

IDP EDUCATION LIMITED
ABN 59 117 676 463

Interim Financial Report
For the half-year ended 31 December 2022

Appendix 4D
IDP EDUCATION LIMITED
ABN 59 117 676 463
Half-year ended 31 December 2022

Results for Announcement to the Market

	31 December 2022	31 December 2021	Movement	Movement
	\$000	\$000	\$000	%
Revenue from ordinary activities	501,801	396,770	105,031	26
Net profit for the period attributable to the owners of IDP Education Limited	82,006	50,936	31,070	61

Dividends	Amount per ordinary share cents	Franked amount per ordinary share cents
FY22 final dividend	13.5	1.89
FY23 interim dividend (declared after balance date)	21.0	5.25

Record date for determining entitlements to the dividends 10 March 2023

Dividend payment date 31 March 2023

Net tangible assets per ordinary share	31 December 2022	30 June 2022
	cents	cents
Net tangible assets per share	(4.71)	6.62
Net assets per share	178.62	163.71

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 \$510.3m (30 June 2022: \$437.3m), 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. Goodwill and intangible assets generated from the acquisition of Intake Education Group results in the negative net tangible assets per share as at 31 December 2022.

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).

Contents

Directors' report	3
Auditor's independence declaration	7
Condensed consolidated statement of profit or loss	8
Condensed consolidated statement of other comprehensive income	9
Condensed consolidated statement of financial position	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated statement of cash flow	13
Notes to the financial statements	14
1. Significant accounting policies	14
2. Segment information.....	15
3. Revenue	16
4. Expenses.....	16
5. Income taxes	17
6. Earnings per share	17
7. Contract assets.....	18
8. Intangible assets.....	18
9. Borrowings.....	19
10. Contributed equity.....	19
11. Dividends.....	20
12. Business Combination	20
13. Contingent liabilities.....	22
14. Subsequent events	22
Directors' declaration	23
Independent auditor's review report to the members	24
Corporate Directory	26

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 2022.

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 (resigned on 9 September 2022)
Tennealle O'Shannessy	Managing Director and Chief Executive Officer (appointed on 13 February 2023)
Ariane Barker	Non-Executive Director
Professor David Battersby AM	Non-Executive Director
Tracey Horton AO	Non-Executive Director (appointed on 12 September 2022)
Chris Leptos AO	Non-Executive Director
Professor Colin Stirling	Non-Executive Director
Michelle Tredenick	Non-Executive Director (appointed on 12 September 2022)
Greg West	Non-Executive Director

Review of operations

A summary of IDP Education Limited's consolidated financial results for the half-year ended 31 December 2022 (H1 FY23) is set out below.

The financial performance of the Group was strong with record half-year revenue and earnings being delivered.

From an operational perspective the key dynamics in the business during the period were broadly as follows:

- English Language Testing – IELTS testing volumes in almost all IDP locations returned to pre-pandemic levels. The strongest contributors to IDP's IELTS volume growth during the period were Vietnam, Nigeria, Pakistan and Nepal. Onshore testing in Canada and Australia remained relatively weak with volumes declining slightly versus the same period in FY22.
- Student Placement – All destinations except New Zealand returned to or exceeded pre-pandemic volumes as all restrictions were removed prior to the start of the academic year allowing our students to plan for the commencement of their courses. For New Zealand, borders opened in August 2022 more than 6 months later than other destinations delaying the return to normal.
- English Language Teaching – The Group's English schools in Cambodia and Vietnam returned to on-campus classes for the majority of H1 FY23, but social distancing requirements reduced capacity of class sizes.
- Digital Marketing and Events – Revenue from digital marketing declined by 6% during the period as clients trimmed their marketing spend during a period of strong demand. Events revenue grew by 93% as clients were able to travel to attend IDP events and meet with students in their home cities.

The ongoing impact of the pandemic on each of IDP's business lines was limited to New Zealand student placement, English language teaching in Cambodia and Vietnam and the China IELTS market which impacted the license fee IDP receives from the British Council.

During the period IDP completed the acquisition of Intake Education. This acquisition was completed on 1 November 2022 and therefore contributed to the performance of IDP for two months in the reporting period.

