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Reigniting Global Ambition

IDP Education
Annual Report 2021

In a year when the world continued to navigate the pandemic and its challenges, IDP strengthened its position as a global leader in international education services.

With a team of experts in place worldwide, IDP is well-positioned to transform the sector and help our customers reignite their global ambitions.

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FY21 at a glance

IDP is well-positioned to lead the global international education industry's recovery.

5,000+
people globally

Our global team of more than 5,000 people remained in place, ensuring we have the talent to respond to opportunity as it arises.

55%
of counselling now digital*

Our customers have more choices to connect and transact with us. Virtual counselling is now established as a popular option for customers to access trusted, human advice.

100m
website visits

Our online reach continued to grow, enabling us to connect with more customers earlier in their international education journey, and gain access to unrivalled global insights.

100
new computer-delivered IELTS test centres

IDP's IELTS footprint grew by the addition of new test centres, notably in the expansion of our computer-delivered IELTS network.

5%
increase in IDP IELTS tests

A 5% increase in IDP IELTS tests reflects the resilience of the industry through a challenging year.

$529m
revenue

Solid revenue performance

Solid revenue performance despite the challenges of COVID-19.

$307m
cash balance

Strong balance sheet

Strong cash management resulted in $307m in cash reserves as at 30 June 2021, ensuring sufficient capital to emerge strongly from disruption and capture opportunity.

* Based on FY21 web enquiry form completions.

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

Peter Polson,
Chairman

Andrew Barkla,
Chief Executive Officer
and Managing Director

IDP's resilient business model and decisive management actions maintained the organisation's strong position throughout the year.

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Dear shareholders,

When we wrote to you in the FY20 Annual Report, our sector was scrambling to make sense of a world without open borders and globally mobile people. COVID-19 presented a challenge that our industry had never before encountered.

It was throughout this challenging time that students and educators turned to us. IDP was able to respond quickly to our customers' diverse needs, through the strategic investments we had made in our global teams and innovative technology.

We have kept our teams together and have taken critical steps to further strengthen our leadership position in preparing the industry for recovery.

Our IDP Connect Crossroads research revealed that despite the many obstacles, students were holding onto their global study goals, with 79% of students surveyed in July 2021 intending to commence study as planned. This determination kept our teams buoyed, and our insights on customer perceptions proved a crucially important resource for institutions, industry and governments.

Now, 12 months on, our global teams are capturing new opportunities, and most importantly, supporting more people to reignite their global ambitions. IDP continues to deliver on our strategic programs of work, and we are well-positioned as leaders transforming our industry in the face of a global pandemic.

Our business performance

IDP's resilient business model and decisive management actions maintained the organisation's strong position throughout the year.

Our disciplined management of expenses and cashflow ensured that we finished the year with a very strong balance sheet and a cash balance of $307m, only marginally down compared to last year.

Given continued restrictions, our student placement business was heavily impacted with volumes down 25% on the prior year. Placements to Australian institutions suffered the biggest decline, while Northern Hemisphere study destinations fared better with the United Kingdom reporting a 4% increase in volumes.

These headwinds were partially offset by a solid year for IELTS, with overall volumes up 5% versus FY20. Our IELTS Empower Customers program contributed to this success by modernising our IELTS technology platform, making it easier to book a test and transforming the customer experience.

The strong demand for IELTS demonstrates people are both looking ahead and looking abroad. IELTS is the gateway for students aiming to achieve their global study and career aspirations.

Another strong performer across IDP's business lines was our IDP Connect business. With clients and governments looking to IDP to help them inform their rebound strategies, our data insights and consultancy services under the IQ brand grew 110% year on year. This highlighted the value of our unique global dataset and research expertise.

Positioned strongly for opportunity

From a strategic perspective, IDP remained focused on our vision to build the platform and connected community helping international students to achieve their global career and study aspirations.

We continued to invest in technology and build our data science team. This enabled us to provide smarter course matching for students, leverage the insights from our global dataset and improve the productivity of our expert advisors.

