Annual Report 2017

IDP Education
A globally connected community

A globally connected community

IDP is a global leader in international education. We help international students study in English-speaking countries. Our success comes from connecting students with the right course at the right institution in the right country.

We've been operating for almost 50 years, creating a network of opportunity with offices in more than 30 countries.

We are also a proud co-owner of IELTS, the world's most popular high-stakes English language test, and an operator of 10 English language teaching campuses across South East Asia.

IDP is a living network of students, clients, services, alumni and employers.

Together, we are working together around the world to help our students connect to success.

Contents

Annual highlights

Student placement services

FY17 revenue

$103.4m

Highlights

- IDP students gained entry into more than 34,500 courses at leading universities and education providers in English-speaking countries
- Strong increase in the number of students studying in Canada and UK, with course volumes up by 127% and 26% respectively compared to FY16

English language testing

FY17 revenue

$250.7m

Highlights

- More than 909,800 tests taken at IDP IELTS test locations around the world
- IDP expanded its network to Nepal, Japan, Greece, Germany and Cyprus

English language teaching

FY17 revenue

$21.2m

Highlights

- More than 76,000 English language courses delivered to students across Cambodia, Thailand and Vietnam
- Continued to lead the market in Cambodia with ACE operating the only Certificate in English Language Teaching to Adults (CELTA) Training Centre in the country

Please note: Additional revenue stream of Events and Advertising is not represented above.

Our strategic vision

Our vision is to build a global platform and connected community to guide international students along their journey to achieve their lifelong learning and career aspirations.

Key FY17 initiatives

Expanding and reinforcing our core strengths

IDP continued to deliver its organic growth strategy. Our physical office network expanded to more than 100 offices across 33 countries. This was driven by the opening of six new offices in India. In June IDP announced a minority holding in HCP, a China-based company with large online communities of students with global ambitions. This is aimed at increasing the student pipeline in the key market of China.

Foundations for a global platform

FY17's significant investment in technology infrastructure provided the foundation for IDP to build the world's leading global platform and connected community for international students.
A global roll-out of a human capital management system is supporting staff capability-building, and unlocking and fostering talent within global teams.

The Hotcourses Group becomes an IDP company

The acquisition of the Hotcourses Group, one of the world's leading digital student engagement businesses, increased IDP's digital marketing capabilities and access to customer insights.

The initiative also supports IDP's goal of creating the world's definitive international student database.

Cementing IELTS market leadership

In FY17, the number of organisations recognising International English Language Testing System (IELTS) results reached 10,000, confirming the test's position as the world's most trusted high-stakes English language test for education and migration purposes.

Chairman's letter

I am pleased to present IDP's annual report for the financial year of 2017 (FY17).

We will become the bridge that connects our students from where they are today to where they aspire to be.

As this report outlines, FY17 was a positive year for our organisation. We have delivered another record year of revenue and earnings, and more importantly, we took significant steps towards transforming our customers' experience through our digital transformation program.

Overall, we saw growth in all three of our key business streams of student placement, English language teaching and English language testing. This resulted in total group revenue of $394.2m, a nine per cent increase on FY16.

The FY17 performance reflects a continuation of the strong organic growth and increased productivity that the company has experienced over the past five years.

Our growth has been underpinned by the ongoing strength of the international education industry and the central role of English as a key global language.

This year, as the mobility of the world's people featured heavily in domestic and international debates in our key markets of Australia, Canada, New Zealand, the United Kingdom and the United States, IDP's diversified business model provided a level of resilience for our business, and more importantly, options for our customers.

While these macroeconomic, political and regulatory drivers were largely favourable for our sector during this year, we understand that this can change and we need to be prepared to respond to market shifts and the expectations of our students.

Large-scale organisations around the world are investing in technology to drive innovation in the way they deliver their services. What differentiates IDP's digital transformation program is our opportunity to combine almost 50 years of insights with the human-centred advice and genuine compassion of our counselling teams. By bringing together technology, data and our trusted advice, we will deliver customised, individual support for our students at all stages of their international education journey.

Our digital vision is outlined more on page 3 of this report. Put simply, our aim is to connect with students earlier in their decision-making process and remain by their side throughout their entire journey, from education to employment.

We will become the bridge that connects our students from where they are today to where they aspire to be.

Your Board of Directors has strongly endorsed this investment in innovation. It is in line with our vision to create the leading global platform that supports international students in achieving their learning and career goals.

Our strategy aligns with wider industry trends, as consumer expectations and behaviours rapidly evolve. As an organisation that can borrow from both the maturing online commerce sector, and the rising advancements in EdTech, IDP is well positioned to continue to lead the international education services industry with new delivery models for student placement.

The impetus for this transformation is the need to give our customers more choices.

When making a decision as important as international education, it is imperative our customers have access to the information and services they need, at a time and channel that best works for them.

The benefit for IDP is that by servicing our customers across this digital journey, we will also build the definitive international student database, with unrivalled insights into the flow and intentions of international students.

We made a significant step towards realising this ambition by acquiring The Hotcourses Group – the largest course search site in the world.

Hotcourses' ability to attract 69 million annual website visitors has given us unique access to 'Big Data' that can inform and shape our market expansion opportunities. The geographic location of search activity, the nature of online queries, and the demographics of site visitors combine to provide us with deep insights into the needs of our customers.

We understand that innovation takes courage, a communal understanding of the end goal and an unrelenting commitment to our customers.

Our CEO, Andrew Barkla, has been instrumental in delivering this new vision and fostering a global team of skilled, insightful and proud people across the world.

On behalf of your Board, I would like to thank Andrew, our global leadership team and our staff around the world for their commitment and hard work.

I would also like to thank my fellow Directors, our institutions, clients, our customers and you, our shareholders.

IDP enters FY18 as a strong, resilient and ambitious organisation that is making a real difference in people's lives. I look forward to continuing to work with you as we build a connected community for tomorrow's international students.

Peter Polson
Chairman

CEO's review

IDP Education's customers trust our services at life-changing junctures.

Studying overseas is one of the most important decisions a young person will make. It often takes more than two years of research, financial planning and preparation before a student takes their first step in their new study destination.

Similarly, the benefits of studying overseas do not finish once a student receives their certificate. An international education can set our students up for a lifetime of professional and personal success.

With this in mind, in FY17 IDP Education laid the foundations to achieve our ambitious vision of building the world's leading platform and connected community to guide international students along this journey to achieve their learning and career aspirations.

Our aim is to connect with students earlier in their decision-making journey, and stay by their side throughout their studies and into employment.

We know that to achieve this, we need to redefine the way our industry can operate in the digital space.

We also acknowledge that as a sector leader with almost 50 years' experience, it is vital that we foster a culture of innovation that enables us to be agile and responsive to rapid advancements in technology and the changing expectations of our students.

With these factors in play, this year we began an investment program that will build a network of brands, platforms and data to give us unparalleled insights into the behaviours and needs of customers.

Our investment in our people

We know that our most valuable asset is our team of people based in more than 30 countries around the world.

Nine in 10 IDP customers refer us to their family and friends, with the professionalism of our education counsellors consistently rating as a key reason for this referral.

Our 650 counsellors, many of whom have been international students themselves, are our strongest brand advocates and I am proud of the way they put themselves in our students' shoes to turn their plans into a series of clear steps to success.

To empower our counsellors and supporting staff to continually advance their skills, this year we invested in the roll-out of a world-class Human Capital Management System with learning and community management platforms.

Aligning this system with our broader digital transformation objectives, will enable strong global collaboration within our teams.

Our expanding portfolio of partnerships

With such an ambitious strategy for transformation, IDP acknowledges the need to partner with innovative companies to enhance our reach, digital capability and access to customer insights.

Our global view of our customers was significantly boosted in January when we acquired one of the world's leading digital student engagement and marketing businesses, The Hotcourses Group.

With some of the most active student-facing websites in the world, Hotcourses is able to gain real-time insights into the factors that impact students' choices about destinations, courses, institutions and level of study.

In June 2017, IDP also announced a 20 per cent equity holding in HCP, a Chinese social media agency that delivers advice to students pursuing a global education and offers English language test preparation.

Both of these investments aim to bring together the digital excellence and experience of market-leading digital operators with our face-to-face offering and physical office network, to provide more personalised, tailored and accessible support for our students.

Our operations

From a financial and operational perspective I am pleased to report that the company performed well in FY17, with the continued strong performance of the company's core services providing a solid financial foundation for our next stage of growth.

In student placement, we continued to expand our network of offices, particularly in the major market of India which opened six new premises last year.

This increased presence in India, combined with solid performance in China, were key factors in our student placement business posting 12 per cent revenue growth.

From a destination perspective, we had strong increases in the number of students pursuing courses in Canada and the UK, with volumes up 127 per cent and 26 per cent respectively compared to FY16.

IDP Education's English language testing business also had a positive year. FY17 saw IDP expand its IELTS network to Nepal, Japan, Greece, Germany and Cyprus. This helped contribute to a six per cent increase in the number of tests IDP Education delivered (909,800) compared to FY16.

Importantly, IELTS continues to be the preferred test of governments, peak bodies and universities around the world. This year the number of organisations recognising IELTS results reached 10,000. This cemented the test's position as the world's most recognised high-stakes test for study, work and migration purposes – a significant milestone for IDP and its IELTS partners, the British Council and Cambridge English Language Assessment.

Our third service stream, English language teaching, posted revenue growth of four per cent. This was driven by volume growth with an 11 per cent increase in courses delivered across IDP's 10 schools. Our Cambodian business was the stand-out performer and continues to be a market leader in that country.

Looking ahead

As we enter next year in a solid financial position and with new digital capability, our focus is on enabling our staff to deliver new services and on rolling out our technology platform.

It truly is a watershed period for IDP Education. Our teams are embracing this opportunity to develop smarter, closer and longer lasting relationships with our customers and I am very grateful for our global team's commitment, initiative and professionalism.

I would also like to thank our Directors, clients, shareholders and, most importantly, our students. I look forward to continuing this partnership with you this year so that together we can help empower our next generation of global citizens.

Andrew Barkla
Chief Executive Officer
and Managing Director

Student placement services

IDP's student placement services connect international students with the right course at the right institution in the right country to help them achieve their study and career goals.

How is IDP looking to extend its placement services?

In FY17 IDP piloted new services to help students settle in to their new city, including health insurance referrals, accommodation advice, a student benefit card, guardianship referrals and a 24/7 support helpline (Australia only pilot).

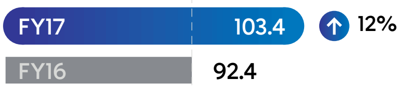
How strong is IDP's customer loyalty*?

Nine in 10 students would refer IDP to their family or friends and more than 80% of our customers would use IDP again for student placement if they continued on to further study.

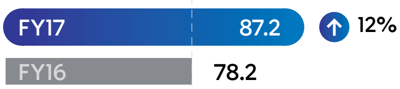
Why do students choose IDP to help with their overseas education*?

1. IDP was recommended by family or friends
2. IDP's professionalism
3. The offer of a complete range of services

Student placement revenue (A$m)

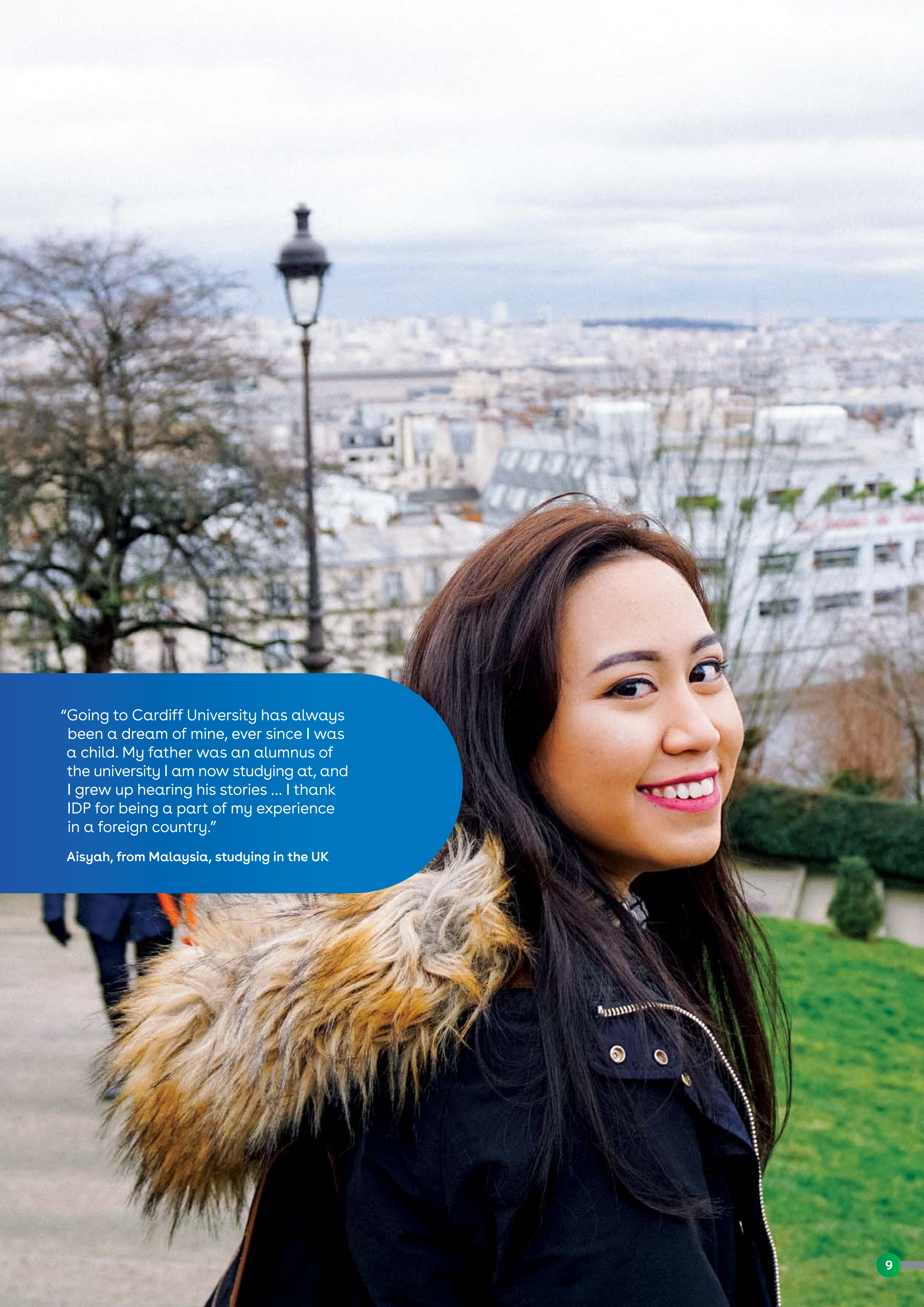


Student placement gross profit (A$m)



Student placement source (country)

*Source: IDP Education Student Satisfaction Survey, 2017.



"Going to Cardiff University has always been a dream of mine, ever since I was a child. My father was an alumnus of the university I am now studying at, and I grew up hearing his stories ... I thank IDP for being a part of my experience in a foreign country."

Aisyah, from Malaysia, studying in the UK

English language testing

The International English Language Testing System (IELTS) is designed to assess the language ability of people with goals of studying, working or living where English is the language of communication.

What is IELTS?

IELTS is the world's most popular high-stakes English language proficiency test for work, study and migration.

Who owns the test?

IELTS is jointly owned by IDP, the British Council and Cambridge English Language Assessment.

What does it test?

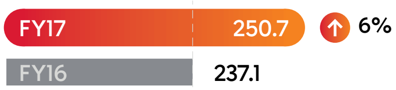
IELTS tests all four language skills – listening, reading, writing and speaking.

How does IDP help IELTS customers achieve their goals?

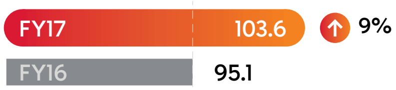
In FY17, IDP, along with its IELTS partners, invested in developing new support tools and networks to help IELTS candidates achieve their goals.

This included launching the first official online practice test that gives customers feedback from IELTS experts.

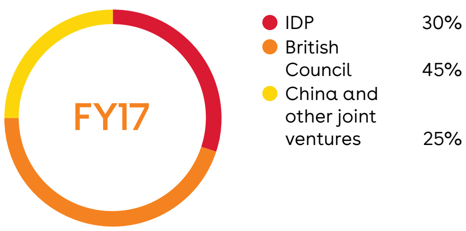
English Language Testing revenue (A$m)

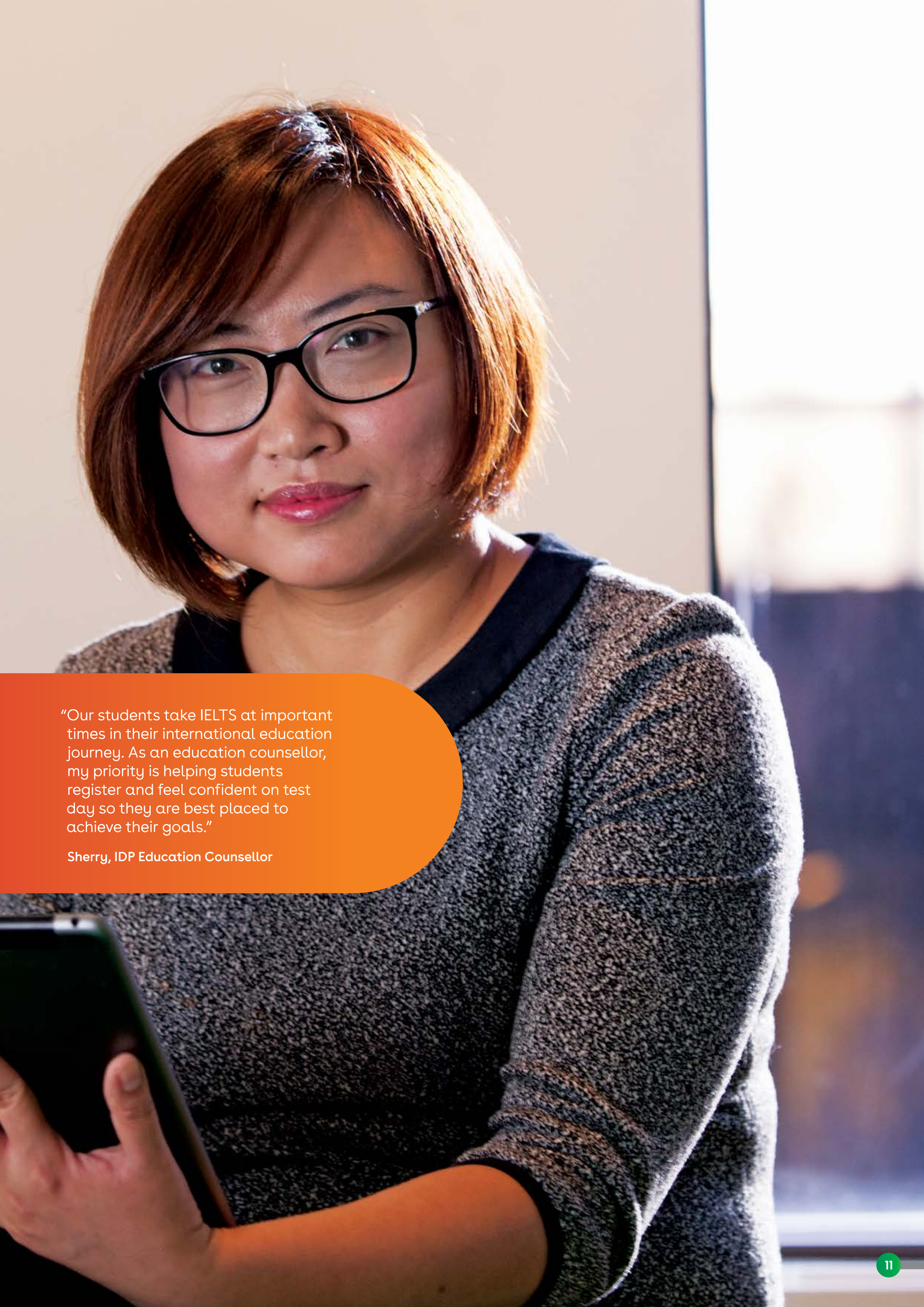


English Language Testing gross profit (A$m)



IELTS test volumes by party





"Our students take IELTS at important times in their international education journey. As an education counsellor, my priority is helping students register and feel confident on test day so they are best placed to achieve their goals."

Sherry, IDP Education Counsellor

English language teaching

IDP helps students in Cambodia, Thailand and Vietnam improve their English. The 10 campuses deliver leading English language teaching programs ranging from short IELTS preparation courses through to extensive Business English programs.

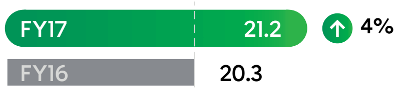
How many courses does IDP deliver?

IDP delivered 76,400 courses across its 10 campuses in FY17, an 11 per cent increase on FY16.

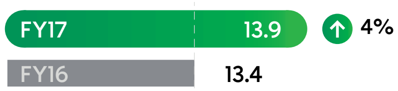
How is IDP connected to the English language teaching (ELT) sector in South East Asia?

IDP continues to help build the capacity of educators by delivering the annual CamTESOL Conference Series (a leading English language conference in the Asia region), operating the only CELTA Training Centre in Cambodia and developing content for Cambodian Ministry of Education ELT textbooks.

English Language Teaching revenue (A$m)



English Language Teaching gross profit (A$m)



	Cambodia	Vietnam	Thailand
School	Australian Centre for Education	Australian Centre for Education & Training	IDP English
Established	1992	2001	1989
Curriculum	IDP	IDP & third party	IDP
Campuses	4	5	1

"... I have accomplished the majority of my English study goals and countless other major achievements, which will guide me to a successful future. None of these would be possible without the many experienced teachers and high educational standards at ACE."

Lim, studying English with ACE Cambodia

Board of Directors

Peter Polson

Non-Executive Director and Chairman

Peter was appointed as a Non-Executive Director at IDP Education in March 2007.

Peter has broad experience in the financial services industry. He has held positions as Managing Director of the international funds management business with the Colonial Group, and then as an executive with the Commonwealth Banking Group. In this role he had responsibility for all investment and insurance services, including the group's funds management, master funds, superannuation and insurance businesses and third party support services for brokers, agents and financial advisers.

He is Chairman of Challenger Limited (listed company director since November 2003), Challenger Life Company Limited, Avant Group Insurance Limited and Very Special Kids.

He is also a Director of Avant Mutual Group Limited and Avant Group Holdings Limited.

Andrew Barkla

Chief Executive Officer and Managing Director

Andrew was appointed as Chief Executive Officer and Managing Director at IDP Education in August 2015.