Directors' report

Review of operations (continued)

The table below presents a summary of the key financial metrics for the period.

Six Months to 31 December	Unit	Half Year Actuals		Growth		Constant Currency Growth (%) *
		H1 FY23	H1 FY22	A\$m	%	
English Language Testing	A\$m	285.4	256.7	28.7	11%	10%
Student Placement	A\$m	172.8	106.2	66.6	63%	64%
- Australia	A\$m	64.4	26.6	37.8	142%	142%
- Multi-destination	A\$m	108.4	79.6	28.8	36%	38%
English Language Teaching	A\$m	15.7	8.7	7.0	80%	65%
Digital Marketing and Events	A\$m	26.5	23.8	2.6	11%	14%
Other	A\$m	1.5	1.3	0.2	16%	13%
Total Revenue	A\$m	501.8	396.8	105.0	26%	26%
Gross Profit	A\$m	311.1	219.1	92.0	42%	39%
EBIT	A\$m	120.1	77.9	42.2	54%	48%
EBIT (Adjusted)**	A\$m	123.2	80.7	42.5	53%	47%
NPAT	A\$m	82.1	50.8	31.3	62%	52%
NPAT (Adjusted)**	A\$m	84.4	52.9	31.5	59%	51%
Basic EPS	cents	29.5	18.3	11.2	62%	
EPS (Adjusted)**	cents	30.3	19.0	11.3	59%	
Debt	A\$m	218.9	156.4	62.5	40%	

* Growth based on H1 FY22 restated to reflect the exchange rates reflected in IDP Education's H1 FY23 results

** Adjusted EBIT, NPAT and earnings per share excludes intangible asset amortisation generated from business combinations, merger and acquisition expenses and expenses incurred to integrate newly acquired businesses into the IDP Group.

The Group recorded strong growth in earnings for H1 FY23 with net profit after tax increasing 62% to \$82.1m compared to the half-year ended 31 December 2021 (H1 FY22) of \$50.8m.

The result was driven by a 26% increase in revenue with all the Group's product lines growing during the reporting period. English Language Testing revenue grew by 11% in the half with volume growth of 5.5% and an increase in average price of 5.5%. Delays in visa processing for Canada slowed the demand for testing in India during the half. In Vietnam despite the Vietnam Government suspending permits for test centres that caused some disruption during November and December IDP IELTS testing volumes increased 83% compared to the same period in FY22.

The growth in student placement revenue of 63% was a result of strong growth in Australian student placement of 142% compared to the same period in FY22 where the Australian borders remained closed to international students until the middle of December 2021. UK revenue grew 38%, Canada revenue grew 31% and USA revenue grew 37% with some disruption caused to these destinations by delays in visa processing during the half. From a source country perspective, India revenue grew by 71%, while the rest of Asia (excluding China) grew by 94%. China revenue grew by 5% as a majority of Chinese students were unable to travel to commence their courses. The Rest of the World revenue was 103% higher than the H1 FY22.

English Language Teaching revenue grew 80% with Cambodia and Vietnam schools returning to on campus classes for the majority of the half although with some social distancing restrictions limiting class size capacity. Cambodia revenue was higher by 75% than the same period in FY22 and was higher than the pre-pandemic revenue due to expansion in the number of campuses and classes. Vietnam revenue grew by 98% but remains significantly lower than the pre-pandemic revenues.

Digital Marketing and Events revenue grew 11% as institutions invested in events but reduced their spend on digital marketing for international students.

Gross profit margin at 62% increased from 55.2% in H1 FY22 with a larger proportion of Student Placement revenue at higher margins than other business lines the key driver of the margin increase.

The EBIT adjusted growth of 53% was a result of strong student placement revenue growth. Expenses growth was 35% excluding the M&A and integration costs of the acquisition of the Intake group as investments continued to be made in capability and capacity in the student placement business.

Directors' report

Review of operations (continued)

Currency translation movements had a net positive impact on the results. In aggregate, currency movements had a small positive impact on revenue with constant currency revenue growth for H1 FY22 at 25.5% relative to the actual reported growth of 26.5% which added \$3m to revenue. Direct Costs also benefited from currency movements as hedges for the fee paid to Cambridge were effective with a total benefit of \$1.3m. This was partially offset by a negative currency impact on overhead lines with currency translation adding \$1.1m. But constant currency NPAT growth for H1 FY23 was at 52% relative to the actual reported growth of 62% a benefit of \$3m.