Notably, our focus on our connected community drove our innovation agenda. Through extensive collaboration with our university partners, we launched new AI-powered features that enable our customers to rapidly find and apply for the appropriate course. The success of our technology is reflected in our customers' feedback, with close to 9 in 10 students saying they would recommend IDP to family and friends.

Enabling students to shortlist courses more efficiently not only improves the customer experience, it also provides rich pipeline insights for our institution partners. Importantly, it will allow our counselling teams to focus less on administrative tasks and more on delivering the trusted

Now, 12 months on, our global teams are capturing new opportunities, and most importantly, supporting more people to reignite their global ambitions. IDP continues to deliver on our strategic programs of work, and we are well-positioned as leaders transforming our industry in the face of a global pandemic.

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human support that sets IDP apart from other technology-enabled players in the sector.

This rapid innovation was replicated across all business lines. We got smarter with our insights for clients. We launched new IELTS Preparation support hubs to help our test takers prepare for their test with confidence. We also embedded global systems for virtual counselling, applications and events.

This demonstrated that our digital disruption is driven less by our technology platforms and increasingly by the culture, attitude and productivity of our global teams.

IELTS expansion

The pandemic also presented us with opportunities to explore new ways of working within our IELTS network and partnership. We rapidly grew our IELTS footprint by the addition of 100 computer-delivered IELTS test centres, and via our strategic acquisition in India.

India is the largest IELTS market globally by volume and has exhibited one of the highest country growth rates in recent years, with historic annual volume growth of approximately 21% between CY10 and CY19 (prior to the impact of COVID-19).

IELTS, and the high stakes English language testing industry in India more broadly, benefits from several supportive structural growth drivers including strong population growth, a relatively young demographic, a high propensity to study abroad and high levels of demand for migration to English-speaking countries.

Consequently, IDP explored opportunities to gain greater exposure to this market which resulted in the acquisition of the British Council's IELTS operations in India, which was completed in July this year.

Now, with a united team of IELTS experts from IDP and the British Council, a long-term strategy and a clear purpose, we are set to improve the customer experience in this key global region.

Rebuilding a stronger sector

IDP heads into FY22 well-positioned to lead the sector's recovery. With an expanded IELTS footprint, new application tools and smarter ways to connect with our customers, we are equipped to support globally ambitious people achieve their study and career plans.

$529m revenue

Although our total group revenue was down 10% compared to last year, we finished the year with a strong cash balance of $307m.

1.15m IELTS tests

A strong year for IELTS, which saw rebounding volumes in regions when lockdown restrictions were not in place.

We take this opportunity to sincerely thank our people. IDP's teams have worked under challenging conditions as many grappled with the far-ranging consequences of the pandemic.

What rose to the surface throughout the year was the IDP spirit. Our teams came together to ship oxygen concentrators from region to region. Other teams donated funds and pitched in across a range of initiatives to show support, care and compassion.

It was a true reflection of our global connected community. At IDP, we are driven by a strong sense of purpose. We know that we play a role in making the world a more united and better place.

Never has this been more apparent than in the last year. This makes us incredibly proud and humbled.

Thank you for your support during a challenging year.

Peter Polson
Chairman

Andrew Barkla
Chief Executive Officer and Managing Director

Reigniting our customers' global ambitions

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We innovated our services and improved our customer experience, accelerating their progress towards achieving their goals.

FY21 was a turbulent year – one in which we demonstrated our ability to adapt and move quickly to support the needs of our customers.

We invested early in digital technology, enabling us to accelerate our innovation and further grow our global platform and connected community.

Introducing IDP Live

IDP Live is the evolution of our student-centred connected community.

Available as an app, IDP Live revolutionises the way students can search, apply and prepare to depart for their study abroad dreams.

Students share their study aspirations with us and using our data and expertise, we recommend courses. When students match their preferred course, the app's green light prompts them to submit their application and gain an "Offer in Principle".

IDP Live empowers our counsellors with real-time connection to students' preferences. This allows for more informed conversations and higher-quality course recommendations.

We are proud that through our leading technology and trusted human connections, IDP Live is the future of how students will find the best-fit courses. IDP Live also allows institutions to engage students earlier in their research journey, and together we are helping drive the recovery of our sector.