Andrew has extensive experience in the technology, services and software industry, with more than 20 years of senior management experience in roles across Australia, New Zealand, Asia and North America.

Prior to joining IDP Education, Andrew worked for SAP as President of Australia and New Zealand.

Prior to his role at SAP, Andrew held leadership roles at Unisys, including as Vice-President of Unisys' Asia Pacific Japan operations covering 13 countries, as a Member of Unisys' Global Executive Committee and as Chairman of Unisys West, a technology services joint venture between BankWest and Unisys.

Earlier in his career, Andrew was Vice-President and General Manager of PeopleSoft's Asia Pacific region prior to the company's acquisition by Oracle.

Ariane Barker

Ariane was appointed as a Non-Executive Director at IDP Education at the completion of its IPO in November 2015 and is Chair of the Audit and Risk Committee.

Ariane has extensive experience in the financial services industry with a particular focus on risk and governance. Ariane is the General Manager of the Products & Markets division at wealth management firm JBWere where she is also a member of the executive leadership team. In this role she has responsibility for all investment, product, markets and philanthropic services.

She is a Non-Executive Director with Commonwealth Superannuation Corporation (CSC) where she is also a member of its Audit and Risk Committee. Ariane is also a member of the Murdoch Childrens Research Institute (MCRI) Investment Committee as well as a former Board Member of Emergency Services and State Super (ESSSuper).

Ariane has extensive experience in international finance, risk management, and debt and equity capital markets, having worked in executive roles with Merrill Lynch, Goldman Sachs and HSBC in the United States, Europe, Japan and Hong Kong.

David Battersby AM

David was appointed as a Non-Executive Director at IDP Education in February 2011.

He served as Vice-Chancellor of Federation University Australia from 2014 to 2016 and was previously Vice-Chancellor of the University of Ballarat, a position to which he was appointed in 2006.

David's previous senior appointments have been at universities in Australia and New Zealand. He has undertaken consultancies for UNESCO, the OECD and various government agencies. He was foundation Chair of the Australian Regional Universities Network and the board of the Museum of Australian Democracy at Eureka and is currently on the board of directors for the Melbourne Institute of Technology. David is a Director of Education Australia.

Belinda Robinson

Belinda was appointed as a Non-Executive Director at IDP. Education in November 2015.

Belinda is the Chief Executive and Executive Director of Universities Australia, the peak body representing Australia's 39 comprehensive universities.

She is also a Director of Education Australia.

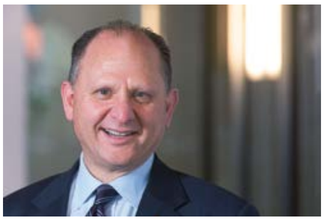
She retired as non-executive director and chair of the remuneration and nomination committee of ASX-listed Beach Energy in February 2016.

Belinda has served on a number of government advisory and NGO boards and committees including The Conversation Media Group and Autism-Asperger ACT.

Belinda has been the Chief Executive of peak industry bodies for more than 15 years in the higher education and energy sectors and has held a number of senior and senior executive positions within the Federal Australian Government, including eight years with the Department of the Prime Minister and Cabinet.

Belinda has extensive knowledge and experience in higher education policy, government processes, political advocacy, corporate governance and remuneration.

Belinda has a Master of Environment Law (Australian National University); a Bachelor of Arts (University of New England); is a Fellow of the AICD, a graduate of the AICD Director's course and has completed the AICD Chair's Mentoring Program.



Chris Leptos AM

Chris was appointed as a Non-Executive Director at IDP Education in November 2015.

His other Board roles include Deputy Chairman of Flagstaff Partners, and Non-Executive Director of PPB Advisory and Arete Capital Partners. Chris retired as Deputy Chairman of Linking Melbourne Authority in December 2015.

He is also a member of the Advisory Board of The University of Melbourne Faculty of Business & Economics, the Advisory Council of Asialink, a Professorial Fellow at Monash University, a Governor of The Smith Family and a Fellow of the AICD.

Chris was previously a Senior Partner with KPMG and Managing Partner Government at Ernst & Young where he had national responsibility for leading the public sector and higher education practice.

Earlier in his career, Chris was General Manager of Corporate Development for Western Mining Corporation and Chief of Staff to Senator John Button.

He was a member of the Infrastructure Planning Council of Victoria and the Australian Information Economy Advisory Council.

Chris has lived and worked in Jakarta, Shanghai, London and Toronto, and in 2000 was designated a Member of the Order of Australia for services to business and the community.

Greg West

Greg was appointed as a Non-Executive Director of IDP Education in December 2006.

Greg is a Chartered Accountant with experience in investment banking and financial services. Greg is Chief Executive Officer of the ASX-listed biotech, Benitec Biopharma Limited.

He is a Director and Chair of the Audit Committee of UOWD Limited (a business arm of Wollongong University).

Previously, he has worked at Price Waterhouse and has held senior finance executive roles in investment banking with Bankers Trust, Deutsche Bank, NZI and other financial institutions.

Greg is also a Director of Education Australia.

Contents

Financial report

For the year ended 30 June 2017

Directors' report

The Directors of IDP Education Limited, present the financial report of IDP Education Limited (the Company) and its controlled entities (the Group, IDP or IDP Education) for the financial year ended 30 June 2017.

Operating and financial review

A summary of IDP Education's consolidated financial results for the year ending 30 June 2017 ("FY17") is set out below. The financial performance of the Group during the year was strong with another record year for revenue and earnings.

Summary Financials (A$m)

				Growth	
	Unit	**FY17**	**FY16**	**$m**	**%**
Revenue	A$m	394.2	361.6	32.6	9.0%
Gross Profit	A$m	212.7	188.4	24.3	12.9%
EBIT	A$m	61.2	53.7	7.5	13.9%
EBIT (Adjusted) *	A$m	62.6	53.9	8.7	16.1%
NPAT	A$m	41.5	39.9	1.6	4.0%
NPAT (Adjusted) *	A$m	42.6	40.1	2.5	6.2%
EPS	cents	16.6	16.0	0.6	3.8%
EPS (Adjusted) *	cents	17.0	16.0	1.0	6.3%
Debt	A$m	39.1	0.0	39.1	100%

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

The table above includes a measure of "adjusted EBIT", "adjusted" NPAT and "adjusted" Earnings Per Share ("EPS"). These measures exclude amortisation of intangible assets acquired through business combinations from the calculation. This amortisation charge in FY17 relates primarily to the acquisition of Hotcourses which was completed on 31 January 2017.

The Directors believe these adjustments and other non-IFRS measures included in this report are relevant and useful in measuring the financial performance of the Group. Later in the report the Directors also present "underlying" financial measures which remove the impact of foreign exchange movements during the year. The Directors believe that these "adjusted" and "underlying" metrics provide the best measure to assess the performance of the Group by excluding the impact of currency movements, and non-cash intangible asset amortisation generated from business combinations from the reported IFRS measures.

REVIEW OF OPERATIONS

IDP Education has a global footprint and a diversified business model across its three business lines. As a result the aggregate performance of the Group for any given year is driven by a large number of variables across many countries. This report provides a high level summary of the highlights and key drivers during the year.

The performance of IDP Education in FY17 represents a continuation of the strong organic growth that the Group has been experiencing over the past five years. This growth has been underpinned by the ongoing global growth in the international education industry and the central role of English as a key global language. IDP Education has a global footprint and diversified business model that benefits from both of these global trends.

From an international education perspective the key macro drivers remained supportive during FY17. IDP Education's key destination market for student placement, Australia, remains an attractive destination for international students. Favourable regulatory settings combined with Australia's continued reputation for high quality education and a safe and friendly living environment underpins its appeal for international students.

Similarly, the Canadian market is benefiting from open and inviting regulatory settings with government policies designed to attract international students to the country. IDP Education has benefited from this dynamic with increasing levels of interest from prospective students in our source countries for study in Canada during FY17.

The UK remains challenging from a regulatory perspective with relatively restrictive immigration policies impacting the flow of international students. Uncertainty following Brexit and a series of security issues in the UK also impacted sentiment towards the UK in FY17. As a result, the UK market in aggregate has seen a slight decline in total international student volumes but the attractiveness of the higher quality globally recognised universities continue to be a significant drawcard for international students. IDP Education recorded strong growth in UK student volumes during the year reflecting an increased market share across its source countries and a focus on the quality end of the higher education spectrum.

Sentiment towards the US as an international education destination was impacted during FY17 by a series of events that raised concerns over the openness of the country and safety for international students. This included tighter visa conditions, isolated cases of violence against international students and attempts by the new administration to impose travel bans from certain Middle Eastern countries. These events impacted demand for the US from some IDP source countries during FY17.

Despite these cyclical headwinds, the US remains the most popular destination for international students globally with the prestige of a US college education still resonating in many of IDP's source countries. IDP Education remains confident of the long term growth opportunity in the US as penetration increases and the industry becomes more familiar with the benefits of the agency model provided by companies such as IDP Education.

IDP Education's English language testing business continues to benefit from the increased global mobility of students, workers and migrants to the main English speaking countries. The number of IELTS tests conducted by IDP Education in each period is however influenced by a diverse and complex range of microeconomic factors across the over 50 IDP IELTS countries. The performance of the Group's IELTS operations is influenced by factors such as: economic conditions in the local economy; demand for overseas study and work; immigration policies and visa settings by the key English speaking countries, and currency fluctuations. Competition is also a key factor and the recognition by governments and other organisations of alternative English tests also influences IELTS test volumes.

IDP Education views and manages its business on a geographic basis. Country and regional management are responsible for all activities in their geographic region across each of the Group's key products (Student Placement, English Language Testing and English Language Teaching). As a result the Group's key reporting segments comprise geographic regions. The sections below discuss the Group's results across its three geographic regions.

The segment results presented below correspond with the segment information presented in Note 2 of the financial report.

Asia

The table below shows the Group's results across its Asian region which includes the following countries: Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Laos, Malaysia, Mauritius, Nepal, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

Asia Segment – Financial Summary

				Growth	
	Unit	FY17	FY16	$m	%
Revenue	A$m	238.0	220.3	17.7	8.0%
EBIT	A$m	70.5	64.4	6.1	9.5%
EBIT Margin	%	30%	29%		
% of Total Group Revenue	%	60%	61%		
% of Total Group EBIT (before corporate overheads)	%	66%	66%		

Asia posted another year of strong growth and continued to be a key driver of the Group's profitability with more than 65% of group EBIT (excluding corporate overhead) coming from the region. The region includes both India and China which are the key engines of growth for the international education industry more broadly. These countries have large populations that are experiencing rising wealth and a high propensity to invest in education both domestically and abroad.

In India, whilst IDP performed solidly during the year, the Group's performance was impacted by the Indian Government's decision on the 8th November 2016 to remove the 500 and 1,000 rupee banknotes from circulation, an initiative designed to reduce activity in the "black economy" and the amount of counterfeit notes in circulation. Shortage of banknotes during the transition period impacted several parts of the economy as customers were unable to access cash for daily transactions. IDP's IELTS business was in turn impacted with the volume of tests during the year below the same period the year before. Whilst growth returned in March, the impact of demonetisation resulted in total Indian IELTS volumes being down by 3% for the year.

In student placement, demonetisation did not impact performance with Indian placement volumes and revenue rising 39% and 37% respectively. This was driven by strong volume growth to Australia, Canada and the UK. Indian volumes to the US were impacted by a general increase in visa rejection rates by the US authorities which impacted application volumes as Indian students looked to other countries for study.

The strong growth in student placement allowed IDP to invest further in new office expansion with six new offices opened in India during the year, taking the Group's network to 27 offices in India. This investment should facilitate further growth in the years ahead as the trend towards study abroad from India's rising middle class continues.

In China, IDP delivered another strong year of growth with student placement revenue rising 18%. This was underpinned by a 23% increase in Australian volumes and an 18% increase in volumes to the other destinations.

In China, IDP Education grants the British Council a licence to distribute IELTS. As consideration, IDP Education receives a fee from the British Council which is calculated as a percentage of each candidate's test fee for IELTS tests taken in China. Growth in IELTS testing in China during FY17 therefore contributed to IDP Education's earnings in its Asia segment.

Outside of India and China, IDP's performance in Asia was strongest in Vietnam, Indonesia, Hong Kong and Thailand. In each of these countries, both IELTS and student placement were strong contributors to growth. IDP also commenced IELTS testing in Nepal during the year and had a strong start with volumes tracking well above expectations.

Offsetting this growth was weaker performance in Philippines, Malaysia, Taiwan and Sri Lanka. Each of these countries recorded lower earnings for the year with a diverse range of factors impacting performance for the year.

In English Language Teaching, IDP's Cambodian business had another strong year with each of the 4 campuses running at or near full capacity. The Group's annual English language teaching conference, CAMTESOL, had record attendances of over 1,600 people, and alongside a highly successful Alumni event reinforced IDP's position as the clear market leader for English language teaching in Cambodia.

Australasia

The table below shows the Group's results across its Australasian region which includes the following countries: Australia, Fiji, New Caledonia and New Zealand.

Australasia Segment – Financial Summary

				Growth	
	Unit	**FY17**	**FY16**	**$m**	**%**
Revenue	A$m	69.0	70.4	-1.4	-2.0%
EBIT	A$m	18.6	19.8	-1.2	-6.1%
EBIT Margin	%	27%	28%		
% of Total Group Revenue	%	18%	19%		
% of Total Group EBIT (before corporate overheads)	%	17%	20%		

Whilst recording another year of revenue and earnings decline, the performance of the Australasian segment showed signs of improvement during the year. This segment has recorded a decline in earnings for the last couple of years with competition in the English language testing market reducing IELTS volumes in Australia. Volumes were down again in FY17 but the rate of decline slowed.

Whilst IELTS testing in Australia represents the majority of the revenue and earnings in this segment, IDP Education also operates an onshore student placement business which counsels and advises international students that are already in Australia on further or alternative study options. This business also had a small decline in earnings during FY17.

The declines in Australia were partially offset by a strong performance in New Zealand where IELTS volumes were up sharply. This result was in part driven by a change in New Zealand Government policy in November 2016 which now requires more applicants for the country's skilled migrant program to provide evidence of English Language proficiency. This change accompanied a decision by the Government to accept test results from a number of tests that compete with IELTS. The introduction of competition in New Zealand replicated the move made by Australia in 2015 and partially offset the growth recorded by IELTS.

Rest of World

The table below shows the Group's results across the Rest of World segment which includes: Argentina, Azerbaijan, Bahrain, Brazil, Canada, Colombia, Cyprus, Egypt, Germany, Greece, Iran, Italy, Jordan, Kazakhstan, Kuwait, Lebanon, Mexico, Oman, Pakistan, Qatar, Russia, Saudi Arabia, South Africa, Spain, Ukraine, the United Arab Emirates ("UAE"), the United Kingdom, United States of America and Turkey.

Rest of World Segment – Financial Summary

				Growth	
	Unit	**FY17**	**FY16**	**$m**	**%**
Revenue	A$m	87.2	71.0	16.2	22.8%
EBIT	A$m	17.3	13.9	3.4	24.5%
EBIT Margin	%	20%	20%		
% of Total Group Revenue	%	22%	20%		
% of Total Group EBIT (before corporate overheads)	%	16%	14%		

The Rest of World recorded a strong performance for the year with the Middle East and Canada underpinning the segment's growth.

The Middle East's contribution was largely driven by IELTS which recorded aggregate test volume growth across the region of 10%. The strongest performers were the UAE, Saudi Arabia, Iran and Egypt with weakness in Turkey due to political instability offsetting some of this growth.

Student Placement was strongest in the UAE which recorded a 30% increase in volumes to Australia. This was partially offset by slightly weaker conditions for IDP's multi-destination countries with the USA in particular impacted by negative sentiment towards the US due to concerns over tighter visa policies and negative rhetoric towards migration.

IDP's Canadian operations posted good results during the year. The onshore IELTS testing market in Canada has been growing strongly over the past two years with increased flow of international students and skilled migrants underpinning activity in that country. IDP's performance during FY17 was aided by an expansion of its testing network in Canada with the addition of a large third party test distributor which added additional testing locations across the country.

Growth in the Rest of the World was also aided by the acquisition of Hotcourses Limited. This business was acquired on 31 January 2017 thereby contributing 5 months of revenue and EBIT. Approximately 76% of Hotcourses' revenue is generated in the United Kingdom through its contracts with UK institutions for digital marketing and lead generation. The business performed in line with expectations during the period with the transition to IDP ownership being completed without significant interruption.

Directors' report

continued

Results by Product

To aid the reader's understanding of the Group's results, IDP Education has also prepared financial results by secondary segments which show revenue and gross profit by product. The analysis below discusses the operational and financial highlights for each of the Group's products.

Student Placement – Operational and Financial Summary

				Growth	
	Unit	FY17	FY16	Unit	%
Volumes					
– Australia	000's	25.2	24.2	1.0	4.1%
– Multi-Destination	000's	9.3	7.2	2.1	29.2%
– Total Volumes	000's	34.5	31.3	3.2	10.2%
Revenue					
– Australia	A$m	74.5	65.5	9.0	13.7%
– Multi-Destination	A$m	28.9	27.0	1.9	7.0%
– Total Revenue	A$m	103.4	92.4	11.0	11.9%
Gross Profit	A$m	87.2	78.2	9.0	11.5%
Gross Profit Margin	%	84%	85%		
Average Fee (A$)					
– Australia	A$	2,956	2,718	238	8.8%
– Multi-destination	A$	3,108	3,750	-642	-17.1%
– Total	A$	2,997	2,952	45	1.5%

Note: The Average Fee for Student Placement shown in this table is calculated as Student Placement revenue divided by the volume of courses IDP Education enrolled students into at its client education institutions during the period. Student Placement revenue includes all revenue associated with all placements including any revenue received from the student. Volume data to calculate the Average Fee only includes IDP Education client education institution course enrolments and excludes course enrolment volumes at education institutions that are not clients of IDP Education.

Student placement volumes rose by 10.2% in FY17 reflecting a continuation of strong performance in recent years from this important business line.

Volumes to Australia rose 4.1% which reflected a combination of strong off-shore volume growth and a decline in on-shore volumes. Off-shore volume recorded the fifth straight year of growth after the declines of FY10 – FY12 when tighter visa conditions, a stronger Australian dollar and concerns about international student safety saw a sharp drop in the attractiveness of Australia as an international study destination. The on-shore market has been in decline for a couple of years with the introduction of post-study.

The Group's investment in its 'multi-destination' strategy continued to drive growth with a 29.2% increase in total volumes to the UK, USA, Canada and New Zealand. Canada was a particular highlight in FY17 with volumes rising 127%. Past investment in counsellor capability, combined with the current regulatory settings in Canada, drove good conversion from increasing student demand.

Volumes to the UK continued to increase despite subdued conditions generally for study in the UK with IDP's focus on the higher quality institutions being rewarded by increasing market share and volume growth in China, India, Indonesia, Malaysia and Hong Kong.

The average student placement fee across the business was up 1.5% relative to that recorded in FY16. A range of factors contributed to this change, including:

› A strong increase in Australian fees which was driven by negotiated fee increases with a number of Australian clients;

› Higher underlying tuition fees, of which IDP Education takes a percentage for each successful placement;

› Lower average multi-destination fees resulting from a shift in the mix away from the US to Canada where IDP realised a lower average commission.

› A generally stronger Australian dollar which lowered the A$ equivalent fee from the multi-destination countries.

English Language Testing – Operational and Financial Summary

				Growth	
	Unit	**FY17**	**FY16**	**Unit**	**%**
Volumes	000's	909.8	857.2	52.6	6.1%
Revenue	A$m	250.7	237.1	13.6	5.7%
Gross Profit	A$m	103.6	95.1	8.5	8.9%
Gross Profit Margin	%	41%	40%		
Average Fee	A$	275.6	276.6	-1.0	-0.4%

The Average Fee for English Language Testing is the average of all English Language Testing revenue divided by the total volume of IELTS tests conducted during the period.

In English Language Testing, IDP Education's IELTS volumes rose 6.1% in FY17 taking the annual total to almost 910,000 tests – a record for IDP. This growth was an improvement on the 3.1% increase recorded in FY16 reflecting a successful strategy of diversification and new country expansion.

Asia remains the key engine for growth in IELTS for IDP with approximately 50% of the Group's test volumes conducted in that region during FY17. As noted in the Asia segment commentary above, IDP's largest IELTS market, India, was impacted by demonetisation which led to a 3% decline in Indian test volumes. This was the first year of IELTS volume decline for IDP in India since FY11.

The Group was able to offset this decline by expanding into new countries including Nepal, Japan and Greece. Nepal was the stand-out performer in this group with very strong performance aided by rising demand for study abroad and migration to English speaking countries.

Whilst volumes declined in Australia due to the impact of competition, the rate of decline slowed relative to that experienced during FY16.

The average fee for English Language Testing reflects a large number of variables across IDP's network of over 450 testing locations in over 50 countries. The decline in average test fees across the network largely reflects the impact of foreign exchange movements.

English Language Teaching – Operational and Financial Summary

				Growth	
	Unit	**FY17**	**FY16**	**Unit**	**%**
Courses	000's	76.4	68.8	7.6	11.0%
Revenue	A$m	21.2	20.3	0.9	4.4%
Gross Profit	A$m	13.9	13.4	0.5	3.7%
Gross Profit Margin	%	66%	66%		
Average Course Fee	A$	277.5	295.1	-17.6	-6.0%

The Average Fee for English Language Teaching is the average of all English Language Teaching revenue divided by the total volume of English teaching courses conducted during the period.

IDP Education's English Language teaching business comprises 10 schools across Cambodia, Vietnam and Thailand. The division posted solid growth during FY17 with Cambodia continuing its strong performance of recent years. Total course volumes across the division were up 11.0% for the year to a record 76,400 courses.

Revenue grew by a lower rate due to a lower average course fee. This reflects a subtle shift in the markets to shorter courses with Vietnam in particular transitioning to shorter programs in response to changing student preferences. Foreign exchange rates movement (strengthening of AUD against USD) also contributed the lower average course fee compared with FY16.

Advertising and Events – Financial Summary

				Growth	
	Unit	FY17	FY16	$m	%
Revenue	A$m	15.3	8.0	7.3	91.3%
Gross Profit	A$m	6.0	-0.7	6.7	957.1%
Gross Profit Margin	%	39%	-9%		

The Advertising and Events segment captures the revenue IDP generates from its student placement events and from its Hotcourses advertising business. Events are in-country recruitment fairs that IDP holds to promote its university clients. Universities that attend these events pay a fee to attend and meet IDP's students in each source country. The events are generally run on a cost-recovery basis and form a key part of the marketing activities for the Group's student placement business.

