treasury shares	9	(352)	-	-	-	-	(352)	-	(352)
Share-based payments including tax effect		-	-	-	17,466	-	17,466	-	17,466
Dividends paid	10	-	-	-	-	(16,539)	(16,539)	-	(16,539)
As at 31 December 2018		13,918	585	1,787	27,094	113,391	156,775	(124)	156,651

(i) The Group has adopted AASB 15 *Revenue from Contracts with Customers* on a modified retrospective basis. This resulted in an increase of \$7.8 million to retained profits as at 1 July 2018, being the cumulative effect on initial application of the standard (refer to Note 1(ii)). The comparative results for the half-year ended 31 December 2017 are not restated as permitted by the standard.

(ii) The Group has adopted AASB 9 *Financial Instruments*. This resulted in a charge of \$0.3 million to retained profits as at 1 July 2018, being the cumulative effect on initial application of the standard (refer to Note 1(ii)). The comparative results for the half-year ended 31 December 2017 are not restated as permitted by the standard.

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

**Consolidated statement of cash flow
for the half-year ended 31 December 2018**

	Note	31 December 2018 \$'000	31 December 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		252,898	201,206
Payments to suppliers and employees		(207,663)	(168,593)
Interest received		132	176
Interest paid		(981)	(471)
Income tax paid		(18,631)	(15,800)
Net cash inflow from operating activities		25,755	16,518
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment, intangible assets and capitalised development costs		(7,449)	(13,406)
Payments for investment in an associate		(696)	(4,130)
Net cash outflow from investing activities		(8,145)	(17,536)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		4,696	9,130
Repayments of borrowings		(5,000)	(2,000)
Issue of shares		4,536	-
Payments for treasury shares		(352)	-
Dividends paid	10	(16,539)	(13,766)
Net cash outflow from financing activities		(12,659)	(6,636)
Net increase/(decrease) in cash and cash equivalents		4,951	(7,654)
Cash and cash equivalents at the beginning of the half-year		48,809	41,958
Effect of exchange rates on cash holdings in foreign currencies		1,014	71
Cash and cash equivalents at the end of the half-year		54,774	34,375

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 2018

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 2018, 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).

(i) Basis of preparation

The consolidated interim financial report for the half-year reporting period ended 31 December 2018 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 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 2018 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 9 *Financial Instruments and related amending standards*
- AASB 15 *Revenue from Contracts with Customers and related amending standards*

Notes to the consolidated financial statements for the half-year ended 31 December 2018

1. Significant accounting policies (continued)

(ii) New accounting standards and interpretations (continued)

AASB 9 Financial Instruments

In the current half-year, the Group has applied AASB 9 *Financial Instruments* and the related consequential amendments to the Accounting Standard for the first time. AASB 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting.

The Group has applied AASB 9 in accordance with the transition provisions set out in AASB 9.

Classification and measurement of financial assets and financial liabilities

IDP Education has no complex financial instruments. As a result, these changes have no impact on the Group's financial position and/or financial performance.

Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The calculation of impairment losses impacts the way IDP calculates the bad debts provision, now termed the credit loss allowance. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. A provision allowance is determined based on historic credit loss rates for each group of customers, adjusted for any material expected changes to the customers' future credit risk

Trade receivables are written off when there is no reasonable expectation of recovery.

The Group has applied the exception under AASB 9 to not restate comparatives as the credit loss allowance under AASB 139 and AASB 9 did not result in material changes to the amounts previously reported.

The cumulative effect of initially applying the standard was \$0.3m charge to retained earnings, which was recognised in the retained earnings as of 1 July 2018.

General hedge accounting

IDP Education has no complex hedging instruments. As a result, these changes have no significant impact on the Group's financial position and/or financial performance.

Notes to the consolidated financial statements for the half-year ended 31 December 2018

1. Significant accounting policies (continued)

(ii) New accounting standards and interpretations (continued)

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The Group has applied the modified retrospective approach with the cumulative impact of the adoption recognised in retained earnings as of 1 July 2018. The comparatives have not been restated.

The Group's revenue mainly comprises of:

- Student placement revenue
- IELTS examination revenue
- English language teaching revenue
- Digital marketing revenue

Under AASB 15, revenue recognition for each of the revenue streams is as follows:

Revenue stream	Performance obligation	Timing of recognition
Student placement revenue	Institution application service, visa application service and pre-departure service	Point in time recognition when the performance obligations are satisfied after applying the withdrawal rate (i.e. when students withdraw from the courses after the enrolments are confirmed), which will be deferred.
IELTS examination revenue	Provision of English language testing service	Over time from the date the testing commences, until the testing results are issued. Revenue is calculated based on the input method (i.e. resources consumed and cost incurred).
English language teaching revenue	Provision of English language teaching courses	Over time starting from the expiry of the trial period, until the completion of the courses Revenue is calculated based on the output method (i.e. lessons delivered).
Digital marketing revenue	Hosting the advertising content online, lead generation and enquiry processing	Over time starting from the date that the content goes live, until the expiry of the advertising contract Revenue is calculated based on the input method (i.e. resources consumed and cost incurred).

