IDP Education Pty Limited

A.B.N. 59 117 676 463

and controlled entities

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED

30 June 2013

Contents **Page**

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

DIRECTORS' REPORT
for the year ended 30 June 2013

In accordance with a resolution of the Directors, the Directors submit herewith the report on the consolidated entity consisting of IDP Education Pty Limited ("the Group") and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors

The following persons were directors of IDP Education Pty Limited during the period from 1 July 2012 to the date of this report. Directors were in office for this entire year unless otherwise stated:

Mr J A Armstrong, MBA, BBus, CPA Australia
Non-Executive Member (resigned 31 August 2012)
Chief Financial Officer, SEEK Limited

Professor D A Battersby, PhD, MHEd
Non-Executive Member
Vice Chancellor, University of Ballarat

Mr E Collis, BComm, CA
Non-Executive Member (appointed 31 August 2012)
Finance Director – Group & Employment, SEEK Limited

Mr P D Everingham MBA, BEc
Non-Executive Member
Managing Director, Education, SEEK Limited

Professor G J E Hill, CertTeach, BA (Hons), PhD
Non-Executive Member
Vice Chancellor & President, University of the Sunshine Coast

Mr M J Ilczynski, MBA, BComm, BSci
Non-Executive Member
Group Strategy Director, SEEK Limited

Mr P L Polson, MBL, PMD, BComm
Non-Executive Member and Chair

Mr A J Thompson, MBA, LLB (Hons), BSc
Executive Member Managing Director and Chief Executive, IDP Education Pty Limited

Mr G C West, Chartered Accountant
Non-Executive Member

Company Secretary

The Company Secretary is Murray John Walton (Chief Financial Officer). Mr Walton holds Chartered Accountancy qualifications in both Australia and New Zealand.

Meetings of Directors

The number of meetings of the Group's board of directors and of each board committee held during the year and the number of meetings attended by each director were:

Board of IDP Education Pty Limited	**Meetings eligible to attend**	**Meetings attended**
Number of meetings held	7	
Numbers of meetings attended by:		
Mr J A Armstrong	1	1
Mr D A Battersby	7	6
Mr E Collis	6	5
Mr P D Everingham	7	6
Professor G J E Hill	7	7
Mr M J Ilczynski	7	6
Mr P L Polson, Chair	7	7
Mr A J Thompson	7	7
Mr G C West	7	7

Audit & Risk Management Committee	**Meetings eligible to attend**	**Meetings attended**
Number of meetings held	8	
Numbers of meetings attended by:		
Mr J A Armstrong	2	2
Mr E Collis	6	6
Mr M J Ilczynski	8	8
Mr G C West, Chair	8	8

Capital Committee

The Capital Committee did not meet during FY13.

Information on the Directors

Director	Experience	Special Responsibilities
Mr J A Armstrong (resigned 31/8/2012)	Chief Financial Officer, SEEK Limited; Director of THINK Education Group Pty Ltd; Director, IDP Education International Ltd.	Audit & Risk Management Committee Member
Professor D A Battersby	Vice-Chancellor and President, University of Ballarat; Chair and Director, Education Australia Ltd; Chair, Regional Universities Network; Chair, Museum of Australian Democracy at Eureka.	
Mr E Collis (appointed 31/8/2012)	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

Information on the Directors, continued

Director	Experience	Special Responsibilities
Mr P L Polson	Chairman, Challenger Financial Services Group Ltd; Chairman, Challenger Life Company Ltd, Nomination and Remuneration Committee; Chairman, AWB Ltd and AWB International Ltd; Member, Group Corporate Risk Committee; Chair, Remuneration and Nomination Committee; Director, Avant Insurance Ltd; Chairman, Investment Committee; Director, Bennelong Group Pty Ltd; Chairman, Investment Committee; Member, Audit and Risk Committee; Director, Bennelong Foundation and Escor Pty Ltd.	Capital Committee Chair
Mr A J Thompson	COO IDP Education Pty Ltd 2007-2011. Chief Executive and Managing Director, IDP Education Pty Ltd; Chair & Director, IELTS Australia Pty Limited; Director, IDP Business Consulting (Shanghai) Co., Ltd; Director, IDP Consulting (Hong Kong) Co., Ltd; Director, IDP Consulting Services (Guangzhou) Co., Ltd; Director, IDP Education (Bangladesh)Pvt Ltd; Director, IDP Education Cambodia Ltd; Director, IDP Education (Canada) Ltd; Director, IDP Education Consulting (Beijing) Co., Ltd; 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.	Capital Committee Member
Mr G C West	Director, ITC Ltd and Chairman of the Audit and Risk Management Committee; Director, Education Australia Ltd.	Audit and Risk Management Committee Chair Capital Committee Member

Principal Activities

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

- Increase the effectiveness and access to Australian tertiary education institutions and Australian education systems overseas;
- Promote the use of resources of Australian education institutions, particularly at the tertiary level, to support educational development overseas;
- Encourage increased numbers of overseas students to enrol in Australian education institutions; and
- Provide English language testing, training and support of off-shore delivery of Australian education.