The results in the table above reflect five months of ownership of Hotcourses during FY17 which is therefore the key driver of growth during the year. The acquisition of this business has progressed smoothly and forms a key plank in the Group's digital transformation in student placement.

Other – Financial Summary

				Growth	
	Unit	FY17	FY16	$m	%
Revenue	A$m	3.6	3.7	-0.1	-2.7%
Gross Profit	A$m	1.9	2.3	-0.4	-17.4%
Gross Profit Margin	%	53%	62%		

The Group generated a small amount of other revenue in FY17 which was derived via contracted activities for development programs initiated by government or semi-government bodies and other miscellaneous items. Revenue from these activities fell by 2.7% during the year.

FINANCIAL POSITION

The financial position of IDP Education remains strong. As at 30 June 2017 the Group had total assets of $240m of which 48% related to intangible assets and the remaining being comprised primarily of cash, trade receivables and property, plant and equipment. Total assets exceeded total liabilities by $88.8m.

During the year IDP Education established a new bank loan with the National Australia Bank to facilitate the acquisition of Hotcourses. The facility is denominated in GBP to match the GBP investments in Hotcourses. The facility has two tranches to align with the earn-out structure of the acquisition as follows:

› Tranche 1 – £27.5m to fund the initial payment

› Tranche 2 – up to £7.5m to fund the earn-out to be paid in February/March 2018 depending on certain key performance indicators

As at 30 June 2017, £4.1m of Tranche 1 had been repaid leaving a drawn amount of £23.4m. Tranche 2 was undrawn. The facility has a three year term.

In addition to this acquisition facility IDP Education has a A$10.0m working capital facility. At 30 June 2017 this facility was undrawn. The total drawn debt (including the acquisition facility) is A$39.6m at 30 June 2017.

From a cash perspective the Group had $42.0m of cash on the balance sheet as at 30 June 2017.

As at 30 June 2017, the Group is in a net current liability position of $7.0m mainly due to the recognition of $12.0m contingent consideration payable from the acquisition of Hotcourses Limited.

The Directors are of the opinion that the Group is able to manage its short, medium and long term funding and liquidity based on the following factors:

› The strong performance of the Group including strong cash inflow from operating activities and the Group's cash flow forecast;

› available unutilised finance facilities of £12.6m which have a maturity to 18 January 2020 and an A$10m unutilised facility which has a maturity to 18 January 2018; and

› The Group's net asset position of $88.8 million.

The Company's strong financial position and positive cash flow enabled it to declare two dividends during the year comprising:

› FY16 Final Dividend – a $13.8m (5.5 cents per share) dividend for the six months ending 30 June 2016. This dividend was franked at 35%

› Interim Dividend – a $17.5m (7 cents per share) dividend for the six months ending 31 December 2016. This dividend was franked at 50%

FOREIGN EXCHANGE

IDP Education currently earns revenues and incurs expenses in approximately 45 currencies and as a result is exposed to movements in foreign exchange rates. It is therefore important to consider IDP Education's financial performance on an underlying basis by excluding the impact of foreign exchange movements during the year.

To illustrate the impact of foreign currency exchange rate movements on the FY17 result, IDP Education has restated its FY16 results using the foreign exchange rates that were recorded in FY17. By comparing FY17 to the restated FY16 financials, IDP Education is able to isolate the underlying performance of the business during the period.

The table below summarises this analysis and shows that foreign exchange movements had a net negative impact on the financial performance for the year. The key foreign exchange rate that impacts IDP's financial performance is the AUD:GBP rate. This impact results primarily from the GBP denoted fees IDP Education pays Cambridge Assessment each quarter for its role in IELTS. The financial performance in FY17 reflected a lower realised AUD:GBP rate (including hedges) relative to that which was realised in FY16. This thereby increased the AUD cost of the Cambridge fee as a percentage of revenue during the period which impacted earnings growth for Group during the period.

Underlying Growth

				Growth	
	Unit	**FY17**	**FY16 ***	**$m**	**%**
Total Revenue	A$m	394.2	349.2	45.0	12.9%
Gross Profit	A$m	212.7	181.3	31.4	17.3%
EBIT	A$m	61.2	51.2	10.0	19.5%
EBIT (Adjusted) **	A$m	62.6	51.5	11.1	21.6%
NPAT	A$m	41.5	37.7	3.8	10.1%
NPAT (Adjusted) **	A$m	42.6	37.9	4.7	12.4%

** Restated to reflect the exchange rates reflected in IDP Education's FY17 results*

*** Adjusted EBIT and NPAT excludes acquired intangible amortisation*

IDP Education utilises a variety of methods to manage its foreign currency exchange rate risk. The key method is the use of forward exchange contracts and currency option contracts. IDP Education's hedging policy requires it to put in place hedges to cover the expected net cash operating expense of certain currencies including British Pounds (GBP), Indian Rupee (INR), Chinese Yuan (CNY) and Singapore Dollar (SGD). The Board hedging policy limits the Group's exposure to significant unfavourable foreign exchange rate movements. The use of hedging instruments could also limit the Group's ability to benefit from favourable market movements.

BUSINESS STRATEGY AND PROSPECTS

The Group's results during the period largely reflected diligent delivery of an organic growth strategy. This strategy has been designed to leverage past investment in the Company's global network and capitalise on opportunities in the growing international student and high-stakes English language testing markets.

In Student Placement, the multi-destination strategy has underpinned the Group's growth over recent years. The Group has made substantial investments in establishing capabilities in its new destination countries (being the United States, the United Kingdom, Canada and New Zealand), and it expects to continue to benefit from these investments as it grows volumes to these destinations.

In Australia, IDP Education is well positioned to capitalise on the continued growth in the number of international student enrolments to Australian institutions. IDP Education has a market leading position and strong reputation in its existing source countries for placing students to Australia. It will continue to build market share in these countries and will also look to leverage this capability and reputation by selectively and incrementally expanding its source country presence.

In addition to this organic volume growth IDP Education intends to drive longer term growth in Student Placement through the use of technology. IDP Education's digital strategy is focusing on creating a digital platform for international students to engage with IDP Education beyond just the traditional face-to-face counselling service which is the main element of the current service offering. By establishing a digital platform IDP Education intends to enhance the experience of all of its customers and provide deeper and richer ways to engage with the student and universities throughout the international student journey.

IDP Education is also well positioned to capitalise on the continued growth in global demand for high-stakes English language testing driven by the ongoing requirement for English language capability for the purpose of study, work and migration. In addition to volume growth in existing markets IDP will seek new growth through the expansion into new markets where it has not previously tested.

The IELTS partners, IDP Education, British Council and Cambridge Assessment, are also investing significantly in systems, testing approaches and technology to advance and improve the IELTS product.

RISKS

An investor in IDP Education needs to consider the risks that have the potential to impact the financial performance of the Company going forward. A number of these key risks are summarised below.

Regulatory risk – The Group generates a substantial amount of income from placing international students into education institutions in Australia, the United States, the United Kingdom, Canada and New Zealand. To the extent that any of these destination countries alter immigration policies, regulation or visa requirements that reduce the number of student or migration visas that they grant, this will have a direct impact on IDP Education's student placement enrolment volumes and/or IELTS test volumes and therefore revenue. Changes by government immigration authorities in these destination countries that decrease or remove the acceptance of IELTS, increase competition from other providers or change the way that tests are administered, could also have a material and adverse impact on the Group's financial position and performance.

Geopolitical – Political events and tension, unfavourable press, negative international relations and other international events may reduce the attractiveness of particular destination countries for students and other migrants originating from particular source countries. Any future circumstances which reduce the attractiveness of a particular destination country to foreign students or other migrants may have a material and adverse impact on the Group's financial position and performance.

Risks of operating a global company – The global footprint which IDP Education operates across is exposed to regulatory, operating and management complexities and risks. There are certain risks inherent in doing business in foreign jurisdictions such as unexpected changes in legal and regulatory requirements, difficulties in managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, expropriation, nationalisation, the application of sanctions, embargoes or export and trade restrictions and war. There may also be foreign exchange controls which restrict or prohibit repatriation of funds and prohibitions and delays from customers or government agencies. These issues may arise from time to time, in the foreign jurisdictions in which IDP Education operates, which could have a material and adverse impact on the company's financial position and performance.

Competition – IDP Education operates in highly competitive markets across all of its geographies and products. IELTS in particular competes with a number of alternative high-stakes English language tests and, in most jurisdictions, IDP Education competes with the British Council as a distributor of IELTS. The following factors have the potential to reduce the number or profitability of IELTS tests that are conducted by IDP Education and therefore could have a material and adverse impact on the Company's financial position and performance: (i) the cost of sitting alternative high-stakes English language tests being lower than that for IELTS; (ii) increased acceptance by destination education institutions and immigration departments of alternative high-stakes English language tests; (iii) an increase in the number of testing centres, and times, at which alternative high-stakes English language tests can be taken; (iv) alternative high-stakes English language tests being marked in quicker timeframes when compared to those for IELTS; or (v) alternative high-stakes English language tests being perceived to be fairer and/or more suited to people whose first language is not English.

RELATIONSHIP WITH EDUCATION AUSTRALIA

Education Australia, which represents 38 Australian universities, owns approximately 50% of the Shares of IDP Education Limited. The Constitution of IDP Education Limited requires that:

› for such time as Education Australia is registered as the holder of at least 10% of the voting securities in the Company (Securities), a majority of the Board is to comprise, collectively, Independent Directors (as defined in the Constitution) and representatives of Education Australia; or

› if at any time Education Australia ceases to hold at least 10% of the Securities, a majority of the Board is to comprise Independent Directors only.

Accordingly, there exists the potential for Education Australia to exert a significant degree of influence over the Company's management and affairs and over matters requiring Shareholder approval, including (among other things) the election of Directors and the approval of significant corporate transactions.

Directors

The following persons were Directors of IDP Education Limited during the financial year and up to the date of this report unless otherwise stated:

Name	Particulars
Peter Polson	Non-Executive Director and Chairman
Andrew Barkla	Managing Director and Chief Executive Officer
Ariane Barker	Non-Executive Director
Professor David Battersby AM	Non-Executive Director
Chris Leptos AM	Non-Executive Director
Belinda Robinson	Non-Executive Director
Greg West	Non-Executive Director

Details of each Director's qualifications, experience and special responsibilities are set out on page 14 to 15.

Directors' report

continued

Company Secretary

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

Meetings of Directors

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

	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Peter Polson	8	8	6	7	3	3	2	2
Andrew Barkla	8	8	–	–	–	–	–	–
Ariane Barker	8	8	7	7	3	3	2	2
Professor David Battersby AM	8	8	–	–	–	–	2	2
Chris Leptos AM	8	8	–	–	3	3	2	2
Belinda Robinson	6	8	–	–	–	–	1	2
Greg West	8	8	7	7	–	–	2	2

Principal activities

The Group's principal activities during the year were:

› placement of international students into education institutions in Australia, UK, USA, Canada and New Zealand. Services include counselling, application processing and pre-departure guidance;

› distribution and administration of International English Language Testing System ("IELTS") tests, a globally recognised high-stakes English language test for study, work and migration purposes. IDP Education is a co-owner of IELTS with the British Council;

› operation of English language schools in Vietnam, Cambodia and Thailand; and

› operation of online education search websites.

Except for the expansion into the operation of online education search websites, there was no significant change in the nature of these activities during the year.

Significant changes in state of affairs

ACQUISITION OF HOTCOURSES LIMITED

On 16 January 2017, IDP Education entered into an agreement to acquire 100% of the shares in Hotcourses Limited ("Hotcourses"), a digital marketing and online student recruitment company in the UK.

Hotcourses owns and operates a portfolio of education search websites that help students make the right study choices and connect with universities and colleges around the world. Hotcourses provides students with unique online tools to search for appropriate courses and plan their studies.

The acquisition was a strategic transaction that will accelerate IDP Education's vision of building the world's leading platform and connected community, to guide students along their journey to achieve learning and career aspirations.

The acquisition provides an immediate digital pathway and scale to broaden IDP Education's global portfolio and meet future demand.

Under the terms of the acquisition agreement, IDP Education Limited acquired Hotcourses for a total acquisition price of GBP 35m (AUD 57.4m). The consideration is structured in two tranches with 75% of the enterprise value paid upfront and the remaining 25% paid in 12 months subject to a number of performance conditions. The acquisition was funded via debt with IDP Education entering into an acquisition facility for the entire purchase price. The acquisition was completed on 31 January 2017.

Future developments

Likely developments in, and expected results of the operations of the Group in subsequent years are referred to on page 26 except to the extent disclosure of the information would be likely to result in unreasonable prejudice to the Group. The type of information not disclosed includes commercial in confidence information such as detailed operational plans and strategies that would provide third parties with a commercial advantage.

Dividends

In respect of the financial year ended 30 June 2017, an interim dividend of 7.0 cents per share franked at 50% was paid on 31 March 2017. A final dividend of 5.50 cents per share franked at 55% was declared on 21 August 2017, payable on 28 September 2017 to shareholders registered on 7 September 2017.

In respect of the financial year ended 30 June 2016, a special dividend of 12.0 cents per share franked at 24.5% was paid on 16 November 2015 prior to the IPO. A final dividend of 5.5 cents per share franked at 35% was paid on 30 September 2016.

Events subsequent to balance date

On 4 July 2017, IDP Education completed the investment of a 20% equity interest in HCP Limited, a Chinese company specialising in delivering English language test preparation materials via social media and its mobile app, for total consideration of $6.4m.

The investment provides IDP Education with a significant opportunity to further develop its student placement business in China by securing access to a growing digital community of prospective international students.

It also provides IDP Education with exposure to the large IELTS test preparation market in China. In 2016, HCP provided more than 30,000 online courses to students to help improve their speaking, reading, writing and listening and has plans to expand its offering in English language teaching and test preparation.

The investment will be made in two tranches with an upfront payment of $4.1m completed on 4th July 2017 followed by up to a further $2.3m in twelve months based on certain key performance indicators.

Directors' interests in securities

The relevant interests of Directors in the Company's securities at the date of this report were:

	Ordinary Shares	Options	Performance Rights
Peter Polson	104,390	–	–
Andrew Barkla	–	4,150,000	455,443
Ariane Barker	18,867	–	–
Professor David Battersby AM	–	–	–
Chris Leptos AM	18,867	–	–
Belinda Robinson	6,000	–	–
Greg West	74,617	–	–

Environmental regulation and performance

The Group's operations are not subject to any significant environmental regulations under the government legislation of the countries it operates in. The Group's environmental footprint is small and arises primarily from the energy used and materials consumed in its offices. The Board believes that the consolidated company has adequate systems in place for the monitoring of environmental regulations.

Directors' report

continued

Indemnification and insurance of officers

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

Non-audit services

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

Details of amounts paid or payable to the auditor Deloitte Touche Tohmatsu for audit and for non-audit services provided during the year are outlined in Note 23 to the financial statements.

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

› All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

› None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 51.

Auditor rotation

In accordance with section 324DAA of the *Corporations Act 2001* and the recommendation of the Audit and Risk Committee, the lead audit partner's rotation period as auditor has been extended for 1 year to 30 June 2017.

It was noted that given the recent changes to IDP Education's Board, Committee and management team, the Audit and Risk Committee were satisfied that the approval;

› Is consistent with maintaining the quality of the audit provided to IDP Education; and

› Would not give rise to a conflict of interest situation (as defined in section 324CD of the Corporations Act).

The lead audit partner is due to rotate for the year ended 30 June 2018 audit.

Rounding of amounts to the nearest thousand dollars

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporates Instruments amounts in the Directors' report and financial report are rounded off, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Corporate governance policies

IDP Education is committed to strong and effective governance frameworks. IDP Education's Corporate Governance Statement, in addition to corporate governance policies are available in the Investor Centre – Corporate Governance section of the company Website, at *https://investors.idp.com/Investor-Centre/?page=Corporate-Governance*

Letter from Remuneration Committee Chairman

Dear Shareholder,

On behalf of the Board I am pleased to introduce IDP Education Limited's (IDP) 2017 Remuneration Report for which we seek your support at our Annual General Meeting in October 2017.

The financial year just completed was our first full year of operation as an ASX listed company. As detailed in the financial section of our Report, 2017 was a record year in terms of both revenue and earnings and I am pleased to say we remain on track to deliver on our ambitious growth plans.

IDP is a global education company operating in over 30 countries around the world with a significant presence in Asia, the Middle East, North America, Europe and Australasia. The company experienced volume growth across all product categories and significant growth in student placement, driven by our multi-destination offerings. During the year, we became a leader in digital education search and student engagement. Our technology delivery strategy was enhanced by the acquisition of Hotcourses as we grew our international network across Asia, Australasia and the rest of the world.

Throughout the year management has:

- Broadened our offer to both students and clients;
- Expanded our addressable market to students who may otherwise not use a placement agent;
- Accelerated our ability to develop and deploy world-class digital solutions tailored for the education industry;
- Enhanced our connectivity to the strategically important UK market;
- Supported the roll out of a virtual agency model; and
- Strengthened our role as a leading provider of international student placement services, high-stakes English language testing services and operator of English language schools in South East Asia.

We have paid franked dividends in line with the IPO prospectus, and the IDP share price (at the date of writing this report) has increased by more than 90% since our IPO in November 2015. This positive outcome for shareholders has resulted in management achieving above average target awards under the annual incentive plan and are on track to meet the long-term hurdles set under our long-term equity incentive schemes. A number of these schemes date back to 2014.

The Board considers its role in setting executive remuneration policies and practices to be a key responsibility. We were however criticised by some shareholders that reacted negatively to certain elements of our Board and executive KMP remuneration.

Accordingly, during the year we commissioned an independent review of the remuneration policies and practices we adopted in the pre and post IPO period by John Egan of Egan Associates.

In summary, the Egan Associates report indicated that IDP's remuneration framework for the leadership team was reflective of generally accepted market practice leading up to listing and remains so.

Their report indicated that the foundation upon which the Board determined executive KMP remuneration opportunities was appropriate on the basis of the facts known at the time and was supported by independent advice. They commented that while there were general observations from a number of proxy advisers in relation to the continuing use of total shareholder return as a measure of the company's performance the market generally has not yet provided a widely adopted alternative. Egan Associates acknowledge, consistent with the observations of some proxy advisers, that total shareholder return if used as a sole measure is perceived to have some suboptimal attributes.

In conclusion, and within the context of the Corporations Act, Egan Associates formed the view that the decisions made by the Board were reasonable. In forming this view, John Egan had extensive discussions with myself as Chairman, our long established remuneration adviser, Ian Crichton of Crichton & Associates, and our General Manager People & Culture, Georgia Murphy. Egan Associates also confirmed that the information set out in the Prospectus which was available to shareholders prior to the company's listing was consistent with the disclosed arrangements in the 2016 Remuneration Report attached to the Directors Report of our Annual Report.

As Chair of the Board's Remuneration Committee I have, during the past year, worked closely with my fellow Directors, our external advisers and management to ensure that we have an effective remuneration framework which will continue to drive results and motivate staff at all levels in the organisation. During the year I have also met with a number of our key shareholders and those who commented on our first Remuneration Report published last year.

Our framework is designed to:

› Provide a key link between performance and outcomes;

› Ensure that remuneration outcomes are consistent with IDP's short and long-term objectives, including risk management practices that will support and sustain performance over the long term; and

› Attract and retain key talent appropriate to our business model.

In the 2017 Financial Year, your company has maintained the remuneration framework which was disclosed in the Prospectus and in our 2016 Annual Report. We have done so on the basis of confirmation from both Egan Associates and our adviser, Ian Crichton, that our current practices reflect contemporary market practice. We have not adjusted remuneration to reflect our current standing (Market Capitalisation) on the ASX and the significant uplift in the company's market value, believing it was prudent to ensure the sustainability of your company's performance and market positioning for, at least, a further twelve months.

We have considered and are in the process of documenting, approving and implementing new and updated policies in relation to the following:

› Malus and Clawback;

› Minimum Shareholding Guidelines;

› Regulations on the use of Remuneration Consultants;

› Certain leaver provisions; and

› Recruitment incentives; and NED equity participation.

In striving to adopt and maintain 'best practice' standards for a rapidly growing company the Board will be undertaking a comprehensive evaluation of our Board and executive remuneration during FY18. The review will encompass the following:

› Overall strategy;

› Current and future reward mix (fixed versus variable);

› Key performance indicator components, weightings and measures;

› Short term incentive (STI) design, including deferral; and

› Long term incentive (LTI) design, including participation, allocations, performance conditions and award type.

Should changes arise from this comprehensive review they will be presented to shareholders in our 2018 Remuneration Report. In undertaking the before mentioned review I can assure shareholders that we will at all times strive to align remuneration with their interests.

Peter Polson
Chair of the Remuneration Committee
Melbourne
21 August 2017

Remuneration report

Key management personnel (KMP) is defined by AASB 124 Related Party disclosures. Only Directors, the Chief Executive Officer and executives that have the authority and responsibility for planning, directing and controlling the activities of IDP Education, directly or indirectly and are responsible for the entity's governance are classified as KMP.

The KMP of IDP Education for the year ended 30 June 2017 were:

	Position	Period as KMP
Executive KMP		
Andrew Barkla	Managing Director and Chief Executive Officer	17 August 2015 to Current
Murray Walton	Chief Financial Officer and Company Secretary	9 March 2010 to Current
Warwick Freeland	Chief Strategy Officer and Managing Director IELTS Australia	10 August 2008 to Current
Non-Executive Directors		
Peter Polson	Chair	21 March 2007 to Current
Ariane Barker	Non-Executive Director	12 November 2015 to Current
Professor David Battersby AM	Non-Executive Director	9 February 2011 to Current
Chris Leptos AM	Non-Executive Director	12 November 2015 to Current
Belinda Robinson	Non-Executive Director	12 November 2015 to Current
Greg West	Non-Executive Director	4 December 2006 to Current

Remuneration governance

This section of the Remuneration Report describes the role of the Board and the Remuneration Committee, and the use of remuneration consultants when making remuneration decisions.

Role of the Board and the Remuneration Committee

The board of directors of IDP Education (Board) is responsible for IDP Education's remuneration strategy and policy. Consistent with this responsibility, the Board has established the Remuneration Committee (the Committee).

In summary, the role of the Committee includes assisting and advising the Board on remuneration policies and practices for the Board, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), senior executives and other persons whose activities, individually or collectively, affect the financial soundness of the Company. The Committee advises the Board on remuneration practices and policies which are fair and responsible, by recognising the correlation between performance targets and reward, in order to provide the best value to shareholders.

Remuneration report

continued

The Committee's role and interaction with the Board, internal and external advisors, are further illustrated below:

THE BOARD

Reviews, applies judgement and, as appropriate, approves Remuneration Committee's recommendations

↑ ↓

REMUNERATION COMMITTEE

The Remuneration Committee operates under the delegated authority of the Board.

