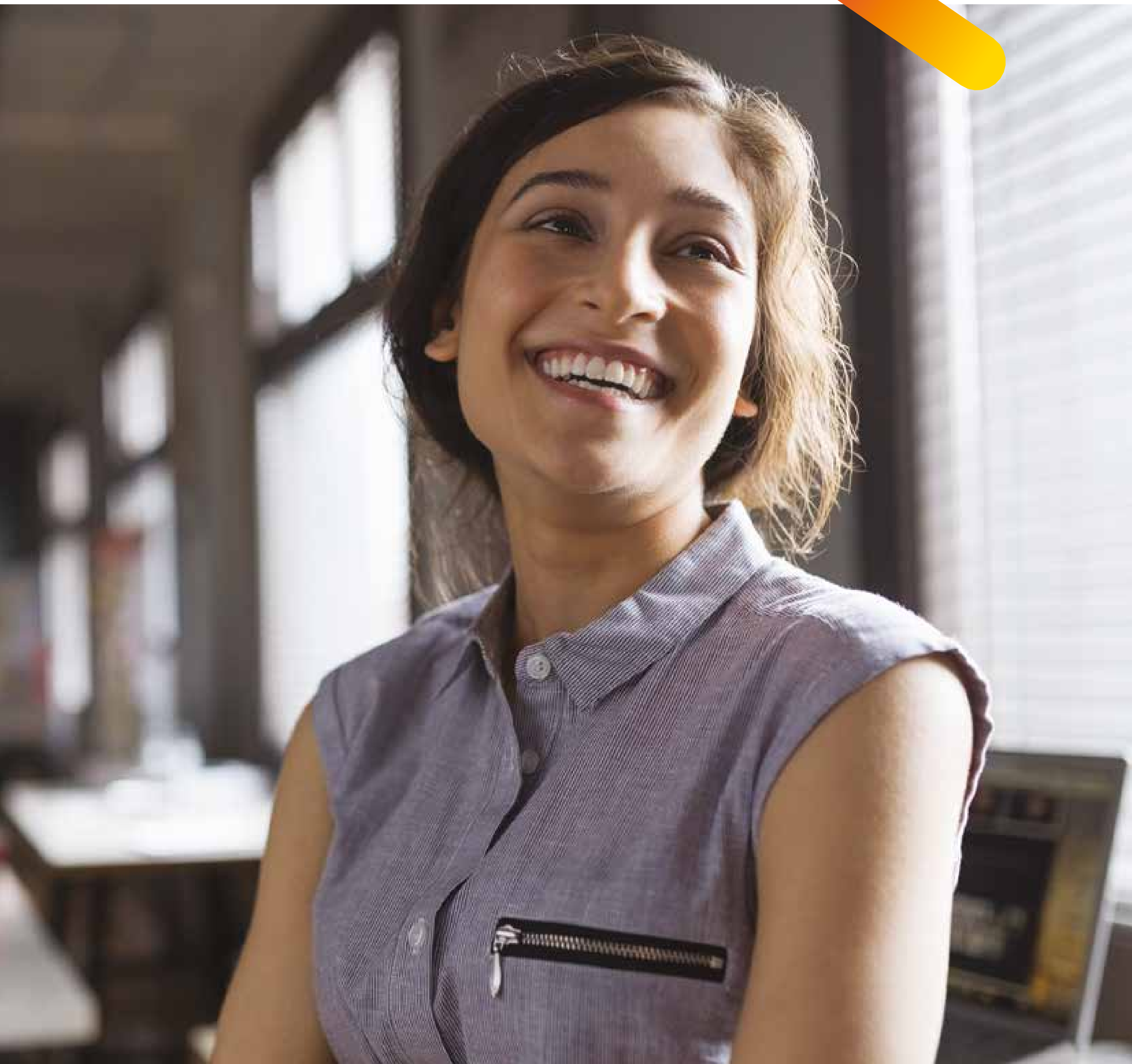
# Sustainable Futures

IDP Education Annual Report 2020



As the world begins to rebound from the events of this year, international education is needed now more than ever.

IDP's vision of building a connected community takes on extra importance as we help globally-minded people acquire the skills needed to make the world a safer, more informed and united place.

## Contents

9 in 10

Close to 9 in 10 students would recommend IDP to family and friends

# 2020 highlights

## The year disruption was met with innovation

**60,000**

students and 7,100 clients attended our virtual events across our global network

**900**

institutions accepted IELTS Indicator, a temporary online IELTS test, offered at the peak of COVID-19 restrictions

**26,800**

students shifted to online learning for IDP's English language teaching schools across Cambodia and Vietnam

**35,000**

students and counsellors connected on IDP's virtual office platform

## Growth despite challenges

FY19 97.1m

FY20 107.8m

**11%**

increase in earnings before interest and tax

Despite unprecedented external global challenges, IDP's responsible management and innovative services helped deliver a commendable financial outcome

# A message from our Chairman and Chief Executive Officer and Managing Director

Peter Polson, Chairman

Andrew Barkla,
Chief Executive Officer
and Managing Director

**74%**

of students are holding on to their international education goals, according to IDP Connect research

Dear shareholders,

Reflecting on the year the world did not see coming, throughout FY20 IDP demonstrated its strong management, sector leadership and compassion for its customers.

Operating in one of the sectors hardest hit by COVID-19, we are pleased to report an increase of 11% earnings before interest and tax (EBIT) for FY20, leading to a 2% increase in net profit after tax.

The first half of the year saw IDP achieve record growth across all business lines. In aggregate, we reported a 49% increase in EBIT for the first half. Favourable market conditions and an increasing market share helped drive this excellent performance.

Our teams were on track for a record-breaking year as we worked towards our vision of building a global platform and connected community for customers.

In November, we opened our 400-staff Digital Campus in Chennai, which has now become our engine room for digital innovation.

While at the time we knew this was an important step in our ability to get digital products to market, we could not have foreseen how quickly this hub would return benefits for our customers.

When COVID-19 began to impact our global community and economy, IDP's response was guided by three goals: to keep customers at the centre of our decision making; to take fast, decisive actions to shore up the financial position of the company; and to remain focused on our longer term strategic goals.

Whilst our full year financial performance was below our original expectations, we are proud of how our business has responded to events outside of our control.

## Putting our customers first

IDP's customer-centric culture shone through this year as teams adapted our product delivery and customer communications.

From a global perspective, this meant rapidly transitioning face-to-face events and counselling to a virtual platform, proactively implementing recommendations from health authorities to adapt our IELTS test day experience and moving our language learning classrooms online.

At an individual customer level, the role of our counsellors as trusted advisors was pivotal. In an environment of fast-changing and conflicting news, our students and families turned to IDP counsellors as a source of information. This was reflected in our recent IDP Connect research that showed our students rated their counsellor as the source of information they trust above all else – including universities, governments and media.

With our analysis showing 74% of students are holding on to their international study goals, this trusted support should position us well to capture pent-up demand when borders reopen and face-to-face teaching resumes.

## Taking decisive action to guide the company

The year-end financial result reflected the responsible actions and foresight of our Board and leadership team.

While revenue was down 2% on last year, it was our prudent decisions and cost control measures that saw the company deliver a commendable outcome.

The early move to raise additional equity to shore up our balance sheet was widely applauded and we were met with very strong demand for our capital raising.

## Our teams proved that a digital transformation program has less to do with technology and everything to do with how an organisation can shift towards an agile, customer focused mindset.

The capital raising ensures we are well placed to navigate the current period of uncertainty and capture market opportunity as it arises.

In addition, cost control measures were rolled out across the business. Remuneration reductions, led by our Board of Directors and our Global Leadership Team, helped to manage cashflow when revenue fell sharply during the last quarter of the year.

Our aim throughout COVID-19 has been to keep our people together. Over the last five years we have built a talented and passionate global team who are constantly demonstrating agility in their day to day work. Our commitment to our people remains paramount and we are determined to keep our global teams in place.

### Staying true to our vision

IDP's vision of building a global platform and connected community to guide our customers through their lifelong learning journey provided us with an anchor point as we navigated COVID-19 challenges.

Most importantly, this led to the fast-tracking of our digital transformation program.

Our teams proved that a digital transformation program has less to do with technology and everything to do with how an organisation can shift towards an agile, customer-focused mindset.

The ability to embrace change saw our teams deliver an unprecedented number of new products and innovations. Driven by our Digital Campus in Chennai, key highlights include the rapid roll-out of IELTS Indicator, our temporary online IELTS test, the launch of Ask IDP, an app that helps students have their difficult questions answered by people they trust, and the roll-out of the virtual event and counselling solution.

### Rebuilding and creating a sustainable future

Finally, to our shareholders, thank you for the support you have given IDP in this difficult year.

The global community will rebuild after COVID-19. And when it does, international education and the services IDP delivers will be more critical than ever.

The world needs passionate and dedicated doctors, nurses, educators, planners, scientists and big thinkers. We are proud of our role in helping to create this next generation of community leaders.

We will contribute to this role with greater experience, resilience, new capabilities and a renewed focus to help make the world a more cohesive and united place through education.

Thank you,

**Peter Polson**
Chairman

**Andrew Barkla**
Chief Executive Officer and Managing Director

# The year our global platform connected our community

## One platform.
## One experience.
## One global community.

IDP's global platform is providing a space for students and educators to connect wherever and however they choose.

Powered by the world's leading international student dataset, IDP's global platform is transforming international education services by combining insights with real human experiences.

While FY17-19 focused on building technology infrastructure, this was the year our connected community began to take shape.

In its simplest sense, our technology platform is transitioning to a global marketplace. This is where students, alumni and institutions connect for conversations and transactions – all supported by IDP's data insights and quality screening processes.

We are heading towards an 'always-on' model where students and their parents will be able to regularly schedule live-chat sessions with universities to progress their admissions applications or ask questions about studying abroad.

Students and parents who, understandably, seek unbiased advice from others who have been before them, can ask video questions through an IDP app called Ask IDP. These are answered by alumni, universities and IDP counsellors, forming a bank of searchable content in the process.

The next chapter introduces propensity modelling and data-led customer profiling to further ensure students and universities are matched based on similar goals, abilities and outcomes.

Alongside this, we are improving our online support tools for IELTS, so students can head into their IELTS test confident they are well positioned to achieve their best score on test day.

Driving the whole platform is big data. The data insights are critical for our higher education partners as they provide a detailed view of the students' journeys and capabilities. This means educators can focus their attention on attracting the right student for their institution.

The connected community premise is based on this: International education thrives when students are matched with the right university in the right country with the right support system.

We are making this possible through trusted human connections and deep insights.

## Meet IDP
Virtual events and always-on video conversations with educators and students, enabling applications and offers to be made online.

## Ask IDP
Video Q&As with students, alumni, universities and IDP teams. Unbiased, in real time and trusted.

## IDP Connect
Smart insights to enable universities to connect with the right students through real time data insights and strategic advice.

## Customer

## IDP Data
Rich dataset enabling propensity modelling so we can help students and clients find their ideal match.

## Face-to-face with IDP
Leading office network and physical event calendar for students and families to connect with counsellors for trusted conversations and briefings.

## Test with IDP
English testing services to help customers achieve language goals through combination of test preparation support and test product options.

# The year of vision-led innovation

## We continued to execute on our vision of building a global platform and connected community for international students.

### The crisis sharpened our focus on our omni-channel strategy as we continued to develop new ways to connect safely with our customers.

The global platform and connected community extended to new channels and features this year, driven by our desire to stay engaged with customers when global lockdowns went into place.

### Shifting student events online

IDP adapted its popular international education roadshows to a virtual model.

Within two months, a global platform was underway that allowed for one-on-one university and student interviews and broader seminar sessions.

More than 60,000 students and 7,100 university client representatives attended virtual events in Q4. This is higher than the number of attendees at our physical events for the same period in FY19.

The virtual event model allowed IDP teams to nurture students through the decision-making journey while offices were closed and events were suspended.

Importantly, we kept our customers satisfied. Close to 9 in 10 students would recommend IDP's virtual events to family and friends.

### Virtual counselling

Supporting the virtual events model, IDP shifted counselling services to phone and video delivery. This enabled IDP to cultivate and build the pipeline of international students for our clients despite disruptions to the traditional service delivery model.

In the initial days of COVID-19 travel restrictions, daily webinars and briefings provided students with a source of truth from trusted sources amongst an overwhelming supply of contradictory and confusing announcements.

Our virtual connections also extended to peer-to-peer support. Within six weeks from idea to delivery, Ask IDP was launched, an app that invites students to ask questions via short video messages. IDP's connected community of universities, alumni and staff then respond via video, creating a searchable bank of authentic user-generated content.

**60,000** students connected with universities through IDP's virtual events in Q4.

**70** countries offered IELTS Indicator at the peak of COVID-19 related restrictions.

### Deep data insights lead policy and drive decisions

IDP Connect's position as the industry's insights-driven thought leader was boosted when its International Student Crossroads research was published in early May. The report, which explored how COVID-19 disruptions impacted students' aspirations to study internationally, provided insights for policy makers, universities and governments around the world.

As the industry grappled with how to do more with less, our global data became critically important for clients looking to stay connected with students.

Our combination of data and in-country insights provided a bigger picture view of challenges and opportunities in market, enabling our clients to respond to students with the support they were looking for. In doing so, we are bringing the voice of students to the forefront of policy-level decision making.

### IELTS Indicator

IELTS Indicator, an online test of Listening, Reading, Writing and Speaking, was introduced in April. Launched to help students impacted by centre closures, IELTS Indicator aimed to help students progress study applications in countries where IELTS testing was not available.

Embraced by both universities and students, the test was delivered in 70 countries and was accepted by more than 900 leading universities and education providers.

As local restrictions were eased country by country, IELTS Indicator was removed from the market to encourage students to return to IELTS' world-leading secure test centres.

IDP's culture of customer-centric decision making meant teams were determined to stay closely connected to students throughout this period of disruption. The services we innovated will now form integral parts of our global platform.

**Clients on our virtual events**

"This is the most effective and safe way to reach potential students and their parents in this time. It was easy to introduce and discuss our university, our campus and programs to targeted students."

**Students on IELTS Indicator**

"In essence, the existence of IELTS Indicator is genuinely useful in this pandemic era and has made a real contribution for the prospective students like me."

Image courtesy of Nyumbani
and the Hotcourses Foundation.

# The year our community goals came into focus

We are a company with ingrained purpose. Global education changes the world. We are committed to creating stronger communities and environments in the places where we operate.

Our goal is to make the world a more educated, balanced and connected place to live.

## Embedding our corporate responsibility framework

While IDP's sense of purpose is in its DNA, 2020 was the year our global corporate responsibility framework gained momentum.

The program, Sustainable Futures, covers a range of strategic and tactical initiatives that cement our commitment to improving gender equality, access to education and preserving the environment.

### Key milestones and achievements:

**Funding a school in Kenya:** We continued to support Nyumbani – an organisation that cares for more than 4,000 students impacted by AIDS or HIV. Programs address the issues of education, homelessness, HIV/AIDS, sustainability farming and healthcare for these children and their communities.

**Scholarships to help 2,000 students in Cambodia:** To ensure students continued their English studies when face-to-face schooling was suspended, IDP Education and its language school in Cambodia partnered with Cambodia's Ministry of Education, Youth and Sport to launch a new program. The scholarship program offers 2,000 students access to a one year digital literacy training program and ACE's English language curriculum delivered online.

**Australian bushfire fundraising appeal:** IDP teams raised more than $27,000 for Red Cross and the Melbourne Zoo's bushfire appeal through a range of fundraising activities. This was dollar matched by IDP.

**Global awards introduced:** The Community Endeavour and the Greener Futures awards were introduced in FY20 to celebrate the work teams do to support the community and the environment.

## Fostering diverse leadership

To ensure a diverse range of voices, expertise and experiences have a seat at the leadership table, IDP has introduced new programs to develop our global leaders.

**Elevate:** Elevate is a pilot program that aspires to develop skilled women for director roles in the broader community. Acknowledging that organisational success can be linked to more women on boards, Elevate provides female leaders with Australian Institute of Company Directors training and mentoring opportunities with IDP's Global Leadership Team.

**Maher El Bakry Emerging Leaders Program:** To ensure emerging leaders from all geographies are identified and nurtured to achieve their potential, the Maher El Bakry Emerging Leaders Program provides development opportunities and recognition for early career high performers. With a focus on identifying diverse talent, this year's 12 award recipients came from seven countries.

Read more about our journey towards creating a more sustainable future here **idp.com/partners/sustainable-futures/**

# Board of Directors

**Peter Polson**
*Non-Executive Director and Chairman*

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

Peter has broad experience in the financial services industry, first as Managing Director of the international funds management business with the Colonial Group, then as an executive with the Commonwealth Banking Group with 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 the 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 in August 2015.

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

Prior to joining IDP, 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 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.

**Ariane Barker**
*Non-Executive Director*

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

As the CEO of Scale Investors, Ariane works to activate investment capital for female entrepreneurs and gender balanced startups to support growth for early stage businesses. She is a member of the Murdoch Children's Research Institute (MCRI) Investment Committee, and is a former Board Member of Emergency Services & State Superannuation (ESSSuper)

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

Ariane is a graduate and member of the Australian Institute of Company Directors (AICD).

**Professor David Battersby AM**
*Non-Executive Director*

David was appointed as a Non-Executive Director at IDP in February 2011. He was appointed Vice-Chancellor of the University of Ballarat in 2006 and, in 2014, he became Foundation Vice-Chancellor of Federation University Australia completing his term of office in 2016.

He took up his current appointment as an Adjunct Professor at Southern Cross University in 2017.

His previous senior appointments have been at universities in Australia and New Zealand and 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 of the Melbourne Institute of Technology.

He is also Deputy Chair of the Board of Education Australia Limited.

**Chris Leptos**
*Non-Executive Director*

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

His other Board roles include Chairman of SEA Electric, and President & Chairman of the National Heart Foundation.

He is also a Senior Adviser to Flagstaff Partners, a member of the Advisory Board of The University of Melbourne Faculty of Business & Economics and the Advisory Council of Asialink. He is an Adjunct Professor at Monash University, and a Governor of The Smith Family.

He 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.

He is a Fellow of the Institute of Chartered Accountants and a Fellow of the AICD.

**Professor Colin J. Stirling**
*Non-Executive Director*

Colin was appointed as a Non-Executive Director at IDP Education in February 2018.

He is the President and Vice-Chancellor of Flinders University and brings more than thirty years of experience in international education in Australia, the UK and the USA.

Colin is a director of Education Australia Limited and has held various other board positions across health, academic and community organisations.

Educated at the University of Edinburgh, and with a PhD from the University of Glasgow, Colin began his award-winning scientific career at the University of California, Berkeley.

**Greg West**
*Non-Executive Director*

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

He is a Chartered Accountant with experience in higher education, investment banking and financial services.

He is Chair of Education Australia Limited and was appointed as a director in 2006. Greg has been a member of the Council of the University of Wollongong since 2018. He was appointed to the Board of UOWGE Limited in 2003, a business arm of the University of Wollongong which includes its international university campuses in Dubai, Hong Kong and Malaysia.

Over the last decade, Greg has worked in ASX listed mid-cap biotech companies and listed start-ups, and over recent years as the CEO of a dual listed (ASX & Nasdaq) biotech company. His prior work experience was at PWC and he held senior executive roles with a number of financial institutions, including Bankers Trust, Bain & Company and Deutsche Bank.

# Financial Report

For the year ended 30 June 2020

# Directors' Report

The Directors of IDP Education Limited, present the financial report of IDP Education Limited (the Company) and its controlled entities (the Group or IDP) for the financial year ended 30 June 2020.

## Operating and financial review

### Introduction

A summary of IDP Education's consolidated financial results for the year ending 30 June 2020 ("FY20") is set out below. The financial performance of the company for the first nine months of the year was strong but was then impacted by COVID-19 in the last quarter. As a result, revenue declined compared to FY19 by 1.8%, but actions taken by the company reduced overheads delivering an increase in EBIT of 11% and an increase in NPAT of 2.3% compared to FY19.

*Summary Financials (A$m)*

| | Unit | FY20 Statutory Post AASB16** | FY20 Pre AASB16** | FY19 Statutory Pre AASB16** | Growth# $m | Growth# % |
|---|---|---|---|---|---|---|
| Total Revenue | A$m | 587.1 | 587.1 | 598.1 | -11.0 | -1.8% |
| Gross Profit | A$m | 345.2 | 342.6 | 334.1 | 11.1 | 3.3% |
| EBIT | A$m | 107.8 | 107.3 | 97.1 | 10.6 | 11.0% |
| NPAT | A$m | 67.8 | 71.5 | 66.3 | 1.5 | 2.3% |
| NPAT (Adjusted)* | A$m | 70.4 | 74.1 | 68.7 | 1.6 | 2.4% |
| EPS | cents | 26.1 | 27.5 | 26.3 | -0.2 | -0.7% |
| EPS (Adjusted)* | cents | 27.1 | 28.5 | 27.2 | -0.1 | -0.3% |
| Debt | A$m | 59.8 | 59.8 | 60.5 | -0.7 | -1.1% |

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

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 company. 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, non-cash intangible asset amortisation generated from business combinations from the reported IFRS measures.

