IDP EDUCATION LIMITED

ABN 59 117 676 463

Comprising IDP Education Limited and its Controlled Entities

Financial Report

For the Year Ended

30 June 2015

Contents

Directors' report

The directors of IDP Education Limited, present the financial report of IDP Education Limited (the Company) and its controlled entities (the Group) for the financial year ended 30 June 2015.

Directors

The following persons were directors of IDP Education Limited up to the date of this report unless otherwise stated:

Name	Particulars
Mr A Barkla	Managing Director and Chief Executive (appointed on 17 August 2015)
Professor D A Battersby	Non-Executive Director
Mr E Collis	Non-Executive Director
Mr P D Everingham	Non-Executive Director (resigned on 23 March 2015)
Professor G J E Hill	Non-Executive Director
Mr M J Ilczynski	Non-Executive Director
Mr P L Polson	Non-Executive Director and Chair
Mr J Powell	Non-Executive Director (appointed on 23 March 2015)
Mr A J Thompson	Managing Director and Chief Executive (resigned on 14 August 2015)
Mr G C West	Non-Executive Director and Chair of Audit & Risk Management Committee

Pages 4 and 5 summarise the directors' biographies and qualifications.

Company Secretary

The Company Secretary is Murray Walton, who is also the Chief Financial Officer of the Group. Murray Walton is a Chartered Accountant in both Australia and New Zealand.

Principal activities

The Group's principal activities during the year were:

- placement of international students into education institutions in Australia, UK, USA, Canada and New Zealand. Services include counselling, application processing and pre-departure guidance;
- distribution and administration of International English Language Testing System ("IELTS") tests, a globally recognised high-stakes English language test for study, work and migration purposes. IDP is a co-owner of IELTS with the British Council and Cambridge Assessment; and
- operation of English language schools in Vietnam, Cambodia and Thailand.

There was no significant change in the nature of these activities during the year.

Significant matters

Acquisition of Beijing Promising Education

On 20 May 2015, the Group gained control of a 100% interest in Beijing Promising Education Limited. Consideration for the transaction consisted of a $2.2 million cash payment and an additional contingent payment of $2.8 million, which is expected to be paid in August 2016. As a result, the Group consolidated Beijing Promising Education Limited from 20 May 2015.

Review of operations

The Group recorded a net profit after tax of $31.5 million for the year ended 30 June 2015 (2014:$28.0 million).

The increase in net profit after tax is largely due to the revenue growth of 21%.

The gross profit and profit before tax increased $20.2 million and $5.7 million respectively, which represents 15% and 14% increase compared to the prior year.

Future developments

Likely developments in the operations of the Group and the expected results of the operations in future financial years have not been included in this report as the inclusion of such information may result in unreasonable prejudice to the Group.

Dividends

During the financial year ended 30 June 2015, a partially franked (66.1% franked) interim dividend of $20.0 million ($6.63 per fully paid share) was paid in September 2014 and a partially franked (66.1% franked) final dividend of $19.0 million ($6.30 per fully paid share) was paid in March 2015.

During the financial year ended 30 June 2014, a fully franked interim dividend of $15.0 million ($4.97 per fully paid share) was paid in September 2013 and a fully franked final dividend of $18.0 million ($5.97 per fully paid share) was paid in February 2014.

Events occurring after the end of the reporting period

No significant events have occurred since the balance date.

Information on Directors

Director	Experience	Special Responsibilities
Mr A Barkla	Chief Executive and Managing Director, IDP Education Limited; (appointed on 17 August 2015)	-
Professor D A Battersby	Vice-Chancellor of Federation University Australia; Chair and Director, Education Australia Ltd.	Audit & Risk Management Committee Member (appointed on 18 June 2015)
Mr E Collis	Group Finance Director, SEEK Limited; Director, Job Seeker Pty Ltd.	Audit & Risk Management Committee Member
Mr P D Everingham	Managing Director, Seek International; Director, Zhaopin Limited; Director, SEEKAsia Limited.	-
Professor G J E Hill	Vice-Chancellor and President, University of the Sunshine Coast; Director, Education Australia Ltd.	-
Mr M J Ilczynski	Managing Director, SEEK Employment; Director, Online Education Services Pty Ltd; Director, Professional Passport Pty Ltd.	Audit & Risk Management Committee Member (resigned on 18 June 2015)
Mr P L Polson	Chairman, Challenger Financial Services Group Ltd; Chairman, Challenger Life Company Ltd; Chairman, Very Special Kids; Director, Avant Insurance Ltd; Chairman, Investment Committee; Chairman, Avant Group Holdings Ltd and The Doctor's Health Fund.	IDP Education Limited Chair
Mr J Powell	Managing Director, SEEK Education Director, Job Seeker Pty Ltd; Director, Online Education Service Pty Ltd; Director, Seek Commercial Pty Ltd; Director, Seek Learning Pty Ltd; Director, Seek NZ Ltd.	-
Mr A J Thompson	Chief Executive and Managing Director, IDP Education Limited; (resigned on 14 August 2015)	-

Director	Experience	Special Responsibilities
Mr G C West	Director, UOWD Ltd and Chairman of the Audit and Risk Management Committee (a business arm of University of Wollongong). Director, Education Australia Ltd.	Audit and Risk Management Committee Chair

Indemnification and insurance of officers

During the year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, Murray Walton, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer against a liability incurred as such an officer.

Loans to directors

No loans have been made to the directors of IDP Education Limited, including any related entities of the Group.

Meetings of directors

The following table sets out the number of meetings (including meetings of committees of directors), held for the year and the number of meetings attended by each director.

	Board of Directors		Audit and Risk Management Committee	
	Meetings eligible to be attend	**Meetings attended**	**Meetings eligible to be attend**	**Meetings attended**
Number of meetings held	7		7	
Number of meetings attended by:				
Professor D A Battersby	7	5	-	-
Mr A Barkla	-	-	-	-
Mr E Collis	7	7	7	7
Mr P D Everingham	5	2	-	-
Professor G J E Hill	7	7	-	-
Mr M J Ilczynski	7	6	7	7
Mr P L Polson	7	7	-	-
Mr J Powell	2	2	-	-
Mr A J Thompson	7	7	-	-
Mr G C West	7	7	7	6

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are essential and will not compromise their independence.

Details of amounts paid or payable to the auditor Deloitte Touche Tohmatsu for audit and for non-audit services provided during the year are outlined in Note 24 to the financial statements.

The directors have considered the non-audit services provided during the year and are satisfied these services are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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 to the nearest thousand dollars

The Group is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off, in accordance with that Class Order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the directors.