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

Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY23	H1 FY22	A\$m	%
Revenue				
Asia	374.4	287.1	87.3	30%
Australasia	21.7	19.8	1.9	10%
Rest of World	105.7	89.9	15.8	18%
Total revenue	501.8	396.8	105.0	26%
EBIT				
Asia	148.7	91.5	57.2	63%
Australasia	1.4	1.4	0.0	4%
Rest of World	27.9	24.8	3.1	12%
Total EBIT pre corporate costs	178.0	117.7	60.3	51%
Corporate costs	57.9	39.8	18.1	46%
Total EBIT	120.1	77.9	42.2	54%

From a segmental perspective, Asia performed strongly with revenue growth of 30% with India growing 25%, Vietnam growing 98%, Cambodia 89%, and Nepal 183% providing the majority of that growth. The segment benefited from the growth in student placement across many source markets. Asia EBIT increased by 63% during the period with a strong contribution from the India business primarily from student placement revenue growth.

Australasia revenue grew 10% primarily from student placement and events revenue as activity levels onshore in Australia increased. IELTS volumes in Australia and New Zealand decreased slightly as demand is limited by the number of candidates onshore requiring a test to obtain a new visa. Australasia EBIT grew by 4%, a result of lower revenue growth than expense growth.

Financial Position

The financial position of the Group remains strong. At 31 December 2022, the Group had total assets of \$1,126.6m which exceeded total liabilities by \$497.0m.

From a cash perspective the Group had \$134.8m of cash on the balance sheet at 31 December 2022.

Directors' report

Significant changes in state of affairs

Chief Executive Officer and Managing Director

On 9 September 2022, Andrew Barkla stepped down from his role as IDP's Chief Executive Officer and Managing Director after more than seven years in the position. As previously announced by the Board of Directors, Tennealle O'Shannessy has been appointed Chief Executive Officer and Managing Director. Tennealle joined IDP from her previous role as CEO of Adore Beauty, Australia's leading online beauty marketplace.

A powerful leader in global education, Ms Tennealle O'Shannessy has a proven track record of building successful digital businesses with a customer-centric approach - experience that aligns with IDP's ambitious strategy to reinvent the international education section.

Ms O'Shannessy joined IDP on 13 February 2023.

Murray Walton, IDP's Chief Financial Officer, had assumed the role of interim CEO from 9 September 2022 until Ms O'Shannessy commenced with IDP.

Acquisition of Intake Education

On 1 November 2022, IDP completed the acquisition of 100% of Intake Education (Intake). The purchase consideration paid was \$71.0m as a cash payment at the settlement date. An additional contingent consideration up to \$20.2m will be paid in cash on the first anniversary of the settlement date subject to a number of conditions.

Intake is a leading student placement agency that has operations across Nigeria, Ghana, Kenya, Philippines, Thailand, Taiwan, India and the UK.

Established in 1993 as UKEAS, Intake brings to IDP three decades of industry leadership in the UK-bound international education sector. Proudly student-first, Intake's employees bring additional expertise, experience and diversity to IDP's global team.

Subsequent events

There were no significant events since the balance sheet date.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of amounts

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

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



Peter Polson
Chairman



Ariane Barker
Director

Melbourne
22 February 2023

22 February 2023

Board of Directors
IDP Education Limited
Level 10, Melbourne Quarter 2
697 Collins Street
Docklands VIC 3008

Dear Board Members

Auditor's Independence Declaration - 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 2022, 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



Travis Simkin
Partner
Chartered Accountants

**Condensed consolidated statement of profit or loss
for the half-year ended 31 December 2022**

	Notes	31 December 2022 \$'000	31 December 2021 \$'000
Revenue	3	501,801	396,770
Expenses	4	(357,806)	(299,651)
Depreciation and amortisation		(23,891)	(18,684)
Finance income		1,447	412
Finance costs		(6,640)	(3,453)
Share of loss of associate		(38)	(559)
Profit for the half-year before income tax expense		114,873	74,835
Income tax expense	5	(32,742)	(23,993)
Net profit for the half-year		82,131	50,842
Profit for the half-year attributable to:			
Owners of IDP Education Limited		82,006	50,936
Non-controlling interests		125	(94)
		82,131	50,842