The multi destination strategy continues to be rolled out across the Group. Destination countries for international students placed by the Group include Australia, Canada, UK, New Zealand and the USA.

Review of Operations

For the year under review, the Group's net profit amounted to $21.2 million (2012 $16.3 million). Group revenue increased by 6% with a stable gross profit margin, however overheads decreased by $2.0 million largely due to favourable outcomes on provisions taken in FY12. Overall NPAT increase of $5.0 million was the result of EBIT growth of $11.0 million less a $6.3 million tax increase on higher profits and the R&D claim ceasing in FY12.

Events Subsequent to Reporting Date

No significant events have occurred since the balance date.

Likely 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

An interim dividend of $10.0 million ($3.32 per fully paid share) was paid in September 2012 and a final dividend of $12.0 million ($3.98 per fully paid share) was paid in March 2013 (Total FY13 Dividend of $22 million ($7.30 per fully paid share). No further dividend has been paid since that time.

Significant Changes in State of Affairs

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

Insurance of Officers

During the financial year, the Group paid a premium of $38,322 to insure the directors' and officers' liability.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the company or a related body corporate) incurred in their position as director or executive officer unless the conduct involved a wilful breach of duty or an improper use of inside information or position to gain advantage. The policies do not specify the premium for individual directors and executive officers.

This is a 'claims made' policy and covers retired/retiring Directors and Officers providing there is a policy in existence at the time the claim is made against the director.

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.

Auditor's Independence Declaration

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

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

For and on behalf of the Board

Director

Director

Signed at: MELBOURNE

Dated: 22nd August 2013

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

DX 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

22 August 2013

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

Dear Board Members

IDP Education Pty Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of IDP Education Pty Limited.

As lead audit partner for the audit of the financial statements of IDP Education Pty Limited for the financial year ended 30 June 2013, 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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $000's	Consolidated 2012 $000's	Parent 2013 $000's	Parent 2012 $000's
Revenue	4	215,724	202,749	53,980	45,301
Direct expenses	5	(104,163)	(99,331)	(20,336)	(16,816)
		111,561	103,418	33,644	28,485
Other income	4	1,159	1,689	44,322	2,432
Finance Income		1,348	998	445	358
Promotion and publicity expenses		(6,391)	(5,632)	(1,995)	(1,760)
Occupancy expenses		(7,790)	(6,729)	(2,792)	(2,553)
General expenses		(4,438)	(8,120)	(8,069)	(11,101)
Employee benefits expenses	5	(46,121)	(43,771)	(23,723)	(23,759)
Travel expenses		(2,903)	(3,317)	(1,055)	(1,386)
Consultancy and professional expenses		(4,675)	(6,706)	(3,366)	(5,101)
Communications expenses		(3,108)	(3,235)	(2,550)	(2,640)
Depreciation		(6,395)	(6,796)	(5,265)	(5,645)
Finance expenses	5	(600)	(133)	(297)	(133)
Foreign exchange gains/(losses)	5	93	(1,144)	(57)	(945)
Share of net profit of joint ventures	15	167	196	167	196
Profit before income tax expense		31,907	20,718	29,409	(23,552)
Income tax (expense)/benefit	6	(10,712)	(4,397)	3,288	8,671
Profit/(loss) for the year		21,195	16,321	32,697	(14,881)
Other comprehensive income, net of income tax					
Items that will not be reclassified subsequently to profit or loss:					
		-	-	-	-
Items that will be reclassified subsequently to profit or loss:					
Currency translation reserve		87	85	28	65
Net value gain on hedge reserve		2,332	446	554	13
		2,419	531	582	78
Total comprehensive income for the year		23,614	16,852	33,279	(14,803)