The Remuneration Committee is empowered to obtain independent professional and other advice in the fulfilment of its duties at the cost of the Company (subject to prior consultation with the chairman of the Board); and

Obtain such resources and information from the Company, in the fulfilment of its duties, as it may reasonably require to assist the Board in relation to the following:

Remuneration framework for Chair, non executive-directors, and remuneration packages for CEO and senior executives	Legislative, regulatory or market developments in relation to remuneration and superannuation	Design features of incentive schemes and equity based remuneration	Trends in base pay for senior executives relative to all Company employees
External Consultants			
		Internal resources	

Further information on the Committee's role, responsibilities and membership is contained in the Corporate Governance Statement. The Remuneration Committee Charter can also be viewed in the Investor Centre, Corporate Governance section of the IDP Education website.

As at 30 June 2017, the Committee comprised the following non-executive directors:

› Mr Peter Polson (Chair)

› Ms Ariane Barker

› Mr Chris Leptos

The Directors' Report provides information regarding:

› skills, experience and expertise of the Committee members; and

› number of meetings and attendance of members at the Committee meetings

Use of remuneration consultants

The Board directly engages external advisors to provide input to the process of reviewing Executive KMP and non-executive Director remuneration. A Use of Remuneration Consultants Policy was approved by the Board on 21 August 2017.

During FY17, Crichton and Associates Pty Limited (Crichton and Associates) were engaged by the Board to provide recommendations in relation to long-term incentive programmes. Crichton and Associates were paid $20,205 for these services.

The following arrangements were made to ensure that the remuneration recommendations have been made free from undue influence:

› Crichton and Associates takes instructions from an independent non-executive Director and the Committee and is accountable to the Board for all work completed;

› During the course of any assignment, Crichton and Associates may seek input from management, however deliverables are provided directly to the Remuneration Committee and considered by the Board; and

› Professional fee arrangements are agreed directly with the Remuneration Committee Chairman.

As a consequence, the Board is satisfied that the remuneration recommendations were made free from undue influence from any member of the KMP.

In addition to providing remuneration recommendations, Crichton and Associates also provided services relating to other aspects of remuneration of the Group's employees, including the provision of valuation services and IDP Education Employee Incentive Plan (IDIP) award offer documentation and advice. For these services Crichton and Associates was paid $45,267 during FY17.

Remuneration strategy

IDP Education's Board Remuneration Policy aims to set employee and executive remuneration that is fair, competitive and appropriate for the markets in which it operates and is mindful of internal relativities. IDP Education aims to ensure that the mix and balance of remuneration is appropriate to reward fairly, attract, motivate and retain senior executives and other key employees.

Specific objectives of IDP Education's remuneration strategy include:

› provide a fair and competitive (internal and external) fixed annual remuneration for all positions under transparent policies and review procedures;

› link executive rewards to shareholder value accretion by providing appropriate equity (or equivalent) incentives to selected senior executives and employees linked to long-term company performance and core values;

› provide competitive total rewards to attract and retain appropriately skilled employees and executives;

› have a meaningful portion of remuneration 'at risk', dependent upon meeting pre-determined benchmarks, both short (annual) and long term (3+ years); and

› establishing appropriate, demanding performance hurdles for any executive equity incentive remuneration.

Remuneration report

continued

Executive KMP remuneration strategy and objectives are summarised in the following table:

IDP Executive KMP Remuneration Objectives			
Shareholder value creation through equity components	An appropriate balance of 'fixed' and 'at risk' components	Creation of award differentiation to drive performance culture and behaviours	Attract motivate and retain executive talent required at stage of development

Total Annual Remuneration (TAR) or Total Target Remuneration (TTR) is set by reference to relevant market benchmarks

Fixed	At Risk	
Fixed Annual Remuneration (FAR)	**Short Term Incentives (STI)**	**Long Term Incentives (LTI)**
Fixed remuneration is set based on relevant market relativities, reflecting responsibilities, performance, qualifications, experience and geographic location	STI performance criteria are set by reference to Group, Business Unit and Individual performance targets appropriate to the specific position	Targets are linked to IDP group objectives such as EPS and TSR CAGR
Remuneration will be delivered as:		
Base salary plus any allowances (includes Superannuation for Australian Executives)	Paid as cash on completion of the relevant performance period. Deferral of a portion of the STI into equity (performance rights) to be considered	Awarded as equity and vest (or not) at the end of the performance period

TOTAL ANNUAL REMUNERATION (TAR) OR TOTAL TARGET REMUNERATION (TTR)

TAR or TTR is intended to be positioned in the 3rd quartile compared to relevant market based comparisons. 4th quartile TAR or TTR may be derived if demonstrable out performance is achieved by IDP.

Executive remuneration mix

IDP Education endeavours to provide an appropriate and competitive mix of remuneration components balanced between fixed and at risk and paid both in cash and deferred equity.

Remuneration overview

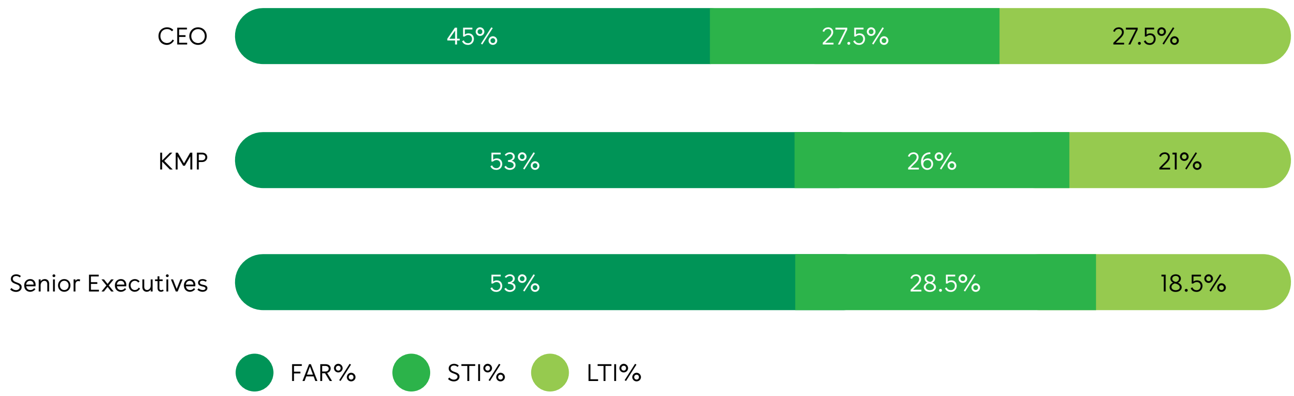
As discussed above, each executive's total remuneration package may be comprised of the following elements:

› Fixed Annual Remuneration (FAR)

› At-Risk Remuneration:
  - Short Term Incentive (STI)
  - Long Term Incentive (LTI)

The illustration below provides an overview of the average FY17 Total Target Remuneration mix for the CEO, other Executive KMP and senior executives of IDP Education.

FY17 TOTAL TARGET REMUNERATION MIX (TARGET)



In determining the Total Target Remuneration mix for the CEO and Executive KMP, the Board has considered the following:

› Setting market competitive Fixed Annual Remuneration;

› Achieving an appropriate mix between fixed and variable remuneration;

› Providing a meaningful short term incentive (between 50% and 60% of FAR) aligned to the achievement of key financial and other organisational metrics over the current financial year; and

› Providing meaningful long term incentives (between 40% and 50% of FAR) aligned to meeting benchmark earnings (EPS CAGR) and share growth (relative TSR) targets over a three (3) year performance period.

It is intended that if the benchmark targets are achieved then IDP Education will have outperformed and the CEO and executive KMP will achieve top quartile remuneration benefits.

The reward mix and performance expectations are reviewed annually.

Executive KMP Remuneration Mix

The mix of remuneration for the Executive KMP in FY17 is shown in the following table and a detailed description of each is discussed in more detail below:

	Fixed Annual Remuneration ($)	Short Term Incentive (At-Target) ($)[1]	Short Term Incentive (Stretch) ($)[2]	Long Term Incentive (At-Target) ($)[3]
Executive KMP				
Andrew Barkla	800,000	480,000	643,200	480,000
Murray Walton	391,000	195,500	261,970	136,850
Warwick Freeland	416,484	208,242	279,044	587,418[4]

1. *For Executive KMP, the STI is the total payment at-target as a % of the FAR*
2. *For Executive KMP, STIs have a stretch component that is designed to encourage above at-target performance*
3. *For Executive KMP, the LTI refers to the value, at-target, of any grant as a % of FAR. The number of performance rights issued is calculated by dividing the LTI value by the previous five days volume weighted average share price (ASX: IEL) at the grant date*
4. *This includes the FY17 Special Incentive Award which is a one off LTI Award*

Fixed Annual Remuneration

Fixed Annual Remuneration represents the fixed portion of executive remuneration and includes base salary, salary packaged benefits, allowances and employer superannuation contributions.

IDP Education's approach to FAR settings is to aim to position all executives between the median and 75th percentile.

The table below applied logically, can be used as a guide to IDP Education's remuneration setting process.

Relative Positioning	Comments
1st Quartile	Inexperienced in the position but coping, or an experienced employee exhibiting performance gaps.
2nd Quartile	Experienced in the position, usually with a minimum of two years' service. In the competent range, but capable of further development or improvement in the role.
Mid-point (Median)	Fully competent executive or employee making a consistent and sound contribution, coping with and sometimes exceeding all the demands of the position.
3rd Quartile	Very experienced executive, exhibiting demonstrably superior performance. External appointees would often be recruited at this level. That is between the median and 75th percentile. The majority of senior executives would be likely to be paid at the 62.5th percentile. That is the middle of the 3rd quartile.
4th Quartile	Only **outstanding** and **strategically critical** executives would be remunerated in the 4th quartile. Care should be taken not to duplicate or inflate TAR through STI or LTI at this level. Less than 10% of executives likely to be paid at this level.

Executive KMP FAR is tested regularly for market competitiveness by reference to appropriate independent and externally sourced comparable benchmark information, including comparable Australian Stock Exchange (ASX) listed companies, and based on a range of size criteria including market capitalisation taking into account an executive's responsibilities, performance, qualifications, experience and geographic location.

FAR adjustments, if any, are made with reference to individual performance, an increase in job role or responsibility, changing market circumstances as reflected through independent benchmark assessments or through promotion.

Any adjustments made to Executive KMP remuneration are approved by the Board, based on Committee recommendations referring to benchmarking data and the guidance of the independent remuneration consultant where appropriate.

Short-term incentive

IDP Education has target based short-term incentive plans in place for all Executive KMP.

Performance criteria set for STI plans will reflect fundamental strategic or performance objectives to ensure a focussed and successful performance incentive program.

The target and maximum annual STI that may be awarded to Executive KMP is expressed as a percentage of FAR.

The key features of the STI plan are as follows:

Purpose	The STI arrangements at IDP Education are designed to reward executives for achievement against annual performance targets set by the Board at the beginning of the performance period. The STI program is reviewed annually by the Remuneration Committee and approved by the Board.
Performance criteria	During FY17, the key performance criteria of IDP Education were directed to achieving the following Board approved targets: › Earnings before Interest and Taxation; › Growth in IELTS test volumes in new entrant countries; › Growth in source countries achieving target volumes of applied students to UK and Canada; › Delivery of programs to support the execution of IDP's business strategy and enhance operational capability globally; and › Leadership in relation to programs to improve customer experience and advance IDP's technological innovation and capabilities. The Board believes that these specific STI performance criteria will encourage an increase in financial performance, market share and shareholder returns.

Rewarding performance	The STI performance weightings are determined under a predetermined matrix with the Board determination final. Executive KMP's STI have a stretch component that is designed to encourage above at-target performance.
Performance period	The STI performance period is for the financial year 1 July to 30 June.
STI payment	The current year, CEO's STI is paid as follows: › STI amounts up to $100,000 and 50% of any amount above $100,000 will be paid in cash subsequent to 30 June 2017 following completion of the performance period and audit of the associated financial statements; and › 50% of any amount above $100,000 will be satisfied through a grant of service rights issued under the IDIP. The service rights are subject to a vesting condition that the CEO remains employed for a further 12 months from the end of the financial year. The STI of remaining Executive KMPs was paid in cash subsequent to 30 June 2017 following completion of the performance period and audit of the associated financial statements.

Long-term incentives

The IDP Education Employee Incentive Plan (IDIP) is the Company's employee equity scheme.

The IDIP has been structured to meet contemporary equity design standards and enables the Company to offer selected employees a range of different remuneration, incentive awards or employee share scheme interests.

The flexible design accommodates current and future needs with seven possible award structures available. The Company has currently offered three of these, Performance Rights, Options and Service Rights, to Executive KMP, senior executives and directors as depicted below.

Awards Available under the IDIP

Performance Rights	Options	Service Rights	Exempt Shares	Cash Rights	Deferred Shares	Stock Appreciation Rights

IDP Education has offered a range of LTI Awards under the IDIP. These Awards are designed to assist in the motivation and retention of senior management and other selected employees in line with contemporary market practice.

The vesting conditions were designed to achieve the long term objectives of the Company as identified by the Board at the time of granting and the individual LTI awards have included some of the following criteria:

› Achievement of forecast or target financial performance measures, including:
  - Net Profit After Tax;
  - Earnings per share compound annual growth;
  - Total shareholder return compound annual growth; or
  - IDP comparative ranking of total shareholder return (TSR) against the component companies in the ASX300 Discretionary Index.

The vesting conditions also include continuous service over the three year LTI period to promote talent retention.

The Board believes that the specific LTI vesting conditions will ensure the alignment of KMP's awards with shareholder returns. As at 30 June 2017, Executive KMP participate in the following Awards under the IDIP:

› the Prospectus Performance Award;

› the 2014 LTI Award;

› the FY16 Award;

› the FY17 Award;

› the FY17 Special Incentive Award;

› the CEO Incentive Award Options; and

› Deferred STI grant.

The key features of the LTI plans are as follows:

LTI Award	Performance rights/options awards	Grant date	Grant date fair value ($)	Exercise price ($)	Vesting conditions	Vesting date
Prospectus Performance Award	Performance Rights	21-Feb-14	1.40	0.00	Achievement of pro forma forecast NPAT for FY16 per the IDP Prospectus[1] Continuous employment with IDP until Vesting Date[2]	24-Aug-17
2014 LTI Award	Performance Rights	21-Feb-14	1.40	0.00	EPS target compound annual growth rate (CAGR) from completion of the IPO to 30 June 2017[3] Continuous employment with IDP until Vesting Date	31-Aug-17
FY16 Award – Tranche 1	Performance Rights	19-Oct-15	1.68	0.00	Achievement of pro forma forecast earnings for FY16 per the IDP Prospectus Continuous employment with IDP until Vesting Date Completion of the IPO before 17 Aug 2017 with a market capitalisation (based on offer price) is at least $400m	31-Aug-18
FY16 Award – Tranche 2	Performance Rights	19-Oct-15	1.68	0.00	NPAT CAGR from 1 July 2016 to 30 June 2018[4] Continuous employment with IDP until Vesting Date Completion of the IPO before 17 Aug 2017 with a market capitalisation (based on offer price) is at least $400m	31-Aug-18
FY16 Award – Tranche 3	Performance Rights	19-Oct-15	0.95	0.00	Total shareholder return (TSR) CAGR from grant date to 30 June 2018[5] Continuous employment with IDP until Vesting Date Completion of the IPO before 17 Aug 2017 with a market capitalisation (based on offer price) is at least $400m	31-Aug-18
FY17 Award – Tranche 1	Performance Rights	14-Sep-16	3.83	0.00	EPS target CAGR over the period 1 July 2016 to 30 June 2019[6] Continuous employment with IDP until Vesting Date	31-Aug-19
FY17 Award – Tranche 2	Performance Rights	14-Sep-16	2.56	0.00	Ranking in TSR against the ASX300 Consumer Discretionary Accumulation Index (XDKAI) from grant date to 30 June 2019[7] Continuous employment with IDP until Vesting Date	31-Aug-19
FY17 Special Incentive Award – Tranche 1	Performance Rights	14-Sep-16	4.02	0.00	First production deployment of computer-based IELTS Continuous employment with IDP until Vesting Date[8]	31-Dec-17
FY17 Special Incentive Award – Tranche 2	Performance Rights	14-Sep-16	3.93	0.00	Deployment of a strong, agreed IELTS product roadmap Continuous employment with IDP until Vesting Date	30-Sep-18

LTI Award	Performance rights/options awards	Grant date	Grant date fair value ($)	Exercise price ($)	Vesting conditions	Vesting date
CEO Incentive Award - Tranche 1	Options[9]	17-Aug-15[10]	0.60	1.44	Achievement of pro forma forecast earnings for FY16 per the IDP Prospectus Continuous employment with IDP until Vesting Date	31-Aug-18
CEO Incentive Award - Tranche 2	Options[9]	17-Aug-15[10]	0.60	1.44	NPAT CAGR from 1 July 2016 to 30 June 2018 Continuous employment with IDP until Vesting Date	31-Aug-18
CEO Incentive Award - Tranche 3	Options[9]	17-Aug-15[10]	0.51	1.44	Total shareholder return (TSR) CAGR from grant date to 30 June 2018 Continuous employment with IDP until Vesting Date	31-Aug-18

1. *NPAT achieved exceeded pro forma forecast.100% of Performance Rights vested on 31 August 2016, subject to an additional Service Vesting Condition*
2. *An additional Service Vesting Condition requires that participants maintain continuous employment with IDP Education Ltd for 12 months from the Share acquisition date in order that 100% of the Shares vest*
3. *The base EPS will be calculated using the FY14 NPAT and the number of shares on issue at completion of the IPO. 50% of performance rights available will vest if an EPS CAGR of 5% is achieved. 100% of performance rights available will vest if an EPS CAGR of 10% or greater is achieved. Vesting will be on a pro rata basis between 5% and 10%*
4. *The FY15 NPAT will be used as a basis for vesting calculations. 50% of performance rights available will vest if a NPAT CAGR of 5% is achieved. 100% of performance rights available will vest if a NPAT CAGR of 6% or greater is achieved. Vesting will be on a pro rata basis between 5% and 6%*
5. *A market capitalisation of $360m at grant date will be used as a basis for vesting calculations. 50% of performance rights available will vest if a TSR CAGR of 6% is achieved. 100% of performance rights available will vest if a TSR CAGR of 8% or greater is achieved. Vesting will be on a pro rata basis between 6% and 8%*
6. *The base EPS has been set at adjusted FY16 EPS of 15.09c. 50% of performance rights available will vest if an EPS CAGR of at least 10% is achieved. 100% of performance rights available will vest if an EPS CAGR of at least 12% is achieved. Vesting will be on a pro rata basis between 10% and 12%*
7. *50% of performance rights available will vest if IDP Education Ltd achieves a ranking in TSR against the ASX 300 Discretionary Index of greater or equal to 50th percentile. 100% of performance rights available will vest if IDP Education Ltd achieves a ranking in TSR against the ASX 300 Discretionary Index of greater or equal to 75th percentile. Vesting will be on a pro rata basis between 50th percentile and 75th percentile achievement*
8. *An additional Service Vesting Condition requires that participant maintains continuous employment with IDP Education Ltd for 12 months from the Vesting Date*
9. *Upon exercise and payment of the exercise price, each option entitles the holder to receive one share. However, at its discretion, the Board may elect to pay the holder a cash amount equal to the value of the share*
10. *Options expire if not exercised five years after the Grant Date*

Termination benefits

The remuneration and other terms of employment are covered in a formal employment contract. The employment contracts include provisions requiring a minimum notice period by both the Executive and by IDP Education. If either party provides notice, the Company may make a payment in lieu of notice.

For all Executive KMP, in the event of serious misconduct or other circumstances warranting summary dismissal, notice is not required.

The minimum notice period for each Executive KMP are set out in the below table.

	Contract type	Notice period by Executive	Notice period by IDP Education	Redundancy Payment
Executive KMP				
Andrew Barkla	Ongoing	3 months	9 months	If terminated by reason of redundancy, 5 weeks notice and 34 weeks severance
Murray Walton	Ongoing	3 months[1]	3 months[2]	General redundancy terms apply as mandated by the Fair Work Act 2009
Warwick Freeland	Ongoing	13 weeks	26 weeks	General redundancy terms apply as mandated by the Fair Work Act 2009

1. *The notice period by the Executive was varied to 3 months in FY17*
2. *The notice period by IDP Education was varied to 3 months in FY17*

Clawback provisions

The Board approved an executive remuneration malus and clawback policy in relation to performance based remuneration on 21 August 2017.

Linking remuneration and performance in FY17

FY17 STI PERFORMANCE SCORECARD

The Board believes that the specific STI performance criteria set encourage the delivery of improved financial performance, an increase in market share and the resulting improvement in shareholder returns.

The relationship between the Executive KMP at-risk remuneration and IDP Education's performance can be demonstrated through the STI performance criteria, their weighting and the outcome achieved for FY17.

Measure	Weighting	Outcome
Earnings before Interest and Taxation	50.0%	65.3%
Growth in IELTS test volumes in new entrant countries	15.0%	19.2%
Growth in source countries achieving target volumes of applied students to UK and Canada	15.0%	15.0%
Delivery of programs to support the execution of IDP's business strategy and enhance operational capability globally	10.0%	10.0%
Leadership in relation to programs to improve customer experience and advance IDP's technological innovation and capabilities	10.0%	10.0%
	100.0%	**119.5%**

The Board is delighted that the Company and the executive team have delivered these at or above target results.

The table below provides a summary of STI payments achieved for the FY17 performance year:

FY2017	STI At-Target $	STI Achieved[1,2] $	At-Target STI Achieved %	At-Target STI Forfeited %
Executive KMP				
Andrew Barkla	480,000	573,681[3]	119.5%	NIL
Murray Walton	195,500	233,656	119.5%	NIL
Warwick Freeland	208,242	248,885	119.5%	NIL

1. *STI amounts indicated to have been achieved in respect of the year ended 30 June 2017 are subject to annual review and only payable subsequent to 30 June 2017 upon ratification and recommendation by the Remuneration Committee and approval by the Board*
2. *With the exception noted in footnote 3, all STI amounts will be paid in cash*
3. *An STI amount of $236,841 satisfied through a grant of service rights issued under the IDIP. The service rights are subject to a vesting condition that the CEO remains employed for a further 12 months from the end of the financial year*

LTI performance scorecard

LTI Awards are granted annually to all executive KMP. Apart from the IPO, Prospectus forecast achievement and special incentive awards and the 2014 LTI which was issued prior to the listing of IDP Education, LTI awards are granted as performance rights with both an earnings (EPS CAGR) and TSR (IDP TSR relative to XDKAI component company TSR) over a set three year performance period. To date there have been two LTI grants and the current expectation of each grant for performance vesting is as follows:

Award	EPS CAGR Vesting Date	Estimated % to vest	TSR relative Vesting Date	Estimated % to vest
FY16 LTI	31 August 2018	100%	31 August 2018	100%
FY17 LTI	31 August 2019	100%	31 August 2019	100%

IDP is on track to exceed the EPS CAGR hurdle rates set for each LTI Award grant. The EPS CAGR for the period from 1 July 2014 to 30 June 2016 was 23.49% and 14.04% for the period from 1 July 2015 to 30 June 2017. If our budgeted and forecast earnings are achieved the three year EPS CAGR targets for FY18 and FY19 will also be achieved. Maintaining high double digit EPS CAGR in a low inflation environment in competitive markets is the Board's expectation, but will obviously be challenging.