Earnings per share for profit attributable to ordinary equity holders	Notes	31 December 2022	31 December 2021
Basic earnings per share (cents per share)	6	29.46	18.30
Diluted earnings per share (cents per share)	6	29.39	18.26

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

**Condensed consolidated statement of other comprehensive income
for the half-year ended 31 December 2022**

	31 December 2022 \$'000	31 December 2021 \$'000
Profit for the half-year	82,131	50,842
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating the foreign operations	(12,284)	4,729
Gain arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	1,368	(1,085)
Less: Cumulative gain arising on changes in fair value of hedging instruments reclassified to profit or loss	4,360	1,766
Income tax related to gains/(losses) recognised in other comprehensive income	(99)	(249)
Items that will not be reclassified subsequently to profit or loss:	-	-
Other comprehensive income for the half-year, net of income tax	(6,655)	5,161
Total comprehensive income for the half-year	75,476	56,003
Total comprehensive income attributable to:		
Owners of IDP Education Limited	75,344	56,113
Non-controlling interests	132	(110)
	75,476	56,003

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

**Condensed consolidated statement of financial position
as at 31 December 2022**

		31 December 2022	30 June 2022
	Notes	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents		134,791	196,608
Trade and other receivables		110,145	93,185
Contract assets	7	142,218	48,918
Derivative financial instruments		2,950	2,079
Current tax assets		6,552	7,728
Other current assets		26,087	21,654
Total current assets		422,743	370,172
NON-CURRENT ASSETS			
Intangible assets	8	499,318	413,598
Rights-of-use assets		107,853	90,783
Property, plant and equipment		29,402	26,417
Capitalised development costs		10,937	23,666
Deferred tax assets		19,117	18,229
Contract assets	7	5,099	3,447
Investment in associates		8,287	3,901
Other non-current assets		23,867	24,573
Total non-current assets		703,880	604,614
TOTAL ASSETS		1,126,623	974,786
CURRENT LIABILITIES			
Trade and other payables		130,078	125,046
Contract liabilities		49,094	51,852
Lease liabilities		23,625	18,436
Provisions		19,940	21,434
Current tax liabilities		16,575	5,850
Financial liabilities at fair value through profit or loss		18,895	-
Derivative financial instruments		1,339	7,004
Total current liabilities		259,546	229,622
NON-CURRENT LIABILITIES			
Borrowings	9	218,934	156,453
Lease liabilities		93,595	81,525
Deferred tax liabilities		48,934	48,218
Provisions		8,633	3,600
Total non-current liabilities		370,096	289,796
TOTAL LIABILITIES		629,642	519,418
NET ASSETS		496,981	455,368
EQUITY			
Issued capital	10	280,446	276,888
Reserves		(16,018)	(9,510)
Retained earnings		232,730	188,299
Equity attributable to owners of IDP Education Limited		497,158	455,677
Non-controlling interests		(177)	(309)
TOTAL EQUITY		496,981	455,368

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

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2022**

	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 2021	278,145	(1,236)	(5,236)	(6,412)	123,270	388,531	(537)	387,994
Change in the fair value of cash flow hedges, net of income tax	-	477	-	-	-	477	-	477
Exchange differences arising on translating the foreign operations	-	-	4,700	-	-	4,700	(16)	4,684
Profit for the half-year	-	-	-	-	50,936	50,936	(94)	50,842
Total comprehensive income for the period	-	477	4,700	-	50,936	56,113	(110)	56,003
Acquisition of treasury shares	(100)	-	-	-	-	(100)	-	(100)
Share-based payments schemes including tax effect – value of employee services	-	-	-	3,051	-	3,051	-	3,051
Issue of treasury shares to employees	4,310	-	-	(4,310)	-	-	-	-
As at 31 December 2021	282,355	(759)	(536)	(7,671)	174,206	447,595	(647)	446,948