Director

Director

Signed at:

Melbourne

24 August 2015

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
IDP Education Ltd
Level 8, 535 Bourke Street
Melbourne VIC 3000

24 August 2015

Dear Board Members

RE: IDP Education Ltd

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 Ltd.

As lead audit partner for the audit of the financial statements of IDP Education Ltd for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Revenue	5	308,029	255,066
Direct costs		(153,587)	(120,781)
Gross profit		154,442	134,285
Other income		1,837	1,561
Interest income		917	1,132
Share of net (loss)/profit of joint ventures	12	(33)	211
Employee benefits expenses	7	(65,236)	(53,665)
Marketing expenses		(9,126)	(7,498)
Occupancy expenses		(11,378)	(9,323)
Administrative expenses		(17,476)	(18,877)
IT and communication expenses		(4,049)	(4,626)
Foreign exchange gain		656	415
Other expenses		(4,708)	(3,476)
Profit before income tax expense		**45,846**	**40,139**
Income tax expense	8	(14,370)	(12,152)
Profit for the year		**31,476**	**27,987**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating the foreign operations		(888)	201
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges			
Forward foreign exchange contracts		4,264	(718)
Cumulative gain/(loss) arising on changes in fair value of hedging instruments reclassified to profit or loss		183	(1,863)
Income tax related to gains/losses recognised in other comprehensive income		(1,334)	535
Other comprehensive income for the year, net of income tax		2,225	(1,845)
Total comprehensive income for the year		**33,701**	**26,142**
Profit for the year attributable to:			
Owners of IDP Education Limited		31,476	27,987
Total comprehensive income attributable to:			
Owners of IDP Education Limited		33,701	26,142
Earnings per share			
Basic (dollars per share)	9	10.44	9.28
Diluted (dollars per share)	9	10.44	9.28

The above statement should be read in conjunction with the accompanying notes on pages 12 to 44.

Consolidated statement of financial position as at 30 June 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
CURRENT ASSETS			
Cash and cash equivalents	21	51,184	52,961
Trade and other receivables	10	27,995	23,551
Derivative financial instruments	19	5,992	1,884
Current tax assets		1,102	705
Other assets	15	9,852	7,709
Total current assets		**96,125**	**86,810**
NON-CURRENT ASSETS			
Investments in joint ventures	12	-	101
Property, plant and equipment	13	8,495	5,328
Intangible assets	14	56,816	52,875
Work in progress		2,625	1,141
Deferred tax assets	8	1,291	1,851
Total non-current assets		**69,227**	**61,296**
TOTAL ASSETS		**165,352**	**148,106**
CURRENT LIABILITIES			
Trade and other payables	16	39,092	28,559
Deferred revenue	17	15,329	9,099
Provisions	18	4,189	3,450
Current tax liabilities		8,798	6,651
Derivative financial instruments	19	163	1,053
Total current liabilities		**67,571**	**48,812**
NON-CURRENT LIABILITIES			
Trade and other payables	16	1,143	906
Financial liabilities at fair value through profit or loss	19	2,836	-
Provisions	18	2,367	1,654
Total non-current liabilities		**6,346**	**2,560**
TOTAL LIABILITIES		**73,917**	**51,372**
NET ASSETS		**91,435**	**96,734**
EQUITY			
Issued capital (3,015,602 fully paid ordinary shares)		27,450	27,450
Reserves		992	(1,233)
Retained earnings		62,993	70,517
TOTAL EQUITY		**91,435**	**96,734**

The above statement should be read in conjunction with the accompanying notes on pages 12 to 44.

Consolidated statement of changes in equity for the year ended 30 June 2015

	Issued capital $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
As at 1 July 2013	27,450	1,863	(1,251)	75,579	103,641
Change in the fair value of cash flow hedges, net of income tax	-	(2,046)	-	-	(2,046)
Exchange differences arising on translating the foreign operations	-	-	201	-	201
Profit for the year	-	-	-	27,987	27,987
Dividends paid	-	-	-	(33,000)	(33,000)
Distributions paid	-	-	-	(49)	(49)
As at 30 June 2014	**27,450**	**(183)**	**(1,050)**	**70,517**	**96,734**

	Issued capital $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
As at 1 July 2014	**27,450**	**(183)**	**(1,050)**	**70,517**	**96,734**
Change in the fair value of cash flow hedges, net of income tax	-	3,113	-	-	3,113
Exchange differences arising on translating the foreign operations	-	-	(888)	-	(888)
Profit for the year	-	-	-	31,476	31,476
Dividends paid	-	-	-	(39,000)	(39,000)
As at 30 June 2015	**27,450**	**2,930**	**(1,938)**	**62,993**	**91,435**

The above statement should be read in conjunction with the accompanying notes on pages 12 to 44.

Consolidated statement of cash flow for the year ended 30 June 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		258,667	214,121
Payments to suppliers and employees		(199,086)	(165,459)
Interest received		938	1,132
Income tax paid		(16,026)	(11,170)
Net cash inflow from operating activities	21	**44,493**	**38,624**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from joint venture		-	157
Acquisition of a subsidiary, net of cash acquired	4	(1,589)	-
Payments for plant and equipment, intangible assets and work in progress		(8,100)	(2,331)
Proceeds from sale of plant and equipment		30	150
Net cash outflow from investing activities		**(9,659)**	**(2,024)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(39,000)	(33,000)
Distributions paid		-	(49)
Net cash outflow from financing activities		**(39,000)**	**(33,049)**
Net (decrease)/increase in cash and cash equivalents		(4,166)	3,551
Cash and cash equivalents at the beginning of the year		52,961	49,357
Effect of exchange rates on cash holdings in foreign currencies		2,389	53
Cash and cash equivalents at the end of the year	21	**51,184**	**52,961**

The above statement should be read in conjunction with the accompanying notes on pages 12 to 44.

Notes to the consolidated financial statements for the year ended 30 June 2015

Notes to the financial statements

1. General information

The consolidated financial statements of IDP Education Limited and its subsidiaries (the Group) for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 24 August 2015.

IDP Education Limited (the Company or the parent) is a company limited by shares, incorporated and domiciled in Australia.

The registered office and principal place of business is:

Level 8
535 Bourke Street
Melbourne, VIC 3000

The nature of the Group's operations and principal activities are described in the directors' report on page 2.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below and throughout the notes to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements of the Group, consisting of IDP Education Limited and its controlled entities.

2.1 Statement of compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This general purpose financial report for the year ended 30 June 2015 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. For the purpose of preparing financial statements, the Group is a for-profit entity.

2.2 Basis of preparation of financial statements

The financial report is presented in Australian dollars unless otherwise noted.

The accounting policies adopted are consistent with those of the previous financial year except as noted. When the presentation or classification of items in the financial report is amended, comparative amounts are also reclassified unless it is impractical.