** The Group has adopted the new lease accounting standard, AASB 16 Lease from 1 July 2019. The impact to FY20 from the adoption of the new accounting standard is outlined above. The FY19 comparatives were under the previous lease accounting standard AASB 117 and have not been restated as permitted by the standard.

# Growth is calculated by comparing the FY20 statutory results (post AASB16) to the FY19 statutory results which have not been restated and are therefore presented on a pre AASB16 basis.

## Review of Operations

IDP has a global footprint and a diversified business model across its four business lines. As a result, the aggregate performance of the company 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 the first nine months of FY20 was strong with revenue growth of 19.2% compared to the same period in FY19 representing a continuation of the strong organic growth that the company has been experiencing over the past eight years. However the financial impact of COVID-19 on the business was evident from the end of March and revenue declined by 64% in the last quarter compared to the same period in FY19 leading to an overall decline in revenue of 1.8% for the full year.

COVID-19 and the resulting travel bans and lockdowns in both source and destination countries severely impacted the international education industry during the last quarter of FY20. International mobility effectively ceased which restricted the ability of students to commence their overseas studies and created uncertainty for future students who were considering enrolments during 2020. IELTS testing was also impacted with lockdowns and social distancing measures forcing the closure of testing centres throughout most of IDP's network.

IDP's largest destination (by volume), Australia, was the first to be impacted following the imposition by the Government of a travel ban from 1 February 2020 for all foreign nationals that had been in China in the previous 14 days. This impacted the ability of many Chinese students who were due to commence their courses in semester one. The extension of the travel ban to all non-citizens on 19 March effectively closed the borders to international students and significantly reduced the volume of students for the second semester intake.

IDP's other study destinations have also been impacted but the timing of the main intakes in the northern hemisphere softened the financial impact during FY20. IDP had achieved strong volume growth to the UK and Canada for semester one (September/October 19) which was reflected in the company's first half results. Volumes for the smaller intakes in the second half were also above last year as students were able to commence studies before travel bans were imposed. COVID-19 has however impacted IDP's ability to finalise enrolments for the autumn intake in the northern hemisphere which was a drag on the performance of the company during the last quarter of FY20.

Whilst a smaller destination for IDP, the USA also recorded a solid increase in student volumes during the first half of FY20. Sentiment towards the US as an international education destination however remains mixed. Concerns over the openness of the country and safety for international students continue to impact aggregate demand.

IDP Education's English language testing business continued to see strong momentum through the first nine months of the year with the demand for IELTS tests being driven by international students, workers and migrants who were seeking to travel to the main English speaking countries. The imposition by governments of physical lockdowns forced the closure of IELTS testing centres in many countries which significantly reduced IDP's English language testing revenue. IDP's biggest testing country, India entered a lockdown on 24 March which remained largely in place throughout the remainder of the financial year.

Despite the impacts from COVID-19, the Group has sufficient cash reserves to meet any obligations or liabilities as and when they become due and payable.

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 company's key products (Student Placement, English Language Testing, English Language Teaching and Digital Marketing and Events). As a result, the company's key reporting segments comprise geographic regions. The sections below discuss the company's results across its three geographic regions.

## Asia

The table below shows the company'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 | **FY20 Statutory** | FY19 Statutory | $m | % |
| Total Revenue | A$m | **389.2** | 391.8 | -2.6 | -0.7% |
| EBIT | A$m | **127.1** | 113.6 | 13.6 | 12.0% |
| EBIT Margin | % | **33%** | 29% | | |
| % of Total Group Revenue | % | **66%** | 65% | | |
| % of Total Group EBIT (Excl Corporate Overheads) | % | **76%** | 73% | | |

Asia total revenue declined marginally by 0.7% the first decline in 10 years but posted a solid year of growth in EBIT of 12% and continued to be a key driver of the company's profitability with 76% 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.

In India, IDP performed well during the year achieving growth in revenue relative to FY19. The performance of India benefited from strong student demand for placement into higher education courses to the UK and Canada with Multi-destination revenue growing 80%. Australian Student Placement and IDP IELTS volume growth in the second half was impacted by COVID-19 and the result was a full year decline in Indian revenues from Australian student placement and IELTS.

In China, IDP revenue declined slightly with an increase in student placement revenue to the UK, offset by a decline in revenue from Australian student placement. IDP's license fees from the British Council related to the distribution of IELTS in China also declined after the British Council's testing operations were suspended from February due to COVID-19.

Outside of India and China, IDP's performance in Asia had revenue growth in Cambodia, Japan, Sri Lanka Bangladesh and Thailand. In Cambodia, student placement and English language teaching were solid contributors to growth, while in Japan and Thailand IELTS was the driver of the growth and in Sri Lanka, and Bangladesh growth came from both student placement and IELTS.

Offsetting this growth, revenue declined in Hong Kong, Taiwan, Vietnam, Nepal, and Singapore. The decline in these countries related to Australian student placement revenue and IELTS revenue in the last quarter due to COVID-19 lockdowns and travel restrictions.

EBIT growth of 12% was a result of the strong performance of the business in the first half and then management of expenses as revenue declined in the last quarter with expenses declining for the full year, with the majority of that reduction in expense being realised in the last quarter.

## Australasia

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

*Australasia Segment – Financial Summary*

| | | | | Growth | |
|---|---|---|---|---|---|
| | Unit | FY20 Statutory | FY19 Statutory | $m | % |
| Total Revenue | A$m | 57.4 | 63.3 | -5.9 | -9.3% |
| EBIT | A$m | 9.7 | 12.2 | -2.5 | -20.6% |
| EBIT Margin | % | 17% | 19% | | |
| % of Total Group Revenue | % | 10% | 11% | | |
| % of Total Group EBIT (Excl Corporate Overheads) | % | 6% | 8% | | |

The Australasian segment revenue decline was a result of lower IELTS volumes across the region, primarily due to COVID-19. There was a small 1% revenue increase in the first half as strong student placement revenue offset the decline in IELTS revenue. The second half saw a continuation of that trend with growth in onshore student placement offsetting a decline in IELTS testing due to lock-downs and social distancing measures.

The decline in EBIT of 20.6% was primarily a result of the IELTS revenue decline with expenses primarily related to the student placement business were only marginally reduced as student placement onshore had revenue growth of 12%.

## Rest of World

The table below shows the company's results across the Rest of World region which includes: Argentina, Azerbaijan, Bahrain, Brazil, Canada, Chile, Colombia, Cyprus, Ecuador, Egypt, Germany, Greece, Iran, Ireland, Italy, Jordan, Kazakhstan, Kuwait, Lebanon, Mexico, Nigeria, Oman, Pakistan, Peru, Poland, Qatar, Romania, Russia, Saudi Arabia, Spain, Switzerland, Turkey, Ukraine, Uzbekistan, the United Arab Emirates ("UAE"), the United Kingdom, and the United States of America.

*Rest of World Segment – Financial Summary*

| | | | | Growth | |
|---|---|---|---|---|---|
| | Unit | FY20 Statutory | FY19 Statutory | $m | % |
| Total Revenue | A$m | 140.5 | 143.1 | -2.5 | -1.8% |
| EBIT | A$m | 29.4 | 30.1 | -0.7 | -2.3% |
| EBIT Margin | % | 21% | 21% | | |
| % of Total Group Revenue | % | 24% | 24% | | |
| % of Total Group EBIT (Excl Corporate Overheads) | % | 18% | 19% | | |

The Rest of World recorded a small decline in both revenue and EBIT with declines in revenue in Canada and the Middle East, offset by strong revenue growth in Nigeria and smaller digital marketing revenue growth in the UK and USA.

Canada's revenue decline was due to lower IELTS testing volumes in the last quarter, with that offset a little due to onshore student placement revenue growing strongly off a low base.

The Middle East is primarily an IELTS market with IELTS making up 80% of the revenue. After a very strong first half, the Middle East suffered from COVID-19 in the last quarter when most test centres were closed.

The entry into Nigeria three years ago with the IELTS business has been very successful with very strong growth being recorded in FY20. Digital marketing revenue in the UK and USA also grew during the year driven by new products and services from IDP Connect.

## Results by Service

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

*Student Placement – Operational and Financial Summary*

| | | | | Growth | |
|---|---|---|---|---|---|
| | Unit | FY20 | FY19 | Unit | % |
| **Volumes** | | | | | |
| – Australia | 000's | **24.2** | 28.6 | -4.4 | -15.4% |
| – Multi-Destination | 000's | **26.8** | 21.0 | 5.8 | 27.5% |
| – Total Volumes | 000's | **51.0** | 49.6 | 1.4 | 2.8% |
| **Revenue** | | | | | |
| – Australia | A$m | **90.4** | 104.4 | -14.0 | -13.4% |
| – Multi-Destination | A$m | **100.2** | 65.9 | 34.3 | 52.0% |
| – Total Revenue | A$m | **190.6** | 170.3 | 20.3 | 11.9% |
| Gross Profit | A$m | **155.2** | 138.5 | 16.6 | 12.0% |
| Gross Profit Margin | % | **81%** | 81% | | |
| **Average Fee (A$)** | | | | | |
| – Australia | A$ | **3,742** | 3,654 | 88 | 2.4% |
| – Multi-destination | A$ | **3,738** | 3,137 | 601 | 19.2% |
| – Total | A$ | **3,740** | 3,435 | 305 | 8.9% |

Note: The Average Fee for Student Placement shown in this table is calculated as total Student Placement revenue divided by the number of courses IDP Education enrolled students into at its client education institutions during the period. Total 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 2.8% in FY20 and reflects the strong performance through until the end of March 2020 and then the decline in volumes in the last quarter compared to the previous year as COVID-19 stopped students travelling to destination markets for the commencement of their courses.

Student Placement office expansion slowed in FY20 with a total network of 128 student facing offices at the end June 2020, with the addition of a 3rd party office in Kenya and 2 offices in India in the first half of FY20.

Volumes to Australia declined 15.4% which reflected impact of COVID-19 on IDP students unable to travel from China for the semester one intake in February, and uncertainty delaying students' decisions for semester two. Growth in Australia onshore volumes and growth in smaller markets of Hong Kong and Nepal were not enough to offset declines from India and China which are IDP's largest source markets of students.

The investment in the 'multi-destination' strategy continued to drive growth with a 27.5% increase in total volumes to the UK, USA, Canada, New Zealand and Ireland. Canada was the strongest destination market for IDP in FY20 with volumes rising 29%. Positive regulatory settings continued in Canada, and strong execution in IDP student placement offices particularly in India was the key driver of this growth.

Volumes to the UK increased by 22% with IDP's focus on the higher quality institutions being rewarded by increasing market share and volume growth in India, Indonesia and the Middle East.

The average student placement fee across the business increased by 8.9% relative to that recorded in FY19. A range of factors contributed to this increase, including:

- A strong increase in commission rates negotiated with clients, particularly UK and Canadian Clients;
- A higher proportion of post-graduate and undergraduate courses and a lower proportion of English language and pathway programs where students enrolled;
- Foreign exchange rates that were favourable during the year compared to FY19;
- Incentives paid by clients for achievement of volume targets

*English Language Testing – Operational and Financial Summary*

| | | | | Growth | |
|---|---|---|---|---|---|
| | Unit | FY20 | FY19 | Unit | % |
| Volumes | 000's | 1,095.6 | 1,283.2 | -187.6 | -14.6% |
| Revenue | A$m | 325.5 | 359.6 | -34.1 | -9.5% |
| Gross Profit | A$m | 145.7 | 154.5 | -8.7 | -5.7% |
| Gross Profit Margin | % | 45% | 43% | | |
| Average Fee | A$ | 297.1 | 280.2 | 16.9 | 6.0% |

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

In English Language Testing, IDP Education's IELTS volumes declined 14.6% in FY20 taking the annual total to 1,095,600 tests – with a decline in volume due to the COVID-19 impact in the last quarter.

Declines in volume occurred in most markets due to the closure of test centres, however there was a number of markets that despite the impact of these closures achieved growth compared to FY19. The markets that had material volume increases were Nigeria, Japan, Uzbekistan, Lebanon, Sri Lanka and Chile.

The average fee for English Language Testing of 6% was primarily a benefit of favourable foreign exchange rates with a 1% increase in the underlying price. The loss of the China License fee for five months offset the impact of price increases taken in Australia and India.

*English Language Teaching – Operational and Financial Summary*

| | | | | Growth | |
|---|---|---|---|---|---|
| | Unit | FY20 | FY19 | Unit | % |
| Courses | 000's | 94.4 | 94.2 | 0.2 | 0.2% |
| Revenue | A$m | 28.5 | 27.5 | 1.0 | 3.6% |
| Gross Profit | A$m | 19.4 | 18.9 | 0.5 | 2.6% |
| Gross Profit Margin | % | 68% | 69% | | |
| Average Course Fee | A$ | 302.0 | 292.2 | 9.8 | 3.4% |

IDP Education's English Language teaching business comprises 9 schools across Cambodia and Vietnam. The division was flat during FY20 with schools being closed during COVID-19 lockdowns and able to provide only limited online courses. Total course volumes across the division were up 0.2% for the year to a record 94,400 courses.

Revenue grew by a higher rate due to a higher average course fee, with a benefit from foreign exchange as course fees in Cambodia are charged and paid in US dollars.

*Digital Marketing and Events – Financial Summary*

| | | | | Growth | |
|---|---|---|---|---|---|
| | Unit | FY20 | FY19 | $m | % |
| Revenue | A$m | 38.2 | 36.8 | 1.5 | 4.0% |
| Gross Profit | A$m | 22.8 | 19.8 | 3.0 | 14.9% |
| Gross Profit Margin | % | 60% | 54% | | |

The Digital Marketing and Events segment captures the revenue IDP generates from its student placement events and from IDP-connect digital marketing business. Digital Marketing revenue had growth of 5% for the year after a stronger first half growth of 12% slowed in the second half as institutions reduced marketing spend. Events are in-country recruitment fairs that IDP holds to promote its university clients to prospective students and their families. Universities that attend these events pay a fee to attend and meet IDP's students in each source country. The events are run on a cost-recovery basis in some markets and make a small loss in some markets and form a key part of the marketing activities for the company's student placement business. Physical events were unable to be held in most countries in the second half and IDP quickly established a platform to hold virtual events, as a result the margin in the segment improved as virtual events are run at a lower cost.

*Other – Financial Summary*

| | | | | Growth | |
|---|---|---|---|---|---|
| | Unit | FY20 | FY19 | $m | % |
| Revenue | A$m | 4.3 | 4.0 | 0.3 | 6.9% |
| Gross Profit | A$m | 2.2 | 2.4 | -0.2 | -7.8% |
| Gross Profit Margin | % | 51% | 59% | | |

The company generated a small amount of other revenue in FY20 which was derived via contracted activities for development programs initiated by government or semi-government bodies, office services revenue and other miscellaneous items. Revenue from these activities grew at 6.9% during the year, while gross profit declined 7.8%.

## Financial Position

The financial position of IDP Education remains strong. As at 30 June 2020 the company had total assets of $701.9m of which 19% 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 $392.9m.

IDP Education has the following facilities:

| | |
|---|---|
| Great British Pound £30,906,112 | Facility A: Acquisition funding 3-year unsecured Cash Advance loan facility for acquisition of UK subsidiaries |
| Australian Dollar $25,000,000 | Facility B: 3-year unsecured Cash advance facility to support both general corporate purposes and working capital requirements of the Group |
| Australian Dollar $5,000,000 | Facility C: Acquisition funding 3-year unsecured Cash Advance loan facility for investment in HCP Ltd |
| Australian Dollar $7,600,000 | Facility E: Guarantees, Transaction Facilities and Credit Card Merchant Facilities |
| Australian Dollar $150,000,000 | Facility F: Working Capital facility to 30 June 2021 |

The total drawn debt is $59.8m at 30 June 2020.

From a cash perspective the company had $307.1m of cash on the balance sheet as at 30 June 2020.

## 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 FY20 result, IDP Education has restated its FY19 results using the foreign exchange rates that were recorded in FY20. By comparing FY20 to the restated FY19 financials, IDP Education is able to isolate the underlying performance of the business during the period.

The table below summarises this analysis and by comparing to the Summary Financials on page 13 shows that foreign exchange movements had a positive impact on the net profit after tax for the year. The weakening of the Australian dollar contributed $22.7m favourable exchange movement in revenue, and $12.5m favourable exchange movement in gross profit which offset the increase in expenses from exchange movement in IDP's offshore operations. The impact of exchange movements on net profit after tax was favourable $3.2m.

*Underlying Growth*

| | | | | | Growth | |
|---|---|---|---|---|---|---|
| | Unit | FY20 Statutory Post AASB16 | FY20 Pre AASB16 | FY19* Pre AASB16 | $m | % |
| Total Revenue | A$m | 587.1 | 587.1 | 620.8 | -33.7 | -5.4% |
| Gross Profit | A$m | 345.2 | 342.6 | 346.5 | -1.3 | -0.4% |
| EBIT | A$m | 107.8 | 107.3 | 100.3 | 7.4 | 7.4% |
| NPAT | A$m | 67.8 | 71.5 | 69.0 | -1.2 | -1.8% |
| NPAT (Adjusted)** | A$m | 70.4 | 74.1 | 71.4 | -1.1 | -1.5% |

* Calculated by restating the prior comparable period's financial results using the actual FX rates that were recorded during the current period.

** Adjusted 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 flows of certain currencies including the GBP, INR, CNY, CAD and SGD.

## Business Strategy and Prospects

The company's results during the period are largely due to continued delivery of the organic growth strategy. This strategy has been designed to leverage past investment in the company's global network and capitalise on opportunities in the long term growth of international student and high-stakes English language testing markets.

The impact of COVID-19 we expect will impact the intakes for student placement for FY21 to some degree. It is uncertain when higher education institutions will be in a position to return to previous on campus activity levels. As the majority of IELTS test takers undertake the test for academic or migration purposes until international borders are open for travel and higher education institutions are able to allow international students to commence courses on campus, IELTS testing volumes will likely be impacted.

In Student Placement, the multi-destination strategy has underpinned the company's growth over recent years. The company has made substantial investments in establishing capabilities in the United States, the United Kingdom, Canada, New Zealand and Ireland, and it expects to continue to benefit from these investments as it grows volumes to these destinations, once the COVID-19 impacts have ceased.

# Directors' Report continued

In Australia, IDP Education is well positioned to capitalise on 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 expand its source country presence.

In addition to this organic volume growth IDP Education is driving longer term growth in Student Placement through the use of technology. The investment in the 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. The ongoing enhancement of IDP Education's digital platform, is enhancing the experience of all of its customers providing deeper and richer ways to engage with students and clients 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.

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

## Risks

An investor in IDP Education also 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 company generates a substantial amount of income from placing international students into education institutions in Australia, the United States, the United Kingdom, Ireland, 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 company'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 company'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 40% 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 |
| Professor Colin Stirling | Non-Executive Director |
| Greg West | Non-Executive Director |

To review the Director biographies, please see page 10.

# 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 the Institute of Chartered Accountants Australia and New Zealand and a graduate member of the Australian Institute of Company Directors (AICD).

## 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 | |
|---|---|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Peter Polson | 11 | 11 | 7 | 7 | 4 | 4 | 2 | 2 |
| Andrew Barkla | 11 | 11 | - | - | - | - | - | - |
| Ariane Barker | 11 | 10 | 7 | 6 | 4 | 4 | 2 | 2 |
| Professor David Battersby AM | 11 | 11 | - | - | - | - | 2 | 2 |
| Chris Leptos AM | 11 | 11 | - | - | 4 | 4 | 2 | 2 |
| Professor Colin Stirling | 11 | 10 | - | - | - | - | 2 | 2 |
| Greg West | 11 | 11 | 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, New Zealand and Ireland. Services include counselling, application processing and pre-departure guidance;

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

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

› operation of digital marketing and event service.

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

## Significant changes in state of affairs

### Equity Raising

On 2 April 2020, IDP Education Limited successfully completed a $225m fully underwritten institutional placement (Placement) of 21.1m new fully paid ordinary shares to institutional investors at a price of $10.65 per share.

Following the institutional placement, on 7 May 2020, the Company successfully completed its Share Purchase plan (SPP), which was offered to the eligible shareholders. The SPP proceeds was $29m with 2.8m new shares issued at $10.65 per share.

The proceeds of the Placement and SPP will be used to enhance balance sheet strength and financial flexibility, and to support the business during the current macro-economic uncertainty by materially increasing liquidity.

### COVID-19 impact

COVID-19 and the resulting travel bans and lockdowns in both source and destination countries severely impacted the international education industry during the last quarter of FY20. International mobility effectively ceased which restricted the ability of students to commence their overseas studies and created uncertainty for future students who were considering enrolments during 2020. IELTS testing was also impacted with lockdowns and social distancing measures forcing the closure of testing centres throughout most of IDP's network.