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

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2022**

	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 2022		276,888	(3,052)	(776)	(5,682)	188,299	455,677	(309)	455,368
Change in the fair value of cash flow hedges, net of income tax		-	4,010	-	-	-	4,010	-	4,010
Exchange differences arising on translating the foreign operations		-	-	(10,672)	-	-	(10,672)	7	(10,665)
Profit for the half-year		-	-	-	-	82,006	82,006	125	82,131
Total comprehensive income for the period		-	4,010	(10,672)	-	82,006	75,344	132	75,476
Dividend paid	11	-	-	-	-	(37,575)	(37,575)	-	(37,575)
Share-based payments schemes including tax effect – value of employee services		-	-	-	3,712	-	3,712	-	3,712
Issue of treasury shares to employees	10	3,558	-	-	(3,558)	-	-	-	-
As at 31 December 2022		280,446	958	(11,448)	(5,528)	232,730	497,158	(177)	496,981

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

Condensed consolidated statement of cash flow for the half-year ended 31 December 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		419,311	399,391
Payments to suppliers and employees		(365,828)	(296,698)
Interest received		1,447	413
Interest paid		(5,120)	(2,741)
Income tax paid		(31,324)	(24,893)
Net cash inflow from operating activities		18,486	75,472
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment, intangible assets and capitalised development costs		(18,661)	(11,203)
Payments for acquisition of a subsidiary, net of cash acquired	12	(69,352)	(259,075)
Payments for investment in associates		(4,254)	(188)
Net cash outflow from investing activities		(92,267)	(270,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		62,411	100,000
Payments for treasury shares		-	(100)
Repayment of lease liabilities		(11,329)	(9,570)
Dividends paid	11	(37,575)	-
Net cash inflow from financing activities		13,507	90,330
Net decrease in cash and cash equivalents		(60,274)	(104,664)
Cash and cash equivalents at the beginning of the half-year		196,608	306,948
Effect of exchange rates on cash holdings in foreign currencies		(1,543)	2,188
Cash and cash equivalents at the end of the half-year		134,791	204,472

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

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 2022, 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 2022 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 2022 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.

The application of the amendments did not have a material impact on the Group's consolidated financial statements.

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 Operating 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 the operating segments comprise the geographic regions of:

- Asia – which includes Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Laos, Malaysia, Mauritius, Myanmar, 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, Chile, Colombia, Cyprus, Ecuador, Egypt, Germany, Ghana, Greece, Iran, Ireland, Italy, Jordan, Kenya, Kazakhstan, Kuwait, Lebanon, Mexico, Morocco, Nigeria, Oman, Pakistan, Peru, Poland, Qatar, Romania, Russia, Saudi Arabia, Spain, Switzerland, Turkey, Ukraine, Uruguay, 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 2022 \$'000	31 December 2021 \$'000	31 December 2022 \$'000	31 December 2021 \$'000
Asia	374,412	287,092	148,714	91,510
Australasia	21,697	19,811	1,404	1,353
Rest of World	105,692	89,867	27,919	24,836
Consolidated total	501,801	396,770	178,037	117,699
Revenue	501,801	396,770		
Corporate costs			(57,971)	(39,823)
EBIT*			120,066	77,876
Net finance costs			(5,193)	(3,041)
Profit before tax			114,873	74,835

* EBIT is a non-IFRS measure representing net profit before income tax and net finance costs.

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 2022 \$'000	31 December 2021 \$'000
Student placement	147,169	87,262
IELTS examination	136,580	108,240
English language teaching	10,154	5,097
Digital marketing and events	16,177	18,211
Other	1,041	302
	311,121	219,112

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 services.

	31 December 2022 \$'000	31 December 2021 \$'000
Timing of revenue recognition		
At a point in time		
Student placement revenue	172,803	106,213
Other revenue	1,475	1,274
Over time		
IELTS examination revenue	285,383	256,729
English language teaching revenue	15,664	8,710
Digital marketing and event revenue	26,476	23,844
Total revenue	501,801	396,770

4. Expenses

	31 December 2022 \$'000	31 December 2021 \$'000
Service providers fees	152,868	146,497
Employee benefits expenses	120,196	99,445
Occupancy expenses	6,207	6,291
Marketing expenses	21,718	13,252
Administrative expenses	10,886	7,670
IT and communication expenses	15,721	12,003
Consultancy and professional expenses	12,043	9,458
Travel expenses	5,500	2,363
Foreign exchange loss	9,247	1,157
Other expenses	3,420	1,515
	357,806	299,651