We believe the EPS CAGR component of LTI awards provides a very strong correlation between IDP's performance and Executive KMP remuneration outcomes.

The following table provides a summary of critical performance metrics showing IDP Education's financial performance for FY17 and the four years prior.

Measure	FY17	FY16	FY15	FY14	FY13
Revenue ($000)	394,187	361,636	309,865	256,627	216,883
% change from previous year	*9.00%*	*16.71%*	*20.75%*	*18.33%*	*n/a*
Earnings Before Interest and Taxation ($000)	61,224	53,664	45,150	38,621	31,018
% change from previous year	*14.09%*	*18.86%*	*16.91%*	*24.51%*	*n/a*
Net Profit after Taxation ($000)	41,511	39,914	31,476	27,987	21,195
% change from previous year	*4.00%*	*26.81%*	*12.47%*	*32.05%*	*n/a*
Basic Earnings per Share (cents per share)	16.58	15.95	12.58	11.18	8.47
% change from previous year	*3.95%*	*26.79%*	*12.52%*	*32.00%*	*n/a*
3 year Compound Annual Growth Rate (Conventional)	*14.04%*	*23.49%*	*n/a*	*n/a*	*n/a*
Diluted Earnings per Share (cents per share)	16.20	15.60	12.48	11.15	8.47
% change from previous year	*3.85%*	*25.00%*	*11.93%*	*31.64%*	*n/a*
Dividend (cents per share)	12.50	19.18	15.58	13.18	8.79
% change from previous year	*-34.83%*	*23.11%*	*18.21%*	*49.94%*	*n/a*
Share Price as at 30 June ($)	5.09	4.12	n/a	n/a	n/a
Average STI payout as a % at-target for eligible KMPs	119.5%	94.3%	n/a	n/a	n/a

Remuneration report

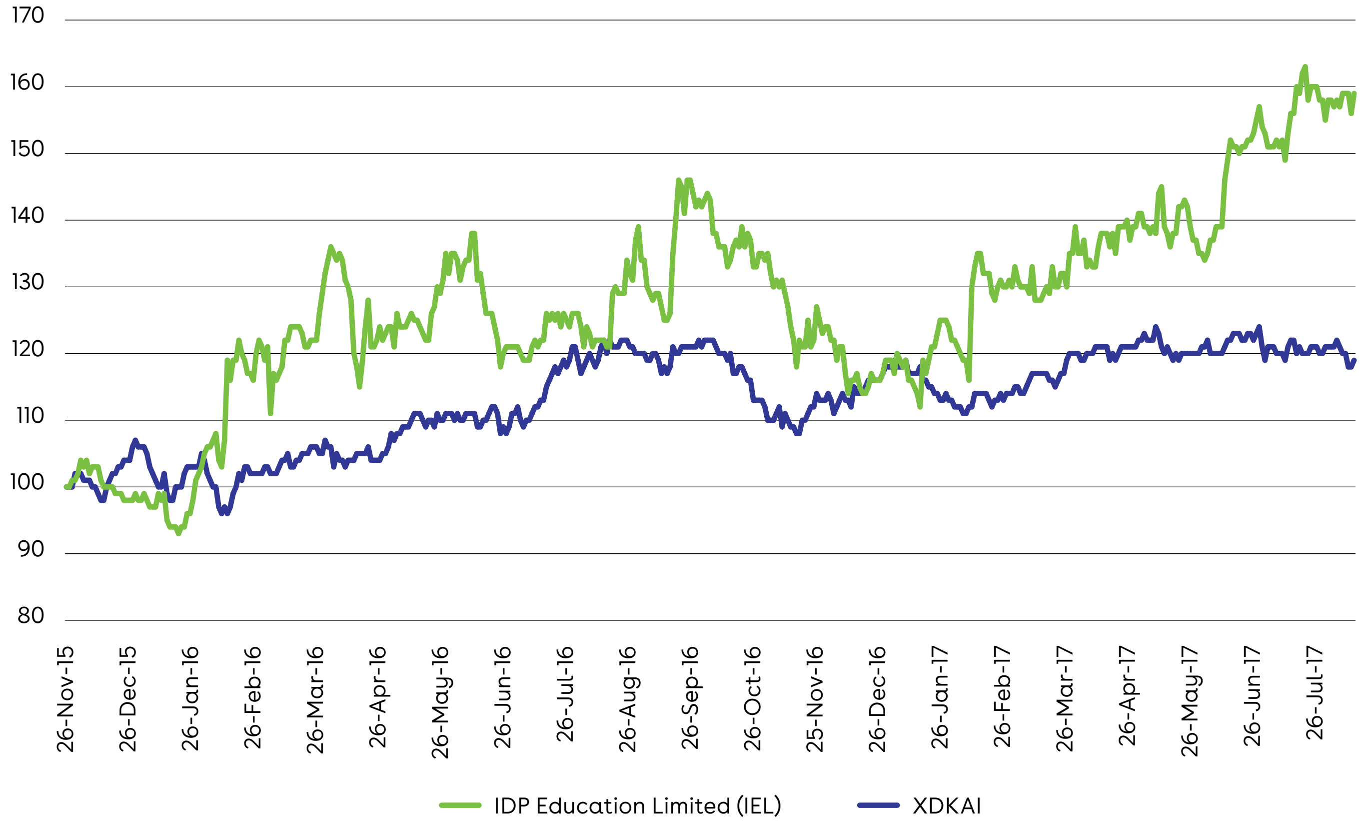
continued

The component of LTI awards linked to TSR relative performance is a less reliable measure of performance. Because this measure requires a calculation of all the component companies in the XDKAI (approximately 60 companies) the exact performance can only be assessed at the final test date. An indicative only result can be shown by comparing IDP's TSR relative to the XDKAI as set out in the following chart.

As indicated IDP has consistently outperformed the XDKAI. Since listing IDP has achieved an approximate 60% TSR, whereas the XDKAI has returned below 20%. This means shareholder returns for IDP shareholders are more than three times the selected comparator index over the relevant period.

Accordingly, based on early indications a 100% vesting of the TSR component of the LTI awards are expected although subject to independent verification and testing at the relevant test dates.

IEL TSR vs S&P/ASX300 CONSUMER DISCRETIONARY ACCUMULATION INDEX (XDKAI) 26 NOVEMBER 2015 TO 15 AUGUST 2017



Executive KMP Statutory remuneration table

The following table has been prepared in accordance with Section 300A of the *Corporations Act 2001* and details statutory accounting expense of all remuneration-related items for the Executive KMP. Note that the table below accrues amounts for equity awards being expensed throughout FY17 that are yet to, and may never, be realised by the Executive KMP member. The statutory remuneration table below differs from the FY17 KMP remuneration mix outlined on page 37. Differences arise mainly due to the accounting treatment of shared-based payment (performance rights and options).

		Short term Benefits				Post-employment Benefits	Long-term Benefits	Equity-based Benefits	
	Financial Year	Salary $	STI[1] $	Other $	Non-monetary Benefits $	Super-annuation $	Leave[2] $	Performance rights/ Options[3] $	Total remun-eration $
Executive KMP									
Andrew Barkla[4]	2017	765,000	573,681	–	–	35,000	7,545	1,083,840	2,465,066
	2016	668,703	327,234	–	–	30,692	1,415	789,329	1,817,373
Murray Walton[5]	2017	357,078	233,656	–	–	33,922	20,985	136,876	782,517
	2016	311,074	162,799	–	–	29,553	8,873	144,611	656,910
Warwick Freeland	2017	381,484	248,885	–	–	35,000	16,453	378,018	1,059,840
	2016	369,353	193,255	–	–	35,000	10,533	183,171	791,312
Former Executive KMP									
Andrew Thompson[6]	2017	–	–	–	–	–	–	–	–
	2016	111,035	–	–	–	5,867	–	–	116,902
Total	**2017**	**1,503,562**	**1,056,222**	**-**	**-**	**103,922**	**44,983**	**1,598,734**	**4,307,423**
	2016	**1,460,165**	**683,288**	**-**	**-**	**101,112**	**20,821**	**1,117,111**	**3,382,497**

1. *Short-term STI includes both cash and service rights expected to be paid/vest in future periods as a result of FY17 STI outcomes*
2. *Long-Term benefits represents long service leave accrued but untaken during the year*
3. *Equity based benefits represent benefits issued under the LTI. It represents statutory accounting expenses measured under AASB 2, which are based on the grant date fair value, amortised on a straight line basis over the vesting period. Refer to share based payments accounting policy (note 21) for further details*
4. *Andrew Barkla commenced employment on 17 August 2015 and, therefore, the remuneration detailed for FY16 reflects the part year that he was employed*
5. *The CFO role was benchmarked with FAR found to be materially under market. Subject to the CFO's performance, FAR will be continually moved forward through a progression of above market increases until the role is aligned to market benchmark*
6. *Andrew Thompson ceased employment on 14 August 2015 and, therefore, the base salary and superannuation detailed for FY16 reflect his part year service*

Remuneration report

continued

Executive KMP LTI outcomes

Executive KMP	LTI Award	Performance rights/ options awards	Grant date	Opening balance
Andrew Barkla	The FY16 Award	Performance Rights	19-Oct-15	324,447
	The FY17 Award	Performance Rights	14-Sep-16	-
	CEO Incentive Award	Options	17-Aug-15	4,150,000
Murray Walton	The IPO Award	Performance Rights	21-Feb-14	39,757
	Prospectus Award	Performance Rights	21-Feb-14	39,757
	2013 LTI Award	Performance Rights	21-Feb-14	79,431
	2014 LTI Award	Performance Rights	21-Feb-14	79,431
	The FY16 Award	Performance Rights	19-Oct-15	96,695
	The FY17 Award	Performance Rights	14-Sep-16	-
Warwick Freeland	The IPO Award	Performance Rights	21-Feb-14	47,144
	Prospectus Award	Performance Rights	21-Feb-14	47,144
	2013 LTI Award	Performance Rights	21-Feb-14	94,288
	2014 LTI Award	Performance Rights	21-Feb-14	94,288
	The FY16 Award	Performance Rights	19-Oct-15	147,574
	The FY17 Award	Performance Rights	14-Sep-16	-
	FY17 Special Incentive Award Award	Performance Rights	14-Sep-16	-

Executive KMP equity holdings

Details of the shareholdings of the Executive KMP and their related parties are provided in the table below:

Executive KMP	Opening balance	Performance Rights exercised	Options exercised	Net change other[1]	Closing balance
Andrew Barkla	-	-	-	-	-
Murray Walton	-	119,188	-	(3,057)	116,131
Warwick Freeland	-	141,432	-	(141,432)	-

1. *These amounts represent ordinary shares purchased or sold directly or indirectly by the Executive KMP during the financial year. These transactions have no connection with the roles and responsibilities as employees of the Group*

Granted during year	Exercised during year	Forfeited during year	Closing balance - vested and exercisable	Closing balance - vested but not exercisable	Closing balance - unvested
–	–	–	–	–	324,447
116,505	–	–	–	–	116,505
–	–	–	–	–	4,150,000
–	39,757	–	–	–	–
–	–	–	–	–	39,757
–	79,431	–	–	–	–
–	–	–	–	–	79,431
–	–	–	–	–	96,695
33,216	–	–	–	–	33,216
–	47,144	–	–	–	–
–	–	–	–	–	47,144
–	94,288	–	–	–	–
–	–	–	–	–	94,288
–	–	–	–	–	147,574
45,490	–	–	–	–	45,490
97,087	–	–	–	–	97,087

Non-executive Director remuneration strategy and framework

Non-executive Director fees are determined by reference to external survey data, taking account of the Group's relative size and business complexity.

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in a general meeting. This amount, being the fee pool limit, has been fixed at $1,500,000 per financial year.

Each Non-executive Director's total remuneration package may be comprised of the following elements:

› Base fee

› Committee fee

Non-executive Directors have no entitlement to STI. With the exception of the IPO Award, granted to specific Non-executive Directors in recognition of the additional workload arising from the initial public offering, no LTI are offered.

No retirement benefits are payable to Non-executive Directors.

The below table provides further details relating to the components of the Non-executive Director remuneration.

Component	Delivered	Description
Base Fee	Cash	The base fee represents remuneration for service on the IDP Education Board. The base fee for the Chair represents the entire remuneration for that role.
Committee Chair fees	Cash	Committee fees represent remuneration for chairing Board committees. No additional remuneration is provided for membership of a Committee.
IPO Award	Performance Right	Participation in the LTI is recognition of the additional workloads arising from the IPO.

The current Non-executive Director remuneration fee structure is shown in the following table:

	$ per annum
Base Fee	
Chair	175,000
Non-executive Director	115,000
Committee Chair Fees	
Audit and Risk Committee	15,000
Nomination Committee	10,000
Remuneration Committee	10,000

The above fee structure was reviewed upon the Company's listing on 26 November 2015 and has not changed since that date.

Non-executive Director statutory remuneration table

		Short term Benefits				Post-employ-ment	Long term Benefits	Equity-based Benefits	
	Financial Year	Directors Fees $	STI $	Other $	Non-monetary $	Super-annuation $	Leave $	Perfor-mance rights[1] $	Total remun-eration $
Non-executive Directors									
Peter Polson[2]	2017	159,814	–	–	–	15,182	–	29,780	204,776
	2016	150,232	–	–	–	14,272	–	49,489	213,993
Ariane Barker[3]	2017	129,996	–	–	–	–	–	–	129,996
	2016	77,275	–	–	–	–	–	–	77,275
Professor David Battersby AM[2]	2017	105,019	–	–	–	9,977	–	–	114,996
	2016	93,358	–	–	–	8,869	–	–	102,227
Belinda Robinson[3]	2017	105,019	–	–	–	9,977	–	–	114,996
	2016	62,428	–	–	–	5,931	–	–	68,359
Greg West[2]	2017	105,019	–	–	–	9,977	–	20,834	135,830
	2016	101,090	–	–	–	9,604	–	34,623	145,317
Chris Leptos AM[3]	2017	105,019	–	–	–	9,977	–	–	114,996
	2016	62,428	–	–	–	5,931	–	–	68,359
Former Non-executive Directors									
Greg Hill[4,5]	2017	–	–	–	–	–	–	–	–
	2016	–	–	–	–	–	–	–	–
Michael Ilczynski[4,5]	2017	–	–	–	–	–	–	–	–
	2016	31,317	–	–	–	–	–	–	31,317
Eddie Collis[4,5]	2017	–	–	–	–	–	–	–	–
	2016	31,317	–	–	–	–	–	–	31,317
Joe Powell[4,5]	2017	–	–	–	–	–	–	–	–
	2016	31,316	–	–	–	–	–	–	31,316
Total	**2017**	**709,886**	**–**	**–**	**–**	**55,090**	**–**	**50,614**	**815,590**
	2016	**640,761**	**–**	**–**	**–**	**44,607**	**–**	**84,112**	**769,480**

1. *Equity based benefits represent benefits issued as one-off pre-IPO award. The values are based on the grant date fair value, amortised on a straight line basis over the vesting period, refer to share based payments accounting policy (note 20) for further details*
2. *The Chair and directors fees were set upon listing to reflect relevant market benchmarks for an ASX listed entity. The year on year increase reflects a full year at the ASX market rates compared to a part year in FY16*
3. *Ariane Barker, Belinda Robinson and Chris Leptos were appointed on 12 November 2015 and, therefore, the directors fees and superannuation detailed for FY16 reflect the part year period that they were employed*
4. *Director fees were paid directly to the organisations that the Non-executive Directors represented (Seek Limited and University of the Sunshine Coast)*
5. *Greg Hill, Michael Ilczynski, Eddie Collis and Joe Powell retired as Directors on 12 November 2015*

Remuneration report

continued

Non-executive Director LTI outcomes

Non-executive Director	LTI Award	Performance rights/options awards	Grant date	Opening balance	Granted during year	Exercised during year	Forfeited during year	Closing balance - vested and exer-cisable	Closing balance - vested but not exer-cisable	Closing balance - unvested
Peter Polson	The IPO Award	Performance Rights	21-Feb-14	106,655	-	106,655	-	-	-	-
Greg West	The IPO Award	Performance Rights	21-Feb-14	74,617	-	74,617	-	-	-	-

Non-executive Director equity holdings

Details of the shareholdings of the Non-executive Directors and their related parties are provided in the table below:

	Opening balance	Performance Rights exercised	Options exercised	Net change other[1]	Closing balance
Non-executive Directors					
Peter Polson	37,735	106,655	-	(40,000)	104,390
Ariane Barker	18,867	-	-	-	18,867
Professor David Battersby AM	-	-	-	-	-
Belinda Robinson	6,000	-	-	-	6,000
Greg West	-	74,617	-	-	74,617
Chris Leptos AM	18,867	-	-	-	18,867

1. *These amounts represent ordinary shares purchased or sold directly or indirectly by the Non-executive Directors during the financial year. These transactions have no connection with the roles and responsibilities as employees of the Group*

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

Peter Polson

Chairman

Melbourne

21 August 2017

Andrew Barkla

Managing Director

Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

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

21 August 2017

Dear Board Members

IDP Education Limited

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

As lead audit partner for the audit of the financial statements of IDP Education Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

Consolidated statement of profit or loss

for the year ended 30 June 2017

	Notes	30 June 2017 $'000	30 June 2016 $'000
Revenue	*3*	394,187	361,636
Expenses	*4.1*	(325,822)	(300,575)
Depreciation and amortisation		(7,141)	(7,397)
Finance income		326	565
Finance costs	*4.2*	(1,043)	(103)
Profit for the year before income tax expense		**60,507**	**54,126**
Income tax expense	*5*	(18,996)	(14,212)
Profit for the year		**41,511**	**39,914**
Profit for the year attributable to:			
Owners of IDP Education Limited		41,511	39,914
		41,511	**39,914**

Earnings per share for profit attributable to ordinary equity holders	*Notes*	**30 June 2017**	**30 June 2016**
Basic earnings per share (cents per share)	*7*	16.58	15.95
Diluted earnings per share (cents per share)	*7*	16.20	15.60

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

Consolidated statement of comprehensive income

for the year ended 30 June 2017

	Notes	30 June 2017 $'000	30 June 2016 $'000
Profit for the year		41,511	39,914
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net investment hedge of foreign operations		(983)	-
Exchange differences arising on translating the foreign operations		1,272	534
Gains/(losses) arising on changes in fair value of hedging instruments entered into for cash flow hedges			
Forward foreign exchange contracts		6	(4,629)
Cumulative gains/(losses) arising on changes in fair value of hedging instruments reclassified to profit or loss		2,353	(2,930)
Income tax related to gains/(losses) recognised in other comprehensive income	*5*	(528)	2,276
Items that will not be reclassified subsequently to profit or loss:		-	-
Other comprehensive income for the year, net of income tax		2,120	(4,749)
Total comprehensive income for the year		**43,631**	**35,165**
Total comprehensive income attributable to:			
Owners of IDP Education Limited		43,631	35,165
		43,631	**35,165**

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

Consolidated statement of financial position

as at 30 June 2017

	Notes	30 June 2017 $'000	30 June 2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	*17*	41,958	35,353
Trade and other receivables	*8*	41,519	31,114
Derivative financial instruments	*20*	484	838
Current tax assets		804	698
Other current assets	*12*	9,815	9,270
Total current assets		**94,580**	**77,273**
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	14,123	11,299
Intangible assets	*11*	115,233	53,360
Capitalised development costs	*9*	9,890	6,096
Deferred tax assets	*5*	5,818	5,619
Derivative financial instruments	*20*	-	176
Other non-current assets		204	253
Total non-current assets		**145,268**	**76,803**
TOTAL ASSETS		**239,848**	**154,076**
CURRENT LIABILITIES			
Trade and other payables	*13*	50,277	41,300
Deferred revenue	*14*	25,718	14,111
Provisions	*15*	7,722	7,087
Current tax liabilities		2,796	2,837
Financial liabilities at fair value through profit or loss	*20*	12,012	2,356
Derivative financial instruments	*20*	3,070	3,996
Total current liabilities		**101,595**	**71,687**
NON-CURRENT LIABILITIES			
Trade and other payables	*13*	124	102
Borrowings	*16*	39,108	-
Derivative financial instruments	*20*	-	268
Deferred tax liabilities	*5*	6,952	-
Provisions	*15*	3,266	2,701
Total non-current liabilities		**49,450**	**3,071**
TOTAL LIABILITIES		**151,045**	**74,758**
NET ASSETS		**88,803**	**79,318**
EQUITY			
Issued capital	*19*	19,426	25,050
Reserves		4,246	(639)
Retained earnings		65,131	54,907
TOTAL EQUITY		**88,803**	**79,318**

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

Consolidated statement of changes in equity

for the year ended 30 June 2017

	Note	Issued capital	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Total
	Note	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 July 2015		**27,450**	**2,930**	**(1,938)**	**–**	**62,993**	**91,435**
Change in the fair value of cash flow hedges, net of income tax		–	(5,283)	–	–	–	(5,283)
Exchange differences arising on translating the foreign operations		–	–	534	–	–	534
Profit for the year		–	–	–	–	39,914	39,914
Total comprehensive income for the year		–	(5,283)	534	–	39,914	35,165
Buy back of treasury shares	*19.2*	(2,400)	–	–	–	–	(2,400)
Reclassification*					1,031		1,031
Share-based payments	*21.4*	–	–	–	2,087	–	2,087
Dividends paid	6	–	–	–	–	(48,000)	(48,000)
As at 30 June 2016		**25,050**	**(2,353)**	**(1,404)**	**3,118**	**54,907**	**79,318**

** The adjustment represents the reclassification of employee long-term incentive plan from non-current liabilities to share based payments reserve.*

	Note	Issued capital	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Total
	Note	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 July 2016		**25,050**	**(2,353)**	**(1,404)**	**3,118**	**54,907**	**79,318**
Change in the fair value of cash flow hedges, net of income tax		–	1,652	–	–	–	1,652
Exchange differences arising on translating the foreign operations		–	–	468	–	–	468
Profit for the year		–	–	–	–	41,511	41,511
Total comprehensive income for the year		–	1,652	468	–	41,511	43,631
Buy back of treasury shares	*19.2*	(5,624)	–	–	–	–	(5,624)
Share-based payments	*21.4*	–	–	–	2,765	–	2,765
Dividends paid	6	–	–	–	–	(31,287)	(31,287)
As at 30 June 2017		**19,426**	**(701)**	**(936)**	**5,883**	**65,131**	**88,803**

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

Consolidated statement of cash flow

for the year ended 30 June 2017

	Notes	30 June 2017 $'000	30 June 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		342,207	301,391
Payments to suppliers and employees		(264,793)	(240,919)
Interest received		339	567
Interest paid		(278)	(103)
Income tax paid		(18,664)	(17,094)
Net cash inflow from operating activities	*17*	**58,811**	**43,842**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired		(37,933)	-
Payments for plant and equipment, intangible assets and capitalised development costs		(15,666)	(9,166)
Net cash outflow from investing activities		**(53,599)**	**(9,166)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		45,642	15,000
Repayments of borrowings		(6,868)	(15,000)
Payments for treasury shares		(5,624)	(2,400)
Dividends paid		(31,287)	(48,000)
Net cash inflow/(outflow) from financing activities		**1,863**	**(50,400)**
Net increase/(decrease) in cash and cash equivalents		7,075	(15,724)
Cash and cash equivalents at the beginning of the year		35,353	51,184
Effect of exchange rates on cash holdings in foreign currencies		(470)	(107)
Cash and cash equivalents at the end of the year	*17*	**41,958**	**35,353**

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

Notes to the consolidated financial statements

for the year ended 30 June 2017

Notes to the financial statements

1. Basis of preparation

This general purpose financial report for the year ended 30 June 2017 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial statements are for the consolidated entity, consisting of IDP Education Limited (the Company) and its controlled subsidiaries (the Group). IDP Education Limited is a for profit company limited by shares whose shares are publicly traded on the Australian Securities Exchange (ASX). The Company was admitted to the official list of the ASX on 26 November 2015.

