

IDP EDUCATION LIMITED
ABN 59 117 676 463

Interim Financial Report
For the half-year ended 31 December 2020

Appendix 4D
IDP EDUCATION LIMITED
ABN 59 117 676 463
Half-year ended 31 December 2020

Results for Announcement to the Market

	31 December 2020 \$000	31 December 2019 \$000	Movement \$000	Movement %
Revenue from ordinary activities	269,051	378,968	(109,917)	(29)
Net profit for the period attributable to the owners of IDP Education Limited	29,814	57,891	(28,077)	(49)

Dividends	Amount per ordinary share cents	Franked amount per ordinary share cents
FY20 final dividend	-	-
FY21 interim dividend (declared after balance date)	8.00	-

Record date for determining entitlements to the dividends 5 March 2021

Dividend payment date 26 March 2021

Net tangible assets per ordinary share	31 December 2020 cents	30 June 2020 cents
Net tangible assets per share	100.92	92.94
Net assets per share	149.24	141.29

Net tangible assets are defined as the net assets less intangible assets and capitalised development costs.

A significant proportion of the Group's assets are intangible in nature totalling \$134.5m, including software, goodwill, identifiable intangible assets relating to businesses acquired and capitalised development costs. These assets are excluded from the calculation of net tangible assets per share.

Other information required by Listing Rule 4.2A

The remainder of information requiring disclosure to comply with Listing Rule 4.2A is contained in the Interim Financial Report (which includes the Directors' report).

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Directors' report

The Directors of IDP Education Limited present the interim financial report of IDP Education Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2020.

Directors

The following persons were directors of IDP Education Limited during the half-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

Review of operations

Group result

A summary of IDP Education Limited's consolidated financial results for the half-year ended 31 December 2020 (H1 FY21) is set out below. The financial performance of the Group, as expected during the period, was impacted by the restrictions on operations caused by COVID-19 with half-year revenue and earnings declining compared to the same period in FY20.

The pandemic impacted each of IDP's business lines with various government restrictions across all geographies reducing sales during the period. From an operational perspective the impacts were broadly as follows:

- English Language Testing – IELTS testing centres in many locations were forced to close with government lockdowns or restrictions on business activity impacting the Group's ability to conduct IELTS tests. In many locations where testing was able to be conducted, social distancing measures reduced capacity and limited the number of tests that could be delivered.
- Student Placement – Travel restrictions, border closures and health concerns around the pandemic impacted student sentiment and reduced the number of enrolments that IDP was able to facilitate. Many of the Group's student placement offices were also forced to close during the period due to government restrictions which impacted on the normal interaction of our staff with prospective students.
- English Language Teaching – The Group's English schools in Cambodia were closed at the start of the period with classes being held online. The schools reopened in September but operated at reduced capacity due to social distancing requirements which impacted class sizes and unfortunately because of a further breakout of COVID-19 closed again in November, moving classes online. The schools in Vietnam returned to normal operations at the start of the period with most COVID-19 restrictions in Vietnam being lifted.
- Digital Marketing and Events – From an operational perspective, digital marketing activities were able to continue largely unaffected and the Group was able to record growth in sales versus the same time last year. Whilst no physical events were held during the period, the Group was able to sustain strong activity in this area through virtual events albeit at lower revenue levels.

Directors' report

Review of operations (continued)

The table below presents a summary of the key financial metrics for the period.

Summary Financials

Six Months to 31 December	Unit	Half Year Actuals		Growth		Constant Currency Growth (%) *
		H1 FY21	H1 FY20	A\$m	%	
English Language Testing	A\$m	158.3	215.3	-57.0	-26%	-22%
Student Placement	A\$m	78.3	122.6	-44.3	-36%	-35%
- Australia	A\$m	32.4	54.0	-21.6	-40%	-40%
- Multi-destination	A\$m	45.9	68.6	-22.7	-33%	-30%
English Language Teaching	A\$m	9.7	16.3	-6.6	-41%	-39%
Digital Marketing and Events	A\$m	20.5	22.3	-1.8	-8%	-7%
Other	A\$m	2.3	2.5	-0.2	-10%	-7%
Total Revenue	A\$m	269.1	379.0	-109.9	-29%	-26%
Gross Profit	A\$m	157.1	222.2	-65.1	-29%	-26%
EBIT	A\$m	47.3	86.9	-39.6	-46%	-43%
NPAT	A\$m	29.7	57.7	-28.0	-49%	-45%
NPAT (Adjusted)**	A\$m	30.4	59.5	-29.1	-49%	-45%
Basic EPS	cents	10.7	22.8	-12.1	-53%	
EPS (Adjusted)**	cents	10.9	23.4	-12.5	-53%	
Debt	A\$m	59.3	62.7	-3.4	-5%	

