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IDP Education Ltd

A.B.N. 59 117 676 463

and controlled entities

GENERAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED
30 June 2014

Contents

IDP EDUCATION LTD
AND CONTROLLED ENTITIES
A.B.N. 59 117 676 463

DIRECTORS' REPORT
for the year ended 30 June 2014

The Directors present their report together with the annual financial statement of IDP Education Ltd ("IDP") and its controlled entities ("the Group") for the year ended 30 June 2014.

Directors

The following persons were Directors of IDP Education Ltd during the period from 1 July 2013 to the date of this report. The Directors were in office for the entire year unless otherwise stated:

Name	Particulars
Professor D A Battersby	Non-Executive Director
Mr E Collis	Non-Executive Director
Mr P D Everingham	Non-Executive Director
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 A J Thompson	Managing Director and Chief Executive
Mr G C West	Non-Executive Director and Chair of Audit & Risk Management Committee

Company Secretary

The Company Secretary is Murray Walton (Chief Financial Officer). Murray Walton is a Chartered Accountant in both Australia and New Zealand.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year 9 board meetings and 6 Audit and Risk Management Committee meetings were held.

	Meetings of Committees			
	Board of Directors		Audit & Risk Management Committee	
	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended
Number of meetings held	9	N/A	6	N/A
Numbers of meetings attended by:				
Mr D A Battersby	9	9	-	-
Mr E Collis	9	9	6	6
Mr P D Everingham	9	7	-	-
Professor G J E Hill	9	6	-	-
Mr M J Ilczynski	9	8	6	5
Mr P L Polson	9	9	-	-
Mr A J Thompson	9	9	-	-
Mr G C West	9	8	6	6

Capital Committee

The Capital Committee did not meet during financial year ended 30 June 2014.

Directors' Report (continued)

Information on the Directors

Director	Experience	Special Responsibilities
Professor D A Battersby	Vice-Chancellor of Federation University Australia Chair and Director, Education Australia Ltd;	-
Mr E Collis	Finance Director – Group & Employment, SEEK Limited.	Audit & Risk Management Committee Member
Mr P D Everingham	Managing Director of SEEK's Education businesses (excluding SEEK Learning Pty Ltd); Non-executive Director & Chair of THINK Education Group Pty Ltd; Non-executive Director & Chair of Online Education Services Pty Ltd; Former Managing Director of SEEK Learning; Former Director of Corporate Strategy for Yahoo! Australia & Sth Asia.	-
Professor G J E Hill	Vice-Chancellor and President, University of the Sunshine Coast; Director, Education Australia Ltd.	-
Mr M J Ilczynski	Managing Director, Product Development and Strategy, SEEK Limited; Non-Executive Director, THINK Education Group Pty Ltd; Non-Executive Director, Online Education Services Pty Ltd.	Audit & Risk Management Committee Member Capital Committee Member
Mr P L Polson	Chairman, Challenger Financial Services Group Ltd; Chairman, Challenger Life Company Ltd, Nomination and Remuneration Committee; Chairman, Very Special Kids Director, Avant Insurance Ltd; Chairman, Investment Committee; Director, Avant Group Holdings Ltd and The Doctor's Health Fund.	IDP Education Ltd Chair Capital Committee Chair
Mr A J Thompson	Chief Executive and Managing Director, IDP Education Pty Ltd; Chair & Director, IELTS Australia Pty Limited; Director, IDP Business Consulting (Shanghai) Co., Director, IDP Consulting (Hong Kong) Co., Ltd; Director, Guangzhou IDP Consulting Services Co. Ltd, Director, IDP Education (Bangladesh)Pvt Ltd; Director, IDP Education Cambodia Ltd; Director, IDP Education (Canada) Ltd; Director, IDP Education Consulting (Beijing) Co., Director, IDP Education India Pvt Ltd; Director, IDP Education Pty Ltd (South Korea); Director, IDP Education Services Co Ltd (Thailand); Director, IDP Education Australia (Thailand) Co., Ltd; Director, IDP Education (UK) Ltd; Chair, IDP Education Vietnam Ltd. Director, IDP Education (Egypt) LLC COO IDP Education Pty Ltd 2007-2011	Capital Committee Member
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 Capital Committee Member

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Directors' Report (continued)

Principal Activities

The Group's principal activities during the financial year were to:

• place international students into education institutions in Australia, UK, USA, Canada and New Zealand. Services include counselling, application processing and pre-departure guidance;
• distribute and administer 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
• operate English language schools in Vietnam, Cambodia and Thailand.

Review of Operations

For the year under review, the Group's net profit amounted to $28.0 million (2013 $21.2 million). Group revenue increased by 18.2%. Overall a NPAT increase of $6.8 million was the result of profit before tax growth of $8.2 million less a $1.4 million increase in tax expense on higher profits.

Subsequent events

No significant events have occurred since the balance date.

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 2014, an 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.

During the financial year ended 30 June 2013, an interim dividend of $10.0 million ($3.32 per fully paid share) was paid in September 2012 and a fully franked final dividend of $12.0 million ($3.98 per fully paid share) was paid in March 2013.

Changes in State of Affairs
There was no significant change in the state of affairs of the Group during the financial year.

Indemnification of officers and auditors
During the financial 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 or auditor of the company against a liability incurred as such an officer or auditor.

Non-audit services
Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 29 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 29 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, 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.