The consolidated financial statements for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 21 August 2017.

1.1. COMPLIANCE WITH IFRS

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

1.2. HISTORICAL COST CONVENTION

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial assets and financial liabilities (including derivative instruments) that have been recognised at fair value through profit and loss.

1.3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out in the relevant notes except for those disclosed in notes 1.9 to 1.10.

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

1.4. GOING CONCERN

The financial report has been prepared on a going concern basis.

As at 30 June 2017, the Group is in a net current liability position of $7.0m principally due to the recognition of $12m contingent consideration payable from the acquisition of Hotcourses Limited.

The Directors are of the opinion that the Group is a going concern based on the following factors:

- The strong performance of the Group including strong cash inflow from operating activities and the Group's cash flow forecast;
- available unutilised finance facilities of £12.6m which have a maturity to 18 January 2020 and an $10m unutilised facility which has a maturity to 18 January 2018; and
- The Group's net asset position of $88.8m.

1.5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

- Note 11 – Intangible assets – Impairment test of goodwill and intangible assets with indefinite useful lives
- Note 20.3 – Fair value of financial instruments
- Note 21.3 – Fair value of share-based payments
- Note 26 – Fair value of identifiable assets and liabilities arising from business combination

1. Basis of preparation *(continued)*

1.6. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the consolidated financial statements and the Directors' report have been rounded to the nearest thousand dollars unless otherwise stated.

1.7. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016. The nature and the impact of each new standard and/or amendment are described below:

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other AASBs:

(i) will not be reclassified subsequently to profit or loss; and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The Group has applied these amendments for the first time in the current year. The amendments to AASB 116 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue; or

(ii) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

The Group has applied these amendments for the first time in the current year. The Annual Improvements to AASBs 2012-2014 Cycle include a number of amendments to various AASBs, which are summarised below.

The amendments to AASB 5 introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held – for-distribution accounting is discontinued.

The amendments to AASB 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

1. Basis of preparation *(continued)*

1.7. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS *(continued)*

The amendments to AASB 119 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the Group's consolidated financial statements.

1.8. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET EFFECTIVE

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

Standard and Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 *'Financial Instruments', and the relevant amending standards*	1 January 2018	30 June 2019
AASB 15 *'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'*	1 January 2018	30 June 2019
AASB 2016-3 *'Amendments to Australian Accounting Standards – Clarifications to AASB 15'*	1 January 2018	30 June 2019
AASB Interpretation 22 *'Foreign Currency Transactions and Advance Consideration'*	1 January 2018	30 June 2019
AASB 16 *'Leases'*	1 January 2019	30 June 2020

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.

We anticipate that the adoption of AASB 15 will have an impact on our consolidated financial statements. While we are continuing to assess all potential impacts of the standard, we currently believe the most significant impacts relate to our accounting for student placement revenue. Under the new standard we expect to recognise student placement revenue at different timing. We expect revenue related to IELTS examination, English language teaching, event and advertising to remain substantially unchanged.

Standard and Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2016-1 *'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'*	1 January 2017	30 June 2018
AASB 2016-2 *'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'*	1 January 2017	30 June 2018
AASB 2014-10 *'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'*	1 January 2017	30 June 2018
AASB 2015-10 *'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'*	1 January 2018	30 June 2019
AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	1 January 2018	30 June 2019
AASB 2017-2 *'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle'*	1 January 2017	30 June 2018

The adoption of above amendments will not have material impact in future periods on the financial statements of the Group.

1. Basis of preparation *(continued)*

1.9. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

1.10. FOREIGN CURRENCY TRANSLATION

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent's functional currency. For each Group controlled entity, the Group determines the functional currency and items included in the financial statements of each Group controlled entity are measured using that functional currency.

Transactions and balances

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

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

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

Group consolidation

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

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

2. Segment information

BASIS OF SEGMENTATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Maker in assessing performance and in determining the allocation of resources. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

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

- Asia – which includes Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Laos, Malaysia, Mauritius, Nepal, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, and Vietnam;
- Australasia – which includes Australia, Fiji, New Zealand and New Caledonia; and
- Rest of World – which includes Argentina, Azerbaijan, Bahrain, Brazil, Canada, Colombia, Cyprus, Egypt, Germany, Greece, Iran, Italy, Jordan, Kazakhstan, Kuwait, Lebanon, Mexico, Oman, Pakistan, Qatar, Russia, Saudi Arabia, Spain, Ukraine, the United Arab Emirates, the United Kingdom, United States of America and Turkey.

These geographic segments are based on the Group's management reporting system and the way management views the business.

The principal activities of each segment are provision of student placement services, International English Language Testing (IELTS), advertising and event services and English language teaching services.

GEOGRAPHIC SEGMENT REVENUE AND RESULTS

	Segment revenue		Segment EBIT	
	30 June 2017 $'000	30 June 2016 $'000	30 June 2017 $'000	30 June 2016 $'000
Asia	238,021	220,258	70,512	64,399
Australasia	68,969	70,403	18,614	19,777
Rest of World	87,197	70,975	17,264	13,892
Consolidated total	394,187	361,636	106,390	98,068
Corporate cost			(43,805)	(44,151)
Amortisation of intangible assets generated from business combinations			(1,361)	(253)
EBIT			**61,224**	**53,664**
Net finance (cost)/income			(717)	462
Profit before tax			**60,507**	**54,126**

PRODUCT SEGMENT

The Group also uses a secondary segment which shows revenue and gross profit by product. Revenue by service segment is disclosed in Note 3. Gross profit (i.e. revenue less direct costs) by product segment is shown below:

	30 June 2017 $'000	30 June 2016 $'000
Student placement	87,249	78,228
IELTS examination	103,604	95,065
English language teaching	13,950	13,435
Advertising and events	6,003	(684)
Other	1,937	2,319
	212,743	**188,363**

Notes to the consolidated financial statements

continued

3. Revenue

ACCOUNTING POLICY

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

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

(i) Student placement revenue

Student placement revenue is recognised when student enrolments are confirmed, subject to the Group assessing that, based on the terms of the relevant contract and relevant past experience on student withdrawal rates, it is probable that the Group will be entitled to those fees.

As a result, the recognition date can and does vary between markets depending on the maturity of the market and relevant factors such as availability of supporting data and other evidence used to assess probability of entitlement in the context of the relevant customer contract. These factors are reviewed regularly and where appropriate the recognition date is updated.

The Company is not entitled to fees for confirmed student enrolments that are subsequently withdrawn prior to a date specified in the contract, typically the student census date. Accordingly, allowance provisions, where applicable, are established based on historical information for student withdrawals.

(ii) IELTS revenue

Revenue for English language testing is generally recognised when testing has been completed.

(iii) English language teaching revenue

Revenue for English language teaching is generally recognised on a percentage of course completion basis.

(iv) Advertising and event revenue

Advertising and event revenue is recognised when the advertising service has been delivered or an exhibition has been held.

(v) Other revenue

Other revenue is recognised when the service is provided and the fee is received.

	30 June 2017 $'000	30 June 2016 $'000
Student placement revenue	103,414	92,428
IELTS examination revenue	250,703	237,147
English language teaching revenue	21,158	20,305
Advertising and event revenue	15,311	8,045
Other revenue	3,601	3,711
	394,187	**361,636**

4. Expenses and Finance costs

4.1 EXPENSES

	30 June 2017 $'000	30 June 2016 $'000
Student placement direct costs	16,165	14,200
IELTS examination direct costs	147,099	142,082
English language teaching direct costs	7,208	6,870
Advertising and event direct costs	9,308	8,729
Other direct costs	1,664	1,392
Employee benefits expense	90,368	79,366
Occupancy expenses	16,379	14,263
Marketing expenses	11,224	11,784
Administrative expenses	6,347	6,323
IT and communication expenses	5,505	4,870
Consultancy and professional expenses	6,936	5,621
Foreign exchange loss	1,928	154
Other expenses	5,691	4,921
	325,822	**300,575**

4.2 FINANCE COSTS

	30 June 2017 $'000	30 June 2016 $'000
Interest on borrowings	412	103
Unwinding of discounting on financial liabilities	496	-
Other finance costs	135	-
	1,043	**103**

5. Income taxes

ACCOUNTING POLICY

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

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

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

5. Income taxes *(continued)*

ACCOUNTING POLICY *(continued)*

Current tax is the expected tax payable on the taxable 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;

(ii) The initial recognition of goodwill; and

(iii) The initial recognition of assets and liabilities in a transaction which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

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.

RESEARCH AND DEVELOPMENT INCENTIVE

Research and development (R&D) incentives are accounted for in accordance with AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance'. R&D incentives are assistance to the Group by the Australian Government in the form of a reduction in income tax liability in return for expenditure on eligible R&D as registered with AusIndustry. R&D incentives receivable as compensation for expenses or losses already incurred by the Group with no future related costs are recognised in profit or loss in the period in which they are quantified and become receivable. The amount of R&D incentives received or receivable in respect of eligible R&D as registered with AusIndustry that is in excess of the amount that would have otherwise been deductible in calculating income tax expense are included in other revenue.

5.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

	30 June 2017 $'000	30 June 2016 $'000
Current tax		
Current tax expense in respect of the current year	18,025	17,787
Withholding taxes	508	454
Adjustments recognised in the current year in relation to the current tax of prior years		
– R&D incentives	–	(1,361)
– Others	467	(616)
	19,000	16,264
Deferred tax		
In respect of the current year	(4)	(2,052)
Total income tax expense recognised in the current year relating to continuing operations	**18,996**	**14,212**

5. Income taxes *(continued)*

5.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS *(continued)*

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

	30 June 2017 $'000	30 June 2016 $'000
Profit before tax	60,507	54,126
Income tax expense calculated at 30% (2016: 30%)	18,152	16,238
Add tax effect of:		
Non-deductible expenses	438	592
Attributed income	58	508
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	685	487
Withholding taxes	508	455
	19,841	18,280
Less tax effect of:		
Non-assessable income	(263)	(264)
Other deductible items	(71)	(155)
Prior year deferred tax balances recognised	475	(205)
Effect of tax rate in foreign jurisdictions	(1,453)	(1,467)
Adjustments recognised in the current year in relation to the current tax of prior years		
– R&D incentives	–	(1,361)
– Others	467	(616)
Income tax recognised in profit or loss	**18,996**	**14,212**

5.2 DEFERRED TAX BALANCES

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	30 June 2017 $'000	30 June 2016 $'000
Deferred tax assets	5,818	5,619
Deferred tax liabilities	(6,952)	–
	(1,134)	**5,619**

5. Income taxes *(continued)*

5.2 DEFERRED TAX BALANCES *(continued)*

2017

Temporary differences and tax losses

$'000	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Acquisitions	Closing balance
Accrued expenses	1,025	294	-	-	1,319
Deferred capital expenditure	96	55	-	-	151
Employee benefits	2,289	(629)	-	-	1,660
Trade receivable	13	320	-	-	333
Derivative financial instruments	1,458	318	(708)	-	1,068
Hedge of net investments	-	-	295	-	295
Unrealised foreign exchange losses	191	43	-	-	234
Plant, property and equipment	312	(1,035)	-	-	(723)
Deferred revenue	(278)	63	-	-	(215)
Intangible assets	(882)	274	(115)	(6,229)	(6,952)
Tax losses	-	86	-	-	86
Others	1,395	215	-	-	1,610
Net deferred tax	**5,619**	**4**	**(528)**	**(6,229)**	**(1,134)**

2016

Temporary differences and tax losses

$'000	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Acquisitions	Closing balance
Accrued expenses	1,600	(575)	-	-	1,025
Deferred capital expenditure	86	10	-	-	96
Employee benefits	1,611	678	-	-	2,289
Trade receivable	11	2	-	-	13
Derivative financial instruments	(1,065)	247	2,276	-	1,458
Unrealised foreign exchange gains	(545)	736	-	-	191
Plant, property and equipment	(432)	744	-	-	312
Deferred revenue	(402)	124	-	-	(278)
Intangible assets	(945)	63	-	-	(882)
Others	1,372	23	-	-	1,395
Net deferred tax	**1,291**	**2,052**	**2,276**	**-**	**5,619**

5. Income taxes *(continued)*

5.3 UNRECOGNISED DEFERRED TAX ASSETS

	30 June 2017 $'000	30 June 2016 $'000
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
- temporary differences	452	-
- tax losses	2,336	2,108
	2,788	**2,108**

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

6. Dividends

ACCOUNTING POLICY

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

6.1 DIVIDENDS PAID

	30 June 2017		30 June 2016	
	cents per share	Total $'000	cents per share	Total $'000
Interim dividend paid in respect of current financial year-50% franked at the Australia corporate tax rate of 30%	7.0	17,521	-	-
Final dividend paid in respect of prior financial year - 35% franked (2016: 24.5%) at the Australia corporate tax rate of 30%	5.5	13,766	7.2	18,000
Special dividend paid prior to the IPO - 24.5% franked at the Australia corporate tax rate of 30%	-	-	12.0	30,000
Total		**31,287**		**48,000**

The interim dividend of 7.0c per share for the financial year ended 30 June 2017 was paid on 31 March 2017.

The final dividend of 5.5c per share for the financial year ended 30 June 2016 was paid on 30 September 2016.

6.2 DIVIDENDS PROPOSED AND NOT RECOGNISED AT THE END OF THE REPORTING PERIOD

A dividend of 5.50 cents per share franked at 55% was declared on 21 August 2017, payable on 28 September 2017 to shareholders registered on 7 September 2017.

6.3 FRANKING CREDITS

The balance of the franking account at 30 June 2017 is $6.831m (2016: $3.133m) based on a tax rate of 30% (2016: 30%). The dividend payment on 28 September 2017 will reduce the franking credits available by $3.245m for the consolidated Group.

7. Earnings per share

ACCOUNTING POLICY

Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the reporting period.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:

› the after income tax effect of any interest and other financing costs associated with dilutive potential ordinary shares; and

› the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	30 June 2017 Cents		30 June 2016 Cents	
	Basic	Diluted	Basic	Diluted
Earnings per share	**16.58**	**16.20**	**15.95**	**15.60**

Earnings used in calculating earnings per share	30 June 2017 $000	30 June 2016 $000
Earnings used in the calculation of basic and diluted earnings per share	41,511	39,914

Weighted average number of shares used as the denominator	30 June 2017	30 June 2016
Weighted average number of shares used as denominator in calculating basic EPS	250,294,968	250,294,968
Weighted average of potential dilutive ordinary shares:		
– options	4,150,000	3,615,616
– performance rights	1,775,290	1,888,317
Weighted average number of shares used as denominator in calculating diluted EPS	**256,220,258**	**255,798,901**

A share split took place prior to the Group's IPO in the year ended 30 June 2016 (refer Note 19). The basic and diluted earnings per share presented for both the current and comparative year are calculated using the number of shares on issue following the share split.

8. Trade and other receivables

ACCOUNTING POLICY

Trade receivables, which generally have 30 to 60 day terms, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified.

An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance is measured as the difference between the carrying amount of the trade receivables and the present value of the estimated future cash flows expected to be recovered from the relevant debtors.

	30 June 2017 $'000	30 June 2016 $'000
Trade receivables	34,879	25,993
Allowance for doubtful debts	(1,335)	(78)
	33,544	25,915
Other receivables	7,975	5,199
	41,519	**31,114**

Included in the Group's trade receivable balance are debtors with a carrying amount of $10.469m (2016: $8.883m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

AGE OF RECEIVABLES THAT ARE PAST DUE BUT NOT IMPAIRED

	30 June 2017 $'000	30 June 2016 $'000
1 – 30 days	4,683	1,941
30 – 60 days	199	555
60 – 90 days	1,236	1,454
90 – 120 days	3,227	2,034
120+ days	1,124	2,899
Total	**10,469**	**8,883**

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	30 June 2017 $'000	30 June 2016 $'000
Balance at beginning of the year	(78)	(151)
Impairment losses recognised on receivables	(1,324)	(132)
Amounts written off during the year	67	2
Impairment losses reversed	–	203
Balance at end of the year	**(1,335)**	**(78)**

See Note 20.2 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

9. Capitalised development costs

Capitalised development costs represents internally developed systems not yet put into use. These assets will be transferred to intangible assets or plant, property and equipment as appropriate on the date of completion.

Capitalised development costs arising from the development phase of an internal project are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to use the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount recognised is the sum of the expenditure incurred from the date when the project development first meets the recognition criteria listed above. Where above criteria is not met, development expenditure is recognised in profit or loss in the period in which it is incurred.

	30 June 2017 $'000	30 June 2016 $'000
Balance at beginning of the year	6,096	2,625
Additions	10,455	3,471
Transfers to intangible assets	(6,661)	-
Balance at end of the year	**9,890**	**6,096**

10. Property, plant and equipment

ACCOUNTING POLICY

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

Class of Fixed asset	Depreciation rate
Leasehold Improvements	Lease term
Plant and equipment	20-33%

Impairment

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

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

10. Property, plant and equipment *(continued)*

ACCOUNTING POLICY *(continued)*

Impairment *(continued)*

Cost	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2015	10,037	11,125	21,162
Additions	3,218	2,770	5,988
Disposals	(728)	(633)	(1,361)
Balance at 30 June 2016	12,527	13,262	25,789
Additions	3,966	2,729	6,695
Acquisitions through business combinations	18	1,544	1,562
Disposals	(102)	(423)	(525)
Balance at 30 June 2017	16,409	17,112	33,521
Accumulated depreciation			
Balance at 1 July 2015	(5,297)	(7,370)	(12,667)
Depreciation for the year	(1,517)	(2,278)	(3,795)
Adjustments(1)	-	797	797
Disposals	542	633	1,175
Balance at 30 June 2016	(6,272)	(8,218)	(14,490)
Depreciation for the year	(1,966)	(2,310)	(4,276)
Acquisitions through business combinations	(4)	(1,124)	(1,128)
Disposals	73	423	496
Balance at 30 June 2017	(8,169)	(11,229)	(19,398)
Net Book Value			
At 30 June 2016	6,255	5,044	11,299
At 30 June 2017	8,240	5,883	14,123

1. *Represents the foreign currency translation adjustments relating to previous financial years*

11. Intangible assets

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment of goodwill and other intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are allocated to a cash-generating unit (CGU) or group of CGUs and tested for impairment annually to determine whether they have suffered any impairment in accordance with the accounting policy stated below.

The recoverable amounts of the CGU or group of CGUs to which the assets have been allocated have been determined based on the value in use calculations. These calculations are performed based on cash flow projections and other supplementary information which, given their forward looking nature, require the adoption of assumptions and estimates.

The key assumptions and estimates utilised in management's assessments relate primarily to:

› Three years cash flow forecasts sourced from internal budgets and management forecasts;

› Terminal value growth rates applied to the period beyond the three year cash flow forecasts; and

› Pre-tax discount rates, used to discount the cash flows to present value.

Each of these assumptions and estimates is based on a "best estimate" at the time of performing the valuation. However, increase in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the carrying value of CGU or group of CGUs to exceed their recoverable amount.

11. Intangible assets *(continued)*

ACCOUNTING POLICY

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

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Software

Software is amortised over the useful life of 3 to 5 years.

Student placement licence

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

Brand and trade names

Brand and trade names are separately identifiable intangible assets arising from business combinations and are recognised at fair value at the acquisition date. The useful life of brand and trade names are assessed based on nature of the specific market and assets. Brand and trade names from Hotcourses acquisition are considered to have an indefinite useful life and as such are not amortised. Brand and trade name from the Promising Education acquisition is amortised over 15 years.

Customer relationships

Customer relationships are separately identifiable intangible assets arising from business combinations and are recognised at fair value at the acquisition date. Customer relationships are amortised between 8 and 19 years.

Website technology and database

Website technology and database is a separately identifiable intangible asset arising from a business combination and is recognised at fair value at the acquisition date. Website technology and database are amortised between 3 and 5 years.

Contracts for English language testing and Goodwill

Contracts for English language testing acquired on 1 September 2006 are recognised at their fair value at date of acquisition. There is no termination date in accordance with its term and management has re-assessed the events and circumstances, which supports an indefinite useful life assessment for Contracts for English language testing. These contracts are considered to have an indefinite useful life and as such are not amortised.

Contracts of English language testing and Goodwill are not amortised but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Contracts of English language testing and Goodwill are allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the Contracts for English language testing and business combination in which the Goodwill arose.

