

IDP EDUCATION LIMITED
ABN 59 117 676 463

Interim Financial Report
For the half-year ended 31 December 2019

Appendix 4D
IDP EDUCATION LIMITED
ABN 59 117 676 463
Half-year ended 31 December 2019

Results for Announcement to the Market

	31 December 2019	31 December 2018	Movement	Movement
	\$000	\$000	\$000	%
Revenue from ordinary activities	378,968	304,274	74,694	25%
Net profit for the period attributable to the owners of IDP Education Limited	57,891	40,826	17,065	42%

Dividends	Amount per ordinary share cents	Franked amount per ordinary share cents
FY19 final dividend	7.50	3.38
FY20 interim dividend (declared after balance date)	16.50	2.81

Record date for determining entitlements to the dividends 6 March 2020

Dividend payment date 27 March 2020

Net tangible assets per ordinary share	31 December 2019	30 June 2019
	cents	cents
Net tangible assets per share	17.83	6.50
Net assets per share	71.36	60.63

Net tangible assets are defined as the net assets less intangible assets and capitalised development costs. The strong growth of net tangible assets per share reflects the record earnings of H1 FY20 and a resulting increase in trade receivables and contract assets.

A significant proportion of the Group's assets are intangible in nature totalling \$136.2m, 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 2019.

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 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 2019 (H1 FY20) 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 (H1 FY20 pre AASB 16 vs. H1 FY19 pre AASB 16)		Constant Currency Growth (%) * (H1 FY20 pre AASB 16 vs. H1 FY19 pre AASB 16)
		H1 FY20	H1 FY20	H1 FY19	A\$m	%	
		Post AASB16***	Pre AASB 16***	Pre AASB 16***			
English Language Testing	A\$m	215.3	215.3	178.6	36.7	21%	15%
Student Placement	A\$m	122.6	122.6	90.7	31.9	35%	34%
- Australia	A\$m	54.0	54.0	48.7	5.3	11%	11%
- Multi-destination	A\$m	68.6	68.6	42.0	26.6	63%	61%
English Language Teaching	A\$m	16.3	16.3	13.3	3.0	23%	15%
Digital Marketing and Events	A\$m	22.3	22.3	20.2	2.1	10%	9%
Other	A\$m	2.5	2.5	1.5	1.0	67%	56%
Total Revenue	A\$m	379.0	379.0	304.3	74.7	25%	20%
Gross Profit	A\$m	222.2	221.0	172.2	48.8	28%	24%
EBIT	A\$m	86.9	86.7	58.5	28.2	48%	42%
NPAT	A\$m	57.7	60.0	40.7	19.3	47%	40%
NPAT (Adjusted)**	A\$m	59.5	61.7	41.8	19.9	48%	40%
Basic EPS	cents	22.8	23.6	16.1	7.5	47%	
EPS (Adjusted)**	cents	23.4	24.3	16.6	7.7	46%	
Debt	A\$m	62.7	62.7	64.4	-1.7	-3%	

* Growth based on H1 FY19 restated to reflect the exchange rates reflected in IDP Education's H1 FY20 results

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

*** The Group has adopted the new lease accounting standard, AASB 16 Lease from 1 July 2019. The impact to H1 FY20 from the adoption of the new accounting standard is outlined above. The H1 FY19 comparatives have not been restated as permitted by the standard.

Review of operations (continued)

The Group recorded a strong increase in earnings for H1 FY20 with net profit after tax increasing 42% to \$57.7m compared to the half-year ended 31 December 2018 (H1 FY19) of \$40.7m. The net profit after tax at \$57.7m is after applying the lease accounting standard AASB16. For comparison purposes the pre AASB16 net profit after tax would have been \$60m and 47% above H1 FY19 net profit after tax of \$40.7m which has not been restated for AASB16.