The accompanying notes form part of these financial statements on pages 12 to 31.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Consolidated 2013 $000's	Consolidated 2012 $000's	Parent 2013 $000's	Parent 2012 $000's
CURRENT ASSETS					
Cash and cash equivalents	9	49,357	33,426	14,413	14,152
Trade and other receivables	10	26,056	26,672	14,129	11,586
Financial assets	11	2,676	154	560	26
Current tax assets		-	800	3,292	1,597
Other	12	6,854	5,050	3,234	2,402
TOTAL CURRENT ASSETS		84,943	66,102	35,628	29,763
NON CURRENT ASSETS					
Investments	13	258	119	52,546	52,391
Property, plant and equipment	17	16,886	21,334	14,294	18,800
Intangibles	18	45,974	45,974	-	-
Deferred tax assets/(liabilities)	19	911	1,770	(772)	(1,141)
TOTAL NON CURRENT ASSETS		64,029	69,197	66,068	70,050
TOTAL ASSETS		148,972	135,299	101,696	99,813
CURRENT LIABILITIES					
Current tax liabilities		8,285	-	-	-
Trade and other payables	20	31,609	28,345	39,047	48,902
Provisions	22	2,568	3,936	1,961	3,191
TOTAL CURRENT LIABILITIES		42,462	32,281	41,008	52,093
NON CURRENT LIABILITIES					
Trade and other payables	20	1,117	17	1,117	17
Provisions	22	1,752	974	1,449	860
TOTAL NON CURRENT LIABILITIES		2,869	991	2,566	877
TOTAL LIABILITIES		45,331	33,272	43,574	52,970
NET ASSETS		103,641	102,027	58,122	46,843
EQUITY					
Issued capital	23	27,450	27,450	27,450	27,450
Reserves	24	612	(1,807)	324	(258)
Retained earnings		75,579	76,384	30,348	19,651
TOTAL EQUITY		103,641	102,027	58,122	46,843

The accompanying notes form part of these financial statements on pages 12 to 31.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Issued capital $000's	Retained earnings $000's	Hedge Reserve $000's	Foreign Currency Translation Reserve $000's	Total equity $000's
CONSOLIDATED					
Balance at 1 July 2011	27,450	72,054	(915)	(1,423)	97,166
Changes in the fair value of cash flow hedges, net of tax	-	14	446	-	460
Currency translation differences	-	-	-	85	85
Profit for the year	-	16,321	-	-	16,321
Sub-total	27,450	88,389	(469)	(1,338)	114,032
Dividends paid or provided for	-	(12,005)	-	-	(12,005)
Balance at 30 June 2012	27,450	76,384	(469)	(1,338)	102,027
Changes in the fair value of cash flow hedges, net of tax	-	-	2,332	-	2,332
Currency translation differences	-	-	-	87	87
Profit for the year	-	21,195	-	-	21,195
Sub-total	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
PARENT					
Balance at 1 July 2011	27,450	46,537	(104)	(232)	73,651
Changes in the fair value of cash flow hedges, net of tax	-	-	13	-	13
Currency translation differences	-	-	-	65	65
Loss for the year	-	(14,881)	-	-	(14,881)
Sub-total	27,450	31,656	(91)	(167)	58,848
Dividends paid or provided for	-	(12,005)	-	-	(12,005)
Balance at 30 June 2012	27,450	19,651	(91)	(167)	46,843
Changes in the fair value of cash flow hedges, net of tax	-	-	554	-	554
Currency translation differences	-	-	-	28	28
Profit for the year	-	32,697	-	-	32,697
Sub-total	27,450	52,348	463	(139)	80,122
Dividends paid or provided for	-	(22,000)	-	-	(22,000)
Balance at 30 June 2013	27,450	30,348	463	(139)	58,122

The accompanying notes form part of these financial statements on pages 12 to 31.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated		Parent	
		2013	2012	2013	2012
		$000's	$000's	$000's	$000's
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		245,689	203,883	66,806	48,218
Payments to suppliers and employees		(205,568)	(176,427)	(55,260)	(69,432)
Dividends received from controlled entities		-	-	-	1,864
Distributions received from joint ventures		-	796	-	796
Interest received		1,347	998	445	358
Finance costs		(600)	(133)	(297)	(133)
Income tax (paid)/received		(1,245)	1,022	(11,418)	4,290
Net cash generated by/(used in) operating activities	26	39,623	30,139	276	(14,039)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(1,532)	(4,941)	(829)	(3,686)
Net cash used in investing activities		(1,532)	(4,941)	(829)	(3,686)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Related Party Borrowings		-	-	22,696	39,675
Dividends paid		(22,000)	(12,005)	(22,000)	(12,005)
Net cash generated by/(used in) financing activities		(22,000)	(12,005)	696	27,670
Net increase in cash and cash equivalents		16,091	13,193	143	9,945
Cash and cash equivalents at beginning of year		33,426	19,702	14,152	4,128
Effect of exchange rates on cash holdings in foreign currencies		(160)	531	118	79
Cash and cash equivalents at end of year	9	49,357	33,426	14,413	14,152

The accompanying notes form part of these financial statements on pages 12 to 31.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. General information

The financial report covers the consolidated group of IDP Education Pty Limited as a consolidated entity ("the Group") and IDP Education Pty Limited as an individual parent entity ("Company").