The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the basis of historical cost, except for certain derivative financial assets and financial liabilities that have been recognised at fair value in accordance with the fair value hierarchy set out in Note 2.10.

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and the directors' report have been rounded to the nearest thousand dollars unless otherwise stated.

2.3 Adoption of new and revised Accounting Standards

The Group applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2014. The nature and the impact of each new standard and/or amendment are described below:

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136
The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments have no impact on the Group's financial statements since the Group's impairment assessment is based on the value in use method.

Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 132
These amendments clarify the meaning of currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Notes to the consolidated financial statements for the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

2.3 Adoption of new and revised Accounting Standards (continued)

Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.
As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2.4 Standards and Interpretations in issue not yet effective

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

Standard and Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 *'Financial Instruments', and the relevant amending standards*	1 January 2018	30 June 2019
AASB 15 *'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15*	1 January 2018	30 June 2019
AASB 2014-3 *'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016	30 June 2017
AASB 2014-4 *'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016	30 June 2017
AASB 2014-9 *'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'*	1 January 2016	30 June 2017
AASB 2014-10 *'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016	30 June 2017
AASB 2015-1 *'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	1 January 2016	30 June 2017
AASB 2015-2 *'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015	30 June 2016

At the date of authorisation of the financial statements, there have been no IASB Standards or IFRIC Interpretations that are issued but not yet effective.

The directors have yet to assess the impact of the adoption of these Standards and Interpretations in future periods on the financial statements of the Group. The Directors do not believe these Standards and Interpretations will have a material impact in future periods on the financial statements of the Group as at 30 June 2015.

Notes to the consolidated financial statements for the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.6 Foreign currency translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent's functional currency. For each Group controlled entity, the Group determines the functional currency and items included in the financial statements of each Group controlled entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

<u>Transactions and balances</u>

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each subsequent balance sheet date:

(i) Foreign currency monetary items are retranslated at the rates prevailing at the balance sheet date. Exchange differences arising on the settlement or retranslation of monetary items are recognised in the profit or loss with exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation;

(ii) Non-monetary items which are measured at historical cost are not retranslated; and

(iii) Non-monetary items carried at fair value are retranslated at the rates prevailing at the date when the fair value was determined with the exchange difference recognised in the statement of profit or loss and other comprehensive income.

<u>Group companies</u>

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.7 Work in progress

Work in progress ("WIP") represents intangible assets of capitalised project cost not yet put into use. These assets are amortised from the date of completion over their estimated useful life.

Notes to the consolidated financial statements for the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

2.8 Financial instruments

2.8.1 Financial assets

Initial recognition and measurement

Financial assets are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 10.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the consolidated financial statements for the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.2 Financial liabilities

Financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other liabilities, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of other liabilities and payables, net of directly attributable transaction costs.

Subsequent measurement

Other liabilities

This category is the most relevant to the Group. After initial recognition, the other liabilities are subsequently measured at amortised cost using the effective interest rate method (as determined under financial assets – loans and receivables).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement or profit or loss.

Notes to the consolidated financial statements for the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

2.9 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges: when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges: when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment); and
- Hedges of a net investment in a foreign operation

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in profit or loss.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability. Refer to Note 19.3 for more details.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Notes to the consolidated financial statements for the year ended 30 June 2015

2. Summary of significant accounting policies (continued)

2.10 Fair value measurement

The Group measures financial instruments such as derivatives at each reporting date. Fair value related disclosures for financial instruments are disclosed in Note 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the consolidated financial statements for the year ended 30 June 2015

3. Significant accounting judgements, estimates and assumptions

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

(i) Fair value of financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions in relation to these factors could affect the reported fair value of financial instruments. See Note 19 for further disclosures.

(ii) Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (refer Notes 4 and 19 for details).

(iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with its accounting policy. The recoverable amounts of the cash-generating units have been determined based on the value in use valuation model. These calculations require the use of assumptions. Refer to Note 14 for details of these assumptions and the potential impact of changes to the assumptions.

Notes to the consolidated financial statements for the year ended 30 June 2015

4. Business combinations

On 20 May 2015, the Group gained control of a 100% interest in Beijing Promising Education Limited. Consideration for the transaction consisted of a $2.2 million cash payment and an additional contingent payment of $2.8 million. As a result, the Group consolidates Beijing Promising Education Limited from 20 May 2015.

Beijing Promising Education Limited contributed consolidated revenue of $0.2 million and contributed a loss of $0.08 million to net profit during the year since acquisition. If the acquisition had taken place at the beginning of the year the contribution to consolidated revenue would have been $2 million and the contribution to net profit would have been $0.04 million.

Details of the consideration paid and estimates of the fair value of assets and liabilities acquired for the entities above are as follows:

	$'000
Cash consideration paid	2,201
Contingent consideration payable	2,814
Total purchase consideration	5,015
Fair value of net identifiable assets acquired	2,564
Goodwill on acquisition	**2,451**

The cash outflow on acquisition is as follows:	
Cash consideration paid	2,201
Cash and cash equivalent balances acquired	(612)
Net cash outflow	**1,589**

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

	Carrying value $'000	Fair value $'000
Assets		
Cash and cash equivalents	612	612
Receivables	96	96
Total current assets	708	708
Property, plant and equipment	13	13
Intangible assets	-	3,801
Total non-current assets	13	3,814
Total assets	721	4,522
Liabilities		
Current tax liabilities	454	454
Payables	225	225
Total current liabilities	679	679
Payables	208	329
Deferred tax liabilities	-	950
Total non-current liabilities	208	1,279
Total liabilities	887	1,958
Net assets acquired	**(166)**	**2,564**

As part of accounting for the acquisition of Beijing Promising Education Limited, contingent consideration with an estimated fair value of $2.8 million was recognised at the acquisition date. The contingent consideration is classified as a financial liability at fair value through profit and loss.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 19.

Notes to the consolidated financial statements for the year ended 30 June 2015

4 Business combinations (continued)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred on the acquisition date at fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

5. Revenue

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

	30 June 2015 $'000	30 June 2014 $'000
Student placement revenue	69,450	57,296
IELTS revenue	213,492	176,003
English language teaching revenue	16,182	13,487
Event revenue	7,623	7,076
Other revenue	1,282	1,204
	308,029	**255,066**

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(i) Student placement revenue

Student placement revenue for Australian Institutions is recognised when tuition fees are paid to the educational institution and a confirmation of enrolment is received by a student. For multi-destination institutions (comprising United Kingdom, United States of America, Canada and New Zealand) student placement revenue is recognised post census date when the student attendance has been confirmed.