The impact of COVID-19 we expect will impact the intakes for student placement for FY21 to some degree. It is uncertain when higher education institutions will be in a position to return to previous on campus activity levels. As the majority of IELTS test takers undertake the test for academic or migration purposes, until international borders are open for travel and higher education institutions are able to allow international students to commence courses on campus, IELTS testing volumes will be impacted.

## Future developments

Likely developments in, and expected results of the operations of the Group in subsequent years are referred to on page 19 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 2020, an interim dividend of 16.5 cents per share franked at 17% was declared on 12 February 2020 and the payment was deferred to 24 September 2020. IDP's Board of Directors has decided not to declare a full year dividend.

In respect of the financial year ended 30 June 2019, an interim dividend of 12.0 cents per share franked at 50% was paid on 29 March 2019. A final dividend of 7.5 cents per share franked at 45% was paid on 26 September 2019.

## Events subsequent to balance date

Other than the COVID-19 impact discussed above, there has not been any matter or circumstances occurring subsequent to the balance date that has significantly affected, or may significantly affect, the operation of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 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 | 52,817 | - | - |
| Andrew Barkla | 257,259 | 295,000 | 182,510 |
| Ariane Barker | 21,684 | - | - |
| Professor David Battersby AM | 10,048 | - | - |
| Chris Leptos AM | 28,684 | - | - |
| Professor Colin Stirling | - | - | - |
| Greg West | 27,817 | - | - |

## 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.

## Indemnification and insurance of officers

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

## Non-audit services

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 non-audit services provided during the year are outlined in Note 25 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 45.

## Rounding of amounts to the nearest thousand dollars

The Group is of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191* dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' report and financial report are rounded off to the nearest thousand dollars, except where otherwise stated, to the nearest dollar.

## Corporate governance policies

IDP is committed to strong and effective governance frameworks and complies with the Australian Securities Exchange Corporate Governance Principles and Recommendations 3rd Edition (ASX Principles). IDP'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) 2020 Remuneration Report for which we seek your support at our Annual General Meeting in October 2020.

2020 was our fourth full year of operation since listing. As detailed in the financial section of our Report we were on track for another record result when the COVID-19 pandemic began to impact our business operations across our regions. The Board and management responded quickly and effectively in an effort to minimise the impact on the business. Key initiatives adopted, included:

› A temporary 20% fixed annual remuneration reduction which was agreed to by all employees, executives and Directors. The reductions implemented for each category have been as follows:
  - Employees – 4 ½ months commencing 15 May 2020
  - Global Leadership Team and Senior Leaders – 6 months commencing 1 April 2020
  - Non-executive Directors – 6 months commencing 1 April 2020
  - These adjustments will remain under review as we continue to respond to the ongoing impact of the pandemic. Together we share the responsibility of caring for our customers and our company during this unusual period. Our strong culture and values underpin our team's response which has been universally supportive.
  - Our people are at the very core of our business success and it is critical we retain our talented team to ensure we are able to maximise the 'rebound' opportunities that will arise when restrictions to global mobility are lifted. A detailed review of our business has been conducted to ensure our people are optimally assigned to strengthen our operations and the services we deliver to our customers. Natural attrition has continued; however, replacement of vacant roles has been tightly monitored.

› A capital raising was initiated to preserve IDP's very strong financial position and provide a working capital buffer.

› Increased debt facilities were negotiated.

› Globally a reduction in all expense lines was achieved including renegotiation of leases, reduction in marketing spend and accessing available government subsidies to partially offset revenue losses due to the COVID-19 pandemic.

There have been many positive achievements over 2020. These include:

› In Student Placement, an SP App was rolled out to 20 countries with 18,000 downloads by the end of the financial year. Supporting students in their course selections and the introduction of Net Promoter Score in 15 countries has enabled us to better understand student experience at 5 key customer journey points.

› In IELTS we developed a suite of supporting materials to ensure that test takers, teachers and referring partners were able to optimise the computer delivered IELTS experience. This has resulted in an increased take up of this product and created an online version of IELTS (IELTS Indicator) supporting 5,000 test takers. It enabled the recognition by 900 universities and helps to extend the reputation of IELTS and its brand.

› Virtual events connecting clients with 60,000 students in Q4, together with webinars and multichannel updates keep customers and stakeholders abreast of rapid developments and continue to cement our position as a trusted leader in International Education.

› Increased capability to provide data-driven intelligence regarding student sentiment and behaviour has enabled us to further strengthen our brand, with our International Student Crossroads research allowing us to influence policy making and gain recognition globally.

Notwithstanding the severe impact of COVID-19 we have managed to report a satisfactory financial performance for the year. Revenue of $587m was marginally down year on year and NPAT of $68m was up 2%. Our share price volatility reflects the uncertainty in the current global environment. Despite this volatility IDP has delivered a more than 400% TSR since listing.

As always, remuneration was a key focus of your Board as we continued to ensure that there is alignment between shareholders and management. Retention of talent is critical as we face IDP's growth challenges, technological change, our diverse geographies, community, Government and regulatory changes.

Key initiatives this year, included:

- IDP’s Board and executive KMP remuneration strategies and policies were reviewed and updated;
- Remuneration adjustments arising from the independent remuneration benchmark assessments of all executive KMP positions, as well as GLT roles undertaken last year were implemented in July 2019;
- A Remuneration Workshop was independently curated during the year to ensure all aspects of remuneration were thoroughly considered, including regulatory changes, changes in the ASX Corporate Governance Guidelines and Principles and market trends;
- A change to the remuneration mix of selected senior executives was implemented;
- The specific non-financial and financial key performance indicators (KPI) for FY20 were reviewed and updated to ensure they remained appropriately focussed and challenging;
- In a particularly difficult remuneration environment careful consideration was given to the award outcomes across the group. With a balanced approach we have endeavoured to ensure that all FY20 awards truly reflected performance and were both fair and equitable, all things considered; and
- The performance conditions for IDP’s LTI were reviewed and updated. The EPS CAGR rate was increased and the TSR comparator group was recomposed to more accurately reflect our business peers.

2020 has been a truly challenging year and these challenges will remain for the foreseeable future. As Chair of the Remuneration Committee I will continue to work closely with my fellow Directors, external advisors and management to ensure that IDP maintains a strong and effective talent pool ready to face the challenges ahead. This will most likely require a greater degree of flexibility and discretion. Our objectives remain unchanged and that is to focus on shareholder alignment, drive results and provide remuneration systems that reward and motivate employees to successfully execute our business strategies.

I will continue to maintain contact with our key stakeholders to ensure transparency and that there is a clear understanding of our remuneration strategies.

**Peter Polson**
Chair of the Remuneration Committee
19 August 2020

# 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, directly or indirectly and are responsible for the entity's governance are classified as KMP.

The KMP was established on the listing of the company in November 2015 and included in the Financial Reporting for FY16 onwards. On appointment of Mr Pental as Chief Operating Officer in FY19 the role was reviewed and it was determined that the COO was not Executive KMP as he was not responsible for planning, directing and controlling activities of IDP across the entire business. The review was completed again by the company secretary at the end of FY20 and as the responsibilities of the role had expanded, the COO is now included in Executive KMP.

The KMP of IDP for the year ended 30 June 2020 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 |
| Harmeet Pental | Chief Operating Officer | 1 July 2019 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 |
| Greg West | Non-Executive Director | 4 December 2006 to Current |
| Professor Colin Stirling | Non-Executive Director | 6 February 2018 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.

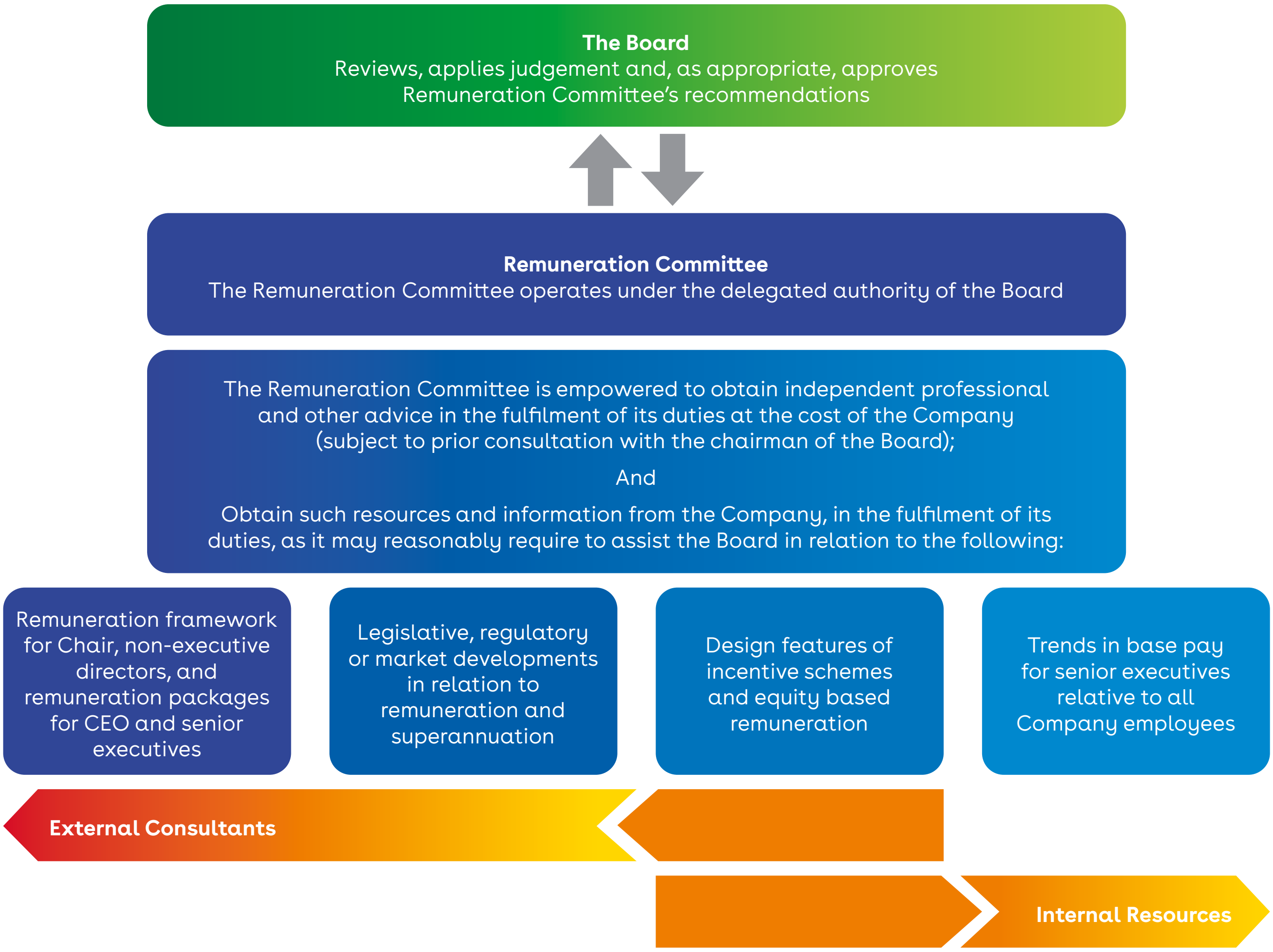
## Role of the Board and the Remuneration Committee

The Board is responsible for IDP'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 other Executive KMP, 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 to drive a performance culture and align with shareholder outcomes.

# Remuneration Report continued

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




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 Corporate Governance section of the Investor Centre of the IDP website.

As at 30 June 2020, 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 FY20, Crichton and Associates Pty Limited (Crichton and Associates) were engaged by the Board to provide recommendations in relation to KMP and various other remuneration consulting services. Crichton and Associates were paid (invoiced) $19,638 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 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.

Consequently, 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 consulting services, Crichton and Associates also provided services relating to other aspects of remuneration of the Group's employees, including the provision of valuation services, IDP Education Employee Incentive Plan (IDIP) award offer documentation and other related advisory services. For these services Crichton and Associates was paid (invoiced) $63,515 during FY20.

## Remuneration strategy

IDP's Board, Executive and Employee Remuneration Policy (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 principles of IDP's remuneration strategy include:

› reward as one important component of the overall employee experience supporting the attraction and retention of a highly skilled and diverse workforce;

› the weighting toward shared KPIs and performance measures recognises IDP Education's success requires collaboration;

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

› linking 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;

› providing 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.

The Policy is drafted in such a way as to enable IDP to navigate the complexity of managing remuneration across numerous geographies and varying job roles.

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

**IDP Executive KMP Remuneration Objectives**

- Shareholder value creation through equity components
- An appropriate balance of 'fixed' and 'at risk' components
- Creation of reward differentiation to drive performance culture and behaviours
- Attract motivate and retain executive talent required at each 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 and Business Unit performance targets appropriate to the specific position | Targets are linked to IDP group objectives such as EPS CAGR and relative TSR |
| **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) may be considered | Awarded as equity and vest (or not) at the end of the performance period |
| **Strategic intent and market positioning** | | |
| FAR in the early stages will be positioned between the median and 75th percentile (+/-) compared to relevant market based data considering expertise and performance in the role | Performance incentive is directed to achieving key strategic or financial targets. FAR and STI opportunity is intended to be positioned in the 3rd quartile of the relevant benchmark group | LTI is intended to align executive KMP with shareholder interests. LTI opportunity should ideally be positioned at or about the top of the 3rd quartile |

**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 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:

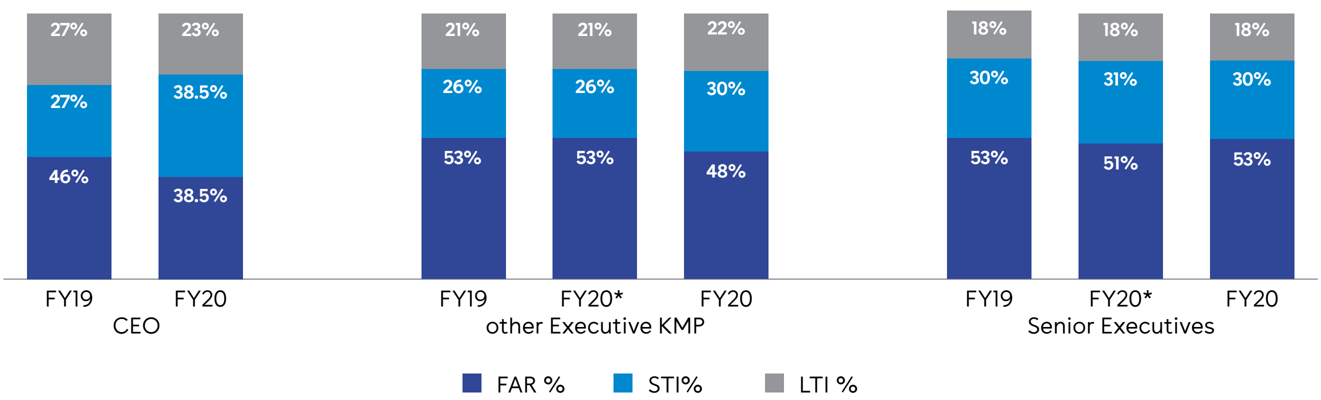
  • Short Term Incentive (STI)

  • Long Term Incentive (LTI)

The illustration below provides an overview of the average FY20 Total Target Remuneration mix for the CEO, other Executive KMP and senior executives of IDP compared to FY19.

The FY20 remuneration mix for the CEO is slightly below the performance aggressive range (33⅓:33⅓:33⅓) as the weighting of the STI component has increased. The remuneration mix for other Executive KMP is slightly above the performance balanced range (50:25:25) with the inclusion of the COO in this group.

*Total Target Remuneration Mix (at target)*




* Mr Pental is included in Senior Executives for the purposes of a like for like comparison year on year

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

› Setting market competitive FAR;

› Achieving an appropriate mix between fixed and variable remuneration;

› Providing a meaningful STI (targeted at up to 100% of FAR) aligned to the achievement of key financial and other organisational metrics over the current financial year; and

› Providing meaningful LTI (targeted at up to 60% 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 will have outperformed and the CEO and other Executive KMP will achieve top quartile remuneration benefits.

The reward mix and performance expectations are reviewed annually.

# Remuneration Report continued

## Executive KMP Remuneration Mix

The mix of remuneration for the Executive KMP in FY20 is shown in the following table and a detailed description of each is discussed in more detail below:

| | Fixed Annual Remuneration ($) | STI[1] (At-Target) ($) | STI[2] (Exceptional) ($) | LTI[3] (At-Target) ($) |
|---|---|---|---|---|
| **Executive KMP** | | | | |
| Andrew Barkla[4] | 1,050,000 | 1,050,000 | 1,863,750 | 630,000 |
| Murray Walton[5] | 575,770 | 287,885 | 510,996 | 201,520 |
| Warwick Freeland[6] | 455,106 | 227,553 | 403,907 | 204,800 |
| Harmeet Pental | 557,325 | 557,325 | 989,252 | 334,395 |

1. STI payout for on-target performance.
2. Maximum STI payout.
3. LTI allocation value for FY20.
4. Mr Barkla's FAR was increased $150,000, STI (at-target) was increased by $510,000 and the LTI (at-target) was increased by $90,000.
5. Mr Walton's FAR was increased by $16,770, STI (at-target) was increased by $8,385 and the LTI (at-target) was increased by $4,870.
6. Mr Freeland's FAR was increased by $13,256, STI (at-target) was increased by $6,628 and the LTI (at-target) was increased by $5,967.

These changes were made after a thorough evaluation of the importance of the role and the incumbent and including by reference to external market data, independently assessed.

## 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's approach to FAR settings is to aim to position all executives between the median and 75th percentile of relevant comparator group executives as determined by independent benchmark assessment and advice.

The table below applied logically, can be used as a guide to IDP'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 will 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 Securities Exchange (ASX) listed companies, and based on a range of size criteria including market capitalisation, revenue, number of employees 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 has target based STI plans in place for all Executive KMP.

Performance criteria set for STI plans reflect fundamental strategic or performance objectives to ensure a focused 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 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 FY20, the key performance criteria of IDP were directed to achieving the following Board approved targets:<br>› Earnings before Interest and Taxation;<br>› Exceed budgeted growth in volume of hot and warm student placement leads to global business;<br>› Year on year growth in the number of Applied students to all destinations;<br>› Increase IELTS market share year on year;<br>› Develop and implement complete suite of Computer delivered (CD) IELTS preparation materials for test takers;<br>› Drive student referrals;<br>› Implement and embed Net Promoter Score (NPS) in Student Placement (SP) operations;<br>› Increase productivity in SP measured by the number of finalised students per dedicated sales and counselling full time equivalent (FTE) team members;<br>› Launch the SP App in all offshore countries with localised content and accurate and timely application data entered;<br>› Leadership development including succession plan for all Global Leadership Team (GLT) roles, for mission critical roles.<br><br>The Board believes that these specific STI performance criteria support the strategic direction of the Company and will encourage an increase in financial performance, market share and shareholder returns. |
| **Rewarding performance** | The STI performance weightings are set under a predetermined matrix with the Board determination final.<br><br>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 CEO's STI is paid as follows:<br>› STI amounts up to $100,000 and 50% of any amount above $100,000 will be paid in cash subsequent to 30 June 2020 following completion of the performance period and audit of the associated financial statements; and<br>› 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.<br><br>The COO's STI is paid as follows:<br>› 70% will be paid in cash subsequent to 30 June following completion of performance period and audit of the associated financial statements; and<br>› 30% will be satisfied through a grant of service rights issued under the IDIP. The service rights are subject to a vesting condition that the COO remains employed for a further 12 months from the end of the financial year.<br><br>The STI of other Executive KMP will be paid in cash subsequent to 30 June 2020 following completion of the performance period and audit of the associated financial statements. |

The performance criteria set are reviewed annually to ensure they align with the company's evolving business strategies and goals. The FY21 performance criteria will consist of a mix of financial (EBIT) and non-financial criteria.

FY21 budgets have been prepared at a time of significant uncertainty due to the uncertainty of impact and timing of any economic recovery post COVID-19. Accordingly, the Board has implemented a process of quarterly budgeting and will be required to impose a much higher degree of discretion in both setting and measuring performance for this year.

## 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 five of these, Performance Rights, Options, Service Rights, Deferred Shares and Exempt Shares (general employees only), to Executive KMP and senior executives as depicted below.

*Awards Available Under the IDIP*

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

IDP 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 are 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:
  - Earnings per share compound annual growth;
  - Total shareholder return (TSR) compound annual growth; or
  - IDP comparative ranking of TSR against the component companies in the ASX300 Discretionary Index or other relevant selected comparator group.

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

The relevant performance conditions and the hurdle rates are reviewed, updated and approved annually.