The result was primarily driven by a 25% increase in revenue with each of the Group's product lines delivering strong volume growth. English Language Testing revenue rose 21% with IELTS testing volumes increasing by 11% in the half. The strong growth in volumes to the UK and Canada was a major contributor to Multi-destination revenue growth of 63% and underpinned Student Placement revenue growth of 35%. English Language Teaching revenue grew 23% with both Cambodia and Vietnam schools performing well while Digital Marketing and Events revenue grew 10% with IDP Connect digital marketing the key driver of that growth.

An improvement in gross margin was driven by the combination of a higher mix of student placement revenue at a higher average gross margin as well as IELTS testing margin increases with price increases and test day direct cost savings. EBIT has grown by 49% (48% on a pre AASB 16 basis) 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 FY20 at 20% relative to the actual reported growth rate of 25%. This was partially offset by a negative currency impact at both the direct cost and overhead lines with constant currency NPAT growth for H1 FY20 at 40% relative to the actual reported growth rate of 47% on a pre AASB16 basis.

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 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 FY20 pre AASB 16 vs. H1 FY19 pre AASB 16)	
	H1 FY20	H1 FY20	H1 FY19	A\$m	%
	Post AASB16	Pre AASB 16	Pre AASB 16		
Revenue					
Asia	258.3	258.3	204.4	53.9	26%
Australasia	31.4	31.4	31.0	0.4	1%
Rest of World	89.2	89.2	68.9	20.3	29%
Total revenue	379.0	379.0	304.3	74.7	25%
EBIT					
Asia	92.0	91.8	63.4	28.4	45%
Australasia	4.0	4.0	6.2	-2.2	-35%
Rest of World	22.2	22.3	17.9	4.4	25%
Total EBIT pre corporate costs	118.2	118.1	87.5	30.6	35%
Corporate costs	31.3	31.3	29.0	2.3	8%
Total EBIT	86.9	86.7	58.5	28.2	48%

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, posting strong growth across both English Language Testing and Student Placement. China also recorded solid growth in revenue and student placement volumes to Australia and the UK. Strong performances in Asia were also recorded in Vietnam, Cambodia, the Philippines and Thailand. Revenue growth of 26% in Asia was outpaced by the 45% EBIT growth with India the major contributor.

Australasia revenue grew by 1% with a return to solid growth for on-shore student placement volumes offset by a slight decline in IELTS volumes in Australia and New Zealand. Australasia EBIT however declined by 35% with the growth of on-shore student placement volumes being offset from a margin perspective by investment in regional digital marketing and contact centre resources.

The positive result in the Rest of the World segment reflects good growth in IELTS volumes in Canada, Nigeria, and the UAE. The UAE recorded double digit volume growth again in student placement to both Australia and Multi-destination 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 2019, the Group had total assets of \$479.4m of which 28% related to intangible assets and the remaining being comprised primarily of cash, trade receivables, right-of-use assets and property, plant and equipment. Total assets exceeded total liabilities by \$181.1m.

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

) acquisition facility drawn to \$62.7m.

Offsetting this debt was \$61.0m of cash and cash equivalents at the end of the period. Net debt as at 31 December 2019 was therefore \$1.7m.

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

11 February 2020

11 February 2020

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 2019, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 11 February 2020

**Consolidated statement of profit or loss
for the half-year ended 31 December 2019**

		31 December 2019 \$'000	31 December 2018 \$'000
	Notes		
Revenue	3	378,968	304,274
Expenses	4	(272,783)	(237,494)
Depreciation and amortisation		(19,351)	(8,273)
Finance income		207	132
Finance costs		(3,016)	(1,025)
Share of profit/(loss) of associate		37	(14)
Profit for the half-year before income tax expense		84,062	57,600
Income tax expense	5	(26,313)	(16,910)
Net profit for the half-year		57,749	40,690
Profit for the half-year attributable to:			
Owners of IDP Education Limited		57,891	40,826
Non-controlling interests		(142)	(136)
		57,749	40,690

		31 December 2019	31 December 2018
Earnings per share for profit attributable to ordinary equity holders	Notes		
Basic earnings per share (cents per share)	6	22.75	16.13
Diluted earnings per share (cents per share)	6	22.71	16.01