IDP Education Pty Limited 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 financial statements, which were authorised by the Directors for issue on the date of signing the Directors' Report are presented in thousands of Australian dollars, which is the functional currency of the Company. Foreign operations are included in accordance with the policies set out in Note 3.5

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements' - The amendments (part of AASB 2011-9 'Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income') introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the Statement of Comprehensive Income is renamed as a Statement of Profit or Loss and other Comprehensive Income. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

2. Application of new and revised accounting standards (cont'd)

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the 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 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-10 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2. Application of new and revised accounting standards (cont'd)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
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
Interpretation 21 Levies	1 January 2014	30 June 2015

The Directors have assessed the impact of the adoption of these Standards and Interpretations in future periods on the financial statements of the Consolidated Entity. The Directors do not believe these Standards and Interpretations will have a material impact in future periods on the financial statements of the Consolidated Entity at this point in time.

3. Significant accounting policies

3.1 Financial reporting framework

The company is not a reporting entity because in the opinion of the directors all users of the financial report are able to command the preparation of reports tailored to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

For the purpose of preparing the financial statements, the company is a for-profit entity.

3.2 Statement of compliance

The financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 ' Accounting Policies, Changes in Accounting Estimates and Errors' and AASB 1054 'Australian Additional Disclosures'

In the current year, the company 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 any changes to the company's accounting policies.

The financial statements comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS").

3.3 Basis of preparation

The financial report has been prepared on an accruals basis and is based on 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.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

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 Financial Report and the Directors' Report have been rounded to the nearest thousand dollars unless otherwise stated.

3. Significant accounting policies (cont'd)

3.4 Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company ("subsidiaries"). Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries 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 Company 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 during the year, their operating results have been included from the date of acquisition or until effective date of disposal, as appropriate.

All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

3.5 Foreign currency conversion

The individual financial statements of each Group entity are prepared in their functional 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.

(1) Reporting foreign currency transactions in functional currency

Transactions in currencies other than the Company'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.

(2) Translation from functional currency to presentation currency

When the functional currency of a Group entity is different from the Group's presentational currency, its results and financial position are translated into the presentational 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.

(3) 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.

3. Significant accounting policies (cont'd)

3.6 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. Based on the expected useful lives for each class of depreciable assets, the rates applied 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.

3.7 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.

3.8 Employee benefits

Wages, salaries, annual leave and long service leave

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, 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.

3. Significant accounting policies (cont'd)

3.9 Investments

Investments in Associates:
An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Investments in joint ventures:
A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When the Company undertakes its activities under joint venture arrangements directly, the Company'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 Company's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Company and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Company 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 ventures'. The Company'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 Company transacts with a jointly controlled entity, unrealised profits and losses are eliminated to the extent of the Company's interest in the joint venture.

3.10 Impairment

The carrying values of all assets are reviewed annually for 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.

3. Significant accounting policies (cont'd)

3.11 Income tax

The Company is the head entity in a tax-consolidated group under Australian taxation law. As a result the Company and it's Australian subsidiaries 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 subsidiaries have a agreed to pay an amount to or from the head entity equal to the tax liability or asset assumed by the head entity for that period as noted above. Such amounts are reflected in amounts receivable from or payable to the head entity. Accordingly, the amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes.

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

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

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

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

(ii) The initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be 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 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 Company 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.

3.12 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (cont'd)

3.13 Revenue

Application Processing Fees

Application processing fee revenue is recognised when tuition fees are paid to the educational institution and a confirmation of enrolment is received by a student.

Development Services' Contracts

Revenue is recognised in accordance with the terms of the particular contract. For milestone contracts, revenue is recognised to the extent that contract milestones have been met. For time and materials contracts, revenue is recognised upon billing. Amounts received but not yet earned are brought to account as "Development services funds, received but unacquitted" (trade and other payables).