(ii) IELTS revenue

IELTS revenue is recognised once an applicant has taken the test. IELTS revenue is generally recognised on a gross basis with reference to the separately identifiable components of the single transaction with the IELTS test centre partner in order to reflect the substance of the transaction.

(iii) English language teaching revenue

English language teaching revenue is recognised over the duration of the course based on a per diem amount. Generally all courses are prepaid by the student and amounts received but not yet earned are held as an unearned income liability.

(iv) Event revenue

Event revenue is recognised once an exhibition has been held.

(v) Other revenue

Other revenue is the contract revenue received.

Notes to the consolidated financial statements for the year ended 30 June 2015

6. Segment information

AASB 8 Operating Segments requires a 'management approach' to identifying and presenting segment information, that is, segment information is presented on the same basis as that used for internal reporting purposes. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Maker in assessing performance and in determining the allocation of resources.

6.1 Operating segments

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

- Australasia – which includes Australia, New Zealand, Fiji and New Caledonia;
- Asia – which includes India, Malaysia, Indonesia, Mauritius, Bangladesh, Sri Lanka, Singapore, Cambodia, Philippines, Vietnam, Thailand, Laos, China, Taiwan, Hong Kong and South Korea; and
- Rest of World – which includes Saudi Arabia, UAE, Turkey, Pakistan, Oman, Kuwait, Bahrain, Qatar, Egypt, Jordan, Libya, Azerbaijan, Iran, Canada, Russia, Germany, Mexico, Argentina, Columbia, Kazakhstan, Ukraine and South Africa.

These geographic segments are based on the Group's management reporting system and the way management views the business. No operating segments have been aggregated in arriving at the reportable segments of the Group.

6.2 Segment revenues and results

	Segment revenue		Segment profit	
	30 June 2015 $'000	30 June 2014 $'000	30 June 2015 $'000	30 June 2014 $'000
Australasia	83,351	81,725	24,932	26,543
Asia	163,322	126,686	46,750	40,957
Rest of World	63,159	48,427	12,090	10,797
Consolidated total	309,832	256,838	83,772	78,297
Other income and share of profit of joint ventures	(1,803)	(1,772)	-	-
Revenue	**308,029**	**255,066**	-	-
Corporate cost			(38,824)	(39,615)
Net finance income			696	1,155
Foreign exchange gain/(loss)			202	(61)
Reclassification of business tax			-	363
Profit before tax			**45,846**	**40,139**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit before tax earned by each segment without allocation of corporate cost, finance income and foreign exchange gain/loss. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6.3 Information about major customers

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

7. Employee benefit expenses

	30 June 2015 $'000	30 June 2014 $'000
Employee benefits expense		
Wages and salaries	45,933	39,242
Superannuation expense	3,597	3,225
Other employee related expense	15,706	11,198
	65,236	**53,665**

Notes to the consolidated financial statements for the year ended 30 June 2015

8. Income taxes

8.1 Income tax recognised in profit or loss

	June 2015 $'000	30 June 2014 $'000
Current tax		
Current tax expense in respect of the current year	15,664	11,268
Withholding Taxes	335	1,124
Adjustments recognised in the current year in relation to the current tax of prior years	95	165
	16,094	12,557
Deferred tax		
Total income tax expense recognised in the current year relating to continuing operations	(1,724)	(405)
	14,370	**12,152**

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

	30 June 2015 $'000	30 June 2014 $'000
Profit before tax	45,846	40,139
Income tax expense calculated at 30% (2014: 30%)	13,754	12,042
Add tax effect of:		
Non-deductible expenses	402	92
Attributed Income	787	176
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	292	247
Withholding taxes	335	1,124
Effect on deferred tax balances due to a change in tax rate	(3)	5
Under provision of income tax in previous year	95	166
	15,662	13,852
Less tax effect of:		
Non-assessable income	(82)	(598)
Other deductible items	(108)	-
Prior year deferred tax balances recognised	(125)	(636)
Effect of tax rate in foreign jurisdictions	(977)	(466)
Income tax recognised in profit or loss	**14,370**	**12,152**

Notes to the consolidated financial statements for the year ended 30 June 2015

8. Income taxes (continued)

8.2 Deferred tax balances

2015

Temporary differences and tax losses

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions	Closing balance
Accrued expenditure	1,253	347	-	-	1,600
Deferred capital expenditure	272	(186)	-	-	86
Employee benefits	1,174	437	-	-	1,611
Fixed assets	728	(288)	-	-	440
Forward exchange hedge	227	-	(227)	-	-
Other	216	1,378	-	-	1,594
Tax losses	231	(231)	-	-	-
Trade debtors	141	(130)	-	-	11
Unrealised foreign exchange losses	4	(4)	-	-	-
Deferred tax assets	4,246	1,323	(227)	-	5,342
Forward exchange hedge	(158)	200	(1,107)	-	(1,065)
Unrealised foreign exchange gains	(401)	(144)	-	-	(545)
Fixed assets	(1,519)	647	-	-	(872)
Accrued revenue	(7)	(395)	-	-	(402)
Intangibles	-	5	-	(950)	(945)
Other	(310)	88	-	-	(222)
Deferred tax liabilities	(2,395)	401	(1,107)	(950)	(4,051)
Net deferred tax assets	**1,851**	**1,724**	**(1,334)**	**(950)**	**1,291**

Notes to the consolidated financial statements for the year ended 30 June 2015

8 Income taxes (continued)

8.2 Deferred tax balances (continued)

2014

Temporary differences and tax losses

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Accrued expenditure	835	418	-	1,253
Deferred capital expenditure	88	184	-	272
Employee benefits	944	230	-	1,174
Fixed assets	70	658	-	728
Forward exchange hedge	-	-	227	227
Other	38	178	-	216
Prepayments	-	-	-	-
Tax losses	1,387	(1,156)	-	231
Trade debtors	513	(372)	-	141
Unrealised foreign exchange losses	-	4	-	4
	3,875	144	227	4,246
Forward exchange hedge	(503)	37	308	(158)
Unrealised foreign exchange gains	(222)	(179)	-	(401)
Fixed assets	(2,089)	570	-	(1,519)
Accrued revenue	(134)	127	-	(7)
Other	(16)	(294)	-	(310)
	(2,964)	261	308	(2,395)
Net deferred tax assets	**911**	**405**	**535**	**1,851**

8.3 Unrecognised deferred tax assets

	30 June 2015 $'000	30 June 2014 $'000
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
-tax losses	1,620	1,303

The unrecognised tax losses will expire between 5 years and 10 years.