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

**Consolidated statement of comprehensive income
for the half-year ended 31 December 2019**

	31 December 2019 \$'000	31 December 2018 \$'000
Profit for the half-year	57,749	40,690
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Net investment hedge of foreign operations	(2,217)	(697)
Exchange differences arising on translating the foreign operations	1,741	2,290
Gain arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	1,998	733
Cumulative (losses)/gain arising on changes in fair value of hedging instruments reclassified to profit or loss	(562)	(240)
Income tax related to gains/(losses) recognised in other comprehensive income	31	(12)
Items that will not be reclassified subsequently to profit or loss:	-	-
Other comprehensive income for the half-year, net of income tax	991	2,074
Total comprehensive income for the half-year	58,740	42,764
Total comprehensive income attributable to:		
Owners of IDP Education Limited	58,864	42,908
Non-controlling interests	(124)	(144)
	58,740	42,764

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

Consolidated statement of financial position as at 31 December 2019

	Notes	31 December 2019 \$'000	30 June 2019 \$'000
CURRENT ASSETS			
Cash and cash equivalents		60,992	56,059
Trade and other receivables		87,083	68,558
Contract assets		41,603	32,564
Derivative financial instruments		982	1,007
Current tax assets		10,542	11,040
Other current assets		14,555	16,019
Total current assets		215,757	185,247
NON-CURRENT ASSETS			
Contract assets		5,210	2,854
Investment in associate		4,807	4,760
Property, plant and equipment		25,300	21,288
Rights-of-use assets	7	79,334	-
Intangible assets	8	131,578	133,811
Capitalised development costs		4,609	3,921
Deferred tax assets		11,786	17,130
Derivative financial instruments		810	328
Other non-current assets		176	119
Total non-current assets		263,610	184,211
TOTAL ASSETS		479,367	369,458
CURRENT LIABILITIES			
Trade and other payables		92,892	92,682
Lease liabilities	7	16,392	-
Contract liabilities		36,665	34,184
Provisions		10,882	10,311
Current tax liabilities		3,056	2,809
Financial liabilities at fair value through profit or loss		-	174
Derivative financial instruments		709	1,663
Total current liabilities		160,596	141,823
NON-CURRENT LIABILITIES			
Trade and other payables		-	537
Borrowings	9	62,743	60,478
Lease liabilities	7	63,544	-
Derivative financial instruments		134	365
Deferred tax liabilities		5,514	5,725
Provisions		5,709	6,583
Total non-current liabilities		137,644	73,688
TOTAL LIABILITIES		298,240	215,511
NET ASSETS		181,127	153,947
EQUITY			
Issued capital	10	21,792	30,811
Reserves		12,304	14,789
Retained earnings		147,467	108,659
Equity attributable to owners of IDP Education Limited		181,563	154,259
Non-controlling interests		(436)	(312)
TOTAL EQUITY		181,127	153,947

The Group has reclassified the presentation of treasury shares issued to employees from Issued capital to Share based payments reserve. The reclassification is to better align the vested treasury shares to the underlying Share based payments reserve. The equity section as at 30 June 2019 is reclassified as above. The reclassification has no impact on net profit, net assets or cash flows of the Group.

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 2019**

		Issued capital	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Equity attributable to owners of IDP Education Limited	Non- controlling interests	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2018		9,734	240	50	9,628	81,614	101,266	20	101,286
Effects of adoption of new accounting standards	(i) (ii)	-	-	-	-	7,490	7,490	-	7,490
Reclassification of treasury shares issued to the employees	(iii)	8,024	-	-	(8,024)	-	-	-	-
As at 1 July 2018		17,758	240	50	1,604	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		4,536	-	-	-	-	4,536	-	4,536
Acquisition of treasury shares		(352)	-	-	-	-	(352)	-	(352)
Share-based payments schemes including tax effect – value of employee services		-	-	-	17,466	-	17,466	-	17,466
Issue of treasury shares to employees	(iii)	10,044	-	-	(10,044)	-	-	-	-
Dividends paid	11	-	-	-	-	(16,539)	(16,539)	-	(16,539)
As at 31 December 2018		31,986	585	1,787	9,026	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.