* Growth based on H1 FY20 restated to reflect the exchange rates reflected in IDP Education's H1 FY21 results

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

The Group recorded a decline in earnings for H1 FY21 with net profit after tax decreasing 49% to \$29.7m compared to the half-year ended 31 December 2019 (H1 FY20) of \$57.7m.

The result was primarily driven by a 29% decrease in revenue with each of the Group's product lines declining during the reporting period. English Language Testing revenue declined by 26% in the half with IELTS volumes declining by the same amount. IELTS testing volumes recovered as the period progressed with volumes only down 15% in the second quarter versus a 37% decline in the first quarter relative to the same period in FY20. The decline in student placement revenue of 36% was not uniform across the Group's destination markets with different border restrictions, visa processes and health concerns impacting student demand and placement volumes in different ways. Australia revenue declined 40% as international borders were closed and all students that were not already onshore were required to commence their course online. UK revenue declined 21% as borders remained open but on campus activities were restricted and concerns over the spread of COVID-19 impacted enrolments. Revenue from Canadian placements declined 41% as borders were largely closed to international students until late October and visa issuance was restricted due to processing delays. English Language Teaching revenue declined 41% with both Cambodia and Vietnam schools moving to online classes while Digital Marketing and Events revenue declined 8% with digital marketing growing 9% but events moving online and declining 51%.

Gross margin at 58.4% remained at the same level as H1 FY20 with a decline in student placement margins as fixed costs were spread over lower revenue but that was offset by an improvement in IELTS margins as computer delivered IELTS made a larger contribution and digital marketing and events margin improved as events became virtual.

The EBIT decline of 46% was greater than the revenue decline of 29% as all staff were retained during the period to ensure that the Group is able to maximise its market share when source and destination markets reopen. To mitigate the cost of retaining all staff at a time when there was excess capacity all directors, management and staff voluntarily took a 20% salary cut for three months to the end of September 2020. Furthermore, all directors and the global leadership team continued to take a 10% salary cut for an additional three months until the end of December. Other expenses were also reduced during the period with total expenses 23% lower than the same period in FY20.

Although the cost base was reduced during the period the ongoing investment in technology continued and investment in computer delivered IELTS testing, virtual counselling and virtual events was made as other projects were delayed or cancelled.

Directors' report

Review of operations (continued)

Currency movements had a net negative impact on the results. In aggregate, currency movements had a negative impact on revenue with constant currency revenue decline for H1 FY21 at 26% relative to the actual reported decline of 29%. This was partially offset by a positive currency impact at both the direct cost and overhead lines with constant currency NPAT decline for H1 FY21 at 45% relative to the actual reported decline of 49%.

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

Revenue and EBIT by Geographic Segment (A\$m)

Six Months to 31 December	Half Year Actuals		Growth	
	H1 FY21	H1 FY20	A\$m	%
Revenue				
Asia	161.3	258.3	-97.0	-38%
Australasia	22.1	31.4	-9.4	-30%
Rest of World	85.7	89.2	-3.5	-4%
Total revenue	269.1	379.0	-109.9	-29%
EBIT				
Asia	45.8	92.0	-46.2	-50%
Australasia	5.0	4.0	1.0	26%
Rest of World	24.9	22.2	2.7	12%
Total EBIT pre corporate costs	75.7	118.2	-42.5	-36%
Corporate costs	28.3	31.3	-3.0	-9%
Total EBIT	47.3	86.9	-39.6	-46%

From a segmental perspective Asia remained the Group's largest segment with approximately 60% of group revenue. The segment underperformed during the period with the Indian operations being severely restricted in the first quarter with widespread lockdowns reducing IELTS testing volumes in particular. China performed better than the rest of Asia with a decline in revenue of 23% as a majority of Chinese students commenced their courses in the UK and Australia online.