11. Intangible assets *(continued)*

ACCOUNTING POLICY *(continued)*

Contracts for English language testing and Goodwill *(continued)*

Cost	Software $'000	Student placement licence $'000	Brand and trade names $'000	Customer relation-ships $'000	Website technology and database $'000	Goodwill $'000	Contracts for English language testing $'000	Total $'000
Balance at 1 July 2015	22,639	2,493	1,059	249	–	13,225	35,200	74,865
Additions	146	–	–	–	–	–	–	146
Balance at 30 June 2016	22,785	2,493	1,059	249	–	13,225	35,200	75,011
Additions	394	–	–	–	–	–	–	394
Transfer from capitalised development costs	6,661	–	–	–	–	–	–	6,661
Acquisitions through business combinations	–	–	13,062	12,975	6,715	23,848	–	56,600
Disposals	(4)	–	–	–	–	–	–	(4)
Effect of foreign currency exchange differences	–	–	243	241	125	444	–	1,053
Balance at 30 June 2017	29,836	2,493	14,364	13,465	6,840	37,517	35,200	139,715
Accumulated amortisation								
Balance at 1 July 2015	(18,027)	(14)	(6)	(2)	–	–	–	(18,049)
Amortisation for the year	(3,349)	–	–	–	–	–	–	(3,349)
Amortisation of intangible assets generated from business combinations	–	(166)	(71)	(16)	–	–	–	(253)
Disposals	–	–	–	–	–	–	–	–
Balance at 30 June 2016	(21,376)	(180)	(77)	(18)	–	–	–	(21,651)
Amortisation for the year	(1,504)	–	–	–		–	–	(1,504)
Amortisation of intangible assets generated from business combinations	–	(166)	(71)	(362)	(762)	–	–	(1,361)
Disposals	4	–	–	–	–	–	–	4
Effect of foreign currency exchange differences	–	–	–	9	21	–	–	30
Balance at 30 June 2017	(22,876)	(346)	(148)	(371)	(741)	–	–	(24,482)
Net Book Value								
At 30 June 2016	1,409	2,313	982	231	–	13,225	35,200	53,360
At 30 June 2017	6,960	2,147	14,216	13,094	6,099	37,517	35,200	115,233

11. Intangible assets *(continued)*

ACCOUNTING POLICY *(continued)*

Impairment testing and key assumptions

A summary by CGU of the carrying amount of goodwill and intangible assets with indefinite useful lives is detailed below:

	30 June 2017		30 June 2016	
CGU/Group of CGUs	Goodwill $'000	Intangible assets with indefinite useful lives $'000	Goodwill $'000	Intangible assets with indefinite useful lives $'000
Asia – IELTS testing	4,476	14,625	4,476	14,625
Australasia – IELTS testing	3,451	11,275	3,451	11,275
Rest of World – IELTS testing	2,847	9,300	2,847	9,300
China – Student placement	2,451	–	2,451	–
UK – Advertising	24,292	13,305	–	–
	37,517	48,505	13,225	35,200

The Group tests whether Goodwill and intangible assets with indefinite useful lives are subject to any impairment annually. The recoverable amount is based on a value in use calculation which uses discounted cash flow projections based on three years internal budgets and management forecasts. Cash flow projections during the budget/forecast period are based on management's best estimate of volume growth, expenses, inflation and foreign exchange rate throughout the period.

Key assumptions

CGU/Group of CGUs	Valuation method	Years of cash flow projection	Terminal growth rate	Pre-tax discount rate % 2017	Pre-tax discount rate % 2016
Asia – IELTS testing[1]	Value in use	3	3%	10.0%	10.3%
Australasia – IELTS testing[1]	Value in use	3	0%	10.0%	10.3%
Rest of World – IELTS testing[1]	Value in use	3	3%	10.0%	10.3%
China – Student placement[1]	Value in use	3	2.5%	18%	18%
UK – Advertising[2]	Value in use	4	2.5%	11.5%	–

1. *In the current year, management used the value in use calculations from the preceding period, updated for the current year pre-tax discount rate to determine each CGU's recoverable amount. Based on the current year assessment the recoverable amounts substantially exceed the current year carrying amounts for each respective CGU. Any reasonable change in the key assumptions from the preceding period would not result in a significant change to the recoverable amounts*
2. *The fair value determined on acquisition supports the carrying amount in the UK – Advertising CGU, and therefore no impairment has been recognised at 30 June 2017. There are no indicators to suggest that the performance of the UK – Advertising CGU has significantly changed from expectation since acquisition date*

As at 30 June 2017, no impairment has been recognised, and no reasonably possible changes in significant assumptions would give rise to an impairment of Intangible assets with indefinite useful lives and Goodwill.

12. Other current assets

	30 June 2017 $'000	30 June 2016 $'000
Prepayments	5,376	4,907
Refundable deposits	4,101	4,155
Other assets	338	208
	9,815	**9,270**

13. Trade and other payables

Current	30 June 2017 $'000	30 June 2016 $'000
Trade payables	37,261	30,914
Other payables	134	-
Employee benefits payable	12,882	10,386
	50,277	**41,300**

Non-current	30 June 2017 $'000	30 June 2016 $'000
Lease incentive liabilities	124	102
	50,401	**41,402**

As at 30 June 2017 and 2016, the carrying value of trade and other payables approximated their fair value.

14. Deferred revenue

	30 June 2017 $'000	30 June 2016 $'000
Unearned income – Examination fees[1]	12,681	8,910
Unearned income – Exhibition fees[2]	1,977	1,519
Unearned income – School fees[3]	3,585	3,682
Unearned income – Advertising contracts[4]	7,017	-
Unearned income – Others	458	-
	25,718	**14,111**

1. *The deferred revenue arises in respect to IELTS fees paid by candidates in advance of the IELTS testing month*
2. *The deferred revenue arises as a result of exhibition fees paid by participants in advance of the event date*
3. *The deferred revenue arises as a result of tuition fees paid by participants in advance of the tuition date*
4. *The deferred revenue arises as a result of advertising contracts fees paid by customers in advance of service delivery*

Refer to note 3 for the revenue recognition accounting policy for each of the revenue stream above.

15. Provisions

ACCOUNTING POLICY

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Provision for make good

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

Employee benefits

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

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

Notes to the consolidated financial statements

continued

15. Provisions *(continued)*

ACCOUNTING POLICY *(continued)*

Employee benefits *(continued)*

	30 June 2017 $'000	30 June 2016 $'000
Employee benefits	7,802	7,128
Make good provision	3,186	2,660
	10,988	**9,788**
Current	7,722	7,087
Non-current	3,266	2,701
	10,988	**9,788**
Movement in make good provisions are set out below		
Balance at beginning of the year	2,660	2,073
Additional provisions required	434	538
Unwinding of discount and effect of changes in the discount rate	92	49
Balance at end of the year	**3,186**	**2,660**

Capital structure and financing

16. Borrowings

Non-current	30 June 2017 $'000	30 June 2016 $'000
Bank loans	39,108	–

During the year, the Group drew down bank loan of £27.5m ($45.6m) to fund the acquisition of Hotcourses Limited, a digital marketing and online student recruitment company in the UK. The loan bears interest at variable market rates and is repayable by 18 January 2020. Repayments of the bank loans amounting to £4.1m ($6.9m) were made before 30 June 2017.

FINANCING ARRANGEMENT

The Group has access to the following borrowing facilities at the end of the year:

	Currency	30 June 2017 '000	30 June 2016 '000
Cash advance term facility[1]	GBP	36,000	–
Facility utilised at end of the year	GBP	(23,381)	–
Facility not utilised at end of the year	GBP	12,619	–

1. Cash advance term facility will expire on 18 January 2020

	Currency	30 June 2017 '000	30 June 2016 '000
Multi-option facility[2]	AUD	10,000	10,000
Facility utilised at end of the year	AUD	–	–
Facility not utilised at end of the year	AUD	10,000	10,000

2. Multi-option facility will expire on 18 January 2018

17. Cash flow information

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

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

	30 June 2017 $'000	30 June 2016 $'000
Net profit after tax	**41,511**	**39,914**
Adjustment for:		
Depreciation and amortisation	7,141	7,397
Doubtful debt provision	1,192	(40)
Net foreign exchange loss	1,928	154
Interest expenses	1,043	103
Share-based payments	2,765	2,087
Unwinding discount of provisions	92	49
Loss on disposal of plant and equipment	45	201
Movement in working capital:		
Trade and other receivables	(5,728)	(3,079)
Derivative financial instruments	(663)	9,079
Other assets	263	329
Trade and other payables	8,013	(7,092)
Current and deferred tax assets	287	(6,107)
Provisions	1,200	950
Cash generated from operations	**59,089**	**43,945**
Interest paid	(278)	(103)
Net cash inflow from operating activities	**58,811**	**43,842**

RECONCILIATION OF CASH AND CASH EQUIVALENTS

	30 June 2017 $'000	30 June 2016 $'000
Cash and bank at call	41,958	35,353
	41,958	**35,353**

18. Lease commitments

Operating lease commitments	30 June 2017 $'000	30 June 2016 $'000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Not later than one year	9,794	8,837
Later than one year and not later than five years	20,669	13,063
Later than five years	3,808	1,459
Minimum lease payments	**34,271**	**23,359**

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

19. Issued capital

19.1 SHARE CAPITAL

	Note	30 June 2017 $'000	30 June 2016 $'000
Ordinary shares fully paid		23,483	27,450
Treasury shares	*19.2*	(4,057)	(2,400)
		19,426	**25,050**

Movement in ordinary shares (fully paid)		**Number of shares**	**$ per share**	**$'000**
Balance at 1 July 2015		3,015,602	9.10	27,450
12 November 2015	Share split prior to IPO	247,279,364	–	–
12 November 2015	Issue of new shares	2	–	–
Balance at 30 June 2016 (including treasury shares)		250,294,968		27,450
Issue of new shares		–	–	–
Transfer of treasury shares to employees		–	–	(3,967)
Balance at 30 June 2017 (including treasury shares)		**250,294,968**		**23,483**

A share split took place prior to the Group's IPO in the year ended 30 June 2016, whereby an additional 82 shares were issued for every one existing share. In addition to the share split, two additional shares were issued at IPO. The number of shares on issue is 250,294,968.

19.2 TREASURY SHARES

Movement in treasury shares	**Number of shares**	**$ per share**	**$'000**
Balance at 1 July 2015	–	–	–
Buy back of treasury shares	905,660	2.65	2,400
Balance at 30 June 2016	905,660	–	2,400
Buy back of treasury shares – FY17 1st HY	136,571	4.60	628
Buy back of treasury shares – FY17 2nd HY	1,047,632	4.77	4,996
Transfer to employees	(1,248,447)	3.17	(3,967)
Balance at 30 June 2017	841,416		4,057

During the 1st half of FY17, IDP Education Employee Share Scheme Trust acquired 136,571 shares (at an average price of $4.60 per share) to be held in the Trust for the benefit of IDP Education group employees who are participants in the IDP Education Employee Incentive Plan. During the 2nd half of FY17, IDP Education Employee Share Scheme Trust further acquired 1,047,632 shares (at an average price of $4.77 per share).

During FY17, 1,248,447 treasury shares were transferred to employees under the performance rights plans (Note 21.2). These shares therefore ceased to be held as treasury shares after these dates.

As at 30 June 2017, there are 841,416 treasury shares ($4.1m) held in the Trust. These shares will be transferred to eligible employees under the Performance Rights plan once the vesting conditions are met.

20. Financial instruments

20.1 FINANCIAL ASSETS AND LIABILITIES

	30 June 2017 $'000	30 June 2016 $'000
Financial assets		
Cash and cash equivalents	41,958	35,353
Derivative financial instruments		
Foreign exchange forward/option contracts	484	1,014
Trade and other receivables	41,519	31,114
Financial liabilities		
Borrowings	39,108	-
Fair value through profit or loss		
Contingent consideration	12,012	2,356
Derivative financial instruments		
Foreign exchange forward/option contracts	3,070	4,264
Trade and other payables	50,401	41,402

Contingent consideration

As part of accounting for the acquisition of Beijing Promising Education Limited, contingent consideration with an estimated fair value of $2.356m was recognised as at 30 June 2016. The final payment amount was $2.4m and the payment was made in August 2016.

As part of the acquisition of Hotcourses Limited, contingent consideration with an estimated fair value of $11.3m was recognised on 31 January 2017 (i.e. the acquisition date). The contingent consideration is classified as a financial liability at fair value through profit and loss. The final payment amount of the contingent consideration is dependent on the KPI measurement (sales growth and successful integration) of Hotcourses Limited for the 12 month period after the acquisition. The fair value of the contingent consideration was re-assessed as $12.0m as at 30 June 2017. The payment is due in February/March 2018.

Accounting policy

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

Cash flow hedges

Hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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

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

Notes to the consolidated financial statements

continued

20. Financial instruments *(continued)*

20.1 FINANCIAL ASSETS AND LIABILITIES *(continued)*

Accounting policy *(continued)*

Cash flow hedges (continued)

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast transaction occurs.

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

Hedge of net investments in foreign operations

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Group uses a loan and a contingent consideration as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. The loan at 30 June 2017 was a borrowing of GBP 23.4m and a contingent consideration of GBP 7.5m which has been designated as a hedge of the net investment in the newly acquired subsidiary in UK, Hotcourses Limited. This borrowing is being used to hedge the Group's exposure to the GBP foreign exchange risk on this investment. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the subsidiary. There is no ineffectiveness in the year ended 30 June 2017.

20.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Market risk

Foreign currency risk management

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

Foreign currency exchange rate risk arises from:

- GBP payments to the University of Cambridge Local Examinations Syndicate test materials commitment;
- Borrowings denominated in GBP;
- Other foreign currencies income or operational expenses (mainly CNY and INR); and
- GBP, USD, CAD and NZD receivable from student placement revenue and IELTS examination fees.

20. Financial instruments *(continued)*

20.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Cash flow hedge

The Company utilises a variety of methods to manage its foreign currency exchange rate risk. The key method is the use of forward exchange contracts and currency option contracts. The Company's hedging policy permits the purchase of forward exchange contracts up to 100% and currency option contracts up to 50% of the currency exposure on the current and following year's forecast cash operating expenses and revenues (net of any forecast cash receipts and payments in the same currency). The main currencies currently covered by the hedging strategy are GBP, CNY and INR.

The Company's current policy is to enter into hedges during the current year covering up to 25% each quarter of the foreign currency exchange rate exposure of the following financial year's forecast cash operating expenses (net of any forecast cash receipts). The balance of the hedge program is completed when the Board approves the Company's budget and cash flow forecasts for the following financial year (which is prior to the commencement of that financial year).

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

	Foreign currency		Foreign currency	
Buy GBP	**30 June 2017 $'000**	**30 June 2016 $'000**	**30 June 2017 $'000**	**30 June 2016 $'000**
0 to 3 months	8,008	8,394	(2,021)	(1,307)
3 to 6 months	4,678	1,710	(257)	11
6 months to 1 year	7,720	9,335	(339)	(1,737)
Over 1 year	–	4,170	–	(106)
Sell INR				
0 to 3 months	300,733	174,692	3	54
3 to 6 months	144,823	225,144	67	92
6 months to 1 year	268,400	360,670	200	257
Over 1 year	–	5,935	–	3
Buy INR				
0 to 3 months	10,194	77	(29)	(153)
3 to 6 months	15,676	12,284	(61)	(151)
6 months to 1 year	21,077	26,110	(116)	(207)

Foreign currency denominated monetary assets and monetary liabilities

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:

	30 June 2017		30 June 2016	
AUD equivalent	**Assets $'000**	**Liabilities $'000**	**Assets $'000**	**Liabilities $'000**
USD	8,167	(175)	9,055	(426)
CNY	3,210	(1,383)	3,608	(3,168)
GBP	10,269	(65,888)	5,299	(12,261)
INR	3,373	(4,508)	1,738	(4,388)
NZD	2,102	–	1,451	–
VND	1,336	(560)	1,437	(822)
CAD	2,866	(278)	1,442	(98)
Other Currencies	9,315	(3,281)	6,258	(3,398)
Total	40,638	(76,073)	30,288	(24,561)

20. Financial instruments *(continued)*

20.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency sensitivity analysis

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

		Effect on profit and loss $'000	Effect on equity $'000
USD			
2017	10%	(622)	(622)
2016	10%	(604)	(604)
CNY			
2017	10%	(142)	560
2016	10%	(31)	(605)
GBP			
2017	10%	316	(1,638)
2016	10%	487	(2,834)
INR			
2017	10%	88	1,205
2016	10%	186	1,374
Other currencies			
2017	10%	(903)	(874)
2016	10%	(23)	(204)

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

At 30 June 2017, the Group was exposed to the variable interest rate loans of $39.6 m. At 30 June 2016, the Group did not have any financial liabilities exposed to interest rate movement risk.

Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	Effect on profit and loss $'000	Effect on equity $'000
2017	50	138	138
2016	n/a	–	–

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

20. Financial instruments *(continued)*

20.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management

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

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

The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The table has been drawn up based on the net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
30 June 2017					
- Trade and other payables	50,277	124	-	50,401	50,401
- Interest-bearing borrowings	814	40,817	-	41,631	39,108
- Financial liabilities at fair value through profit or loss	12,731	-	-	12,731	12,012
- Foreign exchange forward contracts	3,070	-	-	3,070	3,070
	66,892	40,941	-	107,833	104,591
30 June 2016					
- Trade and other payables	41,300	102	-	41,402	41,402
- Financial liabilities at fair value through profit or loss	2,356	-	-	2,356	2,356
- Foreign exchange forward contracts	3,996	268	-	4,264	4,264
	47,652	370	-	48,022	48,022

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 financial institutions that are rated the equivalent of investment grade and above. Credit rating 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 Audit and Risk Committee annually.

The Group's customer base comprises of Australia universities, UK, US, Canada and New Zealand universities and institutions and IELTS test centres. Credit risk assessments are conducted on new and renegotiated contracts to evaluate each customer's creditworthiness. Management considers the Group's credit risk is low due to the industry characteristic of major customers and the diverse customer base.

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.

20. Financial instruments *(continued)*

20.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Critical accounting estimates and assumptions

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows

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

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

Financial assets/ financial liabilities	Fair value hierarchy	Fair value as at 30 June 2017 $'000	Fair value as at 30 June 2016 $'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Foreign currency forward and options contracts	Level 2	Assets: 484 Liabilities: 3,070	Assets: 1,014 Liabilities: 4,264	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Contingent consideration in business combinations	Level 3	12,012	2,356	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	WACC Probability of meeting contingent consideration KPIs	A slight decrease or increase in the discount rate used and/or KPIs probability in isolation would not result in a significant change in the fair value.

20. Financial instruments *(continued)*

20.3 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Critical accounting estimates and assumptions *(continued)*

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 as detailed in Note 20.1.

Reconciliation of Level 3 fair value measurements

Contingent consideration	$'000
As at 1 July 2016	2,356
Settlement	(2,356)
Liabilities arising on business combination (Note 26)	11,313
Effect of foreign exchange rates and unwinding of discount	699
As at 30 June 2017	12,012

20.4 CAPITAL MANAGEMENT

The Group's objective is to maintain an optimal capital structure for the business which ensures sufficient liquidity, provide returns for shareholders, benefits for other stakeholders and to minimise the cost of capital.

As at 30 June 2017, IDP Education has following facilities:

Great British Pound £36,000,000	Facility A: Acquisition funding 3-year unsecured Cash Advance loan facility for acquisition of Hotcourses Ltd
Australian Dollar $10,000,000	Facility B: Multi-option loan facility 12-month unsecured to support both general corporate purposes and working capital requirements of the Group

The loan facilities are held with the National Australia Bank. The Company has complied with all bank lending requirements during the year and at the date of this report.

IDP's capital management is characterised by:

› Ongoing cash flow forecast analysis, detailed budgeting processes and consistent cash repatriation of surplus available cash from its overseas operations to ensure net cost of funds is minimised;

› The Group may adjust the level of dividends paid to shareholders, return capital to shareholders or issue new shares in order to maintain or adjust the capital structure;

› Maintain gearing to a level that does not limit IDP Education growth opportunities; and

› Monitor the gearing ratio of the Group.

As at 30 June 2017, the gearing ratio was 0.73. The ratio is calculated as Total Debt to EBITDA as defined by the loan covenants.

Other notes

21. Share-based payments

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or performance right, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in the Note 21.3 below.

ACCOUNTING POLICY

Share-based compensation benefits are provided to key management personnel (KMP) and certain employees via long-term incentive (LTI) performance rights and options plans.

The fair value of equity-settled rights and options granted under the plans is recognised as an employee benefit expense over the period during which the employees become unconditionally entitled to the rights and options with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights and options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest which are revised at the end of each reporting period. The impact of the revision to original estimates, if any, is recognised in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

The fair value is measured at grant date and the expense recognised over the life of the plan. The fair value of performance rights and options is independently determined using Monte Carlo Simulation or similar pricing model that takes into account the exercise price, the term of the plan, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

21. Share-based payments *(continued)*

21.1 PERFORMANCE RIGHTS AND OPTION PLANS

The LTI plan is designed to align executives' interest with those of shareholders by incentivising participants to deliver long term shareholders returns. Under the plan, participants are granted performance rights that have vesting hurdles. The vesting hurdles must be satisfied at the end of the performance period for the rights to vest.

Details of the current performance rights and options plans are summarised in the table below.