(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.

(iii) The Group has reclassified the presentation of treasury shares issued to employees from Issued capital to Share based payments reserve. The reclassification is to better align the vested treasury shares to the underlying Share based payments reserve. The equity section as at 30 June 2018 is reclassified as above. The reclassification has no impact on net profit, net assets or cash flows of the Group.

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 2019**

		Issued capital	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Equity attributable to owners of IDP Education Limited	Non- controlling interests	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2019		12,743	(562)	2,012	31,407	108,659	154,259	(312)	153,947
Reclassification of treasury shares issued to the employees	(i)	18,068	-	-	(18,068)	-	-	-	-
As at 1 July 2019		30,811	(562)	2,012	13,339	108,659	154,259	(312)	153,947
Change in the fair value of cash flow hedges, net of income tax		-	1,006	-	-	-	1,006	-	1,006
Exchange differences arising on translating the foreign operations		-	-	(33)	-	-	(33)	18	(15)
Profit for the half-year		-	-	-	-	57,891	57,891	(142)	57,749
Total comprehensive income for the period		-	1,006	(33)	-	57,891	58,864	(124)	58,740
Exercise of share options	10	396	-	-	-	-	396	-	396
Acquisition of treasury shares	10	(15,420)	-	-	-	-	(15,420)	-	(15,420)
Share-based payments schemes including tax effect – value of employee services		-	-	-	2,547	-	2,547	-	2,547
Issue of treasury shares to employees	10	6,005	-	-	(6,005)	-	-	-	-
Dividends paid	11	-	-	-	-	(19,083)	(19,083)	-	(19,083)
As at 31 December 2019		21,792	444	1,979	9,881	147,467	181,563	(436)	181,127

(i) The Group has reclassified the presentation of treasury shares issued to employees from Issued capital to Share based payments reserve. The reclassification is to better align the vested treasury shares to the underlying Share based payments reserve. The equity section as at 30 June 2019 is reclassified as above. The reclassification has no impact on net profit, net assets or cash flows of the Group.

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

**Consolidated statement of cash flow
for the half-year ended 31 December 2019**

	Note	31 December 2019 \$'000	31 December 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		358,749	282,198
Payments to suppliers and employees		(277,119)	(236,963)
Interest received		207	132
Interest paid		(2,824)	(981)
Income tax paid		(19,433)	(18,631)
Net cash inflow from operating activities		59,580	25,755
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment, intangible assets and capitalised development costs		(13,010)	(7,449)
Payments for investment in associates		(183)	(696)
Net cash outflow from investing activities		(13,193)	(8,145)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		14,000	4,696
Repayments of borrowings		(14,000)	(5,000)
Proceeds from exercise of share options	10	396	4,536
Payments for treasury shares	10	(15,420)	(352)
Repayment of lease liabilities		(7,233)	-
Dividends paid	11	(19,083)	(16,539)
Net cash outflow from financing activities		(41,340)	(12,659)
Net increase in cash and cash equivalents		5,047	4,951
Cash and cash equivalents at the beginning of the half-year		56,059	48,809
Effect of exchange rates on cash holdings in foreign currencies		(114)	1,014
Cash and cash equivalents at the end of the half-year		60,992	54,774

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 2019

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 2019, 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 2019 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. Comparatives have been reclassified where appropriate to ensure consistency and comparability with current period.

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 2019 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 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 16 *Leases*
-) Interpretation 23 *Uncertainty over Income Tax Treatments* and AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatment*

AASB 16 Lease

The Group has adopted the new lease accounting standard AASB 16 *Lease* from 1 July 2019. AASB 16 introduces significant changes to lessee accounting by removing the classification of leases as either operating or finance leases as required by AASB 117 and instead introduces a single lessee accounting model.