The Board believes that the specific LTI vesting conditions will ensure the alignment of KMP's awards with shareholder returns. As at 30 June 2020, Executive KMP participate in the following Awards under the IDIP:

› the FY18 Award;
› the FY19 Award;
› the FY20 Award; 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 |
|---|---|---|---|---|---|---|
| FY18 Award – Tranche 1 | Performance Rights | 15-Sep-17 | 5.45 | 0.00 | EPS target CAGR over the period 1 July 2017 to 30 June 2020[1]<br>Continuous employment with IDP until Vesting Date | 31-Aug-20 |
| FY18 Award – Tranche 2 | Performance Rights | 15-Sep-17 | 4.07 | 0.00 | Ranking in TSR against the component companies in the ASX300 Discretionary Index from grant date to 30 June 2020[2]<br>Continuous employment with IDP until Vesting Date | 31-Aug-20 |
| FY19 Award – Tranche 1 | Performance Rights | 27-Sep-18 | 9.67 | 0.00 | EPS target CAGR over the period 1 July 2018 to 30 June 2021[3]<br>Continuous employment with IDP until Vesting Date | 31-Aug-21 |
| FY19 Award – Tranche 2 | Performance Rights | 27-Sep-18 | 6.30 | 0.00 | Ranking in TSR against the component companies in the ASX300 Discretionary Index from grant date to 30 June 2021[4]<br>Continuous employment with IDP until Vesting Date | 31-Aug-21 |
| FY20 Award – Tranche 1 | Performance Rights | 1-Oct-19 | 15.17 | 0.00 | EPS target CAGR over the period 1 July 2019 to 30 June 2022[5]<br>Continuous employment with IDP until Vesting Date | 31-Aug-22 |
| FY20 Award – Tranche 2 | Performance Rights | 1-Oct-19 | 7.79 | 0.00 | Ranking in TSR against the component companies in a selected 'peer' group of forty (40) ASX listed companies of a similar size (based on Market Capitalisation) over the period period 1 July 2019 to 30 June 2022[6]<br>Continuous employment with IDP until Vesting Date | 31-Aug-22 |

1. The base EPS has been set at FY17 EPS of 16.58 cents per share. 50% of performance rights available will vest if an EPS CAGR of at least 12% is achieved. 100% of performance rights available will vest if an EPS CAGR of at least 14% is achieved. Vesting will be on a pro rata basis between 12% and 14%.
2. 50% of performance rights available will vest if IDP achieves a ranking in TSR against the component companies in the ASX 300 Discretionary Index of greater or equal to 50th percentile. 100% of performance rights available will vest if IDP achieves a ranking in TSR against the component companies in 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.
3. The base EPS has been set at FY18 EPS of 20.23 cents per share. 50% of performance rights available will vest if an EPS CAGR of at least 12% is achieved. 100% of performance rights available will vest if an EPS CAGR of at least 14% is achieved. Vesting will be on a pro rata basis between 12% and 14%.
4. 50% of performance rights available will vest if IDP achieves a ranking in TSR against the component companies in the ASX 300 Discretionary Index of greater or equal to 50th percentile. 100% of performance rights available will vest if IDP achieves a ranking in TSR against the component companies in 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.
5. The base EPS has been set at FY19 EPS of 26.3 cents per share. 50% of performance rights available will vest if an EPS CAGR of at least 15% is achieved. 100% of performance rights available will vest if an EPS CAGR of at least 17.5% is achieved. Vesting will be on a pro rata basis between 15% and 17.5%.
6. 50% of performance rights available will vest if IDP achieves a ranking in TSR against the component companies in a selected 'peer' group of forty (40) ASX listed companies of a similar size (based on Market Capitalisation) of greater or equal to 50th percentile. 100% of performance rights available will vest if IDP achieves a ranking in TSR against the component companies in a selected 'peer' group of forty (40) ASX listed companies of a similar size (based on Market Capitalisation) of greater or equal to 75th percentile. Vesting will be on a pro rata basis between 50th percentile and 75th percentile achievement.

## 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 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.

| Executive KMP | Contract type | Notice period by Executive | Notice period by IDP Education | Redundancy Payment |
|---|---|---|---|---|
| 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 | 3 months | 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 |
| Harmeet Pental | Ongoing | 6 months | 6 months | General retrenchment provisions apply in accordance with Ministry of Manpower (Singapore) requirements |

## Clawback provisions

The Board approved an executive remuneration malus and clawback policy in relation to performance based remuneration on 21 August 2017. No circumstances have arisen during the current year that have required application of this policy.

## Linking remuneration and performance in FY20

### FY20 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 FY20.

| Measure | Weighting | Outcome |
|---|---|---|
| Consolidated Earnings before Interest and Taxation | 50.0% | 20.8% |
| Volume of hot and warm student placement leads to global business | 5.0% | 3.2% |
| Volume of Applied students to all destinations | 5.0% | 5.3% |
| Increase IELTS market share | 7.5% | 7.9% |
| Suite of CD IELTS preparation materials implemented globally | 7.5% | 7.5% |
| Increase student referrals | 5.0% | 5.4% |
| Implement and embed NPS in SP operations | 5.0% | 5.0% |
| Increase productivity to 38.9 finalised students per dedicated Full Time Equivalent | 5.0% | 0.0% |
| Launch SP App, with localised content and training provided | 5.0% | 5.0% |
| Succession Plan for GLT roles and Talent review implemented | 5.0% | 5.0% |
| | **100.0%** | **65.1%** |

Consolidated EBIT was adversely impacted by COVID-19. It is difficult to quantify the exact impact. Management's response to the pandemic was exceptional. Apart from trying to maintain a business as usual approach as far as practicable, significant effort was made to control costs. About $35m in savings were achieved through remuneration reductions, bonus reduction, rental relief, marketing, travel, consulting fees and other sundry savings. These savings enabled IDP to achieve an earnings result similar to FY19. A small amount of various Government subsidies were also received, where eligible.

The STI measures were selected to ensure the Executive KMP together with the full Global Leadership Team remain focussed on continuously improving customer experience and leadership capability, building a strong pipeline of students as well as growth in finalised volumes, growing IELTS market share and increasing CD IELTS uptake to position IDP for future financial success.

The Board is particularly delighted that the Company and the executive team have delivered these results in a year which presented many challenges to the business due to COVID-19 and the resultant temporary changes to international mobility. The outcomes reflect actual results, no discretion has been exercised in determining these payments.

The table below provides a summary of STI payments achieved for the FY20 performance year:

| FY20 | STI At-Target $ | STI Achieved[1,2] $ | At-Target STI Achieved % | At-Target STI Forfeited % |
|---|---|---|---|---|
| **Executive KMP** | | | | |
| Andrew Barkla | 1,050,000 | 683,468[3] | 65.1% | 366,532 |
| Murray Walton | 287,885 | 187,391 | 65.1% | 100,494 |
| Warwick Freeland | 227,553 | 148,119 | 65.1% | 79,434 |
| Harmeet Pental | 557,325 | 362,775[4] | 65.1% | 182,677 |

1. STI amounts indicated to have been achieved in respect of the year ended 30 June 2020 are subject to annual review and only payable subsequent to 30 June 2020 upon ratification and recommendation by the Remuneration Committee and approval by the Board.
2. With the exception noted in footnote 3 and 4, all STI amounts will be paid in cash.
3. An STI amount of $291,734 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.
4. An STI amount of $108,832 satisfied through a grant of service rights issued under the IDIP. The service rights are subject to a vesting condition that the COO remains employed for a further 12 months from the end of the financial year.

Without the impact of COVID-19 the Board believes the results for FY20 would have been well above expectations. While COVID-19 has impacted on shareholders adversely we believe executives have also been adversely impacted by reduced remuneration, lower STI payments than would otherwise apply and the lower share price impact on both their LTI awards, performance expectations and unvested awards.

After deep contemplation the Board believes that no 'special' adjustment is required to these reward outcomes and that the results fairly reflect remuneration and performance outcomes, all things considered.

## LTI performance scorecard

LTI Awards are granted annually to all executive KMP. Apart from special incentive awards, LTI awards are granted as performance rights with both an earnings (EPS CAGR) and TSR (IDP TSR relative to S&P/ASX 300 25 Discretion Accumulation Index (XDKAI) component company TSR) over a set three year performance period. There are currently three unvested 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 |
|---|---|---|---|---|
| FY18 LTI | 31 August 2020 | 100% | 31 August 2020 | 100% |
| FY19 LTI | 31 August 2021 | Uncertain | 31 August 2021 | Uncertain |
| FY20 LTI | 31 August 2022 | Uncertain | 31 August 2022 | Uncertain |

The EPS CAGR for the period from 1 July 2016 to 30 June 2019 was 18.1% and 17.1% for the period from 1 July 2017 to 30 June 2020. It is not appropriate to provide further guidance on the likelihood of achievement of future EPS hurdles at this time.

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

IDP's TSR performance relative to the component companies in the ASX/S&P300 Discretionary Index also reflects IDP's outperformance as it has consistently achieved top quartile performance over an extended period. Accordingly, the Board believes the reward outcomes for executives of a series of years are in alignment with company performance.

The following table provides a summary of critical performance metrics showing IDP Education's financial performance for FY20 and the four years prior.

| Measure | FY20 | FY19 | FY18 | FY17 | FY16 |
|---|---|---|---|---|---|
| Revenue ($000) | **587,106** | 598,136 | 487,155 | 394,187 | 361,636 |
| *% change from previous year* | **-1.84%** | *22.78%* | *23.58%* | *9.00%* | *16.71%* |
| Earnings Before Interest and Taxation ($000) | **107,761** | 97,116 | 75,924 | 61,224 | 53,664 |
| *% change from previous year* | **10.96%** | *27.91%* | *24.01%* | *14.09%* | *18.86%* |
| Net Profit after Taxation ($000) | **67,809** | 66,311 | 51,481 | 41,511 | 39,914 |
| *% change from previous year* | **2.26%** | *28.81%* | *24.02%* | *4.00%* | *26.81%* |
| Basic Earnings per Share (cents per share) | **26.14** | 26.26 | 20.59 | 16.58 | 15.95 |
| *% change from previous year* | **-0.46%** | *27.54%* | *24.18%* | *3.95%* | *26.79%* |
| *3 year Compound Annual Growth Rate (Conventional)* | **16.39%** | *18.08%* | *17.85%* | *14.04%* | *23.49%* |
| Diluted Earnings per Share (cents per share) | **26.09** | 26.09 | 20.14 | 16.20 | 15.60 |
| *% change from previous year* | **0%** | *29.54%* | *24.32%* | *3.85%* | *25.00%* |
| Dividend (cents per share) | **24.00** | 18.50 | 14.00 | 12.50 | 19.18 |
| *% change from previous year* | **29.73%** | *32.14%* | *12%* | *-34.83%* | *23.11%* |
| Share Price as at 30 June ($) | **15.49** | 17.66 | 10.58 | 5.09 | 4.12 |
| Average STI payout as a % at-target for eligible KMPs | **65.1%** | 112.3% | 122.5% | 119.5% | 94.3% |

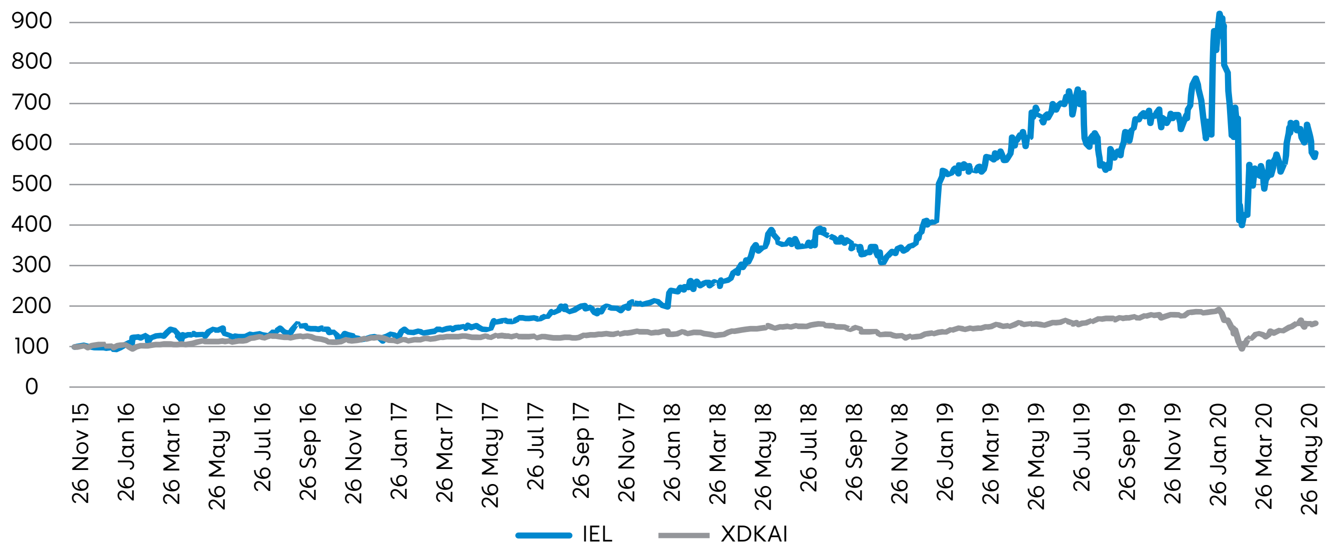
Despite an extremely disruptive last quarter the momentum IDP had created in the first three quarters combined with judicious cost savings in Q4 IDP was able to achieve a small increase in NPAT. EPS was slightly down as a result of the capital raising in Q4. Dividend per share increased by nearly 30%. While all the key financial metrics were down on FY20 budgets the results reflect a very strong underlying performance.

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 or specific comparator group the exact performance can only be assessed at the final test date (30th June each year). An indicative only result can be shown by comparing IDP's TSR relative to the XDKAI as set out in the chart below.

As indicated, IDP has consistently outperformed the XDKAI. Since listing IDP has achieved an approximate 492% TSR, whereas the XDKAI has returned 48%. This means shareholder returns for IDP shareholders have enjoyed TSR performance in excess of ten times this representative 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 Index (XDKAI)**
**25 November 2015 to 30 June 2020**



## 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 FY20 that are yet to, and may never, be realised by the Executive KMP member. The statutory remuneration table below differs from the FY20 KMP remuneration mix outlined on page 32. Differences arise mainly due to the accounting treatment of share-based payment (performance rights and options).

| | | | Short term Benefits | | | Post-employment Benefits | Long-Term Benefits | Equity-Based Benefits | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial Year | Salary[1] $ | STI[2] $ | Other[3] $ | Non-monetary Benefits[4] $ | Super-annuation $ | Leave[5] $ | Perfor-mance rights/ Options[6] $ | Total remun-eration $ |
| **Executive KMP** | | | | | | | | | |
| Andrew Barkla | **2020** | **972,500** | **683,468** | **-** | **-** | **25,000** | **40,202** | **512,919** | **2,234,089** |
| | 2019 | 875,000 | 606,377 | - | - | 25,000 | 24,533 | 721,365 | 2,252,275 |
| Murray Walton[7] | **2020** | **521,982** | **187,391** | **11,037** | **-** | **25,000** | **19,714** | **89,929** | **855,053** |
| | 2019 | 534,000 | 313,856 | - | - | 25,000 | 39,157 | 117,258 | 1,029,271 |
| Warwick Freeland | **2020** | **407,351** | **148,119** | **-** | **-** | **25,000** | **16,055** | **103,241** | **699,766** |
| | 2019 | 416,850 | 248,081 | - | - | 25,000 | 15,210 | 168,474 | 873,615 |
| Harmeet Pental | **2020** | **458,512** | **362,775** | **24,600** | **72,543** | **51,922** | **-** | **156,536** | **1,126,888** |
| | 2019 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **Total** | **2020** | **2,360,345** | **1,381,753** | **35,637** | **72,543** | **126,922** | **75,971** | **862,625** | **4,915,796** |
| | 2019 | 1,825,850 | 1,168,314 | - | - | 75,000 | 78,900 | 1,007,097 | 4,155,161 |

1. Salary changes reflect increases effective from 1 July 2019 offset by a 20% reduction from 1 April 2020 to 30 June 2020.
2. Short-term STI includes both cash and service rights expected to be paid/vest in future periods as a result of FY18 and FY19 STI outcomes.
3. Other short term benefits for COO represent travel allowance and medical insurance for this offshore position.
4. Non-monetary benefits for COO represent car benefit and housing benefit for this offshore position.
5. Long-Term benefits represents long service leave accrued but untaken during the year.
6. 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 23) for further details.
7. The 'Other' amount is a 10 year service award paid under IDP's Global Service Recognition policy, equivalent to one week's salary.

# Remuneration Report continued

## Executive KMP LTI outcomes

| Executive KMP | LTI Award | Performance rights/ options awards[1] | Grant date | Opening balance |
|---|---|---|---|---|
| Andrew Barkla | The FY17 Award | Performance Rights | 14-Sep-16 | 116,505 |
| | CEO Incentive Award | Options | 17-Aug-15 | 720,000 |
| | The FY18 Award | Performance Rights | 27-Sep-17 | 94,302 |
| | The FY19 Award | Performance Rights | 27-Sep-18 | 49,723 |
| | The FY20 Award | Performance Rights | 01-Oct-19 | - |
| Murray Walton | The FY17 Award | Performance Rights | 14-Sep-16 | 33,216 |
| | The FY18 Award | Performance Rights | 27-Sep-17 | 31,011 |
| | The FY19 Award | Performance Rights | 27-Sep-18 | 18,015 |
| | The FY20 Award | Performance Rights | 01-Oct-19 | - |
| Warwick Freeland | The FY17 Award | Performance Rights | 14-Sep-16 | 45,490 |
| | The FY18 Award | Performance Rights | 27-Sep-17 | 37,925 |
| | The FY19 Award | Performance Rights | 27-Sep-18 | 18,308 |
| | The FY20 Award | Performance Rights | 01-Oct-19 | - |
| Harmeet Pental | The FY17 Award | Performance Rights | 14-Sep-16 | 63,912 |
| | The FY18 Award | Performance Rights | 27-Sep-17 | 58,308 |
| | The FY19 Award | Performance Rights | 27-Sep-18 | 27,231 |
| | The FY20 Award | Performance Rights | 01-Oct-19 | - |

1. To date all LTI awards granted since listing have met their performance conditions and have vested.

## Executive KMP shareholdings

Details of ordinary shares held by the Executive KMP and their related parties are provided in the table below:

| Executive KMP | Opening balance | Performance/ Service Rights exercised | Options exercised | Net change other[1] | Closing balance |
|---|---|---|---|---|---|
| Andrew Barkla | 100,000 | 138,976 | 425,000 | (422,183) | 241,793 |
| Murray Walton | 64,500 | 33,216 | - | (27,945) | 69,771 |
| Warwick Freeland | - | 45,490 | - | (45,490) | - |
| Harmeet Pental | - | 63,912 | - | (51,956) | 11,956 |

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 |
|---|---|---|---|---|---|
| - | (116,505) | - | - | - | - |
| - | (425,000) | - | 295,000 | - | - |
| - | - | - | - | - | 94,302 |
| - | - | - | - | - | 49,723 |
| 38,485 | - | - | - | - | 38,485 |
| - | (33,216) | - | - | - | - |
| - | - | - | - | - | 31,011 |
| - | - | - | - | - | 18,015 |
| 12,310 | - | - | - | - | 12,310 |
| - | (45,490) | - | - | - | - |
| - | - | - | - | - | 37,925 |
| - | - | - | - | - | 18,308 |
| 12,510 | - | - | - | - | 12,510 |
| - | (63,912) | - | - | - | - |
| - | - | - | - | - | 58,308 |
| - | - | - | - | - | 27,231 |
| 19,175 | - | - | - | - | 19,175 |

**Please note, table continues from page 40**

## 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 or LTI.

No retirement benefits are payable to Non-executive Directors other than statutory superannuation entitlements. 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 chair fees represent remuneration for chairing Board committees. |
| Committee Member Fees | Cash | Committee member fees represent remuneration for service on an IDP Board Committee. |

Non-executive Director remuneration was last increased effective March 2018 based on an independent assessment of Board remuneration of comparable companies. This increase represents the only increase in fees since the company listed in November 2017. The current Non-executive Director remuneration fee structure is shown in the following table:

| | $ per annum |
|---|---|
| **Base Fee** | |
| Chair | 350,000 |
| Non-executive Director | 150,000 |
| **Committee Chair Fees** | |
| Audit and Risk Committee | 20,000 |
| Nomination Committee | 10,000 |
| Remuneration Committee | 10,000 |
| **Committee Member Fees** | |
| Audit and Risk Committee | 10,000 |
| Nomination Committee | 10,000 |
| Remuneration Committee | 10,000 |

## Non-executive Director statutory remuneration table

| | | | Short term Benefits | | | Post-employment Benefits | Long-Term Benefits | Equity-Based Benefits | |
|---|---|---|---|---|---|---|---|---|---|
| | Financial Year | Directors Fees[1] $ | STI $ | Other $ | Non-monetary Benefits $ | Super-annuation $ | Leave $ | Perfor-mance rights $ | Total remune-ration $ |
| **Non-executive Directors** | | | | | | | | | |
| Peter Polson | **2020** | **307,677** | **-** | **-** | **-** | **24,823** | **-** | **-** | **332,500** |
| | 2019 | 325,000 | - | - | - | 25,000 | - | - | 350,000 |
| Ariane Barker | **2020** | **180,500** | **-** | **-** | **-** | **-** | **-** | **-** | **180,500** |
| | 2019 | 190,000 | - | - | - | - | - | - | 190,000 |
| Professor David Battersby AM | **2020** | **138,813** | **-** | **-** | **-** | **13,187** | **-** | **-** | **152,000** |
| | 2019 | 146,118 | - | - | - | 13,882 | - | - | 160,000 |
| Greg West | **2020** | **147,489** | **-** | **-** | **-** | **14,011** | **-** | **-** | **161,500** |
| | 2019 | 155,251 | - | - | - | 14,749 | - | - | 170,000 |
| Chris Leptos AM | **2020** | **147,489** | **-** | **-** | **-** | **14,011** | **-** | **-** | **161,500** |
| | 2019 | 155,251 | - | - | - | 14,749 | - | - | 170,000 |
| Professor Colin Stirling | **2020** | **138,813** | **-** | **-** | **-** | **13,187** | **-** | **-** | **152,000** |
| | 2019 | 146,118 | - | - | - | 13,882 | - | - | 160,000 |
| **Total** | **2020** | **1,060,781** | **-** | **-** | **-** | **79,219** | **-** | **-** | **1,140,000** |
| | 2019 | 1,117,738 | - | - | - | 82,262 | - | - | 1,200,000 |

1. The Chair and Directors fees were set upon listing to reflect relevant market benchmarks for an ASX listed entity of similar size and complexity and as assessed independently. Directors fees were last increased effective 1 March 2018 to align with market and reflects the increased scale and complexity of IDP and the commensurate increase in time commitment by the Board. In FY20 Directors agreed to a 20% reduction in fees payable for the period 1 April to 30 June in light of impact of COVID-19 on business performance and cash flow.