5. Income taxes

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

	31 December 2022 \$'000	31 December 2021 \$'000
Profit before tax	114,873	74,835
Income tax expense calculated at 30% (2021: 30%)	34,462	22,451
<i>Adjusted for tax effects of:</i>		
Non-deductible expenses	269	795
Attributed Income	465	610
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	169	1,137
Withholding taxes	178	247
Effect on deferred tax balances due to a change in tax rates	-	59
Over provision of income tax in previous year	(495)	(557)
Non-assessable income	(74)	(122)
Other deductible items	(692)	(238)
Adjustments recognised in relation to prior year deferred tax balances	28	90
Effect of different tax rates in foreign jurisdictions	(1,568)	(479)
Income tax expense recognised in profit or loss	32,742	23,993

6. Earnings per share

	31 December 2022 Cents		31 December 2021 Cents	
	Basic	Diluted	Basic	Diluted
Earnings per share	29.46	29.39	18.30	18.26

	31 December 2022 \$000	31 December 2021 \$000
Earnings used in calculating earnings per share		
Earnings used in the calculation of basic and diluted earnings per share	82,006	50,936

	31 December 2022	31 December 2021
Weighted average number of shares used as the denominator		
Weighted average number of shares used as denominator in calculating basic EPS	278,336,211	278,336,211
Weighted average of potential dilutive ordinary shares		
- performance rights	671,614	665,473
Weighted average number of shares used as denominator in calculating diluted EPS	279,007,825	279,001,684

7. Contract assets

	31 December 2022	30 June 2022
	\$'000	\$'000
Student placement services	147,317	52,365
Current	142,218	48,918
Non-current	5,099	3,447
	147,317	52,365

Contract assets represent student placement revenue recognised precedes billings under customer contracts.

Contract assets are recognised for performance obligations satisfied and are reclassified to trade receivables when it is invoiced to the customer.

8. Intangible assets

Cost	Note	Software \$'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 2022		38,959	14,920	14,018	7,126	166,014	210,357	451,394
Additions		1	-	-	-	-	-	1
Transfer from capitalised development costs		23,976	-	-	-	-	-	23,976
Acquired through business combinations	12	206	-	8,066*	-	71,360*	-	79,632
Disposals		(85)	-	-	-	-	-	(85)
Effect of foreign currency exchange differences		(13)	93	11	48	(5,277)	(6,517)	(11,655)
Balance at 31 December 2022		63,044	15,013	22,095	7,174	232,097	203,840	543,263
Accumulated amortisation								
Balance at 30 June 2022		(24,662)	(502)	(5,506)	(7,126)	-	-	(37,796)
Amortisation for the period		(5,666)	-	-	-	-	-	(5,666)
Amortisation of IA generated from business combination		-	(35)	(401)	-	-	-	(436)
Acquired through business combinations	12	(47)	-	-	-	-	-	(47)
Depreciation on disposal of assets		85	-	-	-	-	-	85
Effect of foreign currency exchange differences		6	-	(43)	(48)	-	-	(85)
Balance at 31 December 2022		(30,284)	(537)	(5,950)	(7,174)	-	-	(43,945)
Net Book Value								
At 30 June 2022		14,297	14,418	8,512	-	166,014	210,357	413,598
At 31 December 2022		32,760	14,476	16,145	-	232,097	203,840	499,318

8. Intangible assets (continued)

* As part of the acquisition accounting of Intake Education Group, goodwill of \$71.360m and an intangible asset for customer contracts and relationships of \$8.066m was provisionally recognised. Refer to note 12 for the details on the acquisition.

Impairment testing

No impairment indicators were identified as at 31 December 2022 based on the CGUs' business performance.

9. Borrowings

	31 December 2022 \$'000	30 June 2022 \$'000
Non-current		
Bank loans (i)	218,934	156,453
Total	218,934	156,453

(i) The loans bear interest at variable market rates. The borrowing facilities will expire on 31 July 2024.