Applying that model, a lessee is required to:

- Recognise assets and liabilities for all leases with a term of more than 12 months in the Consolidated Statement of Financial Position initially measured at the present value of the future lease payments, unless the underlying asset is of low value;
- Recognise amortisation of lease assets separately from interest on lease liabilities in the Statement of Profit or Loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Cash Flow Statement.

The Group has elected to apply the modified retrospective approach for leases. For leases, which were classified as operating leases under AASB 117, the Group has recognised right-of-use assets and lease liabilities as at the transition date (1 July 2019). The Group did not have any leases previously classified as finance leases on the adoption date.

The Group has elected to apply the recognition exemption for leases of low-value assets or short-term leases including office equipment such as printers and other IT equipment for use by staff in its offices.

Notes to the consolidated financial statements for the half-year ended 31 December 2019

1. Significant accounting policies (continued)

(ii) New accounting standards and interpretations (continued)

The effect on 1 July 2019 of the recognition of the new right-of-use assets and lease liabilities is disclosed below.

	1 July 2019 \$'000
Increase in right-of-use assets	82,736
Decrease in assets from de-recognition of prepaid rent	(2,027)
Increase in lease liabilities -current	(14,991)
Increase in lease liabilities -non-current	(65,718)
Impact on retained earnings	-

Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted Interpretation 23 *Uncertainty over Income Tax Treatments* and AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatment* from 1 July 2019. The adoption of Interpretation 23 does not have a material impact on the financial statements of the Group.

(iii) Standards and Interpretations in issue not yet effective

At the date of authorisation of the consolidated financial statements, other Standards and Interpretations in issue but not yet effective were listed below.

Standard and Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB10 & AASB128], AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 January 2022	30 June 2023
<i>AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business</i>	1 January 2020	30 June 2021
<i>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020	30 June 2021
<i>AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 January 2020	30 June 2021
<i>AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>	1 January 2020	30 June 2021
<i>AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia</i>	1 January 2020	30 June 2021

The Directors of the Group do not anticipate that the adoption of above amendments will have a material impact in future periods on the financial statements of the Group.

Notes to the consolidated financial statements for the half-year ended 31 December 2019

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:

- J 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;
- J Australasia – which includes Australia, Fiji, New Zealand and New Caledonia; and
- J Rest of World – which includes Argentina, Azerbaijan, Bahrain, Brazil, Canada, Chile, Colombia, Cyprus, Egypt, Germany, Greece, Iran, Ireland, Italy, Jordan, Kazakhstan, Kuwait, Lebanon, Mexico, Nigeria, Oman, Pakistan, Peru, Poland, Qatar, Russia, Saudi Arabia, Spain, Switzerland, Turkey, Ukraine, Uzbekistan, the United Arab Emirates, the United Kingdom and United States of America.

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 2019 \$'000	31 December 2018 \$'000	31 December 2019 \$'000	31 December 2018 \$'000
Asia	258,336	204,351	91,976	63,440
Australasia	31,418	31,023	3,989	6,224
Rest of World	89,214	68,900	22,193	17,875
Consolidated total	378,968	304,274	118,158	87,539
Revenue	378,968	304,274		
Corporate cost			(31,287)	(29,046)
Segment EBIT			86,871	58,493
Net finance cost			(2,809)	(893)
Profit before tax			84,062	57,600

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 2019 \$'000	31 December 2018 \$'000
Student placement	99,838	76,117
IELTS examination	97,129	75,837
English language teaching	11,261	9,018
Digital marketing and events	12,705	10,573
Other	1,255	644
	222,188	172,189

Notes to the consolidated financial statements for the half-year ended 31 December 2019

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 2019 \$'000	31 December 2018 \$'000
Timing of revenue recognition		
At a point in time		
Student placement revenue	122,613	90,729
Other revenue	2,499	1,527
Over time		
IELTS examination revenue	215,282	178,614
English language teaching revenue	16,311	13,276
Digital marketing and event revenue	22,263	20,128
Total revenue	378,968	304,274