## Non-executive Director shareholdings

Details of ordinary shares held by 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 | 50,000* | - | - | 2,817 | 52,817 |
| Ariane Barker | 18,867 | - | - | 2,817 | 21,684 |
| Professor David Battersby AM | 7,231 | - | - | 2,817 | 10,048 |
| Greg West | 25,000 | - | - | 2,817 | 27,817 |
| Chris Leptos AM | 25,867 | - | - | 2,817 | 28,684 |
| Professor Colin Stirling | - | - | - | - | - |

* There was an error in Peter Polson's ordinary share holdings as at 30 June 2019, which has been corrected and restated in the table above.

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 Non-executive Directors of the Group.

## Minimum Shareholding requirement

A minimum shareholding policy was introduced during FY18. The policy requires Non-executive Directors to hold shares to the equivalent value of the annual base fee, unless the Non-executive Director is a representative of Education Australia (a major shareholder in IDP) in which case any minimum shareholding requirement will be determined by Education Australia in its absolute discretion. A transition period of three years is allowed to achieve this minimum holding. As at 30 June 2020 all Directors who are not representatives of Education Australia hold more shares than their threshold requirement.

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

**Peter Polson**
Chairman

**Andrew Barkla**
Managing Director

Melbourne
19 August 2020

# Auditor’s Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000

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

19 August 2020

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

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 2020, 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

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants

# Consolidated statement of profit or loss

for the year ended 30 June 2020

| | Notes | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| Revenue | 3 | 587,106 | 598,136 |
| Expenses | 4.1 | (438,138) | (483,120) |
| Depreciation and amortisation | | (40,888) | (17,919) |
| Finance income | | 849 | 297 |
| Finance costs | 4.2 | (6,037) | (2,039) |
| Share of (loss)/profit of associates | | (319) | 19 |
| **Profit for the year before income tax expense** | | 102,573 | 95,374 |
| Income tax expense | 5 | (34,764) | (29,063) |
| **Profit for the year** | | 67,809 | 66,311 |
| | | | |
| Profit for the year attributable to: | | | |
| Owners of IDP Education Limited | | 67,873 | 66,627 |
| Non-controlling interests | | (64) | (316) |
| | | 67,809 | 66,311 |

| Earnings per share for profit attributable to ordinary equity holders | Notes | 30 June 2020 | 30 June 2019 |
|---|---|---|---|
| Basic earnings per share (cents per share) | 7 | 26.14 | 26.26 |
| Diluted earnings per share (cents per share) | 7 | 26.09 | 26.09 |

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

# Consolidated statement of comprehensive income

for the year ended 30 June 2020

| | Notes | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **Profit for the year** | | 67,809 | 66,311 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Net investment hedge of foreign operations | | 490 | (777) |
| Exchange differences arising on translating the foreign operations | | (3,790) | 2,575 |
| Gains/(losses) arising on changes in fair value of hedging instruments entered into for cash flow hedges | | | |
| Forward foreign exchange contracts | | (269) | (806) |
| Cumulative gains/(losses) arising on changes in fair value of hedging instruments reclassified to profit or loss | | 803 | (343) |
| Income tax related to gains/(losses) recognised in other comprehensive income | 5 | (276) | 495 |
| *Items that will not be reclassified subsequently to profit or loss:* | | - | - |
| Other comprehensive income for the year, net of income tax | | (3,042) | 1,144 |
| **Total comprehensive income for the year** | | 64,767 | 67,455 |
| Total comprehensive income attributable to: | | | |
| Owners of IDP Education Limited | | 64,802 | 67,787 |
| Non-controlling interests | | (35) | (332) |
| | | 64,767 | 67,455 |

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

# Consolidated statement of financial position

as at 30 June 2020

| | Notes | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 20 | 307,089 | 56,059 |
| Trade and other receivables | 8 | 68,407 | 68,558 |
| Contract assets | 9 | 23,586 | 32,564 |
| Derivative financial instruments | 22 | 461 | 1,007 |
| Current tax assets | | 16,279 | 11,040 |
| Other current assets | 14 | 13,332 | 16,019 |
| **Total current assets** | | 429,154 | 185,247 |
| **NON-CURRENT ASSETS** | | | |
| Contract assets | 9 | 3,210 | 2,854 |
| Investment in associate | 27 | 5,929 | 4,760 |
| Property, plant and equipment | 11 | 24,216 | 21,288 |
| Rights-of-use assets | 12 | 82,598 | - |
| Intangible assets | 13 | 128,641 | 133,811 |
| Capitalised development costs | 10 | 5,944 | 3,921 |
| Deferred tax assets | 5 | 10,841 | 17,130 |
| Derivative financial instruments | 22 | - | 328 |
| Other non-current assets | 14 | 11,385 | 119 |
| **Total non-current assets** | | 272,764 | 184,211 |
| **TOTAL ASSETS** | | 701,918 | 369,458 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 57,318 | 92,682 |
| Dividends payable | 6 | 41,983 | - |
| Lease liabilities | 19 | 17,262 | - |
| Contract liabilities | 16 | 37,821 | 34,184 |
| Provisions | 17 | 11,342 | 10,311 |
| Current tax liabilities | | 3,654 | 2,809 |
| Financial liabilities at fair value through profit or loss | 22 | - | 174 |
| Derivative financial instruments | 22 | 929 | 1,663 |
| **Total current liabilities** | | 170,309 | 141,823 |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | - | 537 |
| Borrowings | 18 | 59,831 | 60,478 |
| Lease liabilities | 19 | 67,301 | - |
| Derivative financial instruments | 22 | - | 365 |
| Deferred tax liabilities | 5 | 5,082 | 5,725 |
| Provisions | 17 | 6,474 | 6,583 |
| **Total non-current liabilities** | | 138,688 | 73,688 |
| **TOTAL LIABILITIES** | | 308,997 | 215,511 |
| **NET ASSETS** | | 392,921 | 153,947 |
| **EQUITY** | | | |
| Issued capital | 21 | 270,959 | 30,811 |
| Reserves | | 6,843 | 14,789 |
| Retained earnings | | 115,466 | 108,659 |
| **Equity attributable to owners of IDP Education Limited** | | 393,268 | 154,259 |
| Non-controlling interests | | (347) | (312) |
| **TOTAL EQUITY** | | 392,921 | 153,947 |

The Group has reclassified the presentation of treasury shares issued to employees from Issued capital to Share based payments reserve. The reclassification is to better align the vested treasury shares to the underlying Share based payments reserve. The equity section as at 30 June 2019 is reclassified as above. The reclassification has no impact on net profit, net assets or cash flows of the Group.

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

# Consolidated statement of changes in equity

for the year ended 30 June 2020

| | Note | Issued capital $'000 | Cash flow hedge reserve $'000 | Foreign currency translation reserve $'000 | Share based payments reserve $'000 | Retained earnings $'000 | Equity attributable to owners of IDP Education Limited $'000 | Non-controlling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **As at 30 June 2018** | | 9,734 | 240 | 50 | 9,628 | 81,614 | 101,266 | 20 | 101,286 |
| Effect of adoption of new accounting standards(i)(ii) | | - | - | - | - | 7,490 | 7,490 | - | 7,490 |
| Reclassification of treasury shares issued to the employees(iii) | | 8,024 | - | - | (8,024) | - | - | - | - |
| **As at 1 July 2018** | | 17,758 | 240 | 50 | 1,604 | 89,104 | 108,756 | 20 | 108,776 |
| Change in the fair value of cash flow hedges, net of income tax | | - | (802) | - | - | - | (802) | - | (802) |
| Exchange differences arising on translating the foreign operations | | - | - | 1,962 | - | - | 1,962 | (16) | 1,946 |
| Profit for the year | | - | - | - | - | 66,627 | 66,627 | (316) | 66,311 |
| Total comprehensive income for the year | | - | (802) | 1,962 | - | 66,627 | 67,787 | (332) | 67,455 |
| Issue of new shares | 21.1 | 4,939 | - | - | - | - | 4,939 | - | 4,939 |
| Acquisition of treasury shares | 21.2 | (1,930) | - | - | - | - | (1,930) | - | (1,930) |
| Share-based payments | | - | - | - | 21,779 | - | 21,779 | - | 21,779 |
| Issue of treasury shares to employees | | 10,044 | - | - | (10,044) | - | - | - | - |
| Dividends paid | 6 | - | - | - | - | (47,072) | (47,072) | - | (47,072) |
| **As at 30 June 2019** | | 30,811 | (562) | 2,012 | 13,339 | 108,659 | 154,259 | (312) | 153,947 |

(i) During the year ended 30 June 2019, the Group adopted AASB 15 *Revenue from Contracts with Customers* on a modified retrospective basis. This resulted in an increase of $7.756 million to retained profits as at 1 July 2018, being the cumulative effect on initial application of the standard.

(ii) During the year ended 30 June 2019, the Group adopted AASB 9 *Financial Instruments*. This resulted in a charge of $0.266 million to retained profits as at 1 July 2018, being the cumulative effect on initial application of the standard.

(iii) The Group has reclassified the presentation of treasury shares issued to employees from Issued capital to Share based payments reserve. The reclassification is to better align the vested treasury shares to the underlying Share based payments reserve. The equity section as at 30 June 2018 is reclassified as above. The reclassification has no impact on net profit, net assets or cash flows of the Group.

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

# Consolidated statement of changes in equity continued
for the year ended 30 June 2020

| | Note | Issued capital $'000 | Cash flow hedge reserve $'000 | Foreign currency trans-lation reserve $'000 | Share based payments reserve $'000 | Retained earnings $'000 | Equity attrib-utable to owners of IDP Education Limited $'000 | Non-contro-lling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **As at 30 June 2019** | | 12,743 | (562) | 2,012 | 31,407 | 108,659 | 154,259 | (312) | 153,947 |
| Reclassification of treasury shares issued to the employees (i) | | 18,068 | - | - | (18,068) | - | - | - | - |
| **As at 1 July 2019** | | 30,811 | (562) | 2,012 | 13,339 | 108,659 | 154,259 | (312) | 153,947 |
| Change in the fair value of cash flow hedges, net of income tax | | - | 373 | - | - | - | 373 | - | 373 |
| Exchange differences arising on translating the foreign operations | | - | - | (3,444) | - | - | (3,444) | 29 | (3,415) |
| Profit for the year | | - | - | - | - | 67,873 | 67,873 | (64) | 67,809 |
| Total comprehensive income for the year | | - | 373 | (3,444) | - | 67,873 | 64,802 | (35) | 64,767 |
| Exercise of share options | 21.1 | 612 | | | | | 612 | | 612 |
| Issue of new shares, net of transaction costs | 21.1 | 248,963 | - | - | - | - | 248,963 | - | 248,963 |
| Acquisition of treasury shares | 21.2 | (17,940) | - | - | - | - | (17,940) | - | (17,940) |
| Share-based payments schemes including tax effect | | - | - | - | 3,638 | - | 3,638 | - | 3,638 |
| Issue of treasury shares to employees | | 8,513 | - | - | (8,513) | - | - | - | - |
| Dividends paid/payable | 6 | - | - | - | - | (61,066) | (61,066) | - | (61,066) |
| **As at 30 June 2020** | | 270,959 | (189) | (1,432) | 8,464 | 115,466 | 393,268 | (347) | 392,921 |

(i) The Group has reclassified the presentation of treasury shares issued to employees from Issued capital to Share based payments reserve. The reclassification is to better align the vested treasury shares to the underlying Share based payments reserve. The equity section as at 30 June 2019 is reclassified as above. The reclassification has no impact on net profit, net assets or cash flows of the Group.

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

# Consolidated statement of cash flow

for the year ended 30 June 2020

| | Notes | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers [(i)] | | 610,105 | 578,252 |
| Payments to suppliers and employees [(i)] | | (494,971) | (473,152) |
| Interest received | | 563 | 297 |
| Interest paid | | (5,472) | (1,539) |
| Income tax paid | | (31,623) | (29,153) |
| **Net cash inflow from operating activities** | 20 | 78,602 | 74,705 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for investment in associates | | (1,788) | (696) |
| Payments for plant and equipment, intangible assets and capitalised development costs | | (22,422) | (19,674) |
| **Net cash outflow from investing activities** | | (24,210) | (20,370) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | 18 | 14,000 | 14,696 |
| Repayments of borrowings | 18 | (14,000) | (19,000) |
| Issue of new shares net of transaction costs | 21.1 | 248,963 | - |
| Proceeds from exercise of share options | 21.1 | 612 | 4,939 |
| Payments for treasury shares | 21.2 | (17,940) | (1,930) |
| Repayment of lease liabilities | | (15,478) | - |
| Dividends paid | 6 | (19,083) | (47,072) |
| **Net cash inflow/(outflow) from financing activities** | | 197,074 | (48,367) |
| Net increase in cash and cash equivalents | | 251,466 | 5,968 |
| Cash and cash equivalents at the beginning of the year | | 56,059 | 48,809 |
| Effect of exchange rates on cash holdings in foreign currencies | | (436) | 1,282 |
| **Cash and cash equivalents at the end of the year** | 20 | 307,089 | 56,059 |

(i) The Group has restated the 30 June 2019 receipts from customers and payment to suppliers and employees to include gross GST amount. The restatement has no impact the net operating cash inflow of the Group.

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

# Notes to the consolidated financial statements

for the year ended 30 June 2020

## 1. Basis of preparation

This general purpose financial report for the year ended 30 June 2020 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 consolidated financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 19 August 2020.

### 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 1.8 to 1.9.

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.

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

The performance of IDP Education in the first nine months of FY20 was strong with revenue growth of 19.2% compared to the same period in FY19 representing a continuation of the strong organic growth the company has been experiencing over the past eight years. However the financial impact of COVID-19 on the business was evident from the end of March and revenue declined by 64% in the last quarter compared to the same period in FY19 leading to an overall decline in revenue of 1.8% for the full year.

Despite the impacts from COVID-19, the Group has sufficient cash reserves to meet any obligations or liabilities as and when they become due and payable.

### 1.4. 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:

- Assessment of uncertain tax positions: Note 5 – Income taxes and Note 14 – Other assets
- Note 13 – Intangible assets – Impairment test of goodwill and intangible assets with indefinite useful lives
- Note 22.3 – Fair value of financial instruments
- Note 23.3 – Fair value of share-based payments

### 1.5. Rounding of amounts

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

## 1.6. Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

› AASB 16 *Leases*

› Interpretation 23 *Uncertainty over Income Tax Treatments* and AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatment*

### *AASB 16 Leases*

The Group has adopted the new lease accounting standard AASB 16 *Leases* from 1 July 2019. AASB 16 introduces significant changes to lessee accounting by removing the classification of leases as either operating or finance leases as required by AASB 117 and instead introduces a single lessee accounting model.

Applying that model, a lessee is required to:

› Recognise assets and liabilities for all leases with a term of more than 12 months in the Consolidated Statement of Financial Position initially measured at the present value of the future lease payments, unless the underlying asset is of low value;

› Recognise amortisation of lease assets separately from interest on lease liabilities in the Consolidated Statement of Profit or Loss;

› Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Cash Flow Statement.

The Group has elected to apply the modified retrospective approach for leases. For leases, which were classified as operating leases under AASB 117, the Group has recognised right-of-use assets and lease liabilities as at the transition date (1 July 2019). The Group did not have any leases previously classified as finance leases on the adoption date.

The Group has elected to apply the recognition exemption for leases of low-value assets or short-term leases including office equipment such as printers and other IT equipment for use by staff in its offices.

The effect on 1 July 2019 of the recognition of the new right-of-use assets and lease liabilities is disclosed below.

| | 1 July 2019<br>$'000 |
|---|---|
| Increase in right-of-use assets | 82,736 |
| Decrease in assets from de-recognition of prepaid rent | (2,027) |
| Increase in lease liabilities – current | (14,991) |
| Increase in lease liabilities – non-current | (65,718) |
| **Impact on retained earnings** | - |

The reconciliation of non-cancellable operating lease commitments disclosed at 30 June 2019 to initial lease liabilities recognised as at 1 July 2019 is set out below.

| | $'000 |
|---|---|
| Operating lease commitments disclosed as at 30 Jun 2019 | 46,951 |
| Adjustments as a result of a different treatment of extension and termination options | 49,349 |
| Short term and low value leases | (11) |
| Discounting with incremental borrowing rate at the first application of AASB 16 | (15,580) |
| **Lease liabilities recognised as of 1 July 2019** | 80,709 |

### *Interpretation 23 Uncertainty over Income Tax Treatments*

The Group has adopted Interpretation 23 *Uncertainty over Income Tax Treatments* and AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax* Treatment from 1 July 2019. The adoption of Interpretation 23 does not have a material impact on the financial statements of the Group.

# Notes to the consolidated financial statements
continued

## 1. Basis of preparation (continued)

### 1.7. Standards and Interpretations in issue not yet effective

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

| Standard and Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| *AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture AASB10 & AASB128, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* | 1 January 2022 | 30 June 2023 |
| *AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business* | 1 January 2020 | 30 June 2021 |
| *AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material* | 1 January 2020 | 30 June 2021 |
| *AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework* | 1 January 2020 | 30 June 2021 |
| *AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* | 1 January 2020 | 30 June 2021 |
| *AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia* | 1 January 2020 | 30 June 2021 |

In addition, at the date of authorisation of the financial statements no IASB Standards and IFRIC Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued.

The Directors of the Group do not anticipate that the adoption of above amendments will have a material impact in future periods on the financial statements of the Group.

### 1.8. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020. 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### 1.9. 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.

# Notes to the consolidated financial statements
continued

## Financial Performance

## 2. Segment information

### Basis of segmentation

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

The Chief Operating Decision Maker determined that 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, Chile, Colombia, Cyprus, Ecuador, Egypt, Germany, Greece, Iran, Ireland, Italy, Jordan, Kazakhstan, Kuwait, Lebanon, Mexico, Nigeria, Oman, Pakistan, Peru, Poland, Qatar, Romania, Russia, Saudi Arabia, Spain, Switzerland, Turkey, Ukraine, Uzbekistan, the United Arab Emirates, the United Kingdom and United States of America.

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

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

### Geographic segment revenue and results

| | Segment revenue | | Segment EBIT | |
|---|---|---|---|---|
| | **30 June 2020 $'000** | 30 June 2019 $'000 | **30 June 2020 $'000** | 30 June 2019 $'000 |
| Asia | **389,174** | 391,774 | **127,127** | 113,554 |
| Australasia | **57,399** | 63,299 | **9,708** | 12,223 |
| Rest of World | **140,533** | 143,063 | **29,436** | 30,150 |
| **Consolidated total** | **587,106** | 598,136 | **166,271** | 155,927 |
| Corporate cost | | | **(58,510)** | (58,811) |
| **EBIT** | | | **107,761** | 97,116 |
| Net finance cost | | | **(5,188)** | (1,742) |
| **Profit before tax** | | | **102,573** | 95,374 |

### Service segment

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

| | **30 June 2020 $'000** | 30 June 2019 $'000 |
|---|---|---|
| Student placement | **155,150** | 138,515 |
| IELTS examination | **145,720** | 154,470 |
| English language teaching | **19,354** | 18,862 |
| Digital marketing and events | **22,799** | 19,849 |
| Other | **2,183** | 2,367 |
| | **345,206** | 334,063 |

## 3. Revenue

### Accounting policy

The Group's revenue mainly comprises of:

› Student placement revenue
› IELTS examination revenue
› English language teaching revenue
› Digital marketing revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue when it transfers control of a service to a customer.