Rounding off of Amounts

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

On behalf of the Directors

Director

Director

Signed at:
Melbourne

21 day of August 2014

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
PO Box 78
Melbourne VIC 3001 Australia

DX 10307SSE
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

21 August 2014

The Board of Directors
IDP Education Ltd
Level 8, 535 Bourke Street
MELBOURNE VIC 3000

Dear Board Members

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 2014, 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

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Directors' declaration

The Directors of IDP Education Ltd declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial reporting Standards, as stated in Note 2 to the financial statements;
(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
(d) the Directors have been given the declarations as per s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Director

Director

Signed at:
Melbourne

21 day of August 2014

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Revenue	4	255,066	215,724
Direct expenses		(120,781)	(104,163)
		134,285	111,561
Other income		1,561	1,159
Finance income	4	1,132	1,348
Share of net profit of joint ventures	10	211	167
Promotion and publicity expenses		(7,498)	(6,391)
Occupancy expenses		(9,323)	(7,790)
General expenses		(7,991)	(4,438)
Employee benefits expenses	5	(53,665)	(46,121)
Travel expenses		(3,408)	(2,903)
Consultancy and professional expenses		(6,193)	(4,675)
Communications expenses		(2,554)	(3,108)
Depreciation	5	(6,765)	(6,395)
Finance expenses	5	(68)	(600)
Foreign exchange gains		415	93
Profit before income tax expense		40,139	31,907
Income tax (expense)	6	(12,152)	(10,712)
Profit for the year		27,987	21,195
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		201	87
Gain/(loss) in fair value of cash flow hedges		(261)	2,661
Reclassification of adjustments transferred to profit or loss		(1,863)	469
Income tax related to gains/losses recognised in other comprehensive income		78	(798)
		(1,845)	2,419
Total comprehensive income for the year		26,142	23,614
Profit for the year attributable to:			
Owners of IDP Education Ltd		27,987	21,195
		27,987	21,195
Total comprehensive income attributable to:			
Owners of IDP Education Ltd		26,142	23,614
		26,142	23,614

The accompanying notes form part of these financial statements on pages 11 to 30.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014 $000	2013 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	26	52,961	49,357
Trade and other receivables	7	23,551	26,056
Other financial assets	8	831	2,676
Current tax assets	6	705	-
Other assets	15	8,849	6,854
TOTAL CURRENT ASSETS		86,897	84,943
NON CURRENT ASSETS			
Investments	10	101	258
Property, plant and equipment	12	12,230	16,886
Intangibles	13	35,200	35,200
Goodwill	14	10,774	10,774
Deferred tax assets	6	1,851	911
TOTAL NON CURRENT ASSETS		60,156	64,029
TOTAL ASSETS		147,053	148,972
LIABILITIES			
CURRENT LIABILITIES			
Current tax liabilities	6	6,651	8,285
Trade and other payables	16	28,557	24,988
Deferred revenue	18	9,099	6,598
Other financial liabilities	17	2	23
Provisions	19	3,450	2,568
TOTAL CURRENT LIABILITIES		47,759	42,462
NON CURRENT LIABILITIES			
Trade and other payables	16	906	1,117
Provisions	19	1,654	1,752
TOTAL NON CURRENT LIABILITIES		2,560	2,869
TOTAL LIABILITIES		50,319	45,331
NET ASSETS		96,734	103,641
EQUITY			
Issued capital	20	27,450	27,450
Reserves	21	(1,233)	612
Retained earnings	22	70,517	75,579
TOTAL EQUITY		96,734	103,641

The accompanying notes form part of these financial statements on pages 11 to 30.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Issued capital $000	Retained earnings $000	Hedge reserve $000	Foreign currency translation reserve $000	Total $000
CONSOLIDATED						
Balance at 1 July 2012		27,450	76,384	(469)	(1,338)	102,027
Changes in the fair value of cash flow hedges, net of income tax	21	-	-	2,332	-	2,332
Currency translation differences	21	-	-	-	87	87
Profit for the year		-	21,195	-	-	21,195
		27,450	97,579	1,863	(1,251)	125,641
Dividends paid or provided for		-	(22,000)	-	-	(22,000)
Balance at 30 June 2013		27,450	75,579	1,863	(1,251)	103,641
Changes in the fair value of cash flow hedges, net of income tax	21	-	-	(2,046)	-	(2,046)
Currency translation differences	21	-	-	-	201	201
Profit for the year		-	27,987	-	-	27,987
		27,450	103,566	(183)	(1,050)	129,783
Dividends paid or provided for		-	(33,000)	-	-	(33,000)
Distributions paid		-	(49)	-	-	(49)
Balance at 30 June 2014		27,450	70,517	(183)	(1,050)	96,734

The accompanying notes form part of these financial statements on pages 11 to 30.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		214,121	176,808
Payments to suppliers and employees		(165,481)	(138,495)
Interest received		1,132	1,348
Finance costs		22	(600)
Income tax (paid)/received		(11,170)	693
Net cash generated by operating activities	26.1	38,624	39,754
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from/(contributed to) joint venture		157	(139)
Payments for plant and equipment		(2,331)	(2,460)
Proceeds from sale of plant and equipment		150	367
Net cash used in investing activities		(2,024)	(2,232)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(33,000)	(22,000)
Distributions paid		(49)	-
Net cash used in financing activities		(33,049)	(22,000)
Net increase in cash and cash		3,551	15,522
Cash and cash equivalents at beginning of the financial year		49,357	33,426
Effect of exchange rates on cash holdings in foreign currencies		53	409
Cash and cash equivalents at end of the financial year	26	52,961	49,357

As a result of change in methodology in the elimination of revenue for wholly owned test centres, the amounts for the year ended 30 June 2013 has been restated.

The accompanying notes form part of these financial statements on pages 11 to 30.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. General information

The financial statements are comprised of the consolidated financial statements of IDP Education Ltd and its subsidiaries ("IDP").

IDP Education Ltd 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 set out in the Directors' Report.

The consolidated financial statements, which were authorised by the Directors for issue on the date of signing the Directors' Report are presented in Australian dollars, which is the functional currency of the Company. Foreign operations are included in accordance with the policies set out in Note 2.6.

2. Significant accounting policies

2.1 Statement of compliance

First-time adoption of Australian International Financial Reporting Standards disclosure requirements

The financial report of IDP Education Ltd has transitioned from being a special purpose financial report in 2013 to a general purpose financial report in 2014. As part of this transition, the company is required to change its accounting policies to comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) with effect from 1 July 2012. This transition is accounted for in accordance with Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. As the company has applied the recognition and measurement requirements of A-IFRS since 1 July 2012, the transition to A-IFRS has not affected any amounts reported in the current and prior years, however it has resulted in additional disclosures being presented in the financial statements. On this basis, the directors have elected not to present a detailed explanation on the transition to A-IFRS.

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (AASB) and comply with other requirements of the law.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 21 August 2014.