Performance rights / options awards	No. of performance rights/ options	Grant date	Grant date fair value	Exercise price	Vesting conditions	Vesting date
The Prospectus performance rights award	255,972	21-Feb-14	1.40	N/A	Actual earnings and service condition	21-Aug-17[1]
2014 LTI performance rights award – part 1	440,232	21-Feb-14	1.40	N/A	EPS target CAGR	31-Aug-17
2014 LTI performance rights award – part 2	130,725	30-Jan-15	1.40	N/A	EPS target CAGR	31-Aug-17
The FY16 performance right award – tranche 1	369,267	19-Oct-15	1.68	N/A	Net profit after tax	31-Aug-18
The FY16 performance right award – tranche 2	369,267	19-Oct-15	1.68	N/A	Net profit after tax CAGR	31-Aug-18
The FY16 performance right award – tranche 3	369,101	19-Oct-15	0.95	N/A	Total shareholder return CAGR	31-Aug-18
CEO incentive award – tranche 1	1,383,361	17-Aug-15	0.60	1.44	Net profit after tax CAGR	31-Aug-18
CEO incentive award – tranche 2	1,383,361	17-Aug-15	0.60	1.44	Net profit after tax CAGR	31-Aug-18
CEO incentive award – tranche 3	1,383,278	17-Aug-15	0.51	1.44	Total shareholder return CAGR	31-Aug-18
FY17 LTI award – tranche 1	196,227	14-Sep-16	3.83	N/A	EPS target CAGR	31-Aug-19
FY17 LTI award – tranche 2	196,223	14-Sep-16	2.56	N/A	Total shareholder return CAGR	31-Aug-19
FY17 IDP plan award	237,865	14-Sep-16	3.83	N/A	EPS target CAGR	31-Aug-19
FY17 special incentive award – tranche 1	48,544	14-Sep-16	4.02	N/A	Special KPIs	31-Dec-17[1]
FY17 special incentive award – tranche 2	48,543	14-Sep-16	3.93	N/A	Special KPIs	30-Sep-18
Deferred STI grant	14,491	14-Sep-16	4.06	N/A	Service period	31-Aug-17
Hotcourses earn out performance rights	230,499	31-Jan-17	3.85	N/A	Earn out per SPA and business integration success	31-Jan-19

1. An additional service vesting condition requires that the participant maintains continuous employment with the Company for 12 months from the Vesting Date

21. Share-based payments *(continued)*

21.2 MOVEMENTS DURING THE YEAR

The table below summarises the movement in the number of performance rights/options in these plans during the year:

2017	Grant date	Vesting period (years)	Exercise price	Number of options or rights: Opening balance	Granted during the year	Vested during the year	Forfeited during the year	Closing balance
Options plan								
CEO incentive award options[1]	17-Aug-15	3.0	$1.44	4,150,000	-	-	-	4,150,000
Total Options				**4,150,000**	**-**	**-**	**-**	**4,150,000**
Performance right plans								
IPO award	21-Feb-14	2.75	$0.00	467,124	-	(467,124)	-	-
The Prospectus performance award	21-Feb-14	4.5	$0.00	285,852	-	(29,880)	-	255,972
2013 LTI	21-Feb-14	2.5	$0.00	499,992	-	(499,992)	-	-
2013 LTI	30-Jan-15	1.6	$0.00	75,115	-	(75,115)	-	-
2014 LTI	21-Feb-14	3.5	$0.00	499,992	-	(59,760)	-	440,232
2014 LTI	30-Jan-15	2.6	$0.00	130,725	-	-	-	130,725
FY16 performance rights award	19-Oct-15	3.0	$0.00	1,195,449	-	(87,814)	-	1,107,635
FY17 LTI	14-Sep-16	3.0	$0.00	-	421,212	(28,762)	-	392,450
FY17 IDP plan award	14-Sep-16	3.0	$0.00	-	237,865	-	-	237,865
FY17 special incentive award	14-Sep-16	1.6	$0.00	-	97,087	-	-	97,087
Deferred STI	14-Sep-16	1.0	$0.00	-	14,491	-	-	14,491
Hotcourses earn out	31-Jan-17	2.0	$0.00	-	230,499	-	-	230,499
Total Performance Rights				**3,154,249**	**1,001,154**	**1,248,447**	**-**	**2,906,956**
Total All Plans				**7,304,249**	**1,001,154**	**1,248,447**	**-**	**7,056,956**
Weighted average exercise price				**0.82**	**-**	**-**	**-**	**0.85**

1. *The expiry date of the CEO incentive award options is 17 August 2020*

21. Share-based payments (continued)

21.2 MOVEMENTS DURING THE YEAR (continued)

2016	Grant date	Vesting period (years)	Exercise price	Number of options or rights: Opening balance	Granted during the year	Exercised during the year	Forfeited during the year	Closing balance
Options plan								
CEO incentive award options[1]	17-Aug-15	3.0	$1.44	-	4,150,000	-	-	4,150,000
Total Options				**-**	**4,150,000**	**-**	**-**	**4,150,000**
Performance right plans								
IPO award	21-Feb-14	2.75	$0.00	592,205	-	-	(125,081)	467,124
The Prospectus performance award	21-Feb-14	4.5	$0.00	410,933	-	-	(125,081)	285,852
2013 LTI	21-Feb-14	2.5	$0.00	750,154	-	-	(250,162)	499,992
2013 LTI	30-Jan-15	1.6	$0.00	75,115	-	-	-	75,115
2014 LTI	21-Feb-14	3.5	$0.00	750,154	-	-	(250,162)	499,992
2014 LTI	30-Jan-15	2.6	$0.00	130,725	-	-	-	130,725
FY16 performance rights award	19-Oct-15	3.0	$0.00	-	1,195,449	-	-	1,195,449
Total Performance Rights				**2,709,286**	**1,195,449**	**-**	**(750,486)**	**3,154,249**
Total All Plans				**2,709,286**	**5,345,449**	**-**	**(750,486)**	**7,304,249**
Weighted average exercise price				**-**	**1.12**	**-**	**-**	**0.82**

1. *The expiry date of the CEO incentive award options is 17 August 2020*

There are no performance rights/options vested and exercisable as at 30 June 2017 or 30 June 2016.

21.3 FAIR VALUE AND PRICING MODEL

The fair value of performance rights and options granted under the Plan is estimated at the date of grant using a Monte Carlo Simulation Model taking into account the terms and conditions upon which the performance rights/options were granted. The model simulates the total shareholders return of the Company to the vesting date using the Monte Carlo Simulation technique. The simulation repeated numerous times produce a distribution of payoff amounts. The performance rights fair value is taken as the average payoff amount calculated, discounted back to the valuation date.

In valuing the performance rights and options, a number of assumptions were used as shown in the table below:

	31 January 2017 Performance Rights	14 September 2016 Performance Rights
Exercise price	-	-
Share value at grant date	$4.08	$4.19
Expected volatility	35%	35%
Expected dividend yield	2.87%	3%
Risk free interest rate	1.87%	1.66% - 2.17%

The expected volatility is a measure of the amount by which the price is expected to fluctuate during a period. As the Company's shares were not traded prior to listing on the ASX on 26 November 2015, the expected volatility was based on two comparator stocks using daily return data over 3 years and all available data for IEL.

Notes to the consolidated financial statements

continued

21. Share-based payments *(continued)*

21.4 TOTAL SHARE-BASED PAYMENT EXPENSES FOR THE YEAR

The following expenses were recognised in employees benefit expenses during the year relating to share-based payments described above:

	2017 $'000	2016 $'000
LTI performance rights/options plans	2,765	2,087
	2,765	**2,087**

22. Related party transactions

Note 24 provide the information about the Group's structure including the details of the subsidiaries.

22.1 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

	30 June 2017 $	30 June 2016 $
Short-term employee benefits	3,269,670	2,784,214
Post-employment benefits	159,012	145,719
Other long-term benefits	44,983	20,821
Share-based payments	1,649,348	1,201,223
Total compensation paid to key management personnel	**5,123,013**	**4,151,977**

Refer to the Remuneration Report, which forms part of the Directors' Report for further details regarding KMP's remuneration.

23. Remuneration of auditors

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

	30 June 2017 $	30 June 2016 $
Group Auditor, Deloitte Touche Tohmatsu (Australia)		
Audit and review of financial statements	450,000	458,166
Other consultancy service	69,873	235,000
Other assurance service	–	10,000
Member firms of Deloitte Touche Tohmatsu in relation to subsidiaries		
Audit and review of financial statements	347,188	291,376
Taxation advisory services	18,515	66,562
Other advisory services	23,919	18,904
	909,495	1,080,008

24. Subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of voting power held by the Group 2017	Proportion of voting power held by the Group 2016
IELTS Australia Pty Limited	Examinations	Australia	100%	100%
IDP World Pty Ltd	Holding company	Australia	100%	100%
IDP Education Pty (Korea)	Student Placements & Examinations	Korea	100%	100%
IDP Education Services Co. Ltd[1]	Student Placements & Examinations	Thailand	100%	100%
IDP Education Australia (Thailand) Co. Ltd[1]	English Language Teaching	Thailand	100%	100%
IDP Education (Vietnam) Ltd Company	Student Placements & Examinations	Vietnam	100%	100%
Yayasan Pendidikan Australia[2]	Student Placements & Examinations	Indonesia	100%	100%
IDP Consulting (Hong Kong) Co. Ltd	Holding company	Hong Kong	100%	100%
IDP Education India Pvt Ltd	Student Placements & Examinations	India	100%	100%
IDP Education Cambodia Ltd	Student Placements, Examinations & English Language Teaching	Cambodia	100%	100%
IDP Education LLC	Client Relations	United States of America	100%	100%
IDP Education UK Limited	Client Relations	United Kingdom	100%	100%
IDP Education (Canada) Ltd	Client Relations & Examinations	Canada	100%	100%
IDP Education (Bangladesh) Pvt Ltd	Student Placements & Examinations	Bangladesh	100%	100%
IDP Education (Egypt) LLC	Student Placements & Examinations	Egypt	100%	100%
IDP Education Consulting (Beijing) Co., Ltd	Student Placements	China	100%	100%
IDP Business Consulting (Shanghai) Co., Ltd	Student Placements	China	100%	100%
Beijing Promising Education Limited	Student Placements	China	100%	100%
IDP Education Services New Zealand Limited	Student Placements & Examinations	New Zealand	100%	100%
IDP Education Turkey LLC	Student Placements & Examinations	Turkey	100%	100%
IDP Education Lanka (Private) Limited	Student Placements & Examinations	Sri Lanka	100%	100%
IDP Education Pakistan (Private) Limited	Examinations	Pakistan	100%	100%
IDP Education Nepal Private Limited	Examinations	Nepal	100%	100%
Hotcourses Limited[3]	Digital marketing and online student recruitment	United Kingdom	100%	-
The Complete University Guide Limited[3]	Digital marketing	United Kingdom	100%	-
Hotcourses Data Limited[3]	Digital marketing	United Kingdom	100%	-
Hotcourses Inc[3]	Client Relations	United States of America	100%	-
Hotcourses Pty Limited[3]	Client Relations	Australia	100%	-
Hotcourses India Private Limited[3]	Online services	India	100%	-

1. *IDP Education Limited owns 100% ordinary Class A shares, which represents 49% of total shares of IDP Education Australia (Thailand) Co. Ltd and IDP Education Services Co. Ltd. According to the company constitution, ordinary Class A shares holds 100% voting right of the company. Based on these facts and circumstances, management determined that, in substance, the Group controls these entities with no non-controlling interest*
2. *Foundation controlled through IDP Education Limited's capacity to control management of the company*
3. *IDP Education Limited acquired Hotcourses on 31 January 2017. Refer to Note 26*

Notes to the consolidated financial statements

continued

25. Deed of Cross Guarantee

The following wholly-owned entities have entered into a Deed of Cross Guarantee.

Company	Financial year entered into agreement
IDP Education Limited	30 June 2017
IELTS Australia Pty Limited*	30 June 2017
IDP World Pty Ltd*	30 June 2017

** These entities are not required to prepare and lodge a financial report and directors' report under ASIC Corporations (Wholly owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission*

The companies that are members of this deed guarantee the debts of the others and represent the "Closed Group" from the date of entering into the agreement. These are the only members of the Deed of Cross Guarantee and therefore these companies also represent the 'Extended Closed Group'.

25.1 STATEMENT OF PROFIT OR LOSS, OTHER COMPREHENSIVE INCOME AND A SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED PROFITS OF THE CLOSED GROUP FOR DEED OF CROSS GUARANTEE PURPOSES

Statement of comprehensive income	30 June 2017 $'000
Revenue	240,630
Dividend income	7,240
Expenses	(187,755)
Depreciation and amortisation	(2,743)
Finance income	187
Finance costs	(1,014)
Profit for the year before income tax expense	**56,545**
Income tax expense	(16,427)
Profit for the year of the Closed Group	**40,118**
Other comprehensive income	
Items that may be reclassified subsequently to profit or loss:	
Net investment hedge of foreign operations	(983)
Exchange differences arising on translating the foreign operations	(100)
Gain/loss arising on changes in fair value of hedging instruments entered into for cash flow hedges	
Forward foreign exchange contracts	6
Cumulative gain/loss arising on changes in fair value of hedging instruments reclassified to profit or loss	2,353
Income tax related to gains/losses recognised in other comprehensive income	(413)
Items that will not be reclassified subsequently to profit or loss:	-
Other comprehensive income for the year, net of income tax	863
Total comprehensive income for the year of the Closed Group	40,981

Summary of movements in consolidated retained profits	30 June 2017 $'000
Retained profits at 1 July	41,499
Profit for the year	40,118
Dividends paid	(31,287)
Retained profits at 30 June of the Closed Group	50,330

25 Deed of Cross Guarantee *(continued)*

25.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CLOSED GROUP FOR DEED OF CROSS GUARANTEE PURPOSES

	30 June 2017 $'000
CURRENT ASSETS	
Cash and cash equivalents	27,318
Trade and other receivables	34,512
Derivative financial instruments	484
Current tax assets	474
Other current assets	3,671
Total current assets	**66,459**
NON-CURRENT ASSETS	
Investments in subsidiaries	63,177
Property, plant and equipment	5,009
Intangible assets	52,739
Capitalised development costs	9,901
Deferred tax assets	3,517
Other non-current assets	204
Total non-current assets	**134,547**
TOTAL ASSETS	**201,006**
CURRENT LIABILITIES	
Trade and other payables	57,344
Deferred revenue	6,843
Provisions	4,946
Current tax liabilities	412
Financial liabilities at fair value through profit or loss	12,012
Derivative financial instruments	3,070
Total current liabilities	**84,627**
NON-CURRENT LIABILITIES	
Trade and other payables	124
Borrowings	39,108
Provisions	2,936
Total non-current liabilities	**42,168**
TOTAL LIABILITIES	**126,795**
NET ASSETS	**74,211**
EQUITY	
Issued capital	19,426
Reserves	4,455
Retained earnings	50,330
TOTAL EQUITY	**74,211**

Notes to the consolidated financial statements

continued

25 Deed of Cross Guarantee *(continued)*

25.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE CLOSED GROUP FOR DEED OF CROSS GUARANTEE PURPOSES *(continued)*

As at 30 June 2017, the Closed Group is in a net current liability position of $18.168m mainly due to the recognition of $12.012m contingent consideration payable from the acquisition of Hotcourses Limited.

The Directors are of the opinion that the Closed Group is a going concern based on the following factors:

› available unutilised finance facilities of £12.6m which have a maturity to 18 January 2020 and an $10m unutilised facility which has a maturity to 18 January 2018;

› The strong performance of the Closed Group including net profit after tax $40.118m and strong cash inflow from operating activities; and

› The Closed Group's net asset position of $74.211m.

26. Business Combination

On 31 January 2017, IDP Education Limited acquired 100% of the shares in Hotcourses Limited ("Hotcourses"), a digital marketing and online student recruitment company in the UK. Hotcourses owns and operates a portfolio of education search websites that help students make the right study choices and connect with universities and colleges around the world.

IDP Education Limited acquired Hotcourses for a total acquisition price of $57.361m. Consideration for the transaction consisted of a $46.048m cash payment at the settlement date and an additional contingent payment of $11.313m payable in 12 months subject to a number of performance conditions. As a result, the Group consolidates Hotcourses from 31 January 2017.

Hotcourses contributed consolidated revenue of $7.136m and contributed a net profit after tax of $0.584m during the year since acquisition. If the acquisition had taken place at the beginning of the year the contribution to consolidated revenue would have been $19.345m and the contribution to net profit would have been $4.052m.

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

	$'000
Cash consideration paid	46,048
Contingent consideration payable	11,313
Total purchase consideration	57,361
Less: fair value of net identifiable assets acquired	(33,513)
Goodwill on acquisition	**23,848**
The cash outflow on acquisition is as follows:	
Cash consideration paid	46,048
Cash and cash equivalent balances acquired	(10,471)
Net cash outflow	**35,577**

26. Business Combination *(continued)*

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

	Fair value $'000
Assets	
Cash and cash equivalents	10,471
Receivables and other current assets	6,631
Total current assets	17,102
Property, plant and equipment	434
Intangible assets	32,752
Total non-current assets	33,186
Total assets	50,288
Liabilities	
Current tax liabilities	73
Deferred revenue and accruals	8,923
Payables and other current liabilities	1,550
Total current liabilities	10,546
Deferred tax liabilities	6,229
Total non-current liabilities	6,229
Total liabilities	16,775
Net identifiable assets acquired	**33,513**

As part of the acquisition accounting of Hotcourses, contingent consideration with an estimated fair value of $11.313m was recognised at the acquisition date. The contingent consideration is classified as a financial liability at fair value through profit and loss.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 20.3.

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

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

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

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

Notes to the consolidated financial statements

continued

27. Parent entity information

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

FINANCIAL INFORMATION

Financial position	30 June 2017 $'000	30 June 2016 $'000
Current assets	49,263	45,855
Total assets	180,522	114,593
Current liabilities	132,865	74,300
Total liabilities	175,032	76,887
Equity		
Issued capital	19,426	25,050
Retained earnings	(19,119)	9,589
Reserves	5,183	3,067
Total equity	**5,490**	**37,706**

The parent entity is in a net current liability position of $83.602m mainly due to $109.6m intercompany payables to the subsidiaries within the Group. The Directors are of the opinion that the parent entity is a going concern based on the factors below:

- The parent entity has full discretion on the timing of settling intercompany balances; and
- The parent entity is a member of the deed of cross guarantee Closed Group as disclosed in Note 25, in which members of this deed guarantee the debts of the others.

Financial performance	30 June 2017 $'000	30 June 2016 $'000
Profit for the year	2,579	21,419
Other comprehensive income	2,116	(323)
Total comprehensive income	**4,695**	**21,096**

28. Contingent liabilities

The Directors are not aware of any significant contingent liabilities as at 30 June 2017 (2016: nil).

29. Events after the reporting period

On 4 July 2017, IDP Education completed the investment of a 20% equity interest in HCP Limited, a Chinese company specialising in delivering English language test preparation materials via social media and its mobile app.

The investment provides IDP Education with a significant opportunity to further develop its student placement business in China by securing access to a growing digital community of prospective international students.

It also provides IDP Education with exposure to the large IELTS test preparation market in China. In 2016, HCP provided more than 30,000 online courses to students to help improve their speaking, reading, writing and listening and has plans to expand its offering in English language teaching and test preparation.

The investment will be made in two tranches with an upfront payment of $4.1m completed on the 4 July followed by up to a further $2.3m in twelve months based on certain key performance indicators.

Except for the event above and the dividends declared as detailed in the Note 6, there were no other significant events since the balance sheet date.

Directors' declaration

In the Directors' opinion:

(a) the consolidated financial statements and notes of IDP Education Limited and its controlled entities (the Group) set out on pages 52 to 96 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 25.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Peter Polson

Chairman

Andrew Barkla

Managing Director

Melbourne
21 August 2017

Independent auditor's report

Deloitte Touche Tohmatsu
A.B.N. 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 Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IDP Education Limited and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 52 to 97.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Acquisition of Hotcourses Limited As disclosed in note 26 to the financial report, on 31 January 2017 IDP acquired Hotcourses Ltd for an initial cash purchase price of $46.1 million and deferred consideration of up to $11.3 million. The audit of the purchase price accounting is a key audit matter due to the extent of judgement and complexity involved in the purchase price allocation, including determining the fair values of the acquired assets and liabilities, as well as determining the fair value of the deferred consideration.	With respect to the accounting for the Hotcourses acquisition, we performed the following procedures, in conjunction with our valuation specialists: *Determination of purchase price:* • reviewed the purchase contract to understand the contractual terms concerning assets acquired, liabilities assumed and the purchase price • reviewed actual year-to-date performance of the Hotcourses business since the date of acquisition, in order to evaluate the total value of the deferred consideration *Determination of fair value of assets and liabilities:* • reviewed a copy of the external valuation report and critically challenged the underlying assumptions used to determine the fair values of the assets acquired and liabilities assumed as part of the acquisition • considered the objectivity and competence of the external valuation specialist used by management • evaluated and challenged management's methodology for the identification of, and the determination of fair values of the assets acquired and liabilities assumed, including any fair value adjustments. As part of this we considered the valuation method used, underlying forecast cashflow, comparable transactions, discount rates and tax rates. We have also assessed the appropriateness of the disclosures included in Note 26 of the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of the Directors for the Financial Report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of IDP Education Limited included in pages 33 to 50 of the Director's report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of IDP Education Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 21 August 2017

Shareholder Information

The shareholder information set out below was applicable as at 30 August 2017.

The shareholder information set out below was applicable as at 30 August 2017.

A. Distribution of Shareholders

Analysis of numbers of ordinary shareholders by size of holding.

Range	Shares	% of issued Capital	No. of holders	%
100,001 and Over	245,723,470	98.17	29	3.97
10,001 to 100,000	3,134,697	1.25	118	16.14
5,001 to 10,000	684,439	0.27	89	12.18
1,001 to 5,000	657,627	0.26	242	33.11
1 to 1,000	94,735	0.04	253	34.61
Total	**250,294,968**	**100.00**	**731**	**100.00**

There were 63 holders of less than a marketable parcel of ordinary shares

B. Twenty Largest Quoted Equity Security Holders

The names of the twenty largest registered holders of quoted securities are listed below:

Rank	Name	Number Held	% of Issued Capital
1	Education Australia Limited	125,397,484	50.10
2	HSBC Custody Nominees (Australia) Limited	41,096,889	16.42
3	J P Morgan Nominees (Australia) Limited	28,983,772	11.58
4	National Nominees Limited	19,668,715	7.86
5	Citicorp Nominees Pty Ltd	14,231,255	5.69
6	BNP Paribas Nominees Pty Ltd	5,900,152	2.36
7	AMP Life Limited	1,492,195	0.60
8	Diversified United Investment Limited	1,420,000	0.57
9	Pacific Custodians Pty Limited	1,198,497	0.48
10	Australian United Investment Company Limited	1,150,000	0.46
11	Australian Foundation Investment Company Limited	879,717	0.35
12	UBS Nominees Pty Ltd	815,851	0.33
13	Bond Street Custodians Ltd	725,476	0.29
14	Brisport Nominees	543,701	0.22
15	Warbont Nominees Pty Ltd	327,116	0.13
16	Mirrabooka Investments Limited	326,258	0.13
17	Citicorp Nominees Pty Ltd	316,382	0.13
18	Invia Custodian Pty Limited	248,472	0.10
19	HMS Nominees Ltd	180,500	0.07
20	Navigator Australia Limited	175,243	0.07
Total		**245,077,675**	**97.92**
Balance of Register		**5,217,293**	**2.08**
Grand Total		**250,294,968**	**100.00**

this page has been left intentionally blank

Corporate Directory

Directors

Peter L Polson
Chairman

Andrew Barkla
Managing Director and Chief Executive Officer

Ariane Barker

Professor David Battersby AM

Chris Leptos AM

Belinda Robinson

Greg West

Secretary

Murray Walton

Principal registered office in Australia

Level 8
535 Bourke Street
MELBOURNE VIC 3000
AUSTRALIA
Ph: +61 3 9612 4400

Share Registry

Link Market Service Limited

Tower 4
727 Collins Street
MELBOURNE VIC 3008
Australia

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
MELBOURNE VIC 3000
AUSTRALIA
Ph: +61 3 9671 7000

Stock exchange listing

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

Website

www.idp.com

ABN

59 117 676 463

idp