Under AASB 15, revenue recognition for each of the major revenue streams is as follows:

| Revenue stream | Performance obligation | Timing of recognition |
|---|---|---|
| Student placement revenue | Institution application service, visa application service and pre-departure service | Point in time recognition when the performance obligations are satisfied after applying the withdrawal rate (i.e. when students withdraw from the courses after the enrolments are confirmed), which will be deferred. |
| IELTS examination revenue | Provision of English language testing service | Over time from the date the testing commences, until the testing results are issued. Revenue is calculated based on the input method (i.e. resources consumed and cost incurred). |
| English language teaching revenue | Provision of English language teaching courses | Over time starting from the expiry of the trial period, until the completion of the courses Revenue is calculated based on the output method (i.e. lessons delivered). |
| Digital marketing revenue | Hosting the advertising content online, lead generation and enquiry processing | Over time starting from the date that the content goes live, until the expiry of the advertising contract Revenue is calculated based on the input method (i.e. resources consumed and cost incurred). |

### *Disaggregation of revenue*

The Group derives its revenue from the transfer of services over time and at a point in time in the following major services.

| Timing of revenue recognition | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---:|---:|
| **At a point in time** | | |
| Student placement revenue | 190,566 | 170,252 |
| Other revenue | 4,271 | 3,994 |
| **Over time** | | |
| IELTS examination revenue | 325,517 | 359,576 |
| English language teaching revenue | 28,503 | 27,521 |
| Digital marketing and event revenue | 38,249 | 36,793 |
| **Total revenue** | 587,106 | 598,136 |

# Notes to the consolidated financial statements
continued

## 4. Expenses and finance costs

### 4.1. Expenses

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Service providers fees | 192,568 | 210,924 |
| Employee benefits expenses | 159,789 | 156,639 |
| Occupancy expenses | 8,934 | 25,344 |
| Marketing expenses | 25,348 | 29,725 |
| Administrative expenses | 10,760 | 14,565 |
| IT and communication expenses | 17,410 | 16,726 |
| Consultancy and professional expenses | 11,096 | 11,129 |
| Travel expenses | 6,904 | 9,225 |
| Foreign exchange (gain)/loss | (510) | 3,500 |
| Other expenses | 5,839 | 5,343 |
| | 438,138 | 483,120 |

### 4.2. Finance costs

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Interest on borrowings | 959 | 1,454 |
| Interest expenses on lease liabilities | 4,487 | - |
| Other finance costs | 591 | 585 |
| | 6,037 | 2,039 |

### 4.3. Included in the employee benefit expenses

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Share-based payments | 1,631 | 3,142 |
| Governments wages subsidies [1] | (4,464) | - |
| Defined contribution plans | 10,015 | 9,021 |

(1) COVID-19 related governments wages subsidies.

As a result of the COVID-19 pandemic, governments in Australia and foreign jurisdictions provided wages subsidies to the business. During FY20, IDP received $4.464m government wages subsidies. It was recognised as deductions against employee expenses as permitted under AASB 112 Government Grants.

## 5. Income taxes

### Critical accounting estimates and assumptions

The Group is subject to income taxes in Australia and foreign jurisdictions and as a result the calculation of the Group's tax charge involves a degree of estimation and judgment in respect of certain items. The Group recognises liabilities for potential tax audit issues based on management's assessment of whether additional taxes may be payable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which such determination is made.

### 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.

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. Income taxes (continued)

### 5.1. Income tax recognised in profit or loss

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **Current tax** | | |
| Current tax expense in respect of the current year | 30,834 | 34,657 |
| Withholding taxes | 872 | 793 |
| Adjustments recognised in the current year in relation to the current tax of prior years | 652 | 16 |
| | 32,358 | 35,466 |
| **Deferred tax** | | |
| In respect of the current year | 2,406 | (6,403) |
| Total income tax expense recognised in the current year relating to continuing operations | 34,764 | 29,063 |

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

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Profit before tax | 102,573 | 95,374 |
| Income tax expense calculated at 30% (2019: 30%) | 30,772 | 28,612 |
| Add tax effect of: | | |
| Non-deductible expenses | 635 | 550 |
| Attributed income | 178 | 1,026 |
| Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets | 2,415 | 788 |
| Withholding taxes | 872 | 793 |
| Effect on deferred tax balances due to the change in income tax rate | 481 | - |
| Adjustments recognised in the current year in relation to the current tax of prior years | 652 | 16 |
| | 36,005 | 31,785 |
| Less tax effect of: | | |
| Non-assessable income | (378) | (970) |
| Other deductible items | (29) | (163) |
| Adjustments recognised in relation to prior year deferred tax balances | 2,363 | (1,160) |
| Effect of tax rate in foreign jurisdictions | (3,124) | (417) |
| Tax losses | (73) | (12) |
| **Income tax recognised in profit or loss** | 34,764 | 29,063 |

## 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 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Deferred tax assets | 10,841 | 17,130 |
| Deferred tax liabilities | (5,082) | (5,725) |
| | 5,759 | 11,405 |

*2020*

Temporary differences and tax losses.

| $'000 | Opening balance | Recognised in profit or loss | Recognised in other comprehensive income | Recognised in reserves | Closing balance |
|---|---|---|---|---|---|
| Accrued expenses | 1,760 | 599 | - | - | 2,359 |
| Deferred capital expenditure | 96 | 281 | - | - | 377 |
| Employee benefits | 9,452 | (1,489) | - | (2,964) | 4,999 |
| Leases | - | 886 | - | - | 886 |
| Trade receivable | 339 | 538 | - | - | 877 |
| Derivative financial instruments | 580 | (51) | (160) | - | 369 |
| Hedge of net investments | 1,070 | - | (147) | - | 923 |
| Unrealised foreign exchange losses | 437 | (195) | - | - | 242 |
| Plant, property and equipment | (1,026) | (278) | - | - | (1,304) |
| Deferred revenue | (418) | 598 | - | - | 180 |
| Intangible assets | (5,725) | 612 | 31 | - | (5,082) |
| Prepayments | (35) | 2 | - | - | (33) |
| Tax losses | 1,698 | (1,127) | - | - | 571 |
| Others | 3,177 | (2,782) | - | - | 395 |
| **Net deferred tax** | 11,405 | (2,406) | (276) | (2,964) | 5,759 |

## 5. Income taxes (continued)

### 5.2. Deferred tax balances (continued)

*2019*

Temporary differences and tax losses

| $'000 | Opening balance | Effect of initial application of new accounting standards | Recognised in profit or loss | Recognised in other comprehensive income | Recognised in reserves | Closing balance |
|---|---|---|---|---|---|---|
| Accrued expenses | 1,957 | - | (197) | - | - | 1,760 |
| Deferred capital expenditure | 105 | - | (9) | - | - | 96 |
| Employee benefits | 531 | - | 4,794 | - | 4,127 | 9,452 |
| Trade receivable | 7 | 114 | 218 | - | - | 339 |
| Derivative financial instruments | 105 | - | 130 | 345 | - | 580 |
| Hedge of net investments | 837 | - | - | 233 | - | 1,070 |
| Unrealised foreign exchange losses | 179 | - | 258 | - | - | 437 |
| Plant, property and equipment | (730) | - | (296) | - | - | (1,026) |
| Deferred revenue | (19) | - | (399) | - | - | (418) |
| Intangible assets | (6,196) | - | 554 | (83) | - | (5,725) |
| Prepayments | (39) | - | 4 | - | - | (35) |
| Tax losses | 1,581 | - | 117 | - | - | 1,698 |
| Others | 1,948 | - | 1,229 | - | - | 3,177 |
| **Net deferred tax** | 266 | 114 | 6,403 | 495 | 4,127 | 11,405 |

### 5.3. Unrecognised deferred tax assets

| | 30 June 2020 $'000 | 30 June 2019 $'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 | 802 | 369 |
| › tax losses | 4,531 | 2,937 |
| | 5,333 | 3,306 |

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

## 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/payable

| | 30 June 2020 | | 30 June 2019 | |
|---|---|---|---|---|
| | cents per share | Total $'000 | cents per share | Total $'000 |
| Final dividend paid in respect of prior financial year – 45% franked (2019: 60%) at the Australia corporate tax rate of 30% | 7.5 | 19,083 | 6.5 | 16,539 |
| Interim dividend payable/paid in respect of current financial year – 17% franked (2019: 50%) at the Australia corporate tax rate of 30% | 16.5 | 41,983 | 12.0 | 30,533 |
| **Total** | | 61,066 | | 47,072 |

The final dividend of 7.5c per share for the financial year ended 30 June 2019 was paid on 26 September 2019.

The interim dividend of 16.5c per share for the financial year ended 30 June 2020 was declared on 12 February 2020 to shareholders registered on 6 March 2020. The payment was deferred to 24 September 2020.

### 6.2. Dividends proposed and not recognised at the end of the reporting period

IDP's Board of Directors has decided not to declare a full year dividend.

### 6.3. Franking credits

The balance of the franking account at 30 June 2020 is $12.111m (2019: $8.579m) based on the Australian corporate tax rate of 30% (2019: 30%). The dividend payment on 24 September 2020 will reduce the franking credits available by $3.058m.

## 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 2020 Cents | | 30 June 2019 Cents | |
|---|---|---|---|---|
| | **Basic** | **Diluted** | Basic | Diluted |
| Earnings per share | **26.14** | **26.09** | 26.26 | 26.09 |

| Earnings used in calculating earnings per share | 30 June 2020 $000 | 30 June 2019 $000 |
|---|---|---|
| Earnings used in the calculation of basic and diluted earnings per share | **67,873** | 66,627 |

| Weighted average number of shares used as the denominator | 30 June 2020 | 30 June 2019 |
|---|---|---|
| Weighted average number of shares used as denominator in calculating basic EPS | **259,678,139** | 253,751,406 |
| Weighted average of potential dilutive ordinary shares: | | |
| › options | **-** | 693,562 |
| › performance rights | **501,802** | 897,735 |
| **Weighted average number of shares used as denominator in calculating diluted EPS** | **260,179,941** | 255,342,703 |

## Assets and liabilities

## 8. Trade and other receivables

### Accounting policy

Receivables arise from revenue that has been billed, but not yet settled by the customer.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised as the relevant performance obligations identified in a customer contract are satisfied. Refer to Note 3 for further details of revenue recognition.

Where revenue recognised precedes billings it results in a contract asset as disclosed in Note 9 below, and where cash amounts are received in advance of revenue recognition it results in a contract liability as disclosed in Note 16.

IDP's credit terms are generally 30 to 60 days from the date of invoice. As such, the carrying amount of receivables approximates their fair value.

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Trade receivables | 65,339 | 64,819 |
| Credit loss allowance | (1,527) | (1,416) |
| | 63,812 | 63,403 |
| Other receivables | 4,595 | 5,155 |
| | 68,407 | 68,558 |

### Credit Loss Allowance

The Group applies the simplified approach under AASB 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Expected credit losses are measured by grouping trade receivables and contract assets based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

A provision allowance is determined based on historic credit loss rates for each group of customers, adjusted for any material expected changes to the customers' future credit risk.

### Movement in the credit loss allowance

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Balance at beginning of the year | (1,416) | (599) |
| Adoption of AASB 9 as of 1 July 2018 | - | (380) |
| Impairment losses recognised on receivables | (874) | (804) |
| Impairment losses reversed | 668 | 140 |
| Amounts written off during the year | 95 | 227 |
| **Balance at end of the year** | (1,527) | (1,416) |

## 9. Contract assets

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Student placement services | 26,796 | 35,418 |
| | | |
| Current | 23,586 | 32,564 |
| Non-current | 3,210 | 2,854 |
| | 26,796 | 35,418 |

Amounts relating to contract assets are balances where revenue recognised precedes billings under customer contracts. The Group recognised contract assets for any performance obligations satisfied. Any amount previously recognised as contract assets is reclassified to trade receivables at the point at which it is invoiced to the customer.

## 10. Capitalised development costs

### Accounting policy

Capitalised development costs represent 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 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Balance at beginning of the year | 3,921 | 5,683 |
| Additions | 8,398 | 8,019 |
| Transfers to property, plant and equipment | (277) | - |
| Transfers to intangible assets | (6,059) | (9,781) |
| Effect of foreign currency exchange differences | (39) | - |
| Balance at end of the year | 5,944 | 3,921 |

## 11. 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 depreciation rate 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.

| Cost | Leasehold improvements $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2018 | 22,463 | 19,828 | 42,291 |
| Additions | 5,309 | 4,859 | 10,168 |
| Disposals | (482) | (1,627) | (2,109) |
| Balance at 30 June 2019 | 27,290 | 23,060 | 50,350 |
| Additions | 8,236 | 5,128 | 13,364 |
| Transfer from capitalised development costs | 277 | - | 277 |
| Disposals | (8,967) | (5,461) | (14,428) |
| Effect of foreign currency exchange differences | 562 | 821 | 1,383 |
| Balance at 30 June 2020 | 27,398 | 23,548 | 50,946 |
| **Accumulated depreciation** | | | |
| Balance at 1 July 2018 | (10,359) | (12,945) | (23,304) |
| Depreciation for the year | (3,962) | (3,743) | (7,705) |
| Disposals | 403 | 1,544 | 1,947 |
| Balance at 30 June 2019 | (13,918) | (15,144) | (29,062) |
| Depreciation for the year | (2,579) | (4,828) | (7,407) |
| Disposals | 5,694 | 5,460 | 11,154 |
| Effect of foreign currency exchange differences | (661) | (754) | (1,415) |
| Balance at 30 June 2020 | (11,464) | (15,266) | (26,730) |
| **Net Book Value** | | | |
| At 30 June 2019 | 13,372 | 7,916 | 21,288 |
| At 30 June 2020 | 15,934 | 8,282 | 24,216 |

## 12. Right-of-use assets

### Accounting policy

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses in accordance with AASB 136 *Impairment of Assets*, if any, and adjusted for certain remeasurement of the lease liability.

### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office and IT equipment that have a lease term of 12 months or less or for leases of low-value assets such as printers and other IT equipment for use by staff in its offices. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying value of right-of-use assets is presented below:

| Cost | Office buildings $'000 |
|---|---|
| Balance at 30 June 2019 | - |
| Initial adoption of AASB 16 on 1 July 2019 | 82,736 |
| Additions | 24,284 |
| Disposal | (723) |
| Effect of foreign currency exchange differences | (3,881) |
| Balance at 30 June 2020 | 102,416 |
| **Accumulated depreciation** | |
| Balance at 30 June 2019 | - |
| Depreciation for the period | 21,148 |
| Disposal | (531) |
| Effect of foreign currency exchange differences | (799) |
| Balance at 30 June 2020 | 19,818 |
| **Net Book Value** | |
| At 30 June 2019 | - |
| At 30 June 2020 | 82,598 |

| Amounts recognised in the Statement of Profit or Loss | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Depreciation expenses on right-of-use assets | 21,148 | - |
| Interest expenses on lease liabilities | 4,487 | - |
| Expenses relating to short term or low value leases | 870 | - |
| Occupancy expenses (1) | 8,064 | 25,344 |

(1) COVID-19-related rent concessions.

In May 2020, the IASB amended IFRS 16 to provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19 related rent concession is a lease modification and allow lessees that apply the practical expedient to account for COVID-19 related rent concessions as if they were not lease modifications.

IDP has applied the practical expedient to all rent concessions that meet the conditions. $1.3m was recognised in profit or loss to reflect changes in lease payments that arose from rent concessions.

## 13. 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 subject to any impairment in accordance with the accounting policy stated below.

A CGU is the smallest identifiable group of assets that generate cash flows largely independent of cash flows of other groups of assets. Goodwill and other indefinite life intangible assets are allocated to CGU or group of CGUs which are no larger than one of the Group's reportable segments.

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

› Post-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.

### 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 expenses. 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.

## 13. Intangible assets (continued)

| Cost | Software $'000 | Student place-ment licence $'000 | Brand and trade names $'000 | Customer relation-ships $'000 | Website tech-nology and database $'000 | Goodwill $'000 | Contracts for English language testing $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2018 | 52,196 | 2,493 | 15,083 | 14,180 | 7,210 | 38,830 | 35,200 | 165,192 |
| Additions | 343 | - | - | - | - | - | - | 343 |
| Transfer from capitalised development costs | 9,781 | - | - | - | - | - | - | 9,781 |
| Disposals | (8) | - | - | - | - | - | - | (8) |
| Effect of foreign currency exchange differences | - | - | 198 | 196 | 102 | 361 | - | 857 |
| Balance at 30 June 2019 | 62,312 | 2,493 | 15,281 | 14,376 | 7,312 | 39,191 | 35,200 | 176,165 |
| Additions | 1,701 | - | - | - | - | - | | 1,701 |
| Transfer from capitalised development costs | 6,059 | - | - | - | - | - | - | 6,059 |
| Disposals | (22,023) | (2,493) | - | - | - | - | - | (24,516) |
| Effect of foreign currency exchange differences | 44 | - | (125) | (124) | (64) | (228) | - | (497) |
| Balance at 30 June 2020 | 48,093 | - | 15,156 | 14,252 | 7,248 | 38,963 | 35,200 | 158,912 |
| **Accumulated amortisation** | | | | | | | | |
| Balance at 1 July 2018 | (25,405) | (2,493) | (218) | (1,385) | (2,587) | - | - | (32,088) |
| Amortisation for the year | (7,325) | - | - | - | - | - | - | (7,325) |
| Amortisation of intangible assets generated from business combinations | - | - | (71) | (969) | (1,849) | - | - | (2,889) |
| Disposals | 7 | - | - | - | - | - | - | 7 |
| Effect of foreign currency exchange differences | - | - | - | (20) | (39) | - | - | (59) |
| Balance at 30 June 2019 | (32,723) | (2,493) | (289) | (2,374) | (4,475) | - | - | (42,354) |
| Amortisation for the year | (9,137) | - | - | - | - | - | - | (9,137) |
| Amortisation of intangible assets generated from business combinations | - | - | (71) | (1,638) | (1,487) | - | - | (3,196) |
| Disposals | 21,865 | 2,493 | - | - | - | - | - | 24,358 |
| Effect of foreign currency exchange differences | (93) | - | - | 58 | 93 | - | - | 58 |
| Balance at 30 June 2020 | (20,088) | - | (360) | (3,954) | (5,869) | - | - | (30,271) |
| **Net Book Value** | | | | | | | | |
| At 30 June 2019 | 29,589 | - | 14,992 | 12,002 | 2,837 | 39,191 | 35,200 | 133,811 |
| At 30 June 2020 | 28,005 | - | 14,796 | 10,298 | 1,379 | 38,963 | 35,200 | 128,641 |

### *Software*

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

### *Student placement licence*

Student placement licence was a separately identifiable intangible asset arising from a business combination and was recognised at fair value at the acquisition date. The Group has fully amortised the balance based on the regulation change in China.

### *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 the Hotcourses acquisition are considered to have an indefinite useful life and as such are not amortised but are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. 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.

## 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 2020 | | 30 June 2019 | |
|---|---|---|---|---|
| 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 – Digital marketing | 25,738 | 14,098 | 25,966 | 14,222 |
| | 38,963 | 49,298 | 39,191 | 49,422 |

The Group tests whether goodwill and intangible assets with indefinite useful lives are subject to any impairment annually or whenever an impairment indictor is present. 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 forecast period are based on management's best estimate of volume growth, expenses, inflation and foreign exchange rates throughout the period.

# Notes to the consolidated financial statements
continued

## 13. Intangible assets (continued)

### Key assumptions

| CGU/Group of CGUs | Valuation method | Years of cash flow projection | Terminal growth rate | Post-tax discount rate % 2020 | Post-tax discount rate % 2019 |
|---|---|---|---|---|---|
| Asia – IELTS testing | Value in use | 3 | 3% | 9.3% | 9.6% |
| Australasia – IELTS testing | Value in use | 3 | 0% | 9.3% | 9.6% |
| Rest of World – IELTS testing | Value in use | 3 | 3% | 9.3% | 9.6% |
| China – Student placement | Value in use | 3 | 3.3% | 19% | 18% |
| UK – Digital marketing | Value in use | 3 | 1.5% | 10.5% | 9.9% |

The Group is actively managing the impacts and risks arising from COVID-19 on its operations and to date there are no known significant long-term structural changes that affect the future cash flows of the CGUs. As part of it COVID-19 response, the Group is closely monitoring its budgets and forecasts based on the best information available. These include but are not limited to international travel restrictions, government-imposed lockdowns, social distancing measures and institutions reduced marketing spend.