Exhibitions

Exhibition revenue is recognised once an exhibition has been held.

Interest

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

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 sat 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. In jurisdictions where effective control of such revenue is limited to the net balance payable by the IELTS test centre then revenue is recognised on a net basis.

Other Revenue

Other revenue includes joint venture income, fees, subscriptions and publications.

3.14 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.

3.15 Financial assets

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 Company 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.

A financial asset is classified as held for trading if:

(i) It has been acquired principally for the purpose of selling it in the near term; or

(ii) On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short term profit taking; or

(iii) It is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies (cont'd)

3.16 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 royalty payments to 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, Company will use option cap, option floor and option collars only to ensure budget forecasts are met or better.
- Protect between 20% - 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 Company'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.

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.

In relation to fair value hedges which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the statement of profit or loss and other comprehensive income.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the statement of profit or loss and other comprehensive income. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the statement of profit or loss and other comprehensive income such that it is fully amortised by maturity.

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.

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amout and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (cont'd)

3.17 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 and carried at fair value.

Goodwill

Goodwill and goodwill on consolidation are 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 subsidiaries 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.

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.

3.18 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.

3.19 Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST 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 included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) 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 components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

3. Significant accounting policies (cont'd)

3.20 Comparative figures

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

3.21 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 application processing fees;

(iii) Make good provisions in respect of returning premises to contracted condition;

(iv) Fair value of financial instruments;

(v) Useful lives of non current assets;

(vi) Estimates in determining income tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated		Parent	
	2013	2012	2013	2012
	$000's	$000's	$000's	$000's
Note 4: Revenue				
Revenue from services				
IELTS test fees	148,892	143,355	12,941	10,369
Application processing fees	47,582	41,276	36,210	30,472
Contract, exhibitions and publications revenue	8,773	8,380	4,829	4,460
Course fees	10,477	9,738	-	-
	215,724	202,749	53,980	45,301
Other revenue				
Other income	1,159	1,689	272	568
Dividends received from controlled entities	-	-	44,051	1,864
	1,159	1,689	44,323	2,432
Note 5: Expenses by nature				
Direct expenses	104,163	99,331	20,336	16,816
Employee benefits expense				
Wages and salaries	34,051	31,867	17,452	16,743
Superannuation expense	2,606	2,564	1,219	1,392
Other employee related expense	9,464	9,340	5,052	5,624
Total employee benefits expense	46,121	43,771	23,723	23,759
Foreign exchange (gain)/loss				
Net foreign exchange (gains)/losses	(93)	1,144	57	945
Total foreign exchange (gain)/loss	(93)	1,144	57	945
Finance costs				
Interest expense	600	133	297	133
Total finance costs	600	133	297	133
Impairment of receivables (included in direct expenses)				
Doubtful debts expense / (gain)	(755)	(712)	-	37
Total impairment of receivables	(755)	(712)	-	37
Rental expense on operating leases	6,170	5,530	2,275	2,185

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated		Parent	
	2013	2012	2013	2012
	$000's	$000's	$000's	$000's
Note 6: Income Tax Expense				
The components of tax expense comprise:				
Current tax				
Current tax expense/(benefit) in respect of the current year	8,744	6,315	(3,396)	(6,626)
Withholding Taxes	123	616	93	130
Adjustments recognised in the current year in relation to the current tax of prior years	2,005	(3,050)	803	(2,138)
	10,872	3,881	(2,500)	(8,634)
Deferred tax	(160)	516	(788)	(37)
Income tax expense/(benefit) attributable to entity	10,712	4,397	(3,288)	(8,671)
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Profit/(loss) from ordinary activities before income tax at 30% (2012: 30%)	31,907	20,718	29,409	(23,552)
Tax payable/(receivable) at 30% (2012: 30%)	9,572	6,215	8,823	(7,065)
Add:				
Tax effect of:				
Non-deductible expenses	116	312	9	310
Attributed Income	(134)	(614)	(134)	(614)
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	1,051	1,376	645	770
Under / (Overprovision) of income tax in previous year	2,005	(3,050)	803	(2,138)
	12,610	4,239	10,146	(8,737)
Less:				
Tax effect of:				
Franking credits on dividend received from controlled entity	-	-	-	-
Research and development concessions	-	(49)	-	(49)
Losses recouped previously not treated as deferred tax asset	(5)	(1,401)	(5)	-
Tax losses recognised as a deferred tax balance	-	(363)	-	-
Exempt dividend income	-	-	(13,215)	(438)
Withholding taxes	122	616	93	130
Non-assessable income	(361)	-	-	-
Prior year deferred tax balances recognised for the first time	-	879	-	(37)
Effect on tax rate in foreign jurisdictions	(1,654)	476	(307)	460
Income tax expense/(benefit) attributable to entity	10,712	4,397	(3,288)	(8,671)