4. Expenses

	31 December 2019 \$'000	31 December 2018 \$'000
Service providers fees	125,346	107,128
Employee benefits expenses	91,830	75,129
Occupancy expenses	5,611	11,873
Marketing expenses	16,798	13,997
Administrative expenses	7,755	6,803
IT and communication expenses	9,228	7,960
Consultancy and professional expenses	6,779	5,198
Travel expenses	5,441	4,443
Foreign exchange loss	378	2,453
Other expenses	3,617	2,510
	272,783	237,494

Notes to the consolidated financial statements for the half-year ended 31 December 2019

5. Income taxes

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

	31 December 2019 \$'000	31 December 2018 \$'000
Profit before tax	84,062	57,600
Income tax expense calculated at 30% (2018: 30%)	25,219	17,280
Add tax effect of:		
Non-deductible expenses	265	279
Attributed Income	7	490
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	490	-
Withholding taxes	532	385
Effect on deferred tax balances due to a change in tax rates	166	-
Under/(over) provision of income tax in previous year	(671)	127
Less tax effect of:		
Non-assessable income	(64)	(3)
Other deductible items	(122)	(714)
Tax losses	-	(288)
Adjustments recognised in relation to prior year deferred tax balances	2,164	(58)
Effect of different tax rates in foreign jurisdictions	(1,673)	(588)
Income tax expense recognised in profit or loss	26,313	16,910

6. Earnings per share

	31 December 2019		31 December 2018	
	Cents		Cents	
	Basic	Diluted	Basic	Diluted
Earnings per share	22.75	22.71	16.13	16.01

	31 December 2019 \$000	31 December 2018 \$000
Earnings used in calculating earnings per share		
Earnings used in the calculation of basic and diluted earnings per share	57,891	40,826

	31 December 2019	31 December 2018
Weighted average number of shares used as the denominator		
Weighted average number of shares used as denominator in calculating basic EPS	254,444,968	253,069,153
Weighted average of potential dilutive ordinary shares		
- options	-	1,375,815
- performance rights	440,298	634,673
Weighted average number of shares used as denominator in calculating diluted EPS	254,885,266	255,079,641

Notes to the consolidated financial statements for the half-year ended 31 December 2019

7. Leases

Accounting policy as a lessee

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses in accordance with AASB 136 *Impairment of Assets*, if any, and adjusted for certain remeasurement of the lease liability.

Lease liabilities

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate. The discount rate is generally calculated using incremental borrowing rates for the specific lease terms and currencies. The weighted average incremental borrowing rate used to calculate the lease liabilities as of 1 July 2019 was 5.47%. Reference interest rates based on risk-free rates in major countries and currencies were used to calculate the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in substance fixed payments less any lease incentives receivables;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement rate;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Payment of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is measured at amortised cost using the effective interest method. It will be remeasured when there is a change in index rate for future lease payments, a change in the Group's estimated amount payable under a residue value guarantee or changes in the Group's assessment of probabilities of exercising a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group did not make any such adjustment during the period presented.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office and IT equipment that have a lease term of 12 months or less or for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements for the half-year ended 31 December 2019

7. Leases (Continued)

Carrying value of right-of-use assets

The carrying value of right-of-use assets is presented below:

Cost	Office buildings
	\$'000
Balance at 30 June 2019	-
Initial adoption of AASB 16	82,736
Additions	7,812
Disposal	(106)
Effect of foreign currency exchange differences	(1,245)
Balance at 31 December 2019	89,197
Accumulated depreciation	
Balance at 30 June 2019	-
Depreciation for the period	(10,059)
Disposal	9
Effect of foreign currency exchange differences	187
Balance at 31 December 2019	(9,863)
Net Book Value	
At 30 June 2019	-
At 31 December 2019	79,334