Australasia revenue declined 30% with the Australian onshore market restricted as many international students left the country during the period and could not return limiting the market for students who are looking to start a new course or change courses for which IDP provides services. IELTS volumes in Australia and New Zealand declined as test centres were closed or restricted for a number of months during the period. Australasia EBIT however improved by 26% as expenses were reduced by 38% with staff expenses lower by 40% and other expenses lower by 23%.

The positive result in the Rest of the World segment reflects the relatively stronger revenue performance in IELTS volumes in the Middle East and Europe and the growth in Digital Marketing combined with the 20% voluntary salary reductions and expense savings.

Financial Position

The financial position of the Group remains strong. As at 31 December 2020, the Group had total assets of \$702.5m which exceeded total liabilities by \$414.9m.

From a cash perspective the Group had \$292.8m of cash on the balance sheet as at 31 December 2020. This significantly exceeded the total interest-bearing debt position which was \$59.3m.

Directors' report

Subsequent events

The Group is actively managing the impacts and risks arising from COVID-19 on its operations. The impact of COVID-19 we expect will continue to 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. IELTS testing volumes is expected to be impacted by localised social distancing rules and lockdowns in specific testing markets. 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.

Auditor's independence declaration

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

Rounding of amounts

The Group is of a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission. In accordance with that Corporations Instrument, amounts in the directors' report and interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.



Peter Polson
Chairman



Andrew Barkla
Managing Director

Melbourne
23 February 2021

23 February 2021

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 review of the financial statements of IDP Education Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Genevra Cavallo
Partner
Chartered Accountants

**Consolidated statement of profit or loss
for the half-year ended 31 December 2020**

		31 December 2020 \$'000	31 December 2019 \$'000
	Notes		
Revenue	3	269,051	378,968
Expenses	4	(200,810)	(272,783)
Depreciation and amortisation		(20,656)	(19,351)
Finance income		794	207
Finance costs		(3,352)	(3,016)
Share of profit/(loss) of associate		(254)	37
Profit for the half-year before income tax expense		44,773	84,062
Income tax expense	5	(15,102)	(26,313)
Net profit for the half-year		29,671	57,749
Profit for the half-year attributable to:			
Owners of IDP Education Limited		29,814	57,891
Non-controlling interests		(143)	(142)
		29,671	57,749

		31 December 2020	31 December 2019
Earnings per share for profit attributable to ordinary equity holders	Notes		
Basic earnings per share (cents per share)	6	10.71	22.75
Diluted earnings per share (cents per share)	6	10.68	22.71

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

**Consolidated statement of comprehensive income
for the half-year ended 31 December 2020**

	31 December 2020 \$'000	31 December 2019 \$'000
Profit for the half-year	29,671	57,749
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Net investment hedge of foreign operations	667	(2,217)
Exchange differences arising on translating the foreign operations	(4,865)	1,741
Less: loss reclassified to profit or loss on disposal of foreign operation	190	-
Gain arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	(58)	1,998
Less: Cumulative (losses)/gain arising on changes in fair value of hedging instruments reclassified to profit or loss	270	(562)
Income tax related to gains/(losses) recognised in other comprehensive income	(209)	31
Items that will not be reclassified subsequently to profit or loss:	-	-
Other comprehensive income for the half-year, net of income tax	(4,005)	991
Total comprehensive income for the half-year	25,666	58,740
Total comprehensive income attributable to:		
Owners of IDP Education Limited	25,773	58,864
Non-controlling interests	(107)	(124)
	25,666	58,740