Note 7: Auditor remuneration				
Remuneration of the auditor of the parent entity for:	$	$	$	$
Auditing and reviewing the financial statements	396,600	391,955	370,975	366,955
	396,600	391,955	370,975	366,955
Remuneration of other auditors of subsidiaries for:				
Auditing and reviewing the financial statements	264,109	182,414	146,184	97,298

The Group's external auditors is Deloitte Touche Tohmatsu.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Parent		Parent	
Note 8: Dividends	2013	2013	2012	2012
Distributions paid:	$ per	Total	$ per	Total
Fully paid ordinary Class "A" shares	share	$000's	share	$000's
Dividend:				
Fully franked at a 30% tax rate	3.32	10,000	1.66	5,005
Fully franked at a 30% tax rate	3.98	12,000	2.32	7,000
	7.30	22,000	3.98	12,005

Total dividends of $22 million were paid during the financial year (FY12: $12.005 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:

	Consolidated		Parent	
	2013	2012	2013	2012
	$000's	$000's	$000's	$000's
Balance of franking account at year end	12,029	22,343	12,029	22,343
Note 9: Cash and Cash Equivalents				
Cash held by Australian operations	39,167	23,337	12,481	11,592
Cash held by Overseas operations	10,190	10,089	1,932	2,560
	49,357	33,426	14,413	14,152

There are no restrictions on cash balances.

Note 10: Receivables				
Trade debtors	24,103	25,201	12,560	10,781
Less: provision for impairment of receivables	(2,715)	(3,628)	(123)	(261)
	21,388	21,573	12,437	10,520
Other Debtors	4,493	4,789	1,692	1,066
External related party receivable	175	310	-	-
	26,056	26,672	14,129	11,586
Note 11: Financial Assets				
Derivatives designated and effective as hedging instruments carried at fair value				
Foreign currency forward contracts	2,676	154	560	26
Note 12: Other Assets				
Prepayments	3,751	2,790	2,517	1,928
Refundable deposits	2,342	1,978	570	454
Development services work in progress	749	2	147	2
Other assets	12	280	-	18
	6,854	5,050	3,234	2,402
Note 13: Investments				
Shares in unlisted controlled entities	-	-	52,244	52,228
Interest in joint venture partnerships (note 15)	258	119	302	163
	258	119	52,546	52,391

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note 14: Investment in Controlled Entities (Unlisted)

	Country of Incorporation	Interest of Immediate parent entity (shares)	
		2013	2012
Parent entity:		%	%
IDP Education Pty Limited	Australia		
Directly controlled by parent entity:			
IELTS Australia Pty Limited	Australia	100	100
IDP Education International Ltd (4)	Australia	-	100
IDP World Pty Ltd	Australia	100	100
IDP Education Pty (Korea)	Korea	100	100
IDP Education Australia (Thailand) Co. Ltd (1)	Thailand	49	49
IDP Education (Vietnam) Ltd Company	Vietnam	100	100
Yayasan Pendidikan Australia (2)	Indonesia	-	-
IDP Consulting (Hong Kong) Co. Ltd	Hong Kong	100	100
IDP Education India Pvt Ltd	India	100	100
IDP Education Services Co. Ltd (1)	Thailand	49	49
IDP Education Cambodia Ltd	Cambodia	100	100
IDP Education LLC	United States of America	100	100
IDP Education UK	United Kingdom	100	100
IDP Education (Canada) Ltd	Canada	100	100
IDP Education (Bangladesh) Pvt Ltd	Bangladesh	100	100
IDP Education (Egypt) LLC	Egypt	100	-
Controlled by subsidiaries of IDP Education Pty Limited:			
IDP Education Consulting (Beijing) Co., Ltd (3)	China	100	100
Guangzhou IDP Consulting Services Co., Ltd (3)	China	100	100
IDP Business Consulting (Shanghai) Co., Ltd (3)	China	100	100
Guangzhou OSC (3)	China	100	-

(1) Minority shareholding controlled through IDP Education Pty Ltd's capacity to control management of the Company

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

(3) 100% Wholly Owned Foreign Entity of IDP Consulting (Hong Kong) Co. Ltd.