2.2 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

The consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

All amounts are presented in Australian dollars which is the functional and presentation currency of IDP, unless otherwise noted.

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

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies and has not affected the amounts reported or disclosure and presentation for the current or prior periods.

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/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 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	30 June 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

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 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Significant accounting policies (continued)

2.5 Basis of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of IDP Education Ltd as at 30 June 2014 and the results of all subsidiaries for the year then ended. IDP Education Ltd and its subsidiaries together are referred to in the consolidated financial statements as the Group. Control is achieved when the Group has the power to govern the financial and operating policies of an entity where the Group has the rights to variable returns from its involvement.

Where necessary, adjustments are made to the financial statements of entities controlled by the Group to bring their accounting policies into line with those detailed herein to ensure the Group financial statements are prepared on a consistent basis. Where controlled entities have a different year end to the Group the reporting period of the controlled entities has been adjusted to be consistent with that of the parent entity. Where controlled entities have been acquired or disposed of during the year, their operating results have been included from the date of acquisition or until the effective date of disposal, as appropriate.

All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full.

2.6 Foreign currency conversion
The individual financial statements of each foreign subsidiary are prepared in their respective local currency, which is the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are translated into Australian dollars, which is the presentation currency of the Group.

Reporting foreign currency transactions in functional currency
Transactions in currencies other than the Group's functional currency (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 statement of profit or loss and other comprehensive income.
(ii) Non-monetary items which are measured at historical cost are not retranslated; and
(iii) Non-monetary items carried at fair value are retranslated with the exchange difference recognised in the statement of profit or loss and other comprehensive income.

Translation from functional currency to presentation currency
When the functional currency of a Group entity is different from the Group's presentation currency, its results and financial position are translated into the presentation currency as follows:
(i) Assets and liabilities are translated using exchange rates prevailing at the balance sheet date;
(ii) Income and expenses are translated at average exchange rates for the year, except where the use of such an average rate does not approximate the exchange rate at the date of the transaction, in which case the transaction rate is used; and
(iii) All resulting exchange differences are recognised in the translation reserves as a separate component of equity and are recognised in the statement of profit or loss and other comprehensive income in the period in which the foreign operation is disposed of.

Net investment in foreign operations
Exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation are recognised in the statement of profit or loss and other comprehensive income of the reporting entity or the foreign operation as appropriate. In the consolidated Group financial statements such exchange differences are recognised in translation reserves and would be recognised in the statement of profit or loss and other comprehensive income should there be a disposal of the net investment.

2.7 Property, plant and equipment
Each class of property, plant and equipment is carried at cost, less, where applicable, any accumulated depreciation and impairment losses. 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	5-50%
Plant and equipment	5-50%
Software	20-33%

Impairment
The carrying values of property, plant and equipment are reviewed annually for impairment to ensure it is 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 recoverable amount of an asset or cash-generating unit is the higher of (i) its fair value less costs to sell and (ii) its value in use, which is the present value of the future cash flows expected to be derived from the asset or cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as profit or loss.

2.8 Leased assets
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. Significant accounting policies (continued)

2.9 Employee benefits

Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave are expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

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.

Long service leave

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

2.10 Investments

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint operation. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Investment in joint ventures and joint operations

A joint venture is a joint arrangement whereby the parties that have joint control or the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated into these consolidated financial statements using the equity method of accounting. 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 associate or joint venture.

When the Group undertakes its activities under joint operation arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint operation expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

A jointly controlled entity is an arrangement that involve the establishments of a separate entity in which each participant has an interest. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the financial statements on a line-by-line basis.

When the Group transacts with a jointly controlled entity, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment.

2.11 Impairment

Tangible and intangible assets (excluding goodwill)

The carrying values of all assets are reviewed annually for any indicators of impairment to ensure they are not carried in excess of their recoverable amounts. An impairment loss is recognised to the extent that the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of (i) its fair value less cost to sell and (ii) its value in use, which is the present value of the future cash flows expected to be derived from the asset or cash-generating unit, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

2.12 Taxation

The Group is the head entity in a tax-consolidated group under Australian taxation law. As a result the Group and Australian entities controlled by the Group 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.

2. Significant accounting policies (continued)

2.12 Taxation (continued)
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.

2.13 Borrowing costs
Borrowing costs, comprising interest on bank loans, finance lease obligations, the unwinding of the discount on provisions and the costs incurred with the arrangement of borrowings are recognised in the statement of profit or loss and other comprehensive income using the effective interest rate method.

2.14 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Student Placement Fees
Student Placement Fee 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 Fee revenue is recognised post census date when the student attendance has been confirmed.

(ii) IELTS Test Fee Revenue
Revenue is recognised for administering IELTS tests at the fair value of the consideration or contributions received or receivable and is recognised once an applicant has taken the test. Such 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
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) Contract Revenue
Revenue is recognised in accordance with the terms of the particular contract. For time and materials contracts, revenue is recognised upon billing.

(v) Exhibition Fees
Exhibition revenue is recognised once an exhibition has been held.

(vi) Interest
Interest revenue is earned on cash holdings, and is recorded on an accrual basis.

(vii) Other Revenue
Other revenue includes joint operation income, fees, subscriptions and publications.

2.15 Cash and cash equivalents
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.

2.16 Financial assets

2.16.1 Financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date. Based on this classification the Group has loans and receivables in current year and prior year.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Recognition and derecognition
All financial assets are recognised and de-recognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. They are initially measured at fair price, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The de-recognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

2. Significant accounting policies (continued)

2.16.1 Financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

2.16.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Based on this classification the Group has other financial liabilities in current year and prior year.

Other financial liabilities

Other financial liabilities are borrowings, trade and other payables.

Recognition and derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Measurement

Other financial liabilities are initially measured at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

2.17 Derivative financial instruments

In the normal course of business, the Group is exposed to fluctuations in foreign exchange prices. Derivative financial instruments are used to hedge exposures to foreign exchange prices. In accordance with the entity's risk management policies derivatives are not used for speculative purposes.