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

Consolidated statement of financial position as at 31 December 2020

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
CURRENT ASSETS			
Cash and cash equivalents		292,844	307,089
Trade and other receivables		60,549	68,407
Contract assets		52,962	23,586
Derivative financial instruments		1,799	461
Current tax assets		8,231	16,279
Other current assets		15,912	13,332
Total current assets		432,297	429,154
NON-CURRENT ASSETS			
Contract assets		4,257	3,210
Investment in associate		5,658	5,929
Property, plant and equipment		19,958	24,216
Rights-of-use assets	7	83,913	82,598
Intangible assets	8	123,227	128,641
Capitalised development costs		11,270	5,944
Deferred tax assets		10,874	10,841
Derivative financial instruments		436	-
Other non-current assets		10,623	11,385
Total non-current assets		270,216	272,764
TOTAL ASSETS		702,513	701,918
CURRENT LIABILITIES			
Trade and other payables		79,997	57,318
Dividends payable		-	41,983
Borrowings	9	59,335	-
Lease liabilities		17,040	17,262
Contract liabilities		33,339	37,821
Provisions		12,355	11,342
Current tax liabilities		1,682	3,654
Derivative financial instruments		1,870	929
Total current liabilities		205,618	170,309
NON-CURRENT LIABILITIES			
Borrowings	9	-	59,831
Lease liabilities		69,777	67,301
Derivative financial instruments		549	-
Deferred tax liabilities		4,892	5,082
Provisions		6,736	6,474
Total non-current liabilities		81,954	138,688
TOTAL LIABILITIES		287,572	308,997
NET ASSETS		414,941	392,921
EQUITY			
Issued capital	10	281,829	270,959
Reserves		(11,714)	6,843
Retained earnings		145,280	115,466
Equity attributable to owners of IDP Education Limited		415,395	393,268
Non-controlling interests		(454)	(347)
TOTAL EQUITY		414,941	392,921

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

**Consolidated statement of changes in equity
for the half-year ended 31 December 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 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		-	1,006	-	-	-	1,006	-	1,006
Exchange differences arising on translating the foreign operations		-	-	(33)	-	-	(33)	18	(15)
Profit for the half-year		-	-	-	-	57,891	57,891	(142)	57,749
Total comprehensive income for the period		-	1,006	(33)	-	57,891	58,864	(124)	58,740
Exercise of share options		396	-	-	-	-	396	-	396
Acquisition of treasury shares		(15,420)	-	-	-	-	(15,420)	-	(15,420)
Share-based payments schemes including tax effect – value of employee services		-	-	-	2,547	-	2,547	-	2,547
Transfer of treasury shares to employees		6,005	-	-	(6,005)	-	-	-	-
Dividends paid	11	-	-	-	-	(19,083)	(19,083)	-	(19,083)
As at 31 December 2019		21,792	444	1,979	9,881	147,467	181,563	(436)	181,127

(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 changes in equity
for the half-year ended 31 December 2020**

		Issued capital	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained earnings	Equity attributable to owners of IDP Education Limited	Non- controlling interests	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2020		270,959	(189)	(1,432)	8,464	115,466	393,268	(347)	392,921
Change in the fair value of cash flow hedges, net of income tax		-	148	-	-	-	148	-	148
Exchange differences arising on translating the foreign operations		-	-	(4,379)	-	-	(4,379)	36	(4,343)
Foreign currency exchange differences recycled to profit or loss		-	-	190	-	-	190	-	190
Profit for the half-year		-	-	-	-	29,814	29,814	(143)	29,671
Total comprehensive income for the period		-	148	(4,189)	-	29,814	25,773	(107)	25,666
Exercise of share options	10	405	-	-	-	-	405	-	405
Acquisition of treasury shares	10	(5,883)	-	-	-	-	(5,883)	-	(5,883)
Share-based payments schemes including tax effect – value of employee services		-	-	-	1,832	-	1,832	-	1,832
Transfer of treasury shares to employees	10	16,348	-	-	(16,348)	-	-	-	-
Dividends paid	11	-	-	-	-	-	-	-	-
As at 31 December 2020		281,829	(41)	(5,621)	(6,052)	145,280	415,395	(454)	414,941

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

**Consolidated statement of cash flow
for the half-year ended 31 December 2020**

	Note	31 December 2020 \$'000	31 December 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		243,748	358,749
Payments to suppliers and employees		(181,614)	(277,119)
Interest received		1,025	207
Interest paid		(2,458)	(2,824)
Income tax paid		(8,009)	(19,433)
Net cash inflow from operating activities		52,692	59,580
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment, intangible assets and capitalised development costs		(7,933)	(13,010)
Payments for investment in associates		-	(183)
Net cash outflow from investing activities		(7,933)	(13,193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	14,000
Repayments of borrowings		-	(14,000)
Proceeds from exercise of share options	10	405	396
Payments for treasury shares	10	(5,883)	(15,420)
Repayment of lease liabilities		(9,483)	(7,233)
Dividends paid		(41,983)	(19,083)
Net cash outflow from financing activities		(56,944)	(41,340)
Net (decrease)/increase in cash and cash equivalents		(12,185)	5,047
Cash and cash equivalents at the beginning of the half-year		307,089	56,059
Effect of exchange rates on cash holdings in foreign currencies		(2,060)	(114)
Cash and cash equivalents at the end of the half-year		292,844	60,992