(4) Formally deregistered by Australian Securities and Investment Commission (ASIC) on 1 August 2012.

Note 15: Joint Venture Partnerships

IDP Education Pty Limited has a 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 May 2014.

IDP Education Pty Limited also has a 60% 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. From 1 July 2011 the group changed it's accounting for ACET's results to proportional consolidation from equity accounting.

	Consolidated		Parent	
	2013	2012	2013	2012
	$000's	$000's	$000's	$000's
Carrying amount of investment in joint venture partnership:				
Balance at the beginning of the financial year	119	3,509	163	388
Derecognition of ACET ceasing to use Equity Method	-	(3,092)	-	-
Foreign currency (loss) recognised	(28)	(82)	(28)	(9)
Share of joint venture's profit after income tax	167	196	167	196
Distribution received	-	(412)	-	(412)
Balance at the end of the financial year	258	119	302	163
Share of joint venture's financial position:				
Current assets	847	561	847	561
Non-current assets	2	3	2	3
Total assets	849	564	849	564
Current liabilities	(591)	(445)	(547)	(401)
Total liabilities	(591)	(445)	(547)	(401)
Net assets	258	119	302	163
Share of joint venture entity's results:				
Revenues	975	974	975	974
Expenses	(787)	(745)	(787)	(745)
Profit before income tax	188	229	188	229
Income tax expense	(21)	(33)	(21)	(33)
Profit after income tax	167	196	167	196

Note 16: Associated Companies

A one-third interest is held in IELTS Inc, a company incorporated in the United States of America. The principal activity of the company is to perform examinations.

IELTS Inc has minimal trading activity however it's maintained profits throughout FY13 resulting in this investment being carried at a written down value equal to one third of the entity's net assets. This amounts to the $175k investment as at balance date which has been disclosed in other current assets.

Note 17: Property, Plant and Equipment

	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
Leasehold improvements - at cost	6,802	6,141	3,485	3,295
Accumulated depreciation	(3,698)	(2,889)	(1,719)	(1,472)
	3,104	3,252	1,766	1,823
Plant and equipment- at cost	7,527	6,994	4,307	4,168
Accumulated depreciation	(5,024)	(4,372)	(3,038)	(2,600)
	2,503	2,622	1,269	1,568
Software - at cost	20,867	20,658	20,806	20,573
Accumulated depreciation	(9,588)	(5,198)	(9,547)	(5,164)
	11,279	15,460	11,259	15,409
Total plant and equipment	16,886	21,334	14,294	18,800

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated		Parent	
	2013	2012	2013	2012
	$000's	$000's	$000's	$000's
Note 18: Intangibles				
Contracts for English Language Testing	35,200	35,200	-	-
Goodwill	10,774	10,774	-	-
	45,974	45,974	-	-
Note 19: Deferred tax assets				
Deferred tax assets				
Accrued expenditure	835	1,350	816	1,350
Deferred capital expenditure	88	123	79	98
Employee benefits	944	711	797	616
Fixed assets	70	-	-	-
Forward exchange hedge	-	188	-	65
Other	38	-	-	-
Prepayments	-	2	-	2
Tax losses	1,387	1,486	-	-
Trade debtors	513	1,158	-	29
	3,875	5,018	1,692	2,160
Deferred tax liabilities				
Hedge Gains	(503)	-	(186)	-
Unrealised foreign exchange gains	(222)	(237)	(39)	(237)
Fixed assets	(2,089)	(3,006)	(2,089)	(3,059)
Accrued revenue	(134)	-	(134)	-
Other	(16)	(5)	(16)	(5)
	(2,964)	(3,248)	(2,464)	(3,301)
Net deferred tax assets	911	1,770	(772)	(1,141)

	Consolidated		Parent	
	2013	2012	2013	2012
	$000's	$000's	$000's	$000's
Note 20: Trade and Other Payables				
Current				
Unsecured liabilities:				
Trade payables	22,617	20,127	10,839	10,169
Employee benefits payable	1,403	1,380	1,161	1,188
Unearned income	6,598	4,220	1,729	835
Forward exchange contracts	23	798	23	241
GST payable	1,019	405	323	464
Loans from controlled entities	-	-	25,023	35,968
Joint Venture Party Payable	-	1,378	-	-
Lease incentive liability/(asset)	(51)	37	(51)	37
	31,609	28,345	39,047	48,902
Non current				
Trade payables	1,025	-	1,025	-
Lease incentive liability	92	17	92	17
	1,117	17	1,117	17
Total	32,726	28,362	40,164	48,919

Note 21: Financial Liabilities

The Group has a bill facility with a limit of $2.7 million, expiring 31 March 2014 and is secured by a fixed and floating charge over the whole of the assets of the parent entity assigned to the National Australia Bank Limited. At at 30 June 2013, the balance of the bill facility was NIL (2012: NIL).