The Group is exposed to exchange price volatility on its quarterly payment for the production of test papers to the University of Cambridge, foreign currency transfers to overseas network operations, IELTS revenue collected in local currency and dividend payments made in foreign currency from IDP overseas network operations to its head office in Australia.

The Group may enter into 'forward exchange contracts' and 'currency option contracts' to hedge these exposures with the specific objective of setting the annual budgeted rate at the hedged rate. The consolidated entity protects the forecast currency exposure for commitments and revenues where currency cover is available.

The following policies are in place:
- 50% - 100% of the annual budget exposure will be covered using forward exchange contracts.
- Where option cover is available, a maximum of 50% of the annual budgeted exposure will be taken using option contracts.
- Where option cover is utilised, Group will use option cap, option floor and option collars only to ensure budget forecasts are met or better.
- Protect up to 40% of the following years currency exposures with executive approval to ensure budget revenues are protected.
- Use interest rate and foreign exchange swap as a way to maximise / maintain the Group's various revenue streams, where appropriate.

The fair value of forward exchange contracts is calculated by reference to current rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Recognition and Measurement

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a cash flow hedging instrument.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. Based on this classification the Group has designated cash flow hedges in current year and prior year.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

In relation to cash flow hedges the portion of the gain or loss on the hedging instrument is recognised directly in equity and the ineffective portion is recognised in the statement of profit or loss and other comprehensive income.

2.18 Intangibles

Contracts for English Language Testing

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. Intangibles are tested annually for impairment.

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of entities controlled by the Group is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Significant accounting policies (continued)

2.18 Intangibles (continued)

Intangible assets with indefinite lives are tested for impairment annually, either individually or at the cash generating unit level. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the cash generating unit, to which goodwill relates.

Impairment testing is performed each year for cash generating units to which goodwill and indefinite lived intangibles have been allocated. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

2.19 Provisions
Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and that outflow can be reliably measured.

2.20 Goods and services tax
Revenue, expenses and assets are recognised net of the amount of GST and VAT, except where the amount of GST and VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST and VAT included. The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST and VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST and VAT receivable from, or payable to, the taxation authority.

2.21 Dividends
Provision for dividends to be paid by the Group is recognised on the balance sheet as a liability and a reduction in retained earnings when the dividend has been declared.

2.22 Comparative figures
Where necessary, comparative figures have been reclassified to ensure consistency with presentation in the current financial year.

3. Significant accounting judgements and estimates
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key estimates and judgements include:
(i) Doubtful debts provision;
(ii) Accrued revenue of Australian Student Placement Fees;
(iii) Provision for credit notes of Student Placement Fees;
(iv) Make good provisions in respect of returning premises to contracted condition;
(v) Fair value of Financial Instruments;
(vi) Income taxation;
(vii) Impairment of assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Revenue

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

Major services

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Student placement fees	57,296	47,582
IELTS test fees	176,003	148,892
English Language teaching revenue	13,487	11,067
Exhibition fees	7,076	7,014
Contract revenue	1,204	1,169
	255,066	215,724

Finance income

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Interest income - Bank deposits	1,132	1,348
	1,132	1,348

5. Expenses

Finance costs

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Other interest expense	68	600
	68	600

Depreciation and amortisation expense

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Depreciation of property, plant and equipment	2,364	2,034
Amortisation of intangible assets	4,401	4,361
Total depreciation and amortisation expense	6,765	6,395

Employee benefits expense

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Wages and salaries	39,242	34,051
Superannuation expense	3,225	2,606
Other employee related expense	11,198	9,464
Total employee benefits expense	53,665	46,121

Operating lease payments

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Rental expense on operating leases	7,031	6,170
	7,031	6,170

6. Income taxes relating to continuing operations

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
6.1 Income tax recognised in profit or loss		
Current tax		
Current tax expense/(benefit) in respect of the current year	11,268	8,818
Withholding Taxes	1,124	122
Adjustments recognised in the current year in relation to the current tax of prior years	165	1,567
	12,557	10,507
Deferred tax	(405)	205
Total income tax expense recognised in the current year relating to continuing operations	12,152	10,712

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

6. Income taxes relating to continuing operations (continued)

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

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Profit before tax from continuing operations	40,139	31,907
Income tax expense calculated at 30% (2013: 30%)	12,042	9,572
Add tax effect of:		
Non-deductible expenses	92	116
Attributed Income	176	(134)
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	252	1,051
Withholding taxes	1,124	122
Effect on deferred tax balances due to a change in tax rate	5	-
Under / (Overprovision) of income tax in previous year	166	1,567
	13,857	12,294
Less tax effect of:		
Franking credits on dividend received from controlled entity	-	-
Research and development concessions	-	-
Losses recouped previously not treated as deferred tax asset	(5)	(5)
Tax losses recognised as a deferred tax balance	-	-
Exempt dividend income	-	-
Non-assessable income	(598)	(361)
Prior year deferred tax balances recognised	(636)	-
Effect of tax rate in foreign jurisdictions	(466)	(1,216)
Income tax recognised in profit or loss relating to continuing operations	12,152	10,712

The tax rate used for the 2014 and 2013 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

6.2 Income tax recognised in other comprehensive income

	2014 $000	2013 $000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Fair value remeasurement of hedging instruments entered into for cash flow hedges	(534)	654
Total income tax recognised in other comprehensive income	(534)	654

6.3 Current tax assets and liabilities

	2014 $000	2013 $000
Current tax assets		
Tax refund receivable	705	-
	705	-
Current tax liabilities		
Income tax payable	6,651	8,285
	6,651	8,285

6.4 Deferred tax balances

2014	Opening balance $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Closing balance $000
Temporary differences				
Deferred tax assets				
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	0	4		4
	3,875	144	227	4,246
Deferred tax liabilities				
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