On the adoption of AASB 15, the timing of recognition of student placement revenue was impacted.

Under AASB 118, Student placement revenue was recognised when student enrolments were confirmed, subject to the Group assessing that, based on the terms of the relevant contract and past experience on student withdrawal rates, it was probable that the Group would be entitled to those fees.

Under AASB 15, Student placement revenue is recognised when the performance obligations are satisfied by transferring the student placement services to the customers. The recognition point varies dependent on the customer contract and regulatory framework existing in each market.

On the adoption of AASB 15, the revenue recognition policy for IELTS examination revenue, English language teaching revenue and digital marketing revenue has changed as disclosed in the table above however the timing of revenue recognition remains substantially unchanged.

The cumulative effect of initially applying the standard was \$7.8m, which was recognised in the retained earnings as of 1 July 2018. The AASB 15 impact to H1 FY19 P&L was \$0.6m decrease to revenue and \$0.3m decrease to NPAT. The disaggregation of revenue streams is disclosed in Note 3.

(iii) Standards and Interpretations in issue not yet effective

AASB 16 Leases - This standard contains requirements about lease classification and recognition, measurement and presentation and disclosures of leases for lessees and lessors. On the adoption of AASB 16, the Group will recognise office leases as right-of-use assets and lease liabilities. The occupancy expenses will be replaced by depreciation charge and finance cost. The Group have yet to assess the financial impact of the adoption of this Standard in future periods on the financial statements of the Group.

Notes to the consolidated financial statements for the half-year ended 31 December 2018

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, Uzbekistan, 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), digital marketing and event services and English language teaching services.

Geographic segment revenue and results

	Segment revenue		Segment EBIT	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
Asia	204,351	154,071	63,440	48,130
Australasia	31,023	34,799	6,224	8,465
Rest of World	68,900	53,098	17,875	12,481
Consolidated total	304,274	241,968	87,539	69,076
Revenue	304,274	241,968		
Corporate cost			(29,046)	(24,008)
Segment EBIT			58,493	45,068
Net finance income			(893)	(1,086)
Profit before tax			57,600	43,982

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 2018 \$'000	31 December 2017 \$'000
Student placement	76,117	55,952
IELTS examination	75,837	62,607
English language teaching	9,018	7,430
Digital marketing and events	10,573	9,489
Other	644	820
	172,189	136,298

Notes to the consolidated financial statements for the half-year ended 31 December 2018

3. Revenue

Disaggregation of revenue

The Group derives its revenue from the transfer of services over time and at a point in time in the following major product lines.

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

	31 December 2018 \$'000	31 December 2017 \$'000
Timing of revenue recognition		
At a point in time		
Student placement revenue	90,729	64,926
Other revenue	1,527	1,726
Over time		
IELTS examination revenue	178,614	148,397
English language teaching revenue	13,276	11,068
Digital marketing and event revenue	20,128	15,851
Total revenue	304,274	241,968

Contract assets of \$18.4m (\$14.7m current and \$3.7m non-current) were recognised as a result of the adoption of AASB 15 during the current half-year.

Please refer to Note 1 (ii) for the details regarding the change in revenue recognition policy following the adoption of AASB 15 in the current half-year.

Notes to the consolidated financial statements for the half-year ended 31 December 2018

4. Expenses

	31 December 2018 \$'000	31 December 2017 \$'000
Service providers fees	107,128	88,369
Employee benefits expenses	75,129	60,793
Occupancy expenses	11,873	9,399
Marketing expenses	13,997	11,600
Administrative expenses	6,803	5,645
IT and communication expenses	7,960	4,315
Consultancy and professional expenses	5,198	4,420
Travel expenses	4,443	3,650
Foreign exchange loss	2,453	1,271
Other expenses	2,510	2,232
	237,494	191,694

5. Income taxes

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

	31 December 2018 \$'000	31 December 2017 \$'000
Profit before tax	57,600	43,982
Income tax expense calculated at 30% (2017: 30%)	17,280	13,195
Add tax effect of:		
Non-deductible expenses	279	381
Attributed Income	490	323
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	-	216
Withholding taxes	385	308
Under/(over) provision of income tax in previous year	127	32
Less tax effect of:		
Non-assessable income	(3)	(182)
Other deductible items	(714)	(30)
Tax losses	(288)	-
Previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	(58)	(143)
Effect of different tax rates in foreign jurisdictions	(588)	(577)
Income tax expense recognised in profit or loss	16,910	13,523

Notes to the consolidated financial statements for the half-year ended 31 December 2018