Notes to the consolidated financial statements for the year ended 30 June 2015

8 Income taxes (continued)

8.4 Franking credits

	30 June 2015 $'000	30 June 2014 $'000
Balance of franking account at year end	459	3,335

The IDP Education Limited (the Company) is the head entity in a tax-consolidated group under Australian taxation law. As a result the Company and Australian entities controlled by the Company are all subject to income tax through membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, the entities controlled by the Group have agreed to pay an amount to or from the head entity equal to the tax liability or asset assumed by the head entity for that period as noted above. Such amounts are reflected in amounts receivable from or payable to the head entity. Accordingly, the amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes.

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is the expected tax payable on the taxation income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

(i) The initial recognition of assets or liabilities in a transaction that is not a business combination; and

(ii) The initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognised to the extent that it is probable that future tax profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the consolidated financial statements for the year ended 30 June 2015

9. Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

	30 June 2015	30 June 2014
Earnings used in the calculation of basic and diluted earnings per share ($'000)	31,476	27,987
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	3,015,602	3,015,602
Basic and diluted earnings per share	$10.44	$9.28

10. Trade and other receivables

	30 June 2015 $'000	30 June 2014 $'000
Trade receivables	22,993	20,821
Allowance for doubtful debts	(151)	(542)
	22,842	**20,279**
Other receivables	5,153	3,272
	27,995	**23,551**

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

Included in the Group's trade receivable balance are debtors with a carrying amount of $3.2 million (2014: $1.8 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of receivables that are past due but not impaired

	30 June 2015 $'000	30 June 2014 $'000
60 - 90 days	1,245	711
90 - 120 days	720	344
120+ days	1,253	698
Total	**3,218**	**1,753**

Movement in the allowance for doubtful debts

	30 June 2015 $'000	30 June 2014 $'000
Balance at beginning of the year	(542)	(2,715)
Impairment losses recognised on receivables	(103)	-
Amounts recovered during the year	24	2,173
Impairment losses reversed	470	-
Balance at end of the year	**(151)**	**(542)**

See Note 19 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Notes to the consolidated financial statements for the year ended 30 June 2015

11. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of voting power held by the Group	
			2015	2014
IELTS Australia Pty Limited	Examinations	Australia	100%	100%
IDP World Pty Ltd	Holding company	Australia	100%	100%
IDP Education Pty (Korea)	Student Placements	Korea	100%	100%
IDP Education Australia (Thailand) Co. Ltd (1)	English Language Teaching	Thailand	100%	100%
IDP Education (Vietnam) Ltd Company	Student Placements	Vietnam	100%	100%
Yayasan Pendidikan Australia (2)	Student Placements	Indonesia	100%	100%
IDP Consulting (Hong Kong) Co. Ltd	Holding company	Hong Kong	100%	100%
IDP Education India Pvt Ltd	Student Placements	India	100%	100%
IDP Education Services Co. Ltd (1)	Student Placements	Thailand	100%	100%
IDP Education Cambodia Ltd	English Language Teaching	Cambodia	100%	100%
IDP Education LLC	Client Relations	United States of America	100%	100%
IDP Education UK	Client Relations	United Kingdom	100%	100%
IDP Education (Canada) Ltd	Client Relations	Canada	100%	100%
IDP Education (Bangladesh) Pvt Ltd	Student Placements	Bangladesh	100%	100%
IDP Education (Egypt) LLC	Student Placements	Egypt	100%	100%
IDP Education Consulting (Beijing) Co., Ltd (3)	Student Placements	China	100%	100%
Guangzhou IDP Consulting Services Co., Ltd (3)	Student Placements	China	100%	100%
IDP Business Consulting (Shanghai) Co., Ltd (3)	Student Placements	China	100%	100%
Beijing Promising Education Limited (4)	Student Placements	China	100%	-
IDP Education Services New Zealand Limited (5)	Student Placements	New Zealand	100%	-

(1) IDP Education Limited owns 100% ordinary Class A shares, which represents 49% of total shares of IDP Education Australia (Thailand) Co. Ltd and IDP Education Services Co. Ltd. According to the company constitution, ordinary Class A shares holds 100% voting right of the company. Based on these facts and circumstances, management determined that, in substance, the Group controls these entities with no non-controlling interest.

(2) Foundation controlled through IDP Education Limited's capacity to control management of the company.

(3) 100% wholly owned by IDP Consulting (Hong Kong) Co. Ltd

(4) Acquired on 20 May 2015. Refer to Note 4

(5) New subsidiary incorporated on 8 May 2015

Notes to the consolidated financial statements for the year ended 30 June 2015

12. Joint operations and joint ventures

12.1 Joint operations

The Group holds a 60% interest in the Australian Centres for Education and Training (ACET) which is a joint operation arrangement in Vietnam. The principal activity of which is the management and delivery of the English language courses in Hanoi and Ho Chi Minh City. This investment is treated as a joint operation and accordingly the investment interest held is used to consolidate the Group's share of the operations assets, liabilities, revenue and expenses.

12.2 Joint ventures

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, an investment in an associated or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the joint venture.

Details of joint venture	Principal activity	Place of incorporation and operation	Ownership %	
			30 June 2015	30 June 2014
Common English Proficiency Assessment Scheme (CEPAS)	English Language	Hong Kong	-	50%

On 31 July 2014 the Group ceased its joint venture CEPAS with no sale or consideration received. .

Carrying amount of the Group's investment in joint venture	30 June 2015	30 June 2014
	$'000	$'000
Balance at the beginning of the year	101	258
Foreign currency (loss) recognised	-	(75)
Share of joint venture's profit after income tax	(33)	211
Disposal of the investments	(68)	-
Distribution received	-	(293)
Balance at end of the year	**-**	**101**

Summary of joint venture's financial position	30 June 2015	30 June 2014
	$'000	$'000
Current assets	-	506
Non-current assets	-	-
Total assets	-	506
Current liabilities	-	(304)
Total liabilities	-	(304)
Net assets	**-**	**202**

Summary of joint venture's financial performance	30 June 2015	30 June 2014
	$'000	$'000
Revenues	-	2,326
Expenses	(78)	(1,844)
Profit before income tax	(78)	482
Income tax expense	12	(60)
Profit after income tax	**(66)**	**422**

Notes to the consolidated financial statements for the year ended 30 June 2015

13. Property, plant and equipment

Cost	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2013	6,803	8,348	15,151
Additions	1,144	1,001	2,145
Disposals	(201)	(214)	(415)
Balance at 30 June 2014	7,746	9,135	16,881
Additions	3,064	2,891	5,955
Acquisitions through business combinations	-	13	13
Disposals	(773)	(914)	(1,687)
Balance at 30 June 2015	10,037	11,125	21,162
Accumulated depreciation			
Balance at 1 July 2013	(3,698)	(5,845)	(9,543)
Depreciation for the year	(1,207)	(1,157)	(2,364)
Disposal	175	179	354
Balance at 30 June 2014	(4,730)	(6,823)	(11,553)
Depreciation for the year	(1,206)	(1,385)	(2,591)
Disposal	639	838	1,477
Balance at 30 June 2015	(5,297)	(7,370)	(12,667)
Net Book Value			
At 30 June 2015	4,740	3,755	8,495
At 30 June 2014	3,016	2,312	5,328