As a result, as at 30 June 2020 and 2019, the recoverable amount supports the carrying amount and no impairment has been recognised. For UK – Digital marketing CGU, the recoverable amount supporting the carrying amount is dependent on the achievement of 80% of next three years forecast EBITDA. No other reasonably possible changes in significant assumptions would give rise to an impairment of Intangible assets with indefinite useful lives and goodwill.

## 14. Other assets

| Other current assets | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Prepayments | 4,006 | 6,101 |
| Refundable deposits | 8,928 | 9,552 |
| Other assets | 398 | 366 |
| | 13,332 | 16,019 |

| Other non-current assets | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Prepayments | 974 | 119 |
| GST receivables (1) | 10,411 | - |
| | 11,385 | 119 |

(1) GST receivables represents GST paid in advance in foreign jurisdictions, which are to be refunded to the Group. The processing of such refunds is expected to take longer than 12 months.

### Critical accounting estimates and assumptions

The Group is subject to GST in Australia and foreign jurisdictions and as a result the Group's indirect tax position involves a degree of estimation and judgment in respect of certain items. The Group recognises GST receivables based on management's assessment of whether GST will be refunded to the Group. Where the final tax outcome of these matters is different from the amounts that were initially recorded, these differences impact the profit and loss in the period in which such determination is made.

## 15. Trade and other payables

| Current | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Trade payables | 38,728 | 68,858 |
| Other payables | 753 | 768 |
| Employee benefits payable | 17,837 | 23,056 |
| | 57,318 | 92,682 |
| **Non-current** | | |
| Lease incentive liabilities | - | 537 |
| | 57,318 | 93,219 |

As at 30 June 2020 and 2019, the carrying value of trade and other payables approximated their fair value.

## 16. Contract liabilities

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Amounts received in advance of delivery of exams (1) | 17,238 | 12,271 |
| Amounts received in advance of student placement services (2) | 3,590 | 5,949 |
| Amounts received in advance of events (3) | 1,286 | 2,711 |
| Amounts received in advance of language courses (4) | 3,553 | 3,706 |
| Amounts received in advance of online digital marketing services (5) | 12,154 | 9,547 |
| | 37,821 | 34,184 |

(1) The contract liabilities arise in respect to IELTS fees paid by candidates in advance of the IELTS testing month.

(2) The contract liabilities arise as a result of fees paid by students in advance of the student placement services.

(3) The contract liabilities arise as a result of exhibition fees paid by participants in advance of the event date.

(4) The contract liabilities arise as a result of tuition fees paid by participants in advance of the tuition date.

(5) The contract liabilities arise as a result of digital marketing contracts fees paid by customers in advance of service delivery.

The brought-forward contract liabilities from 30 June 2019 ($34.184m) have been fully recognised in the current reporting period revenue.

# Notes to the consolidated financial statements
continued

## 17. 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. Where 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.

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Employee benefits | **15,894** | 13,034 |
| Make good provision | **1,922** | 3,860 |
| | **17,816** | 16,894 |
| Current | **11,342** | 10,311 |
| Non-current | **6,474** | 6,583 |
| | **17,816** | 16,894 |

# Capital structure and financing

## 18. Borrowings

| Current | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Bank loans | - | - |
| **Non-current** | | |
| Bank loans | 59,831 | 60,478 |
| **Total** | 59,831 | 60,478 |

### 18.1. Reconciliation of liabilities arising from financing activities

| | Opening balance $'000 | Financing cash flows (i) $'000 | Impact of foreign currency translation $'000 | Other changes $'000 | Closing balance $'000 |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Bank loans | 60,478 | - | (491) | (156) | 59,831 |
| **2019** | | | | | |
| Bank loans | 63,928 | (4,304) | 777 | 77 | 60,478 |

(i) The cash flows from bank loans make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

### 18.2. Financing arrangement

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

| | Currency | 30 June 2020 '000 | 30 June 2019 '000 |
|---|---|---|---|
| Cash advance facility A (1) | GBP | 30,906 | 30,906 |
| Facility utilised at end of the year | GBP | (30,906) | (30,906) |
| Facility not utilised at end of the year | GBP | - | - |
| Cash advance facility B (1) | AUD | 25,000 | 25,000 |
| Facility utilised at end of the year | AUD | - | - |
| Facility not utilised at end of the year | AUD | 25,000 | 25,000 |
| Cash advance facility C (1) | AUD | 5,000 | 5,000 |
| Facility utilised at end of the year | AUD | (4,826) | (4,826) |
| Facility not utilised at end of the year | AUD | 174 | 174 |
| Cash advance facility F (2) | AUD | 150,000 | - |
| Facility utilised at end of the year | AUD | - | - |
| Facility not utilised at end of the year | AUD | 150,000 | - |

(1) Cash advance facility A, B and C will expire on 31 December 2021.

(2) Cash advance facility F will expire on 30 June 2021.

## 19. Lease liabilities

### Accounting policy

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate. The discount rate is generally calculated using incremental borrowing rates for the specific lease terms and currencies. The weighted average incremental borrowing rate used to calculate the lease liabilities on adoption of AASB 16 *Leases* as of 1 July 2019 was 5.47%. Reference interest rates based on risk-free rates in major countries and currencies were used to calculate the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

› Fixed payments, including in substance fixed payments less any lease incentives receivables;
› Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement rate;
› Amounts expected to be payable under a residual value guarantee;
› The exercise price under a purchase option that the Group is reasonably certain to exercise;
› Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
› Payment of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is measured at amortised cost using the effective interest method. It will be remeasured when there is a change in index or rate for future lease payments, a change in the Group's estimated amount payable under a residue value guarantee or changes in the Group's assessment of probabilities of exercising a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group did not make any such adjustment during the period presented.

| Maturity analysis | 30 June 2020 $'000 |
|---|---|
| Year 1 | 21,112 |
| Year 2 | 17,928 |
| Year 3 | 14,305 |
| Year 4 | 11,972 |
| Year 5 | 9,140 |
| Year 6 and onwards | 25,073 |
| | 99,530 |
| Less: interest expenses | (14,967) |
| | 84,563 |
| Presented as: | |
| Current lease liabilities | 17,262 |
| Non-current lease liabilities | 67,301 |
| | 84,563 |

The Group does not face a significant liquidity risk with regard to its lease liabilities.

## 20. 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 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Net profit after tax | 67,809 | 66,311 |
| Adjustment for: | | |
| Depreciation and amortisation | 40,888 | 17,919 |
| Credit losses | 477 | 972 |
| Share of (gain)/loss of an associate | 319 | (19) |
| Net foreign exchange (gain)/loss | (510) | 3,500 |
| Interest expenses | 6,037 | 2,039 |
| Share-based payments | 1,631 | 3,142 |
| Unwinding discount of provisions | - | 102 |
| Loss on disposal of plant and equipment | 89 | 163 |
| Movement in working capital: | | |
| Trade and other receivables | (326) | (24,308) |
| Contract assets | 8,622 | (8,455) |
| Derivative financial instruments | (225) | 1,483 |
| Other assets | (10,136) | (2,931) |
| Trade and other payables and contract liabilities | (34,787) | 16,664 |
| Current and deferred tax assets | 3,264 | (3,165) |
| Provisions | 922 | 2,827 |
| **Cash generated from operations** | 84,074 | 76,244 |
| Interest paid | (5,472) | (1,539) |
| **Net cash inflow from operating activities** | 78,602 | 74,705 |

Reconciliation of cash and cash equivalents

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Cash and bank balances on demand | 87,089 | 56,059 |
| Term deposits with maturity within three months | 220,000 | - |
| | 307,089 | 56,059 |

## 21. Issued capital

### 21.1. Share capital

| | Note | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|---|
| Ordinary shares fully paid | | **281,964** | 32,389 |
| Treasury shares | 21.2 | **(11,005)** | (1,578) |
| | | **270,959** | 30,811 |

| Movement in ordinary shares (fully paid) | Number of shares | $ per share | $'000 |
|---|---|---|---|
| Balance at 1 July 2018 | 250,294,968 | | 27,450 |
| Exercise of options | 3,430,000 | 1.44 | 4,939 |
| Issue of shares to satisfy future option exercises | 720,000 | - | - |
| Balance at 30 June 2019 | 254,444,968 | | 32,389 |
| Exercise of options | **-** | **1.44** | **612** |
| Issue of new shares under institutional placement and SPP | **23,891,243** | **10.65** | **254,441** |
| Share issue costs | **-** | | **(5,478)** |
| Balance at 30 June 2020 | **278,336,211** | | **281,964** |

### 21.2. Treasury shares

| Movement in treasury shares | Note | Number of shares | $ per share | $'000 |
|---|---|---|---|---|
| Balance at 1 July 2018 | | 1,154,629 | | 9,692 |
| Acquisition of treasury shares – FY19 | | 146,795 | 13.14 | 1,930 |
| Issue of shares to satisfy future option exercises | | 720,000 | - | - |
| Transfer to employees | | (1,402,084) | 7.16 | (10,044) |
| Balance at 30 June 2019 | | 619,340 | | 1,578 |
| Acquisition of treasury shares – FY20 | | **1,051,122** | **17.07** | **17,940** |
| Transfer to employees | 23.2 | **(1,040,075)** | **8.19** | **(8,513)** |
| Balance at 30 June 2020 | | **630,387** | | **11,005** |

During FY20, 1,040,075 treasury shares were transferred to employees under the performance rights plans (Note 23.2). These shares therefore ceased to be held as treasury shares after these dates.

During FY20, IDP Education Employee Share Scheme Trust acquired 1,051,122 shares (at an average price of $17.07 per share) to be held in the Trust for the benefit of IDP group employees who are participants in the IDP Education Employee Incentive Plan.

As at 30 June 2020, there were 630,387 treasury shares ($11.005m) held in the Trust. These shares will be transferred to eligible employees under the Performance Rights plan once the vesting conditions are met.

## 22. Financial instruments

### 22.1. Financial assets and liabilities

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 307,089 | 56,059 |
| Derivative financial instruments | | |
| Foreign exchange forward/option contracts | 461 | 1,335 |
| Trade and other receivables | 68,407 | 68,558 |
| Contract assets | 26,796 | 35,418 |
| **Financial liabilities** | | |
| Borrowings | 59,831 | 60,478 |
| Lease liabilities | 84,563 | - |
| Fair value through profit or loss | | |
| Contingent consideration | - | 174 |
| Derivative financial instruments | | |
| Foreign exchange forward/option contracts | 929 | 2,028 |
| Trade and other payables | 57,318 | 93,219 |
| Dividends payable | 41,983 | - |

### 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.

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.

## 22. Financial Instruments (continued)

*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 foreign currency loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. The loan at 30 June 2020 was a borrowing of GBP 30.906m which has been designated as a hedge of the net investment in the subsidiary in UK. 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 2020.

### 22.2. 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).

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.

*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).

*COVID-19 impacts*

In late February 2020, IDP reduced forecast hedging volumes in response to potential volatility arising from COVID-19 financial impacts. This proactive approach was implemented to ensure IDP is not over hedged across the FY21 financial year. Portfolio adjustments and further hedging can be initiated in future to ensure IDP's hedging portfolio is in line with highly probable forecast transactions.

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

| | Foreign currency | | Fair value (AUD) | |
|---|---|---|---|---|
| | 30 June 2020 $'000 | 30 June 2019 $'000 | 30 June 2020 $'000 | 30 June 2019 $'000 |
| **Buy GBP** | | | | |
| 0 to 3 months | 7,500 | 9,250 | (339) | 211 |
| 3 to 6 months | 5,000 | 5,000 | 50 | 137 |
| 6 months to 1 year | 8,250 | 10,000 | (332) | 93 |
| Over 1 year | - | 6,000 | - | 53 |
| **Sell INR** | | | | |
| 0 to 3 months | 566,000 | 283,991 | 136 | (419) |
| 3 to 6 months | - | 335,715 | - | (409) |
| 6 months to 1 year | - | 666,678 | - | (560) |
| **Buy CNY** | | | | |
| 0 to 3 months | 15,000 | 15,700 | (11) | 95 |
| 3 to 6 months | 15,000 | 15,700 | (10) | 177 |
| 6 months to 1 year | 24,000 | 31,400 | (34) | 198 |

### *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 2020 | | 30 June 2019 | |
|---|---|---|---|---|
| AUD equivalent | Assets $'000 | Liabilities $'000 | Assets $'000 | Liabilities $'000 |
| USD | 17,173 | (13,811) | 15,649 | (259) |
| CNY | 2,233 | (8,985) | 2,509 | (8,521) |
| GBP | 34,155 | (65,740) | 29,334 | (77,315) |
| INR | 3,345 | (33,222) | 7,268 | (15,929) |
| NZD | 5,662 | (514) | 3,026 | (40) |
| VND | 3,046 | (7,693) | 2,654 | (671) |
| CAD | 20,565 | (1,673) | 6,767 | (316) |
| Other Currencies | 15,622 | (20,922) | 13,979 | (7,580) |
| Total | 101,801 | (152,560) | 81,186 | (110,631) |

## 22. Financial Instruments (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** | | | |
| 2020 | **-10%** | **262** | **262** |
| 2019 | -10% | 1,197 | 1,197 |
| **CNY** | | | |
| 2020 | **-10%** | **(525)** | **339** |
| 2019 | -10% | (468) | (1,481) |
| **GBP** | | | |
| 2020 | **-10%** | **1,852** | **440** |
| 2019 | -10% | 615 | 523 |
| **INR** | | | |
| 2020 | **-10%** | **(2,324)** | **(2,229)** |
| 2019 | -10% | (674) | (2,740) |
| **CAD** | | | |
| 2020 | **-10%** | **1,469** | **1,137** |
| 2019 | -10% | 502 | (175) |
| **Other currencies** | | | |
| 2020 | **-10%** | **(373)** | **(312)** |
| 2019 | -10% | 896 | 1,020 |

### *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 2020, the Group was exposed to the variable interest rate loans of $60.2 m (2019: $60.7m).

### *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 |
|---|---|---|---|
| 2020 | **50** | **211** | **211** |
| 2019 | 50 | 212 | 212 |

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

### *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 2020** | | | | | |
| Trade and other payables | 57,318 | - | - | 57,318 | 57,318 |
| Dividends payables | 41,983 | - | - | 41,983 | 41,983 |
| Interest-bearing borrowings | 767 | 60,607 | - | 61,374 | 59,831 |
| Lease liabilities | 21,112 | 53,345 | 25,073 | 99,530 | 84,563 |
| Foreign exchange forward contracts | 929 | - | - | 929 | 929 |
| | 122,109 | 113,952 | 25,073 | 261,134 | 244,624 |
| **30 June 2019** | | | | | |
| Trade and other payables | 93,219 | - | - | 93,219 | 93,219 |
| Interest-bearing borrowings | 946 | 62,134 | - | 63,080 | 60,478 |
| Financial liabilities at fair value through profit or loss | 174 | - | - | 174 | 174 |
| Foreign exchange forward contracts | 2,028 | - | - | 2,028 | 2,028 |
| | 96,367 | 62,134 | - | 158,501 | 155,899 |

### *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 Australia, 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.

Carrying value of financial assets represents the Group's maximum exposure to credit risk because the financial assets are not offset by the financial liabilities as they do not meet the net presentation requirements under AASB 132 and the Group does not have agreements in place to enable offset as a result of credit event.

## 22. Financial Instruments (continued)

### 22.3 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 2020 $'000 | Fair value as at 30 June 2019 $'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: 461<br>Liabilities: 929 | Assets: 1,335<br>Liabilities: 2,028 | 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/ investment in associate | Level 3 | Nil | 174 | 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<br>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. |

### *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 22.1.

### *Reconciliation of Level 3 fair value measurements*

| Contingent consideration | $'000 |
|---|---|
| As at 30 June 2018 | 870 |
| Settlement | (696) |
| As at 30 June 2019 | 174 |
| Settlement | (174) |
| As at 30 June 2020 | - |

## 22.4. 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 2020, IDP has following facilities:

| | |
|---|---|
| Great British Pound £30,906,112 | Facility A: Acquisition funding unsecured Cash Advance loan facility for acquisition of UK subsidiaries |
| Australian Dollar $25,000,000 | Facility B: Unsecured Cash advance facility to support both general corporate purposes and working capital requirements of the Group |
| Australian Dollar $5,000,000 | Facility C: Acquisition funding unsecured Cash Advance loan facility for investment in HCP Ltd |
| Australian Dollar $150,000,000 | Facility F: Unsecured Cash advance facility to support both general corporate purposes and working capital requirements of the Group |

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 growth opportunities; and

› Monitor the gearing ratio of the Group.

As at 30 June 2020, the net leverage ratio was nil (2019: 0.04). The ratio is calculated as Net Debt to Earnings before Interest, tax, depreciation and amortisation (EBITDA) as defined by the loan covenants.

## Other notes

## 23. 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 Note 23.3 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 rights and 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 plans), adjusted for any expected changes to future volatility due to publicly available information.

### 23.1 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 or options 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 |
|---|---|---|---|---|---|---|
| CEO incentive award | 295,000 | 17-Aug-15 | 0.51 | 1.44 | Total shareholder return CAGR | 31-Aug-18 (1) |
| FY18 LTI award – tranche 1 | 171,173 | 15-Sep-17 | 5.45 | N/A | EPS target CAGR | 31-Aug-20 |
| FY18 LTI award – tranche 2 | 171,168 | 15-Sep-17 | 4.07 | N/A | Total shareholder return hurdle | 31-Aug-20 |
| FY18 IDP plan award – tranche 1 | 130,018 | 15-Sep-17 | 5.45 | N/A | EPS target CAGR | 31-Aug-20 |
| FY18 IDP plan award – tranche 2 | 130,003 | 15-Sep-17 | 4.07 | N/A | Total shareholder return hurdle | 31-Aug-20 |
| FY19 LTI award – tranche 1 | 87,107 | 27-Sep-18 | 9.67 | N/A | EPS target CAGR | 31-Aug-21 |
| FY19 LTI award – tranche 2 | 87,103 | 27-Sep-18 | 6.30 | N/A | Total shareholder return hurdle | 31-Aug-21 |
| FY19 IDP plan award – tranche 1 | 80,100 | 27-Sep-18 | 9.67 | N/A | EPS target CAGR | 31-Aug-21 |
| FY19 IDP plan award – tranche 2 | 80,080 | 27-Sep-18 | 6.30 | N/A | Total shareholder return hurdle | 31-Aug-21 |
| FY20 LTI award – tranche 1 | 67,546 | 1-Oct-19 | 15.17 | N/A | EPS target CAGR | 31-Aug-22 |
| FY20 LTI award – tranche 2 | 67,540 | 1-Oct-19 | 7.79 | N/A | Total shareholder return hurdle | 31-Aug-22 |
| FY20 IDP plan award – tranche 1 | 55,384 | 1-Oct-19 | 15.17 | N/A | EPS target CAGR | 31-Aug-22 |
| FY20 IDP plan award – tranche 2 | 55,362 | 1-Oct-19 | 7.79 | N/A | Total shareholder return hurdle | 31-Aug-22 |
| FY19 Deferred STI | 15,466 | 1-Oct-19 | 15.58 | N/A | Service condition | 1-Jul-20 |

(1) The expiry date of the CEO incentive award options is 12 October 2020.

## 23. Share-based payments (continued)

### 23.2. Movements during the year

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

*2020*

| | | | | Number of options or rights | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Grant date | Vesting period (years) | Exercise price | Opening balance | Granted during the year | Exercised during the year | Forfeited during the year | Closing balance | Vested and exercis-able at balance date |
| **Options plan** | | | | | | | | | |
| CEO incentive award options (1) | 17-Aug-15 | 3.0 | $1.44 | 720,000 | - | (425,000) | - | 295,000 | 295,000 |
| **Total Options** | | | | 720,000 | - | (425,000) | - | 295,000 | 295,000 |
| **Performance right plans** | | | | | | | | | |
| FY17 LTI | 14-Sep-16 | 3.0 | $0.00 | 369,247 | - | (369,247) | - | - | - |
| FY17 IDP plan award | 14-Sep-16 | 3.0 | $0.00 | 223,357 | - | (223,357) | - | - | - |
| FY18 LTI | 15-Sep-17 | 3.0 | $0.00 | 371,509 | - | - | (29,168) | 342,341 | - |
| FY18 IDP plan award | 15-Sep-17 | 3.0 | $0.00 | 269,295 | - | - | (9,274) | 260,021 | - |
| FY19 LTI | 27-Sep-18 | 3.0 | $0.00 | 188,205 | - | - | (13,995) | 174,210 | - |
| FY19 IDP plan award | 27-Sep-18 | 3.0 | $0.00 | 164,463 | - | - | (4,283) | 160,180 | - |
| FY18 deferred STI | 27-Sep-18 | 1.0 | $0.00 | 22,471 | - | (22,471) | - | - | - |
| FY20 LTI | 1-Oct-19 | 3.0 | $0.00 | - | 135,086 | - | - | 135,086 | - |
| FY20 IDP plan award | 1-Oct-19 | 3.0 | $0.00 | - | 110,746 | - | - | 110,746 | - |
| FY19 deferred STI | 1-Oct-19 | 1.0 | $0.00 | - | 15,466 | - | - | 15,466 | - |
| **Total Performance Rights** | | | | 1,608,547 | 261,298 | (615,075) | (56,720) | 1,198,050 | - |
| **Total All Plans** | | | | 2,328,547 | 261,298 | (1,040,075) | (56,720) | 1,493,050 | 295,000 |
| **Weighted average exercise price** | | | | 0.45 | - | 0.59 | - | 0.28 | 1.44 |

(1) The expiry date of the CEO incentive award options is 12 October 2020.