Supporting IELTS test takers

We are always looking to help test takers get their best IELTS score so they can achieve their study, work and migration goals.

As part of this, we asked our test takers what they needed most when taking IELTS. The overwhelming response was "easy access to official preparation materials".

With this answer in mind, we created IELTS Prepare – a one-stop shop for all official IDP IELTS preparation materials. From articles, videos and webinars to expert assessments, online courses and practice tests, there's learning content for every type of IELTS preparation.

Virtual counselling as part of our offering

In the initial days of the COVID-19 pandemic, IDP moved quickly to shift counselling services from in-person to phone and video delivery.

Since then, virtual counselling has become engrained in what we do. IDP teams across the globe have launched online counselling services to help students connect with our highly skilled counsellors – all from the comfort of their home.

Importantly, virtual counselling, as well as virtual events, have helped us keep our customers happy and on track with their goals. Close to 9 in 10 students would recommend IDP to family and friends.

IDP Connect IQ: Informing institutions' data-driven strategies

In FY21, IQ became a revelatory data and analytics service, empowering institutions to make strategic, evidence-based decisions.

From initial online search through to application, offer and enrolment, IQ has equipped institutions with a global view of student demand in real-time. This year, bespoke consulting and custom analytics helped institutions secure and grow their market position.

In a year of disruption, the scale of our proprietary data and unique market insights from our regional teams enabled institutions to build focused marketing strategies and offer competitive courses for prospective students.

Meanwhile, our leading Crossroads research amplified the student voice, helping governments and peak bodies inform policy and understand prospective student intentions.

Global rollout of IELTS websites

We created a consistent user experience across our IELTS network by creating and localising 50 new test taker-focused websites, connecting the IDP and IELTS brands.

Our new websites have a clean layout and information hierarchy, with a friendly but bold new visual experience and content available in 15 languages.

Rich content has been reformatted to be even more clear and accessible. It speaks directly to test takers, while making sure that important information is easy to find and understand.

350,000 — 350,000 IDP live app downloads

50 — 50 IELTS websites rolled out across the globe

The art of data science

Meet IDP's data science experts

As part of our commitment to translating our human support to an online experience, IDP has invested in building data science capabilities.

Ashley (right), a former NASA astrophysicist, and Abhishek (left), an IDP alum and computer science graduate, are two drivers of the team.

Ashley said IDP is exploring ways to improve each student's experience to make it as relevant as possible for them.

"We investigate ways to add additional value for students and institutions, including connecting searches with outcomes and providing information beyond what a course is like to help students learn more about a city or country they might move to," he said.

Abhishek said he was amazed at the mass of data available at IDP and how this can help understand the student experience.

"Working in data science means looking at who your audience or customer is and then identifying how you can help, and that's what IDP does through education," he said.

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Leading the digital transformation of our industry

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This year, we took another significant step in our evolution and our vision of building a global platform and connected community.

By bringing together human connections and digital innovation, we are guiding people on their journey to achieve lifelong learning and global career aspirations.

From where we were: A global network of experts

For more than five decades, our customers have trusted IDP's experts based in offices and test centres around the world.

Our success has been built on trust. Throughout our history, families turned to IDP for guidance when embarking on a decision as big as studying, working or living overseas.

Over the past five years, we have been transforming our business by building a digital platform to complement our human connections. By bringing together our people, customers and institutions on one platform, our stakeholders began to benefit from even stronger support at all stages of their journey.

Despite the increasing importance of technology in our business, our foundations remain built on trust, expertise and a customer-first approach on a global scale.

As international education pioneers, innovation is at our core. We have always strived to find creative and forward-thinking solutions to solve our customers' problems.

New virtual and face-to-face services such as events and counselling, and key human conversations that matter, ensure our customers are heading into their international education journey with confidence and clarity.

To where we are today: Trusted support, enhanced by a global platform

We have now delivered the global platform that we set out to build. In FY21, we're proud that our global platform has flourished and grown into a connected community.