10. Contributed equity

10.1 Share capital

	Note	31 December 2022 \$'000	30 June 2022 \$'000
Ordinary shares fully paid		282,369	282,369
Treasury shares	10.2	(1,923)	(5,481)
		280,446	276,888

Movement in ordinary shares (fully paid)	Number of shares	\$'000
Balance at 30 June 2022 (including treasury shares)	278,336,211	282,369
Balance at 31 December 2022 (including treasury shares)	278,336,211	282,369

10.2 Treasury shares

Movement in treasury shares	Number of shares	\$ per share	\$'000
Balance at 30 June 2022	198,349	27.63	5,481
Buy back of treasury shares – FY23 1 st HY	-	-	-
Transfer to employees	(128,862)	27.63	(3,558)
Balance at 31 December 2022	69,487	27.63	1,923

During the current half-year, 128,862 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 2022, there were 69,487 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.

11. Dividends

11.1 Dividends paid

	31 December 2022		31 December 2021	
	cents per share	Total \$'000	cents per share	Total \$'000
Fully ordinary shares				
Final dividend paid in respect of prior financial year –14.0% (2021: 0.0%) franked	13.5	37,575	-	-

The final dividend of 13.5 cents per share franked at 14% for the financial year ended 30 June 2022 was declared on 24 August 2022 to shareholders registered on 8 September 2022. The payment was paid on 29 September 2022.

There was no final dividend declared for the financial year ended 30 June 2021.

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

An interim dividend of 21.0 cents per share franked at 25% was declared on 22 February 2023, payable on 31 March 2023 to shareholders registered on 10 March 2023. This dividend has not been included as a liability in the financial statements. The total estimated dividend to be paid is \$58.451m.

12. Business Combination

On 1 November 2022, IDP completed the acquisition of 100% of Intake Education (Intake). The purchase consideration paid was \$70.962m as a cash payment at the settlement date. An additional contingent consideration up to \$20.227m will be paid in 12 months subject to a number of conditions. As a result, Intake Group's assets, liabilities, income and expenses were included in the consolidated financial statements from 1 November 2022.

Intake is a leading student placement agency that has operations across Nigeria, Ghana, Kenya, Philippines, Thailand, India and the UK.

As part of the acquisition accounting, an intangible asset for customer contracts and relationships of \$8.066m was provisionally recognised. Goodwill of \$71.360m was also provisionally recognised as part of the acquisition accounting. Goodwill represents the value attributable to synergies from combining operations of the acquiree and the acquirer.

Intake contributed consolidated revenue of \$3.642m and contributed a net profit after tax of \$1.196m during the half year since acquisition. If the acquisition had taken place at the beginning of the financial year the contribution to the half-year consolidated revenue would have been \$23.331m and the contribution to net profit would have been \$11.463m.

IDP is currently finalising the purchase price allocation and completion date balance sheet fair value assessment for this acquisition. The fair value of assets and liabilities acquired on acquisition date disclosed below are provisional as at 31 December 2022.

Details of the consideration and provisional fair value of assets and liabilities acquired are as follows:

	\$'000
Cash consideration paid on the settlement date	70,962
Present value of contingent consideration payable	18,832
Total purchase consideration	89,794
Less: provisional fair value of net identifiable assets acquired	(18,434)
Goodwill on acquisition	71,360

The cash outflow on acquisition is as follows:

Cash consideration paid on the settlement date	70,962
Cash and cash equivalent balances acquired	(1,610)
Net cash outflow	69,352

12. Business Combination (continued)

The provisional assets and liabilities arising from the acquisition at acquisition date are as follows:

	Provisional fair value
	\$'000
<i>Assets</i>	
Cash and cash equivalents	1,610
Receivables and contract assets	18,555
Other current assets	658
Total current assets	20,823
Property, plant and equipment	1,655
Intangible assets	8,225
Other non-current assets	2,262
Total non-current assets	12,142
Total assets	32,965
<i>Liabilities</i>	
Payables and other current liabilities	12,111
Total current liabilities	12,111
Deferred tax liabilities	2,420
Total non-current liabilities	2,420
Total liabilities	14,531
Provisional net identifiable assets acquired	18,434

Acquisition-related costs are expensed as incurred and included in administrative expenses. Costs incurred for the acquisition of Intake were \$2.2m.