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

Notes to the consolidated financial statements for the half-year ended 31 December 2020

Notes to the financial statements

1. Significant accounting policies

The principal accounting policies and methods of computation adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, as set out in the annual financial report for the year ended 30 June 2020, except for the impact of the Standards and Interpretations described in section (ii) below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The financial statements are for the consolidated Group, consisting of IDP Education Limited (the Company) and its controlled subsidiaries. IDP Education Limited is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange (ASX).

(i) Basis of preparation

The consolidated interim financial report for the half-year reporting period ended 31 December 2020 is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. Comparatives have been reclassified where appropriate to ensure consistency and comparability with current period.

The company is a company 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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by IDP Education Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Going concern

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

(ii) New accounting standards and interpretations

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

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

- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

Notes to the consolidated financial statements for the half-year ended 31 December 2020

1. Significant accounting policies (continued)

(ii) New accounting standards and interpretations (continued)

AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The adoption of this amendment does not have a material impact on the financial statements of the Group.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The amendments are intended to make the definition of material in AASB101 easier to understand and are not intended to alter the underlying concept of materiality in AASB Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in AASB 108 has been replaced by a reference to the definition of material in AASB101. In addition, the AASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The adoption of this amendment does not have a material impact on the financial statements of the Group.

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

Makes amendments to various Accounting Standards and other pronouncements to support the issue of the revised Conceptual Framework for Financial Reporting.

Some Accounting Standards and other pronouncements contain references to, or quotations from, the previous versions of the Conceptual Framework. This Standard updates some of these references and quotations so they refer to the Conceptual Framework issued by the AASB In June 2019, and also makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

The adoption of this amendment does not have a material impact on the financial statements of the Group.

AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

Amends AASB 1054 Australian Additional Disclosures to add a requirement for entities that intend to be compliant with IFRS standards to disclose the information required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (specifically paragraphs 30 and 31) for the potential effect of each IFRS pronouncement that has not yet been issued by the AASB.

The adoption of this amendment does not have a material impact on the financial statements of the Group.

Notes to the consolidated financial statements for the half-year ended 31 December 2020

1. Significant accounting policies (continued)

(iii) 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 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2023	30 June 2023
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	30 June 2023

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.

Notes to the consolidated financial statements for the half-year ended 31 December 2020

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 Operation 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 the 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, Kenya, Kazakhstan, Kuwait, Lebanon, Mexico, Nigeria, Oman, Pakistan, Peru, Poland, Qatar, Romania, Russia, Saudi Arabia, Spain, Switzerland, Turkey, Ukraine, Uruguay, 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	
	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000
Asia	161,327	258,336	45,764	91,976
Australasia	22,057	31,418	5,027	3,989
Rest of World	85,667	89,214	24,880	22,193
Consolidated total	269,051	378,968	75,671	118,158
Revenue	269,051	378,968		
Corporate cost			(28,340)	(31,287)
Segment EBIT			47,331	86,871
Net finance cost			(2,558)	(2,809)
Profit before tax			44,773	84,062

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 by service segment is shown below:

	31 December 2020 \$'000	31 December 2019 \$'000
Student placement	60,809	99,838
IELTS examination	72,061	97,129
English language teaching	5,806	11,261
Digital marketing and events	16,941	12,705
Other	1,503	1,255
	157,120	222,188

Notes to the consolidated financial statements for the half-year ended 31 December 2020

3. Revenue

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.

	31 December 2020 \$'000	31 December 2019 \$'000
Timing of revenue recognition		
At a point in time		
Student placement revenue	78,311	122,613
Other revenue	2,250	2,499
Over time		
IELTS examination revenue	158,289	215,282
English language teaching revenue	9,655	16,311
Digital marketing and event revenue	20,546	22,263
Total revenue	269,051	378,968

4. Expenses

	31 December 2020 \$'000	31 December 2019 \$'000
Service providers fees	93,200	125,346
Employee benefits expenses (1)	71,448	91,830
Occupancy expenses	4,190	5,611
Marketing expenses	7,500	16,798
Administrative expenses	4,989	7,755
IT and communication expenses	9,480	9,228
Consultancy and professional expenses	5,372	6,779
Travel expenses	715	5,441
Foreign exchange loss	2,135	378
Other expenses	1,781	3,617
	200,810	272,783

(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 H1 FY21, IDP received \$5.837m government wages subsidies. It was recognised as deductions against employee expenses as permitted under AASB 112 *Government Grants*.