This means we are now home to a large community of prospective students and globally ambitious people, who are connected to the largest network of highly trained counsellors and experts, who are, in turn, connected to institutions in major destination countries.

Our connected community is at the very heart of our mission to drive the best outcomes for our customers and our partners, by connecting students with the right country, with the right course, with the right support system.

New virtual and face-to-face services such as events and counselling, and key human conversations that matter, ensure our customers are heading into their international education journey with confidence and clarity.

Tomorrow: A customer-focused ecosystem

The connected community we built is now evolving into a customer-focused ecosystem.

By combining IDP's trusted counsellors with data-driven insights, our customers will get into their ideal course faster. At the same time, our clients will more efficiently select the students that are best positioned to thrive at their institution.

This rapid innovation was replicated across all business lines. We are also continuing to improve our online support and preparation tools for IELTS to give test takers the confidence to achieve their best score.

As the connections between our community continue to deepen, powered by leading data and technology infrastructure, we are excited to unlock opportunities for our customers and revolutionise the international education industry.

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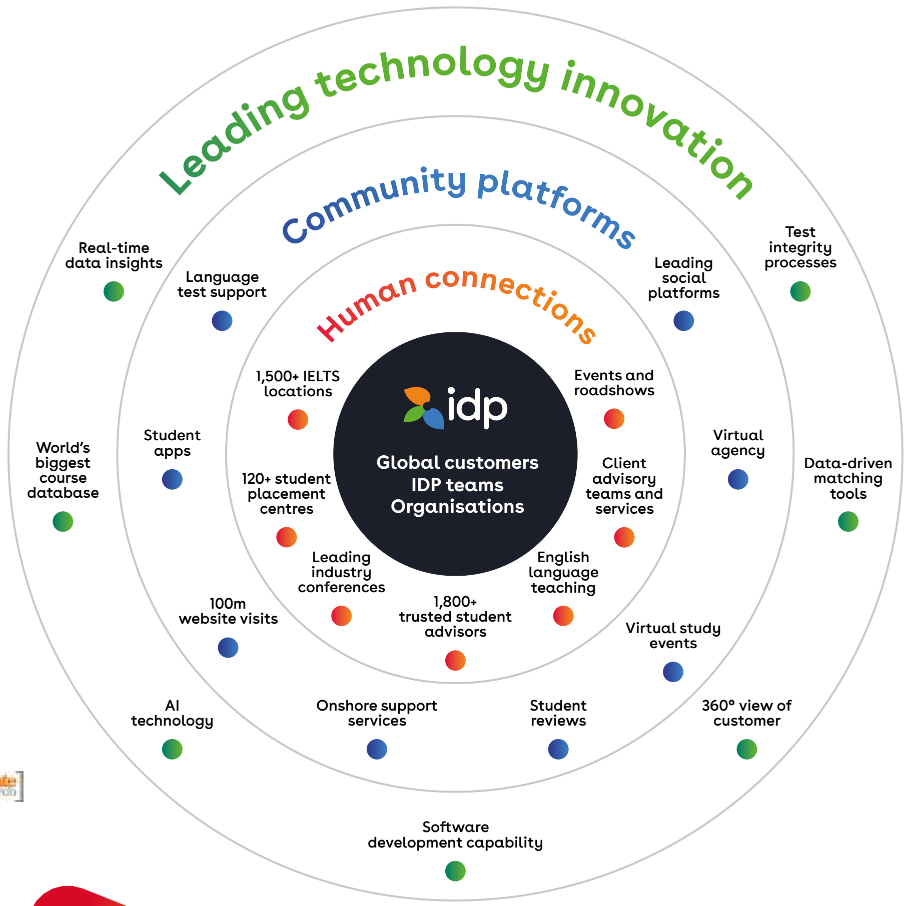
Connected community



All delivered through our trusted brands:

The benefits of IDP Live for clients

How the IDP Live app supports our students as well as our clients

IDP Live is revolutionising student applications.

Not only can students get into their ideal course faster, IDP's clients are also able to match with students who are best positioned to succeed at their institution.