6. Income taxes relating to continuing operations (continued)

2013	Opening balance $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Closing balance $000
Temporary differences				
Deferred tax assets				
Accrued expenditure	1,350	(515)	-	835
Deferred capital expenditure	123	(35)	-	88
Employee benefits	711	233	-	944
Fixed assets	-	70	-	70
Forward exchange hedge	188	-	(188)	-
Other	-	38	-	38
Prepayments	2	(2)	-	-
Tax losses	1,486	(99)	-	1,387
Trade debtors	1,158	(645)	-	513
	5,018	(955)	(188)	3,875
Deferred tax liabilities				
Forward exchange hedge	-	(37)	(466)	(503)
Unrealised foreign exchange gains	(237)	15	-	(222)
Fixed assets	(3,006)	917	-	(2,089)
Accrued revenue	-	(134)	-	(134)
Other	(5)	(11)	-	(16)
	(3,248)	750	(466)	(2,964)
Net deferred tax assets	1,770	(205)	(654)	911

Deferred tax balance are presented in the statement of financial position as follows

	2014 $000	2013 $000
Deferred tax assets	4,247	3,875
Deferred tax liabilities	(2,396)	(2,964)
Net deferred tax assets	1,851	911

7. Trade and other receivables

	2014 $000	2013 $000
Trade receivables	20,821	24,103
Allowance for doubtful debts	(542)	(2,715)
	20,279	21,388
Other debtors	5,608	6,323
Provision for credit notes	(2,336)	(1,830)
Related party receivable (1)	-	175
	23,551	26,056

The average credit period for invoiced services is 30-60 days. No interest is charged on trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of $1.8 million (2013: $6.4 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.

(1) The related party receivable is explained further in Note 11.

Age of receivables that are past due but not impaired

	2014 $000	2013 $000
60-90 days	711	1,192
90-120 days	344	700
120+ days	698	4,525
Total	1,753	6,417
Average age (days)	30	41

Movement in the allowance for doubtful debts

	2014 $000	2013 $000
Balance at beginning of the year	(2,715)	(3,157)
Impairment losses recognised on receivables	-	-
Amounts recovered during the year	2,173	442
Impairment losses reversed	-	-
Balance at end of the year	(542)	(2,715)

8. Other financial assets

	2014 $000	2013 $000
Foreign currency forward contracts	831	2,676

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AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. 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 ownership interest and voting power held by the Group	
			2014	2013
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	49%	49%
IDP Education (Vietnam) Ltd Company	Student Placements	Vietnam	100%	100%
Yayasan Pendidikan Australia (2)	Student Placements	Indonesia	Nil	Nil
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	49%	49%
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%

Controlled by subsidiaries of IDP Education Ltd:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
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%

(1) IDP Education Ltd owns 49% of total shares of IDP Education Australia (Thailand) Co. Ltd and IDP Education Services Co. Ltd, however holds 100% of ordinary Class A shares which ensures effective control of the company. The relevant activities of these companies are determined by the Board of Directors of IDP Education Ltd based on majority votes. Therefore, the Directors of IDP Education Ltd concluded that the group has control over these companies and they are consolidated in these financial statements.
(2) Foundation controlled through IDP Education Ltd's capacity to control management of the company.
(3) 100% Wholly Owned Foreign Entity of IDP Consulting (Hong Kong) Co. Ltd.

9.1 Composition of the Group

Principal activity	Place of incorporation	Number of wholly-owned subsidiaries		Number of non-wholly-owned subsidiaries	
		2014	2013	2014	2013
Student placements	Korea	1	1	-	-
	Vietnam	1	1	-	-
	Thailand	-	-	1	1
	Indonesia	-	-	1	1
	India	1	1	-	-
	Bangladesh	1	1	-	-
	Egypt	1	1	-	-
	China	3	3	-	-
		8	8	2	2
Examinations	Australia	1	1	-	-
English language teaching	Cambodia	1	1		
	Thailand			1	1
		1	1	1	1
Client relations	United States of America	1	1	-	-
	United Kingdom	1	1	-	-
	Canada	1	1	-	-
		3	3	-	-
Holding company	Australia	1	1	-	-
	Hong Kong	1	1	-	-
		2	2	-	-

10. Joint operations and joint ventures

The Group has the following material interests:

(a) IDP has an interest entitling it to a 60% profit share in the Australian Centres for Education and Training (ACET) partnership 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 proportionate consolidation method of accounting is used to consolidate the Group's share of the operations assets, liabilities, revenue and expenses.

(b) 50% interest in the Common English Proficiency Assessment Scheme (CEPAS) partnership in Hong Kong. The principal activity of which is the management and delivery of the International English Language Testing System (IELTS) for the University Grants Commission of Hong Kong. The CEPAS agreement covers the period 1 October 2008 to 31 July 2014. This investment is treated as a joint venture and accordingly the equity method is applied.

On 31 July 2014 the Group ceased its Joint Venture CEPAS with no sale or consideration received. The net value at balance date reflects all costs associated with the wind-up of CEPAS.

There has been no change in the Group's ownership or voting interests in these joint ventures for the reported years.

10. Joint operations and joint ventures (continued)

The following amounts in respect of CEPAS are included in the Group's consolidated financial statements. Given ACET is proportionately consolidated into the Group's financial statements, they are not reflected in these amounts.

	2014 $000	2013 $000
Carrying amount of investment in joint venture partnership:		
Balance at the beginning of the financial year	258	119
Foreign currency (loss) recognised	(75)	(28)
Share of joint venture's profit after income tax	211	167
Distribution received	(293)	-
Balance at the end of the financial year	101	258
Share of joint venture's financial position:		
Current assets	253	847
Non-current assets	-	2
Total assets	253	849
Current liabilities	(152)	(591)
Total liabilities	(152)	(591)
Net assets	101	258

	2014 $000	2013 $000
Share of joint venture entity's results:		
Revenues	1,163	975
Expenses	(922)	(787)
Profit before income tax	241	188
Income tax expense	(30)	(21)
Profit after income tax	211	167

11. Investment in associates

IELTS Inc is a company incorporated in the United States of America. The principal activity of the company is to perform examinations.

In the financial year ended 30 June 2014, full repayment was made by IELTS Inc of a debt owing to the company $0.2 million and there is no longer a debtor from this company.