Notes to the consolidated financial statements for the half-year ended 31 December 2020

5. Income taxes

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

	31 December 2020 \$'000	31 December 2019 \$'000
Profit before tax	44,773	84,062
Income tax expense calculated at 30% (2019: 30%)	13,432	25,219
<i>Adjusted for tax effects of:</i>		
Non-deductible expenses	247	265
Attributed Income	220	7
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	2,238	490
Withholding taxes	(424)	532
Effect on deferred tax balances due to a change in tax rates	17	166
Under/(over) provision of income tax in previous year	(222)	(671)
Non-assessable income	(471)	(64)
Other deductible items	(277)	(122)
Adjustments recognised in relation to prior year deferred tax balances	(19)	2,164
Effect of different tax rates in foreign jurisdictions	361	(1,673)
Income tax expense recognised in profit or loss	15,102	26,313

6. Earnings per share

	31 December 2020 Cents		31 December 2019 Cents	
	Basic	Diluted	Basic	Diluted
Earnings per share	10.71	10.68	22.75	22.71

	31 December 2020 \$000	31 December 2019 \$000
Earnings used in calculating earnings per share		
Earnings used in the calculation of basic and diluted earnings per share	29,814	57,891

	31 December 2020	31 December 2019
Weighted average number of shares used as the denominator		
Weighted average number of shares used as denominator in calculating basic EPS	278,336,211	254,444,968
Weighted average of potential dilutive ordinary shares		
- options	-	-
- performance rights	739,094	440,298
Weighted average number of shares used as denominator in calculating diluted EPS	279,075,305	254,885,266

Notes to the consolidated financial statements for the half-year ended 31 December 2020

7. Leases

Carrying value of right-of-use assets

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

Cost	Office buildings \$'000
Balance at 30 June 2020	102,416
Additions	17,514
Disposal	(1,537)
Effect of foreign currency exchange differences	(7,290)
Balance at 31 December 2020	111,103
Accumulated depreciation	
Balance at 30 June 2020	(19,818)
Depreciation for the period	(10,602)
Disposal	1,455
Effect of foreign currency exchange differences	1,775
Balance at 31 December 2020	(27,190)
Net Book Value	
At 30 June 2020	82,598
At 31 December 2020	83,913

Amounts recognised in the Statement of Profit or Loss

	31 December 2020 \$'000	31 December 2019 \$'000
Depreciation expenses on right-of-use assets	10,602	10,059
Interest expenses on lease liabilities	2,060	2,216
Expenses relating to short term or low value leases	107	921
Occupancy expenses (1)	4,083	4,690

(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. \$0.381m (31 December 2019: nil) was recognised in profit or loss to reflect changes in lease payments that arose from rent concessions during the period.

Notes to the consolidated financial statements for the half-year ended 31 December 2020

8. Intangible assets

Cost	Software \$'000	Brand and trade names \$'000	Customer relationships \$'000	Website technology and database \$'000	Goodwill \$'000	Contracts for English language testing \$'000	Total \$'000
Balance at 30 June 2020	48,093	15,156	14,252	7,248	38,963	35,200	158,912
Additions	8	-	-	-	-	-	8
Transfer from capitalised development costs	967	-	-	-	-	-	967
Disposals	(137)	-	-	-	-	-	(137)
Effect of foreign currency exchange differences	(71)	(170)	(169)	(87)	(310)	-	(807)
Balance at 31 December 2020	48,860	14,986	14,083	7,161	38,653	35,200	158,943
Accumulated amortisation							
Balance at 30 June 2020	(20,088)	(360)	(3,954)	(5,869)	-	-	(30,271)
Amortisation for the period	(4,806)	(35)	(416)	(440)	-	-	(5,697)
Disposals	21	-	-	-	-	-	21
Effect of foreign currency exchange differences	94	-	56	81	-	-	231
Balance at 31 December 2020	(24,779)	(395)	(4,314)	(6,228)	-	-	(35,716)
Net Book Value							
At 30 June 2020	28,005	14,796	10,298	1,379	38,963	35,200	128,641
At 31 December 2020	24,081	14,591	9,769	933	38,653	35,200	123,227

Recognition and measurement

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is not amortised however it is subject to impairment testing at least annually.