6. Earnings per share

	31 December 2018		31 December 2017	
	Cents		Cents	
	Basic	Diluted	Basic	Diluted
Earnings per share	16.13	16.01	12.17	11.86
Earnings used in calculating earnings per share			31 December 2018	31 December 2017
			\$000	\$000
Earnings used in the calculation of basic and diluted earnings per share			40,826	30,459
Weighted average number of shares used as the denominator			31 December 2018	31 December 2017
Weighted average number of shares used as denominator in calculating basic EPS			253,069,153	250,294,968
Weighted average of potential dilutive ordinary shares				
- options			1,375,815	4,150,000
- performance rights			634,673	2,458,319
Weighted average number of shares used as denominator in calculating diluted EPS			255,079,641	256,903,287

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 2018	52,196	2,493	15,083	14,180	7,210	38,830	35,200	165,192
Additions	3,461	-	-	-	-	-	-	3,461
Effect of foreign currency exchange differences	-	-	176	175	90	324	-	765
Balance at 31 December 2018	55,657	2,493	15,259	14,355	7,300	39,154	35,200	169,418
Accumulated amortisation								
Balance at 30 June 2018	(25,405)	(2,493)	(218)	(1,385)	(2,587)	-	-	(32,088)
Amortisation for the year	(3,475)	-	-	-	-	-	-	(3,475)
Amortisation of intangible assets generated from business combinations	-	-	(35)	(480)	(916)	-	-	(1,431)
Effect of foreign currency exchange differences	-	-	-	(20)	(40)	-	-	(60)
Balance at 31 December 2018	(28,880)	(2,493)	(253)	(1,885)	(3,543)	-	-	(37,054)
Net Book Value								
At 30 June 2018	26,791	-	14,865	12,795	4,623	38,830	35,200	133,104
At 31 December 2018	26,777	-	15,006	12,470	3,757	39,154	35,200	132,364

Notes to the consolidated financial statements for the half-year ended 31 December 2018

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, 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
- 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 2018	30 June 2018
	\$'000	\$'000
Current		
Bank loans (i)	4,000	5,000
Non-current		
Bank loans (ii)	60,420	58,928
Total	64,420	63,928

(i) The loans bear interest at variable market rates and were repayable by 17 January 2019.

(ii) The loans bear interest at variable market rates and were repayable by 18 January 2020.

In January 2019, IDP Education has refinanced its bank loans. The new loan agreement has extended the cash advance term facility to 31 December 2021.

Notes to the consolidated financial statements for the half-year ended 31 December 2018

9. Contributed equity

9.1 Share capital

	Note	31 December 2018 \$'000	30 June 2018 \$'000
Ordinary shares fully paid		13,918	19,426
Treasury shares	9.2	-	(9,692)
		13,918	9,734

Movement in ordinary shares (fully paid)	Number of shares	\$ per share	\$'000
Balance at 30 June 2018	250,294,968		19,426
Exercise of options	3,150,000	1.44	4,536
Issue of shares to satisfy future option exercises	1,000,000	-	-
Transfer of treasury shares to employees	-	-	(10,044)
Balance at 31 December 2018 (including treasury shares)	254,444,968		13,918

9.2 Treasury shares

Movement in treasury shares	Number of shares	\$ per share	\$'000
Balance at 30 June 2018	1,154,629	-	9,692
Buy back of treasury shares – FY19 1 st HY	40,794	8.63	352
Issue of shares to satisfy future option exercises	1,000,000	-	-
Transfer to employees	(1,204,722)	-	(10,044)
Balance at 31 December 2018	990,701		-

During the current half-year, 1,204,722 treasury shares were transferred to employees under the performance rights plans. These shares therefore ceased to be held as treasury shares after these dates.

As at 31 December 2018, there are 990,701 treasury shares held in the Trust. These shares will be transferred to eligible employees under the Performance Rights plan once the vesting conditions are met.

Notes to the consolidated financial statements for the half-year ended 31 December 2018

10. Dividends

10.1 Dividends paid

Fully ordinary shares	31 December 2018		31 December 2017	
	cents per share	Total \$'000	cents per share	Total \$'000
Final dividend paid in respect of prior financial year – 60.0% (2017: 55.0%) franked	6.5	16,539	5.5	13,766

The final dividend for the financial year ended 30 June 2018 was paid on 27 September 2018.

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

An interim dividend of 12 cents per share franked at 50% was declared on 7 February 2019, payable on 29 March 2019 to shareholders registered on 8 March 2019. This dividend has not been included as a liability in the financial statements. The total estimated dividend to be paid is \$30.5m.

11. 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 7 to 22 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 2019

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 consolidated statement of financial position as at 31 December 2018, 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 7 to 23.

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 2018 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.

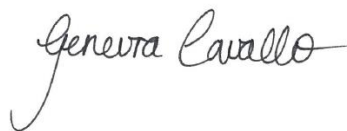
Conclusion

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 2018 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 2019

Corporate Directory

Directors

Peter Polson
Chairman

Andrew Barkla
Managing Director and Chief Executive Officer

Ariane Barker

Professor David Battersby AM

Chris Leptos AM

Professor Colin J. Stirling

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