12. Property, plant and equipment

	2014 $000	2013 $000
Carrying amounts of:		
Leasehold improvements	3,017	3,105
Plant and equipment	2,312	2,503
Software	6,901	11,278
	12,230	16,886

Cost	Leasehold improvements at cost $000	Plant and equipment at cost $000	Software at cost $000	Total $000
Balance at 1 July 2012	6,141	7,816	20,656	34,613
Additions	718	1,492	250	2,460
Disposals	(56)	(960)	(40)	(1,056)
Balance at 30 June 2013	6,803	8,348	20,866	36,017
Additions	1,145	1,001	185	2,331
Disposals	(201)	(214)	(125)	(540)
Balance at 30 June 2014	7,747	9,135	20,926	37,808

Accumulated depreciation	Leasehold improvements at cost $000	Plant and equipment at cost $000	Software at cost $000	Total $000
Balance at 1 July 2012	(2,889)	(5,193)	(5,198)	(13,280)
Depreciation and amortisation expense	(865)	(1,169)	(4,361)	(6,395)
Depreciation on disposal of assets	56	517	39	612
Eliminated on revaluation	-	-	(68)	(68)
Balance at 30 June 2013	(3,698)	(5,845)	(9,588)	(19,131)
Depreciation and amortisation expense	(1,207)	(1,157)	(4,401)	(6,765)
Depreciation on disposal of assets	175	179	19	373
Eliminated on revaluation	-	-	(55)	(55)
Balance at 30 June 2014	(4,730)	(6,823)	(14,025)	(25,578)

13. Other intangible assets

	2014 $000	2013 $000
Contracts for English Language Testing	35,200	35,200
	35,200	35,200

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14. Goodwill

	2014 $000	2013 $000
Cost	10,774	10,774
Accumulated impairment losses	-	-
	10,774	10,774

The primary operating segment for IDP Group is geographical (Asia, Australasia, Rest Of World) along with product. Given that the IELTS intangible is used to generate revenue and profit across the globe, IDP management has determined the allocation of the IELTS licence and goodwill to the 3 geographical CGUs for individual assessment on the basis of volume of tests. Each CGU asset is then tested for impairment using a pre-tax discount rate of 10.5%

15. Other assets

	2014 $000	2013 $000
Prepayments	3,699	3,751
Refundable deposits	2,636	2,342
Development services work in progress	2,514	749
Other assets	-	12
	8,849	6,854

16. Trade and other payables

Current	2014	2013
Unsecured liabilities:	$000	$000
Trade payables	25,847	22,617
Employee benefits payable	1,470	1,403
GST payable	1,253	1,019
Lease incentive asset	(13)	(51)
	28,557	24,988
Non-current		
Employee benefits payable	796	1,025
Lease incentive liability	110	92
	906	1,117
	29,463	26,105

17. Other financial liabilities

	2014 $000	2013 $000
Other financial liabilities	2	23
	2	23

18. Deferred revenue

	2014 $000	2013 $000
Unearned income - Examination fees(1)	7,742	5,188
Unearned income - Exhibition fees(2)	1,357	1,410
	9,099	6,598
Current	9,099	6,598
Non-current	-	-
	9,099	6,598

(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.

19. Provisions

	2014 $000	2013 $000
Employee benefits	3,900	3,269
Other provisions (see below)	1,204	1,051
	5,104	4,320
Analysis of Provisions		
Current	3,450	2,568
Non-current	1,654	1,752
	5,104	4,320

Movement in other provisions are set out below

Balance at 1 July 2013	1,051
Additional provisions recognised	63
Reductions arising from payments/other sacrifices of future economic benefits	-
Unwinding of discount and effect of changes in the discount rate	90
Balance at 30 June 2014	1,204

19. Provisions (continued)

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.

20. Issued Capital

	2014 $000	2013 $000
3,015,602 Fully paid ordinary shares (30 June 2013: 3,015,602)	27,450	27,450

20.1 Fully paid ordinary shares	Number of shares '000	Share capital $000
Balance at beginning of the year 1 July 2013	3,016	27,450
Movements during the year	-	-
Balance at 30 June 2014	3,016	27,450

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

21. Reserves

	2014 $000	2013 $000
Foreign currency translation reserve	(1,050)	(1,251)
Hedge reserve	(183)	1,863
	(1,233)	612

21.1 Foreign currency translation reserve

	2014 $000	2013 $000
Balance at beginning of year	(1,251)	(1,338)
Exchange differences arising on translating the foreign operations	201	87
Balance at end of year	(1,050)	(1,251)

Exchange differences relate to the translation from the local currencies of the Group's foreign controlled entities into the functional currency (AUD).

21.2 Hedge reserve

	2014	2013
Balance at beginning of year	1,863	(469)
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	(261)	2,661
Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss	(1,863)	469
Income tax related to gains/losses recognised in other comprehensive income	78	(798)
Balance at end of year	(183)	1,863

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedge item, consistent with the applicable accounting policy.

22. Retained earnings

	2014 $000	2013 $000
Retained earnings	70,517	75,579

	2014 $000	2013 $000
Balance at beginning of year	75,579	76,384
Profit attributable to owners of the Company	27,987	21,195
Payment of dividends	(33,000)	(22,000)
Payment of distributions	(49)	-
Balance at end of year	70,517	75,579

23. Dividends on equity instruments

	2014 Dollars per share	2014 Total $000	2013 Dollars per share	2013 Total $000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend	4.97	15,000	3.32	10,000
Final dividend	5.97	18,000	3.98	12,000
	10.94	33,000	7.30	22,000

Total dividends of $33.0 million were paid during the financial year (2013: $22.0 million). The franking account balance as a result of tax payments made and fully franked dividends received during the course of the year is as follows

	2014 $000	2013 $000
Balance of franking account at year end	3,335	10,187

The balance of the franking account as at 30 June 2013 has been restated as the 2009 income tax return amendment should not have been included in the prior financial year balance.