Brand and trade names related to Hotcourses and Contracts for English language testing have been assessed as having an indefinite useful life and are not amortised. This assessment reflects the terms of the respective arrangements and management's intention to continue to utilise these assets for the foreseeable future. Each period, the useful life of these assets is reviewed to determine whether events or circumstances continue to support an indefinite useful life for these assets.

Intangible assets that have an indefinite useful life are carried at cost less accumulated impairment losses.

Software, brand and trade names related to Promising Education, customer relationships and website technology and databases are measured at cost less accumulated amortisation and impairment losses.

Useful life and amortisation

- Software 3 to 5 years
- Brand and trade names: Promising Education 15 years
- Brand and trade names: Hotcourses Indefinite
- Customer relationships 8 to 19 years
- Website technology and databases 3 to 5 years
- Contracts for English language testing Indefinite

Impairment testing

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. No impairment indicators were identified as at 31 December 2020 based on the CGUs' business performance. Intangible assets with an indefinite life are allocated to Cash Generating Units or groups of CGUs for the purpose of impairment testing. The allocation of these assets is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which they arose.

Notes to the consolidated financial statements for the half-year ended 31 December 2020

9. Borrowings

	31 December 2020 \$'000	30 June 2020 \$'000
Current		
Bank loans (i)	59,335	-
Non-current		
Bank loans (i)	-	59,831
Total	59,335	59,831

(i) The loans bear interest at variable market rates and are repayable by 31 December 2021. The borrowing facilities will be refinanced in the ordinary course of business.

10. Contributed equity

10.1 Share capital

	Note	31 December 2020 \$'000	30 June 2020 \$'000
Ordinary shares fully paid		282,369	281,964
Treasury shares	10.2	(540)	(11,005)
		281,829	270,959

Movement in ordinary shares (fully paid)	Number of shares	\$ per share	\$'000
Balance at 30 June 2020	278,336,211		281,964
Exercise of options	-	1.44	405
Balance at 31 December 2020 (including treasury shares)	278,336,211		282,369

10.2 Treasury shares

Movement in treasury shares	Number of shares	\$ per share	\$'000
Balance at 30 June 2020	630,387		11,005
Buy back of treasury shares – FY21 1 st HY	307,054	19.16	5,883
Transfer to employees	(912,828)	17.91	(16,348)
Balance at 31 December 2020	24,613		540

During the current half-year, 912,828 treasury shares were transferred to employees under the performance rights plans. These shares therefore ceased to be held as treasury shares after these dates.

As at 31 December 2020, there were 24,613 treasury shares held in the Trust. These shares will be transferred to eligible employees under the Performance Rights plan once the vesting conditions are met.

Notes to the consolidated financial statements for the half-year ended 31 December 2020

11. Dividends

11.1 Dividends paid

	31 December 2020		31 December 2019	
	cents per share	Total \$'000	cents per share	Total \$'000
Fully ordinary shares				
Final dividend paid in respect of prior financial year –0.0% (2019: 45.0%) franked	-	-	7.5	19,083

There was no final dividend declared for the financial year ended 30 June 2020.

11.2 Dividends proposed and not recognised at the end of the reporting period

An unfranked interim dividend of 8.0 cents per share was declared on 23 February 2021, payable on 26 March 2021 to shareholders registered on 5 March 2021. This dividend has not been included as a liability in the financial statements. The total estimated dividend to be paid is \$22.3m.

12. Subsequent events

The Group is actively managing the impacts and risks arising from COVID-19 on its operations. The impact of COVID-19 we expect will continue to 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. IELTS testing volumes is expected to be impacted by localised social distancing rules and lockdowns in specific testing markets. 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

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the financial statements and notes thereto set out on pages 8 to 23 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.



Peter Polson

Chairman



Andrew Barkla

Managing Director

Melbourne

23 February 2021

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

Conclusion

We have reviewed the half-year financial report of IDP Education Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2020, and consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 8 to 24.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with 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 annual 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 review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 23 February 2021

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

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Stock exchange listing

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

Website

www.idp.com

ABN

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