Property, plant and equipment is carried at cost, net of accumulated depreciation and impairment losses, if any. Property, plant and equipment are depreciated using the straight line basis over their estimated useful economic lives. The expected useful lives for each class of depreciable assets are:

Class of Fixed asset	Depreciation rate
Leasehold Improvements	10-50%
Plant and equipment	5-50%

Impairment

The carrying values of property, plant and equipment are reviewed annually for indications of impairment to ensure they are not in excess of the recoverable amount for these assets. An impairment loss is recognised to the extent that the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the consolidated financial statements for the year ended 30 June 2015

14. Intangible assets

Cost	Software $'000	Student placement licence $'000	Trade name $'000	University relationship $'000	Goodwill $'000	Contracts for English language testing $'000	Total $'000
Balance at 1 July 2013	20,866	-	-	-	10,774	35,200	66,840
Additions	185	-	-	-	-	-	185
Disposals	(125)	-	-	-	-	-	(125)
Balance at 30 June 2014	20,926	-	-	-	10,774	35,200	66,900
Additions	177	-	-	-	-	-	177
Transfer from WIP	1,550	-	-	-	-	-	1,550
Acquisitions through business combinations	-	2,493	1,059	249	2,451	-	6,252
Disposals	(14)	-	-	-	-	-	(14)
Balance at 30 June 2015	22,639	2,493	1,059	249	13,225	35,200	74,865
Accumulated depreciation							
Balance at 1 July 2013	(9,588)	-	-	-	-	-	(9,588)
Amortisation for the year	(4,401)	-	-	-	-	-	(4,401)
Disposal	19	-	-	-	-	-	19
Eliminated on revaluation	(55)	-	-	-	-	-	(55)
Balance at 30 June 2014	(14,025)	-	-	-	-	-	(14,025)
Amortisation for the year	(4,016)	(14)	(6)	(2)	-	-	(4,038)
Disposal	14	-	-	-	-	-	14
Balance at 30 June 2015	(18,027)	(14)	(6)	(2)	-	-	(18,049)
Net Book Value							
At 30 June 2015	4,612	2,479	1,053	247	13,225	35,200	56,816
At 30 June 2014	6,901	-	-	-	10,774	35,200	52,875

Notes to the consolidated financial statements for the year ended 30 June 2015

14. Intangible assets (continued)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Software

Software is amortised over the useful life with amortisation rate 20-33%.

Student placement licence

Student placement licence is a separately identifiable intangible assets arising from business combination and is recognised at fair value at the acquisition date. Student placement licence is amortised over 15 years.

Trade name

Trade name is a separately identifiable intangible assets arising from business combination and is recognised at fair value at the acquisition date. Trade name is amortised over 15 years.

University relationship

University relationship is a separately identifiable intangible assets arising from business combination and is recognised at fair value at the acquisition date. University relationship is amortised over 15 years.

Contracts for English language testing and goodwill

Contracts for English language testing acquired on 1 September 2006 are recognised at their fair value at date of acquisition. These contracts are considered to have an indefinite useful life and as such are not amortised. Goodwill of $10.8 million was generated on 9 April 2008 when the Group acquired the remaining interests in IELTS Australia Pty Ltd from the external shareholders. Contracts for English language testing and goodwill are tested annually for impairment.

The Group's CGU are geographical (Asia, Australasia, Rest of World) along with product. Each CGU asset is then tested for impairment using a pre-tax discount rate of 9.5% per annum (2014: 10.5% per annum).

The recoverable amount is based on a value in use calculation which uses a discounted cash flow projections based on financial budgets approved by the directors covering a three-year period.

The fair value of contract for English language testing and goodwill calculated is considered as Level 3 in the fair value hierarchy as it is determined using unobservable inputs into the discounted cash flow model. Cash flow projections during the budget period are based on management's estimation of volume growth, expenses, inflation and foreign exchange rate throughout the budget period. The cash flows beyond that three year period have been extrapolated using a steady 3% per annum growth rate which is the projected long-term average growth rate for the English language testing market.

As at 30 June 2015, the fair value supports the carrying amount and no impairment has been recognised, and no reasonably possible changes in significant assumptions would give rise to an impairment of contracts for English language testing and goodwill.

Goodwill of $2.5 million was generated on 20 May 2015 when the Group gained control of Beijing Promising Education Limited (refer to Note 4). As at 30 June 2015, the carrying amount approximated the fair value.

Notes to the consolidated financial statements for the year ended 30 June 2015

15. Other assets

	30 June 2015	30 June 2014
	$'000	$'000
Prepayments	4,540	3,699
Refundable deposits	3,128	2,636
Other assets	2,184	1,374
	9,852	**7,709**

16. Trade and other payables

Current	30 June 2015	30 June 2014
	$'000	$'000
Trade payables	27,961	20,052
Other payables	335	-
Employee benefits payable	10,796	8,507
	39,092	**28,559**

Non-current	30 June 2015	30 June 2014
	$'000	$'000
Employee benefits payable	1,031	796
Lease incentive liabilities	112	110
	1,143	**906**
	40,235	**29,465**

For explanations on the Group's credit risk management process, refer to Note 19.3.

As at 30 June 2015, the carrying value of trade and other payables approximated their fair value.

17. Deferred revenue

	30 June 2015	30 June 2014
	$'000	$'000
Unearned income – Examination fees (1)	11,349	5,962
Unearned income – Exhibition fees (2)	1,356	1,357
Unearned income – School fees (3)	2,624	1,780
	15,329	**9,099**

(1) The deferred revenue arises in respect to IELTS fees paid by candidates in advance of the IELTS month.

(2) The deferred revenue arises as a result of exhibition fees paid by participants in advance of the event date.

(3) The deferred revenue arises as a result of tuition fees paid by participants in advance of the tuition date.