The bill facility covenants require that the consolidated entity does not borrow in excess of $0.5 million from any other party and ensure that the tangible net worth of the consolidated entity not be less than $30.0 million at any time during the term of the facility.

	2013	2013
Credit standing arrangements and loan facilities	$000's	$000's
Type of Facility	Amount of Facility	Amount of Facility Unused
Bill Facility	2,700	2,700
Asset Finance – Leasing	700	700
Business Lending – Bank Guarantees	650	101
Business Lending – Business Cards	780	745
Transaction Negotiation Authority	750	750
Total	5,580	4,996

Note 22: Provisions

	Credit Note Provision	Provision for makegood	Employee benefits	Total
	$000's	$000's	$000's	$000's
Consolidated Group				
Balance at 1 July 2012	140	976	3,794	4,910
Balance at 30 June 2013	-	1,051	3,269	4,320
Parent entity				
Balance at 1 July 2012	140	976	2,935	4,051
Balance at 30 June 2013	-	1,051	2,359	3,410

	Consolidated		Parent	
	2013	2012	2013	2012
	$000's	$000's	$000's	$000's
Analysis of Provisions				
Current	2,568	3,936	1,961	3,191
Non-current	1,752	974	1,449	860
	4,320	4,910	3,410	4,051

Note 23: Issued Capital

3,015,602 Fully paid ordinary shares (2012: 3,015,602)	27,450	27,450	27,450	27,450

All shares carry one vote per share and carry a right to dividends.

The issued shares do not have a par value.

Note 24: Reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of the balance sheet of a foreign controlled subsidiary net assets, when its functional currency differs from the reporting currency.

Hedge Reserve

The hedge reserve records revaluations of contracts designated as hedges.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated		Parent	
	2013	2012	2013	2012
	$000's	$000's	$000's	$000's
Note 25: Capital and Leasing Commitments				
Plant & Equipment lease commitments				
Payable - minimum lease payments				
Not later than one year	190	190	190	190
Later than one year and not later than five years	47	237	47	237
Minimum lease payments	237	427	237	427
Present value of minimum lease payments	237	427	237	427

Plant & Equipment leases relate to approximately 30 printers/ photocopiers with lease terms of 4 years. No residual payments are due on expiry of the leases in September 2014.

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	4,086	2,875	2,984	1,745
Later than one year and not later than five years	8,599	2,667	6,933	1,431
Later than five years	1,186	56	722	-
	13,871	5,598	10,639	3,176

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

Note 26: Cash Flow Information				
Reconciliation of cash flows from operating activities to profit after income tax				
Profit/(loss) after income tax	21,195	16,321	32,697	(14,881)
Non-cash flows in profit				
Depreciation	6,395	6,796	5,265	5,645
Changes in Assets and Liabilities				
Prepayments	(1,527)	(495)	(686)	(148)
Joint venture profit share	-	3,384	-	600
Trade and other receivables	1,528	(4,634)	(2,127)	(1,939)
Doubtful debts	(441)	(1,645)	(138)	47
Other assets	(4,084)	(87)	(921)	10
Deferred tax assets	817	1,886	(411)	628
Trade and other payables	6,406	1,959	(42,423)	357
Current tax liabilities	9,083	3,429	8,716	(6,380)
Provisions	(363)	3,385	445	1,717
GST Payable / Receivable	614	(160)	(141)	305
Net cash generated by/(used in) operating activities	39,623	30,139	276	(14,039)

Note 27: Contingent Liabilities

There were no contingent liabilities as at 30 June 2013 (30 June 2012: Nil).

Note 28: Events After the Balance Sheet Date

No significant events have occurred since the balance sheet date.

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

DIRECTORS' DECLARATION

As detailed in note 1 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors 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; and

(b) 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 company.

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

On behalf of the Board

Director

Director

Melbourne

22nd day of August 2013

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

DX 111
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 Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of IDP Education Pty Ltd, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 8 to 32.

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 and have determined that the basis of preparation described in Note 3 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the Members. The directors' responsibility also includes 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 have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of IDP Education Pty 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 Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 3, and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 22 August 2013