24. Financial instruments

24.1 Categories of financial instruments

	2014 $000	2013 $000
Financial assets		
Cash and bank balances	52,961	49,357
Fair value through profit or loss (FVTPL)		
Held for trading	-	-
Designated as at FVTPL	-	-
Derivative instruments in designated hedge accounting relationships	1,884	2,887
Loans and Receivables	23,551	26,056
Held-to-maturity investments	-	-
Available-for-sale financial assets	-	-

	2014 $000	2013 $000
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	-	-
Designated as at FVTPL	-	-
Derivative instruments in designated hedge accounting relationships	1,053	211
Other Liabilities	29,463	26,105
Financial guarantee contracts	-	-

24.2 Financial risk management objectives

Risk Management is the responsibility of the Chief Financial Officer (CFO) and follows policies approved by the Board of Directors. The CFO identifies, evaluates and hedges financial risks in close co-operation with the Group Treasury Manager.

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.

24.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest 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), US Dollar (USD), Canadian Dollar (CAD), Singapore Dollar (SGD), Hong Kong Dollar (HKD), Indian Rupiah (INR) and Chinese Yuan (CNY), while interest rate risk is predominantly an exposure to floating interest rate denominated in Australian Dollar (AUD). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

Foreign currency exchange rate risk arise from:
- GBP payments to the University of Cambridge Local Examinations Syndicate (UCLES) test materials commitment;
- And for other currencies, fees or operational expenses;

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

24.4 Foreign currency risk management

The group utilises forward exchange contracts and FX option contracts in order to manage foreign currency risk.

Foreign exchange contracts

	Average exchange rate		Foreign currency		Notional value		Fair value	
	2014	2013	2014	2013	2014	2013	2014	2013
			FC'000	FC'000	$000	$000	$000	$000
Cash flow hedges								
Buy GBP								
0 to 3 months	0.597	0.633	7,697	3,572	12,901	5,647	1,116	303
3 to 6 months	0.560	0.647	3,133	1,800	5,590	2,784	155	232
6 months to 1 year	0.552	0.653	8,505	3,808	15,401	5,830	300	610
Buy other currencies	-	-	-	-	13,950	10,617	(758)	496

Foreign currency options

The following table details the two major currencies under option, GBP and INR, outstanding at the end of the reporting period:

	Average exchange rate		Foreign currency		Notional value		Fair value	
	2014	2013	2014	2013	2014	2013	2014	2013
			FC'000	FC'000	$000	$000	$000	$000
Cash flow hedges								
Sell INR								
0 to 3 months	59.438	59.240	31,502	49,800	530	841	1	70
3 to 6 months	59.434	59.240	38,395	49,800	646	841	3	61
6 months to 1year	59.500	59.250	66,343	99,600	1,115	1,681	14	101
Buy GBP								
0 to 3 months	n/a	0.639	n/a	1,800	n/a	2,815	n/a	205
3 to 6 months	n/a	0.639	n/a	1,800	n/a	2,815	n/a	227
6 months to 1year	n/a	0.654	n/a	3,108	n/a	4,750	n/a	539

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows

Foreign currency denominated monetary assets and monetary liabilities

	2014			2013		
AUD equivalent	Cash and cash equivalents	Loans and receivables	Other financial liabilities	Cash and cash equivalents	Loans and receivables	Other financial liabilities
	$000	$000	$000	$000	$000	$000
AUD	-	6,907	-	-	4,387	-
USD	1,012	390	(1,197)	895	35	(858)
CNY	827	426	(333)	1,413	1,575	(793)
HKD	257	3	(266)	257	695	(255)
IDR	323	54	(397)	149	3	(374)
MYR	100	0	(58)	184	195	(138)
SGD	593	1	40	155	(3)	(197)
THB	255	0	(269)	609	317	(308)
TWD	902	161	(888)	152	-	(224)
Other Currencies	471	1	(696)	684	-	(521)
TOTAL	4,740	7,943	(4,064)	4,498	7,204	(3,668)

24.4.1 Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease 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 and options as detailed above. A positive number below indicates an increase in profit or equity whereas a negative number below indicates a decrease in profit or equity.

Foreign exchange rate		-10% change		+10% change	
	Carrying Amount	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000
2014					
Financial Assets					
Cash and cash equivalents	4,740	332	-	(332)	-
Loans and Receivables	7,943	411	-	(411)	-
Other Financial Assets - Derivatives	1,884	-	1,663	-	(1,663)
	14,567	743	1,663	(743)	(1,663)
Financial Liabilities					
Other Financial Liabilities	4,064	284	-	(284)	-
Other Financial Liabilities - Derivatives	1,053	-	1,743	-	(1,743)
	5,117	284	1,743	(284)	(1,743)
2013					
Financial Assets					
Cash and cash equivalents	4,498	315	-	(315)	-
Loans and Receivables	7,204	110	-	(110)	-
Other Financial Assets - Derivatives	2,887	-	1,654	-	(1,654)
	14,589	425	1,654	(425)	(1,654)
Financial Liabilities					
Other Financial Liabilities	3,668	257	-	(257)	-
Other Financial Liabilities - Derivatives	211	-	204	-	(204)
	3,879	257	204	(257)	(204)

24.5 Interest rate management

The carrying amount of the group's financial assets and financial liabilities are exposed to interest rate risk at the end of the reporting period. As at 30 June 2014 the Group did not have any financial liabilities exposed to interest rate movement risk (2013: nil). The Group has a proportion of Cash on hand invested at floating interest rates.

Interest rate and foreign exchange rate sensitivity analysis
The following tables represents a summary of the interest rate sensitivity of the Group's financial assets at the balance sheet date on the surplus for the period and equity for a 100 basis points change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

Interest rate		-1 % change		+1% change	
	Carrying Amount	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000
2014					
Financial Assets					
Cash and cash equivalents	18,000	(126)	-	126	-
Receivables	-	-	-	-	-
Other Financial Assets	-	-	-	-	-
	18,000	(126)	-	126	-
2013					
Financial Assets					
Cash and cash equivalents	23,000	(161)	-	161	-
Receivables	-	-	-	-	-
Other Financial Assets	-	-	-	-	-
	23,000	(161)	-	161	-

24.6 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.

Liquidity and interest risk
The Group has an immaterial amount of non-derivative financial liabilities. At balance date management has assessed that there is no significant floating rate exposure related financial liabilities.

The maturity of derivative financial liabilities are included in 24.4 Foreign Currency Risk Management.

24.7 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. Approximately 60% of the debtors value is held by the owners of the Group (2013: 55%).