Notes to the consolidated financial statements for the year ended 30 June 2015

18. Provisions

	30 June 2015	30 June 2014
	$'000	$'000
Employee benefit	4,483	3,900
Make good provision	2,073	1,204
	6,556	**5,104**

Current	4,189	3,450
Non-current	2,367	1,654
	6,556	**5,104**

Movement in make good provisions are set out below

Opening balance	1,204	1,051
Additional provisions required	851	63
Unwinding of discount and effect of changes in the discount rate	18	90
Closing balance	**2,073**	**1,204**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for make good

A make good liability or obligation is provided for to dismantle, remove and restore items of property, plant and equipment in properties leased by the Group. The provision calculation is based on the terms of the lease agreements.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits

Notes to the consolidated financial statements for the year ended 30 June 2015

19. Financial Instruments

19.1 Financial assets and liabilities

	30 June 2015 $'000	30 June 2014 $'000
Financial assets		
Cash and cash equivalents	51,184	52,961
Cash flow hedges		
Foreign exchange forward contracts	5,992	1,884
Loans and Receivables	27,995	23,551
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Contingent consideration	2,836	-
Cash flow hedges		
Foreign exchange forward contracts	163	1,053
Trade and other payables	40,235	29,465

The effective components of cash flow hedge structures are recognised in OCI.

Contingent consideration

As part of the acquisition of Beijing Promising Education Limited, a contingent consideration payment was agreed. This consideration is dependent on the contract volume, contract revenue and total revenue of Promising Education Limited for the financial year ended 30 June 2016. The fair value of the contingent consideration at the acquisition date was $2.8 million. The contingent consideration is due for final measurement and payment to the former shareholders in August 2016.

Notes to the consolidated financial statements for the year ended 30 June 2015

19. Financial Instruments (continued)

19.2 Fair value of financial instruments

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

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

Financial assets/ financial liabilities	Fair value hierarchy	Fair value as at 30 June 2015	Fair value as at 30 June 2014	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Foreign currency forward contracts	Level 2	Assets: $6.0 million and Liabilities: $0.2 million	Assets: $1.9 million and Liabilities: $1.1 million	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Contingent consideration in a business combination	Level 3	$2.8 million	-	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Discount rate of 9.5 per cent determined using a Capital Asset Pricing Model.	A slight decrease or increase in the discount rate used in isolation would not result in a significant change in the fair value.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Notes to the consolidated financial statements for the year ended 30 June 2015

19. Financial Instruments (continued)

19.3 Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk) and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, the use of financial derivatives and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's Corporate Treasury function reports at least quarterly to the Group's Audit and Risk Management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Market risk

Foreign currency risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. Predominantly these foreign currencies include British Pounds (GBP), Indian Rupee (INR) and Chinese Yuan (CNY). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

Foreign currency exchange rate risk arises from:

- GBP payments to the University of Cambridge Local Examinations Syndicate (UCLES) test materials commitment;
- And for other currencies, fees or operational expenses;

Cash flow hedge

The foreign exchange hedge program is based upon the annual budget cycle and process and protects up to 100% of forecast currency exposure to ensure budget rates are met. Between 50% - 100% of the annual budget exposure must be protected using forward exchange contacts (up to 50% may be protected using option contracts). IDP will protect up to 40% of currency exposures for the subsequent year and complete the outstanding unhedged balance at the time the budget cycle is completed. Hedge rates are used during the budget process and are completed prior to budget sign off.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured relative to the prior year.

The following table details the significant forward currency contracts and options outstanding at the end of the reporting period.

	Foreign currency		Fair value (AUD)	
Buy GBP	**30 June 2015 000**	**30 June 2014 000**	**30 June 2015 $000**	**30 June 2014 $000**
0 to 3 months	8,794	7,697	2,007	1,116
3 to 6 months	4,125	3,133	980	155
Over 6 months	13,950	8,505	2,262	300

	Foreign currency		Fair value (AUD)	
Sell INR	**30 June 2015 000**	**30 June 2014 000**	**30 June 2015 $000**	**30 June 2014 $000**
0 to 3 months	133,661	31,502	(42)	1
3 to 6 months	167,501	38,395	(11)	3
Over 6 months	283,926	66,343	49	14

Notes to the consolidated financial statements for the year ended 30 June 2015

19. Financial Instruments (continued)

19.3 Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk management (continued)

Cash flow hedge (continued)

	Foreign currency		Fair value (AUD)	
Buy CNY	**30 June 2015 000**	**30 June 2014 000**	**30 June 2015 $000**	**30 June 2014 $000**
0 to 3 months	5,177	-	68	-
3 to 6 months	10,432	-	126	-
6 months to 1 year	23,033	-	278	-

Foreign currency denominated monetary assets and monetary liabilities

The carrying amounts of the Group's foreign currency denominated monetary assets (cash and trade receivables) and monetary liabilities (trade and other payables) at the end of the reporting period are as follows:

	2015		2014	
AUD equivalent	**Assets $000**	**Liabilities $000**	**Assets $000**	**Liabilities $000**
USD	4,084	(2,105)	1,402	(1,197)
CNY	5,013	(4,731)	1,253	(333)
HKD	1,203	(444)	260	(266)
IDR	359	(451)	377	(397)
MYR	540	(502)	100	(58)
SGD	168	(222)	594	40
THB	1,218	(675)	255	(269)
TWD	157	(219)	1,063	(888)
GBP	127	(399)	-	-
INR	3,015	(5,877)	-	-
Other Currencies	3,584	(2,980)	472	(696)
Total	19,468	(18,605)	5,776	(4,064)

Notes to the consolidated financial statements for the year ended 30 June 2015

19. Financial Instruments (continued)

19.3 Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% movement in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and foreign exchange contracts. A positive number below indicates an increase in profit or equity whereas a negative number below indicates a decrease in profit or equity.

	GBP rate	Effect on profit and loss $000	Effect on equity $000
2015	10%	21	(3,281)
2014	10%	-	(2,196)

	INR rate	Effect on profit and loss $000	Effect on equity $000
2015	10%	223	901
2014	10%	-	532

	CNY rate	Effect on profit and loss $000	Effect on equity $000
2015	10%	(22)	(642)
2014	10%	(14)	412

	other FX rate	Effect on profit and loss $000	Effect on equity $000
2015	10%	(288)	(206)
2014	10%	(106)	(263)

Interest risk rate management

As at 30 June 2015, the Group did not have any financial liabilities exposed to interest rate movement risk (2014: nil). The carrying amount of the Group's financial assets and financial liabilities are not significantly exposed to interest rate risk at the end of the reporting period.

Notes to the consolidated financial statements for the year ended 30 June 2015

19. Financial Instruments (continued)

19.3 Financial risk management objectives and policies (continued)

Liquidity risk management

The board of directors is ultimately responsible for liquidity risk management. The Group has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group has a policy which describes the manner in which cash balances will be invested. The investment policy is to ensure sufficient flexibility to capture investment opportunities as they may occur, yet maintain reasonable parameters in the execution of the investment program.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

	Less than 1 year $'000	1-5 years $'000	More than 5 years	Total $'000
30 June 2015				
- Foreign exchange forward contracts	163	-	-	163
30 June 2014				
- Foreign exchange forward contracts	1,053	-	-	1,053

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure for cash and cash equivalents is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Management consider that due to the unique characteristic of a majority of the customers - Australia Universities - being owners of the Group, and in most cases having government backing, that the default risk is low.