13. Contingent liabilities

The Group operates in many countries across the world, each with separate taxation laws/regulations and authorities. Whilst the Group's most significant tax jurisdictions are Australia and India, the global nature of the Group's operations results in significant complexity in managing the Group's tax affairs.

From time to time, the Group is subject to both formal and informal reviews by various tax authorities. The outcome of any tax review or audit cannot be determined in advance with an acceptable degree of certainty. As at 31 December 2022, the Consolidated Statement of Financial Position reflects the Group's best estimate of all known taxation liabilities arising from completed and ongoing reviews. The Group is taking reasonable steps to progress and conclude all open reviews with the relevant tax authorities.

The Group currently has an open Indian Service Tax matter and Indian GST matters which are subject to legal proceedings and reviews by Indian tax authorities in the ordinary course of business.

In relation to the Indian Service Tax matter, the matter in dispute relates to the application of Indian Service Tax for the period 1 October 2015 to 30 June 2017 (the date Service tax ceased in India). The same matter for the period 1 April 2014 to 30 September 2015 was adjudicated by the Indian Federal Customs, Excise & Service Tax Appellate Tribunal in IDP's favour and the formal appeal deadline for the tax authority has passed. As a result of this favourable outcome, the Group has concluded that a cash outflow for the remaining open period will not be required.

In relation to the Indian GST matters, the matters in dispute relate to the application of GST from the date of its introduction in India on 1 July 2017 to the current balance date. The matters are similar in nature to the matter adjudicated for Indian Service Tax, as discussed above. Unlike Indian Service Tax, which was administered at a Federal level, GST is administered at a State level. The GST matters are at various stages of review by State tax authorities.

In summary:

- Amounts in dispute for States where a formal review has commenced, or where refund claims related to tax deposits have been disputed as at 31 December 2022 total \$22.1m.
- As at 31 December 2022, the Group has made tax deposits of \$23.3m which are held as a non-current asset in the Statement of Financial Position. The Group expects to receive these amounts as a refund from relevant State tax authorities or, in the event IDP is unsuccessful, use these amounts to satisfy any possible future obligation applied by relevant State tax authorities.
- The Group's best estimate of potential exposure, in the event that IDP were to be unsuccessful in these matters in all States, including potential interest and penalties, is estimated at \$35.3m.

As at 31 December 2022, the Group expects to achieve a favourable outcome, with reference to advice from external tax advisors and legal counsel in India, guidance issued by the Indian Central Tax Authority and the recent Federal Indian Customs, Excise & Service Tax Appellate Tribunal decision adjudicated in IDP's favour for Indian Service Tax. Whilst the GST matters remain in dispute, the Group has concluded that it is not probable that a cash outflow will be required. As a result, the GST matters are considered to be contingent liabilities, with no provision recognised as at 31 December 2022.

14. Subsequent events

There were no significant events since the balance sheet date.

Directors' declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the financial statements and notes thereto set out on pages 8 to 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



Ariane Barker
Director

Melbourne
22 February 2023

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

Conclusion

We have reviewed the half-year financial report of IDP Education Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit and loss, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2022 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*.

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.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Travis Simkin

Travis Simkin
Partner
Chartered Accountants
Melbourne, 22 February 2023

Corporate Directory

Directors

Peter Polson
Chairman

Tennealle O'Shannessy
Managing Director and Chief Executive Officer

Ariane Barker

Professor David Battersby AM

Tracey Horton AO

Chris Leptos AO

Professor Colin Stirling

Michelle Tredenick

Greg West

Secretary

Ashley Warmbrand

Principal registered office in Australia

Level 10
697 Collins Street
DOCKLANDS VIC 3008
AUSTRALIA
Ph: +61 3 9612 4400

Share Registry

Link Market Service Limited
Tower 4
727 Collins Street
MELBOURNE VIC 3008
Australia

Auditor

Deloitte Touche Tohmatsu
477 Collins Street
MELBOURNE VIC 3000
AUSTRALIA
Ph: +61 3 9671 7000

Stock exchange listing

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

Website

www.idp.com

ABN

59 117 676 463