*2019*

| | Grant date | Vesting period (years) | Exercise price | Opening balance | Granted during the year | Exercised during the year | Forfeited during the year | Closing balance | Vested and exercisable at balance date |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of options or rights | | | | | |
| **Options plan** | | | | | | | | | |
| CEO incentive award options [1] | 17-Aug-15 | 3.0 | $1.44 | 4,150,000 | - | (3,430,000) | - | 720,000 | 720,000 |
| **Total Options** | | | | 4,150,000 | - | (3,430,000) | - | 720,000 | 720,000 |
| **Performance right plans** | | | | | | | | | |
| FY16 performance rights award | 19-Oct-15 | 3.0 | $0.00 | 1,107,635 | - | (1,107,635) | - | - | - |
| FY17 LTI | 14-Sep-16 | 3.0 | $0.00 | 369,247 | - | - | - | 369,247 | - |
| FY17 IDP plan award | 14-Sep-16 | 3.0 | $0.00 | 223,357 | - | - | - | 223,357 | - |
| FY17 special incentive award | 14-Sep-16 | 1.6 | $0.00 | 97,087 | - | (97,087) | - | - | - |
| Hotcourses earn out | 31-Jan-17 | 2.0 | $0.00 | 230,499 | - | (197,362) | (33,137) | - | - |
| FY18 LTI | 15-Sep-17 | 3.0 | $0.00 | 371,509 | - | - | - | 371,509 | - |
| FY18 IDP plan award | 15-Sep-17 | 3.0 | $0.00 | 277,526 | - | - | (8,231) | 269,295 | - |
| FY19 LTI | 27-Sep-18 | 3.0 | $0.00 | - | 188,205 | - | - | 188,205 | - |
| FY19 IDP plan award | 27-Sep-18 | 3.0 | $0.00 | - | 166,241 | - | (1,778) | 164,463 | - |
| FY18 deferred STI | 27-Sep-18 | 1.0 | $0.00 | - | 22,471 | - | - | 22,471 | - |
| **Total Performance Rights** | | | | 2,676,860 | 376,917 | (1,402,084) | (43,146) | 1,608,547 | - |
| **Total All Plans** | | | | 6,826,860 | 376,917 | (4,832,084) | (43,146) | 2,328,547 | 720,000 |
| **Weighted average exercise price** | | | | 0.88 | - | 1.02 | - | 0.45 | 1.44 |

(1) The expiry date of the CEO incentive award options is 12 October 2020.

## 23. Share-based payments (continued)

### 23.3. 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, a number of assumptions were used as shown in the table below:

| | 1 October 2019 Performance Rights |
|---|---|
| Exercise price | - |
| Share value at grant date | $15.72 |
| Expected volatility | 35% |
| Expected dividend yield | 1.23% |
| Risk free interest rate | 0.66% |

The expected volatility is a measure of the amount by which the price is expected to fluctuate during a period.

### 23.4. 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:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| LTI performance rights/options plans | 1,631 | 3,142 |
| | 1,631 | 3,142 |

## 24. Related party transactions

Note 26 and 27 provides the information about the Group's structure including the details of the subsidiaries and associates.

### Transactions with key management personnel

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Short-term employee benefits | 4,911,059 | 4,111,902 |
| Post-employment benefits | 206,141 | 157,262 |
| Other long-term benefits | 75,971 | 78,900 |
| Share-based payments | 862,625 | 1,007,097 |
| **Total compensation paid to key management personnel** | 6,055,796 | 5,355,161 |

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

## 25. 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 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Group Auditor, Deloitte Touche Tohmatsu (Australia)** | | |
| Audit and review of financial statements | 514,000 | 460,500 |
| Other consultancy service [(1)] | 251,002 | 25,000 |
| **Member firms of Deloitte Touche Tohmatsu in relation to subsidiaries** | | |
| Audit and review of financial statements | 341,459 | 382,123 |
| Taxation advisory services | 35,143 | 27,887 |
| | 1,141,604 | 895,510 |

(1) For the year ended 30 June 2020, other consultancy service primarily relates to IT support services in relation to Human Resource Application software. The IT support services company (Presence of IT) was acquired by Deloitte during FY20.

## 26. 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 controlled by the Group 2020 | 2019 |
|---|---|---|---|---|
| IELTS Australia Pty Limited | Examinations | Australia | 100% | 100% |
| IDP World Pty Ltd | Holding company | Australia | 100% | 100% |
| IDP Education Pty Ltd (South 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 | Student Placements & Examinations | Vietnam | 100% | 100% |
| Yayasan Pendidikan Australia [(2)] | Student Placements & Examinations | Indonesia | 100% | 100% |
| PT IDP Consulting Indonesia | 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% |

# Notes to the consolidated financial statements
continued

| Name of subsidiary | Principal activity | Place of incorporation and operation | Proportion of voting power controlled by the Group 2020 | 2019 |
|---|---|---|---|---|
| IDP Education Lanka (Private) Limited | Student Placements & Examinations | Sri Lanka | 100% | 100% |
| IDP Education Pakistan (Private) Limited | Student Placements & Examinations | Pakistan | 100% | 100% |
| IDP Education Nepal Private Limited | Examinations | Nepal | 100% | 100% |
| IDP Education Japan Limited | Examinations | Japan | 100% | 100% |
| IDP Connect Limited (formerly Hotcourses Ltd) | Digital marketing and online students recruitment | United Kingdom | 100% | 100% |
| Complete University Guide Limited | Digital marketing | United Kingdom | 100% | 100% |
| Hotcourses Data Limited | Digital marketing | United Kingdom | 100% | 100% |
| Hotcourses Inc | Client Relations | United States of America | 100% | 100% |
| Hotcourses Pty Limited | Client Relations | Australia | 100% | 100% |
| Hotcourses India Private Limited | Online services | India | 100% | 100% |
| IDP Education India Services LLP | Shared services | India | 100% | 100% |
| IDP Education Student Services Nepal Private Limited | Student Placements | Nepal | 51% | 51% |
| IDP Education Singapore Pte Ltd | Student Placements & Examinations | Singapore | 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.

## 27. Associates

### Accounting policy

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

| Name of associates | Principal activity | Place of incorporation and operation | Proportion of voting power controlled by the Group 2020 | 2019 |
|---|---|---|---|---|
| HCP Limited | English language test preparation and online services | China | 20% | 20% |
| IELTS UK Services Ltd | Provision of English language test development | United Kingdom | 33.33% | - |

Summarised financial information in respect of the associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Current assets | 10,623 | 6,416 |
| Non-current assets | 6,408 | 4,912 |
| Current liabilities | 8,838 | 2,098 |
| Non-current liabilities | 466 | 705 |
| | | |
| Revenue | 13,065 | 8,832 |
| Profit for the year | (762) | 95 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income | (762) | 95 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements:

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Net assets of the associates | 7,653 | 8,525 |
| Proportion of the Group's ownership interest in associates | 1,398 | 1,705 |
| Long term loans | 1,442 | - |
| Goodwill | 3,089 | 3,055 |
| Carrying amount of the Group's interest in associates | 5,929 | 4,760 |

Transactions and balances with associates are as follows.

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **Transactions** | | |
| Provision of services | 1,019 | - |
| Services received | (938) | - |
| | | |
| **Balances** | | |
| Trade and other payables | (756) | - |

# Notes to the consolidated financial statements
continued

## 28. 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'.

### 28.1. 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 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Revenue | 282,018 | 308,667 |
| Dividend income | 6,886 | 7,242 |
| Expenses | (218,719) | (227,680) |
| Depreciation and amortisation | (17,111) | (9,798) |
| Finance income | 549 | 192 |
| Finance costs | (1,975) | (2,028) |
| Share of profit/(loss) of associates | (319) | 19 |
| Profit for the year before income tax expense | 51,329 | 76,614 |
| Income tax expense | (16,870) | (23,852) |
| Profit for the year of the Closed Group | 34,459 | 52,762 |
| **Other comprehensive income** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Net investment hedge of foreign operations | 491 | (777) |
| Exchange differences arising on translating the foreign operations | 87 | 69 |
| Gain/loss arising on changes in fair value of hedging instruments entered into for cash flow hedges | | |
| Forward foreign exchange contracts | (269) | (806) |
| Cumulative gain/loss arising on changes in fair value of hedging instruments reclassified to profit or loss | 803 | (343) |
| Income tax related to gains/losses recognised in other comprehensive income | (309) | 578 |
| *Items that will not be reclassified subsequently to profit or loss:* | - | - |
| Other comprehensive income for the year, net of income tax | 803 | (1,279) |
| Total comprehensive income for the year of the Closed Group | 35,262 | 51,483 |

| Summary of movements in consolidated retained profits | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Retained profits at 1 July | 80,229 | 63,252 |
| Effects of initial application of new accounting standards | - | 11,287 |
| Profit for the year | 34,459 | 52,762 |
| Dividends paid | (61,066) | (47,072) |
| Retained profits at 30 June of the Closed Group | 53,622 | 80,229 |

## 28.2. Consolidated statement of financial position of the Closed Group for Deed of Cross Guarantee purposes

| | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 281,872 | 31,957 |
| Trade and other receivables | 53,484 | 56,843 |
| Contract assets | 23,586 | 32,564 |
| Derivative financial instruments | 461 | 1,007 |
| Current tax assets | 14,462 | 7,702 |
| Other current assets | 4,202 | 5,439 |
| **Total current assets** | 378,067 | 135,512 |
| **NON-CURRENT ASSETS** | | |
| Contract assets | 3,210 | 2,854 |
| Investments in subsidiaries | 63,944 | 63,485 |
| Investments in associates | 5,929 | 4,761 |
| Property, plant and equipment | 6,651 | 7,897 |
| Right-of-use assets | 17,457 | - |
| Intangible assets | 73,894 | 75,404 |
| Capitalised development costs | 5,188 | 2,748 |
| Deferred tax assets | 6,520 | 9,907 |
| Other non-current assets | 973 | 446 |
| **Total non-current assets** | 183,766 | 167,502 |
| **TOTAL ASSETS** | 561,833 | 303,014 |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | 94,262 | 102,736 |
| Dividends payable | 41,983 | - |
| Lease liabilities | 6,433 | - |
| Contract liabilities | 7,261 | 5,492 |
| Provisions | 8,713 | 8,049 |
| Financial liabilities at fair value through profit or loss | - | 174 |
| Derivative financial instruments | 929 | 1,663 |
| **Total current liabilities** | 159,581 | 118,114 |
| **NON-CURRENT LIABILITIES** | | |
| Trade and other payables | - | 537 |
| Borrowings | 59,831 | 60,478 |
| Lease liabilities | 10,851 | - |
| Derivative financial instruments | - | 365 |
| Provisions | 1,781 | 3,199 |
| **Total non-current liabilities** | 72,463 | 64,579 |
| **TOTAL LIABILITIES** | 232,044 | 182,693 |
| **NET ASSETS** | 329,789 | 120,321 |
| **EQUITY** | | |
| Issued capital | 270,959 | 30,811 |
| Reserves | 5,208 | 9,281 |
| Retained earnings | 53,622 | 80,229 |
| **TOTAL EQUITY** | 329,789 | 120,321 |

# Notes to the consolidated financial statements
continued

## 29. Parent entity information

IDP Education Limited is the parent entity 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 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Current assets | 370,894 | 102,485 |
| Total assets | 546,287 | 265,953 |
| Current liabilities | 193,333 | 140,751 |
| Total liabilities | 265,796 | 205,109 |
| **Equity** | | |
| Issued capital | 270,959 | 30,811 |
| Retained earnings | 4,022 | 21,014 |
| Reserves | 5,510 | 9,019 |
| **Total equity** | 280,491 | 60,844 |

| Financial performance | 30 June 2020 $'000 | 30 June 2019 $'000 |
|---|---|---|
| Profit for the year | 44,075 | 48,720 |
| Other comprehensive income | 1,367 | (1,453) |
| **Total comprehensive income** | 45,442 | 47,267 |

During the year, the parent entity received $66.9m dividends income from the subsidiaries (2019: $62.2m).

## 30. Contingent liabilities

The Directors are not aware of any significant contingent liabilities as at 30 June 2020 (2019: nil).

## 31. Events after the reporting period

The Group is actively managing the impacts and risks arising from COVID-19 on its operations. The impact of COVID-19 we expect will, to some degree, affect the student placement revenue for FY21. It is uncertain when higher education institutions will be in a position to return to previous on campus activity levels. As the majority of IELTS test takers undertake the test for academic or migration purposes, until international borders are open for travel and higher education institutions are able to allow international students to commence courses on campus, IELTS testing volumes will be impacted. Throughout this period, the Group continues to have sufficient cash reserves to meet any obligations or liabilities when they become due and payable.

Other than the matters reported above, there were no 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 46 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 2020 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 28 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 28.

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
19 August 2020

# Independent Auditor's Report

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

**Report on the Audit of the Financial Report**

We have audited the financial report of IDP Education Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, 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.

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 2020 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 (including Independence Standards)* (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 Company 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.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| **Assessment of uncertain tax positions**<br><br>*Refer to Note 5 Taxation & Note 14 Other assets*<br><br>The Group operates across a large number of jurisdictions including Australasia, Asia and various other locations. Consequently, the Group is subject to investigations and audit activities by revenue authorities on a range of tax matters, estimates and assumptions during the normal course of business, including transfer pricing, indirect taxes and transaction related tax matters.<br><br>Significant judgement is therefore exercised in the determination of the tax position in relation these. | Our procedures included, but were not limited to:<br><br>• Understanding the process that management have undertaken to identify and assess uncertain tax positions, including the monitoring and guidance issued by regulatory authorities,<br>• In conjunction with our tax specialists, we:<br>  o Assessed the current status of tax assessments and investigations and the process to monitor developments in ongoing disputes by management,<br>  o Evaluated external tax advice where available, including assessing the independence, competency and objectivity of the tax advisors, and<br>  o Read recent rulings and correspondence with local tax authorities, to assess that the tax provisions had been appropriately accounted for or adjusted to reflect the latest external tax developments.<br><br>We also assessed the appropriateness of the disclosures in the Notes to the financial statements. |
| **Carrying value of UK Digital Marketing cash generating unit (CGU)**<br><br>*Refer to Note 13 Intangible assets*<br><br>The carrying value of UK Digital Marketing CGU contains $25.7 million of goodwill and $14.1 million of intangible assets with indefinite useful lives, which are required to be assessed for impairment annually or where there is an indicator of impairment.<br><br>As disclosed in Note 13, the directors have assessed the UK Digital marketing CGU for impairment using a 'value in use' discounted cash flow model. The impairment assessment incorporated significant judgments and estimates, including factors such as forecast cash flows and discount rate. | Our procedures in conjunction with our valuation specialists included, but were not limited to:<br><br>• Understanding the process that management has undertaken to assess the recoverable amount,<br>• We assessed the assumptions and methodology used in the impairment models, in particular, those relating to revenue, EBITDA and discount rates. Our procedures included the following:<br>  o Agreeing forecasted cash flows to the latest Board approved budget and assessing the historical accuracy of forecasting,<br>  o Evaluated the underlying cash flow assumptions in the impairment model including management's assessment of the impact of COVID-19 on the forecasted cash flows,<br>  o Tested the calculations in the impairment model for mathematical accuracy; and,<br>  o Assessed the sensitivity of the calculations by varying key assumptions within a reasonably possible range.<br>  o Assessed the discount rate adopted with the assistance of Deloitte valuation specialists.<br><br>We also assessed the appropriateness of the disclosures in the Notes to the financial statements. |

*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report included in the Group's annual report for the year ended 30 June 2020 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.

*Responsibilities of the Directors for the Financial Report*

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

In 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

Deloitte.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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, actions taken to eliminate threats or safeguards applied.

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 included in pages 27 to 44 of the Director's Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of IDP Education Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The Directors of the Company 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

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 19 August 2020

# Shareholders Information

The shareholder information set out below was applicable as at 31 August 2020.

## Top 20 holders

| Rank | Name | Shares Held | % |
|---|---|---|---|
| 1 | EDUCATION AUSTRALIA LIMITED | 111,334,485 | 40.00 |
| 2 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 79,234,828 | 28.47 |
| 3 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 34,675,119 | 12.46 |
| 4 | CITICORP NOMINEES PTY LIMITED | 18,650,192 | 6.70 |
| 5 | NATIONAL NOMINEES LIMITED | 13,572,311 | 4.88 |
| 6 | BNP PARIBAS NOMINEES PTY LTD | 7,914,275 | 2.84 |
| 7 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 1,812,149 | 0.65 |
| 8 | PACIFIC CUSTODIANS PTY LIMITED | 1,285,808 | 0.46 |
| 9 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 795,398 | 0.29 |
| 10 | DIVERSIFIED UNITED INVESTMENT LIMITED | 500,000 | 0.18 |
| 11 | UBS NOMINEES PTY LTD | 285,853 | 0.10 |
| 12 | EASTY HOLDINGS PTY LTD | 282,817 | 0.10 |
| 13 | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD | 261,166 | 0.09 |
| 14 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 248,703 | 0.09 |
| 15 | MR ANDREW BARKLA | 195,000 | 0.07 |
| 16 | BNP PARIBAS NOMINEES PTY LTD | 172,208 | 0.06 |
| 17 | INVIA CUSTODIAN PTY LIMITED | 149,495 | 0.05 |
| 18 | BNP PARIBAS NOMS(NZ) LTD | 137,289 | 0.05 |
| 19 | NAVIGATOR AUSTRALIA LIMITED | 135,051 | 0.05 |
| 20 | AMP LIFE LIMITED | 134,680 | 0.05 |
| **Total equity** | | **271,776,827** | **97.64** |
| Balance of register | | 6,559,384 | 2.36 |
| **Grand total** | | **278,336,211** | **100.00** |

## Substantial Shareholders

| Range | Shares Held(1) | % of issued Capital |
|---|---|---|
| Education Australia Limited(2) | 111,964,481 | 40.23 |
| The British Council(3) | 111,964,481 | 40.23 |
| The Chancellor Masters and Scholars of the University of Cambridge acting by the University of Cambridge Local Examination Syndicate (UCLES)(3) | 111,964,481 | 40.23 |
| The Capital Group Companies Inc | 20,870,787 | 7.50 |
| Bennelong Australia Equity Partners Ltd | 19,679,196 | 7.07 |

(1) Number of shares held by substantial shareholders is based on the most recent notifications lodged by substantial shareholders with the ASX

(2) Education Australia Limited holds 111,334,485 shares directly and has a relevant interest in 629,996 shares which are held by the IDP Education Employee Share Trust

(3) The British Council and UCLES have a relevant interest in all of the fully paid ordinary shares in IDP Education held by Education Australia Limited pursuant to sections 608(1)(b) and 608(1)(c) of the Corporations Act.

## Unquoted Equity Securities

| Name | Number on issue | Number of Holders |
|---|---|---|
| Employee performance rights plan | 580,222 | 56 |

## Distribution of Shareholders

| Name | Shares | % of issued Capital | Number of Holders | % |
|---|---|---|---|---|
| 100,001 and Over | 271,715,825 | 97.62 | 26 | 0.56 |
| 10,001 to 100,000 | 2,415,738 | 0.87 | 99 | 2.12 |
| 5,001 to 10,000 | 1,078,340 | 0.39 | 152 | 3.26 |
| 1,001 to 5,000 | 2,143,818 | 0.77 | 900 | 19.28 |
| 1 to 1,000 | 982,490 | 0.35 | 3,491 | 74.79 |
| **Total** | **278,336,211** | **100.00** | **4,668** | **100.00** |

There were 124 holders of less than a marketable parcel of ordinary shares.

# Corporate Directory

## Directors

Peter Polson
*Chairman*

Andrew Barkla
*Managing Director and Chief Executive Officer*

Ariane Barker

Professor David Battersby AM

Chris Leptos AM

Professor Colin Stirling

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

## Stock exchange listing

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

## Website

www.idp.com

## ABN

59 117 676 463

idp.com