Management also considers many factors that influence the credit risk of its customer base including the industry default risk and country in which customers operate in. Management closely monitors the economic and political environment in geographical areas to limit the exposure to particular volatility. The Group's activities are increasingly geographically spread reducing the credit risk associated with one particular market or region.

For trade and other receivables the Group does not hold any credit derivatives or collateral to offset its credit exposure. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

Notes to the consolidated financial statements for the year ended 30 June 2015

19. Financial Instruments (continued)

19.4 Capital management

The Group's objective in managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the level of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group is monitored through the gearing ratio. The ratio is calculated as net debt divided by total capital with net debt calculated as total interest bearing financial assets and financial liabilities (including derivative financial instruments) less cash and cash equivalents. Total capital is calculated as equity shown in the Statement of Financial Position plus net debt.

During the years ended 30 June 2015 and 30 June 2014, the Group's strategy was to maintain the gearing ratio at 0% in order to secure access to finance at a reasonable cost.

20. Related party transactions

The ultimate parents of the Group are Education Australia Ltd (incorporated in Australia) and Seek Limited (incorporated and listed in Australia). Note 11 and Note 12 provide the information about the Group's structure including the details of the subsidiaries and joint ventures.

20.1 Transactions with Key management personnel

	30 June 2015 $	30 June 2014 $
Short-term employee benefits	3,182,931	3,025,416
Post-employment benefits	153,174	139,213
Other long-term benefits	624,214	208,071
Total compensation paid to key management personnel	**3,960,319**	**3,372,700**

Within the key management personnel compensation, $250,533 in Directors fees are paid directly to Seek Limited, the organisation which the Directors represent.

20.2 Transactions and balances with ultimate parents and other related parties

	Service provided		Advertising		Amounts owed by related parties		Amounts owed to related parties	
	30 June 2015 $	30 June 2014 $	30 June 2015 $	30 June 2014 $	30 June 2015 $	30 June 2014 $	30 June 2015 $	30 June 2014 $
Ultimate parent								
Seek Limited	-	-	6,567	5,819	-	-	20,878	-
Other related parties								
Think Colleges Pty Ltd (1)	-	5,774	-	-	-	13,656	-	-

(1) Seek Limited divested its interest in Think Colleges Pty Ltd on 30 November 2013 and therefore from that date it was not a related party.

Notes to the consolidated financial statements for the year ended 30 June 2015

21. Cash flow information

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with maturities of three months or less, net of bank overdrafts.

The reconciliation of profit for the year after tax to net cash flows from operating activities is as follows

	30 June 2015 $000	30 June 2014 $000
Reconciliation of net profit after income tax to net cash flows from		
Net profit after tax	**31,476**	**27,987**
Adjustment for:		
Depreciation and amortisation	6,629	6,765
Doubtful debt provision	(281)	(2,173)
Share of JV loss	33	-
Net foreign exchange gain	(656)	(484)
Unwinding discount of provisions	18	225
Loss on disposal of plant and equipment	180	17
Movement in working capital:		
Trade and other receivables	(4,016)	5,160
Other assets and derivatives	(7,141)	(2,047)
Trade and other payables	16,767	5,821
Current and deferred tax	901	(3,278)
Provisions	583	631
Net cash inflow from operating activities	**44,493**	**38,624**

Reconciliation of cash and cash equivalent

	30 June 2015 $000	30 June 2014 $000
Cash and bank at call	43,184	52,961
Short-term deposits	8,000	-
	51,184	**52,961**

There is no restriction on cash held by the Group.

Financing facilities

The Group has access to the following borrowing facilities with the National Australia Bank (NAB) at the end of the reporting period:

	Used		Unused		Total	
	30 June 2015 $000	30 June 2014 $000	30 June 2015 $000	30 June 2014 $000	30 June 2015 $000	30 June 2014 $000
Expiring within one year	-	-	2,300	2,700	2,300	2,700
Expiring beyond one year	-	-	10,000	10,000	10,000	10,000

Notes to the consolidated financial statements for the year ended 30 June 2015

22. Lease commitments

Operating lease commitments	**30 June 2015 $'000**	**30 June 2014 $'000**
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Not later than one year	6,469	6,762
Later than one year and not later than five years	9,249	11,078
Later than five years	3,410	1,454
Minimum lease payments	19,128	19,294

The Group leases various offices under non-cancellable operating leases expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

23. Contingent assets and liabilities

The directors are not aware of any significant contingent assets or liabilities.

24. Remuneration of auditors

The auditor of IDP Education Limited is Deloitte Touche Tohmatsu Australia. During the year, the following fees were paid or payable for services provided by the auditors of the Group or its related practices.

	30 June 2015 $	**30 June 2014 $**
IDP Group Auditor, Deloitte Touche Tohmatsu (Australia)		
Audit and review of financial statements	434,390	456,500
Other assurance service	30,000	-
Member firms of Deloitte Touche Tohmatsu in relation to subsidiaries for IDP		
Audit and review of financial statements	218,688	85,505
Other firms in relation to subsidiaries for IDP		
Audit and review of financial statements	61,097	125,581
	744,175	**667,586**

25. Events after the reporting period

There were no significant events since the balance date.

Notes to the consolidated financial statements for the year ended 30 June 2015

26. Parent Entity Information

IDP Education Limited is the parent of the Group. The financial information presented below represents that of the parent and is not comparable to the consolidated results.

Financial information

Financial position	30 June 2015 $'000	30 June 2014 $'000
Current assets	54,205	51,460
Total assets	119,809	115,184
Current liabilities	49,721	36,074
Total liabilities	55,917	38,210
Equity		
Issued capital	27,450	27,450
Retained earnings	36,170	50,122
Reserves	272	(598)
Total equity	**63,892**	**76,974**

Financial performance	June 2015 $000	30 June 2014 $000
Profit for the year	25,048	52,744
Other comprehensive income/(loss)	870	(922)
Total comprehensive income	**25,918**	**51,822**

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes of IDP Education Limited and its controlled entities (the Group) set out on pages 8 to 44 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001,* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

Director

Director

Signed at Melbourne

24 August 2015

Deloitte.

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Independent Auditor's Report
to the Members of IDP Education Ltd

We have audited the accompanying financial report of IDP Education Ltd, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 8 to 45.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Opinion

In our opinion:

(a) the financial report of IDP Education Ltd is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 24 August 2015