Amounts recognised in the Statement of Profit or Loss

	31 December 2019 \$'000	31 December 2018 \$'000
Depreciation expenses on right-of-use assets	10,059	-
Interest expenses on lease liabilities	2,216	-
Expenses relating to short term or low value leases	921	-
Occupancy expenses	4,690	11,873

Notes to the consolidated financial statements for the half-year ended 31 December 2019

8. Intangible assets

Cost	Software \$'000	Student placement licence \$'000	Brand and trade names \$'000	Customer relationships \$'000	Website technology and database \$'000	Goodwill \$'000	Contracts for English language testing \$'000	Total \$'000
Balance at 30 June 2019	62,312	2,493	15,281	14,376	7,312	39,191	35,200	176,165
Additions	2	-	-	-	-	-	-	2
Transfer from capitalised development costs	2,360	-	-	-	-	-	-	2,360
Disposals	(279)	-	-	-	-	-	-	(279)
Effect of foreign currency exchange differences	44	-	565	560	289	1,030	-	2,488
Balance at 31 December 2019	64,439	2,493	15,846	14,936	7,601	40,221	35,200	180,736
Accumulated amortisation								
Balance at 30 June 2019	(32,723)	(2,493)	(289)	(2,374)	(4,475)	-	-	(42,354)
Amortisation for the period	(4,477)	-	(35)	(1,195)	(936)	-	-	(6,643)
Disposals	233	-	-	-	-	-	-	233
Effect of foreign currency exchange differences	(46)	-	-	(144)	(204)	-	-	(394)
Balance at 31 December 2019	(37,013)	(2,493)	(324)	(3,713)	(5,615)	-	-	(49,158)
Net Book Value								
At 30 June 2019	29,589	-	14,992	12,002	2,837	39,191	35,200	133,811
At 31 December 2019	27,426	-	15,522	11,223	1,986	40,221	35,200	131,578

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.

Notes to the consolidated financial statements for the half-year ended 31 December 2019

9. Borrowings

	31 December 2019 \$'000	30 June 2019 \$'000
Non-current		
Bank loans (i)	62,743	60,478
Total	62,743	60,478

(i) The loans bear interest at variable market rates and are repayable by 31 December 2021.

10. Contributed equity

10.1 Share capital

	Note	31 December 2019 \$'000	30 June 2019 \$'000
Ordinary shares fully paid		32,785	32,389
Treasury shares	10.2	(10,993)	(1,578)
		21,792	30,811

Movement in ordinary shares (fully paid)	Number of shares	\$ per share	\$'000
Balance at 30 June 2019	254,444,968		32,389
Exercise of options	-	1.44	396
Balance at 31 December 2019 (including treasury shares)	254,444,968		32,785

10.2 Treasury shares

Movement in treasury shares	Number of shares	\$ per share	\$'000
Balance at 30 June 2019	619,340		1,578
Buy back of treasury shares – FY20 1 st HY	900,701	17.12	15,420
Transfer to employees	(890,075)	6.75	(6,005)
Balance at 31 December 2019	629,966		10,993

During the current half-year, 890,075 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 2019, there are 629,966 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 2019

11. Dividends

11.1 Dividends paid

Fully ordinary shares	31 December 2019		31 December 2018	
	cents per share	Total \$'000	cents per share	Total \$'000
Final dividend paid in respect of prior financial year – 45.0% (2018: 60.0%) franked	7.5	19,083	6.5	16,539

The final dividend for the financial year ended 30 June 2019 was paid on 26 September 2019.

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

An interim dividend of 16.50 cents per share franked at 17% was declared on 11 February 2020, payable on 27 March 2020 to shareholders registered on 6 March 2020. This dividend has not been included as a liability in the financial statements. The total estimated dividend to be paid is \$42.0m.

12. 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
11 February 2020

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 2019, 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 2019 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.

Deloitte.

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 2019 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

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 11 February 2020

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 Stirling

Greg West

Secretary

Murray Walton

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Stock exchange listing

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

Website

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ABN

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