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.

At 30 June 2014 the maximum exposure to credit risk for trade and other receivables by geographical region was as follows

	2014	2013
Australasia	22,018	23,258
Asia	1,468	2,785
Rest of World	65	13
	23,551	26,056

24.8 Financial Arrangements

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

	Drawn		Undrawn		Total	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Floating Rate						
Expiring within one year	-	-	-	2,700	-	2,700
Expiring beyond one year	-	-	10,000	-	10,000	-

At balance date the facility remained undrawn hence there was no exposure to variable rate borrowings or interest rate swaps contracts entered into or outstanding.

24.9 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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value hierarchy	Fair value as at	Fair value as at	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		2014	2013			
1) Foreign currency forward contracts	Level 2	Assets – $1,884,000; and Liabilities – $1,053,000	Assets – $2,887,000; and Liabilities - $211,000	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

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.

Recycled from Equity to Profit or Loss

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

2014 Equity to Profit or Loss reclassification

Balance	0 to 3 months	3 to 6 months	6 months to 1 year	2-4 years	Greater than 5 years
	$000	$000	$000	$000	$000
Currency Exchange Realised	971	(65)	(75)	0	0

2013 Equity to Profit or Loss reclassification

Balance	0 to 3 months	3 to 6 months	6 months to 1 year	2-4 years	Greater than 5 years
	$000	$000	$000	$000	$000
Currency Exchange Realised	1,343	404	929	0	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

24.10 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 2014 and 30 June 2013, the Group's strategy was to maintain the gearing ratio at 0% in order to secure access to finance at a reasonable cost.

25. Related party transactions

The immediate parent and ultimate controlling party respectively of the Group are Education Australia Ltd (incorporated in Australia) and Seek Limited (incorporated in Australia). Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

25.1 Trading transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Amounts received		Amounts paid	
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2013
	$	$	$	$
Seek Limited - Director fees and advertising	-	-	606,068	198,889
Seek Limited - Dividends	-	-	16,500,000	11,000,000
Education Australia Ltd - Dividends	-	-	16,500,000	11,000,000
Think Colleges Pty Ltd (1)	5,774	28,903	-	-

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2013
	$	$	$	$
Seek Limited	-	-	-	-
Think Colleges Pty Ltd (1)	-	13,656	-	-

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

25.2 Equity interests in related parties

Interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 9 to the financial statements.

Interests in associates and joint ventures
Details of interests in associates and joint ventures are disclosed in Notes 10 and 11 to the financial statements.

26. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in financial institutions, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2014	2013
	$000	$000
Cash held by Australian operations	40,583	39,167
Cash held by Overseas operations	12,378	10,190
	52,961	49,357

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

26.1 Reconciliation of profit for the year to net cash flows from operating activities

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Reconciliation of cash flows from operating activities to profit after income tax		
Profit after income tax	27,987	21,195
Adjustments for:		
Depreciation and amortisation	6,765	6,395
Doubtful debt provision	(2,173)	(442)
Unrealised Foreign exchange	(484)	(726)
Unwinding discount of provisions	225	165
Deferred tax	(940)	818
Loss on disposal of plant and equipment	17	77
Changes in Assets and Liabilities		
Prepayments	52	(961)
Trade and other receivables	5,108	1,760
Current tax assets	(705)	-
Other assets	(2,047)	(1,575)
Trade and other payables	5,587	3,971
Current tax liabilities	(1,633)	9,084
Provisions	631	(621)
GST Payable	234	614
Net cash generated by operating activities	38,624	39,754

27. Lease commitments

	2014 $000	2013 $000
Plant and Equipment lease commitments		
Payable - minimum lease payments		
Not later than one year	48	190
Later than one year and not later than five years	-	47
Minimum lease payments	48	237
Present value of minimum lease payments	48	237

Plant and Equipment leases relate to printers/ photocopiers with lease terms of 4 years. No residual payments are due on expiry of the leases in September 2014.

	2014 $000	2013 $000
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
Not later than one year	6,762	4,086
Later than one year and not later than five years	11,078	8,599
Later than five years	1,454	1,186
	19,294	13,871

The Group leases various offices under non-cancellable operating leases expiring within 1 to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

28. Contingent assets and liabilities

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

29. Remuneration of auditors

	Year ended 30 June 2014 $	Year ended 30 June 2013 $
IDP Group Auditor, Deloitte Touche Tohmatsu (Australia)		
Audit or review of the financial statements	456,500	396,600
Other assurance services	53,750	-
Other accounting advice and services	319,800	-
	830,050	396,600
Member firms of Deloitte Touche Tohmatsu in relation to subsidiaries for IDP		
Audit or review of the financial statements	85,505	79,450
	85,505	79,450
Other firms in relation to subsidiaries for IDP		
Audit or review of the financial statements	125,581	184,659
Other services:		
Preparation of the tax return	298,952	42,600
R&D tax advice	-	525,366
Corporate services	19,395	12,693
All other tax advice	140,665	208,605
	584,593	973,923
	1,500,148	1,449,973

The auditor of IDP Education Ltd is Deloitte Touche Tohmatsu.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30. Events after the reporting period

There were no significant events since the balance date.

31. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

Financial position

	2014 $000	2013 $000
Assets		
Current assets	52,497	35,628
Non-current assets	62,687	66,068
Total assets	115,184	101,696
Liabilities		
Current liabilities	36,074	41,008
Non-current liabilities	2,136	2,566
Total liabilities	38,210	43,574
Net Assets	76,974	58,122
Equity		
Issued capital	27,450	27,450
Retained earnings	50,122	30,348
Foreign currency translation reserve	(598)	324
Total equity	76,974	58,122

Financial performance

	Year ended 30 June 2014 $000	Year ended 30 June 2013 $000
Profit for the year	52,744	32,697
Other comprehensive income/(loss)	(922)	582
Total comprehensive income	51,822	33,279

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
PO Box 78
Melbourne VIC 3001 Australia

DX 10307SSE
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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 2014, 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 6 to 30.

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.

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.

Deloitte

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.

Opinion

In our opinion, the financial report of IDP Education Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 21 August 2014