Clients can even set up offer-making rules for courses to enable IDP to issue "Offers in Principle" (OIP) to students in a matter of hours after application.

Aleicia Shekhar, Deputy Director: International Systems and Operations, UniSA International at the University of South Australia was one of the first to trial this new functionality.

"In the past, we would go to students and tell them what we think they need – and the process would take months – but OIP changes everything.

"Now the student tells us what they want, and IDP Live and OIP can find the best course for the student that matches their profile, almost instantly.

"This new approach from IDP helps us understand what students are looking for. We can use information about the student – what are they interested in, whether they meet our course requirements and what their goals are to ensure they can meet their education goal and that we are providing the right courses and information for their enrolment," Aleicia said.

Empowering our teams to grow with purpose

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We continued to build an environment where our people are encouraged to always have a growth mindset; to look after each other, our customers and our global communities.

Operating in more than 50 countries, we respect diversity in our people—their ideas, work styles and perspectives. It is what enables us to connect with customers and drive our business success.

This year, the strength, expertise and resilience of our people shone through. While we supported our teams with leadership and growth opportunities, our teams also supported each other through challenges relating to the pandemic.

Maher El Bakry Emerging Leaders Program

In line with IDP's vision, the Maher El Bakry Emerging Leaders Program develops critical thinking skills in our next generation of leaders.

Through their chosen study and mentoring by our Global Leadership Team, participants grow personally and professionally, sharing their learnings with their teams.

With a focus on identifying and nurturing diverse talent, this year's 10 Award recipients came from eight countries. Bringing diversity of thought and experience, the seven women and three men will continue to grow their leadership skills and careers with IDP and become future change-makers in our business, ensuring Maher El Bakry's legacy lives on.

Developing English language skills

To help employees achieve their dreams, we made a commitment this year to invest in our people by supporting the development of their English language skills.

In partnership with ACE, 60 of our people from China and Southeast Asia participated in a three-month pilot program.

Delivered via virtual classrooms, the program helped participants improve their English language proficiency and has further strengthened their career opportunities.

Through the program, our people proved their commitment to learning, with two-thirds of participants achieving a distinction or high distinction.

The outcomes and feedback from this pilot will inform how we can deliver the program to a broader audience in FY22.

Digital Campus Academy Program

The Digital Campus Academy Program aims to bring fresh talent to IDP. With rapidly evolving technology and increasing demand for talent in areas such as Hybris, Java, Oracle and Python, the program also helps bridge the gap between demand and supply in the market.

What initially started as an incubator initiative for our technical talent has now developed into a successful recruitment tool for non-technical roles too. Our experienced team members are mentors to young minds who are eager to learn and launch their IDP careers.

Elevate

In FY20, IDP introduced Elevate, a pilot program designed to build directorship capability for our business and the broader community, demonstrating our commitment to addressing gender imbalance on boards.

Since then, 15 women have been appointed as Directors of IDP's subsidiary companies. Under the guidance of an internal program sponsor, two highly skilled external advisors and Global Leadership mentoring, participants also engage in development opportunities through the Australian Institute of Company Directors.

WGEA Pay Equity Ambassadorship and DCA #IStandForRespect campaign

With a team of more than 5,000 employees worldwide, we value diversity and inclusion, and as such, identifying and addressing gender inequity is an important business priority.

To help drive change in our community, this year our CEO Andrew Barkla was appointed a Pay Equity Ambassador by the Workplace Gender Equality Agency (WGEA) and took a pledge to promote and improve gender equality and pay equity within our organisation.

We have also joined the Diversity Council Australia (DCA) #IStandForRespect campaign. As part of this campaign, we have committed to stand against gendered harassment and violence in all its forms and take steps in our organisation to address sexual and sex-based harassment to make the workplace safe for everyone.

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How Jessie continued to grow her career while starting a family

Our employees are empowered to own their development, even while on parental leave

There are many personal, professional and career opportunities available to our employees. As a result, our people often choose to continue, build and grow their career with IDP.

Jessie, for example, started a new family while continuing to grow her career and develop her leadership skills at IDP.

Jessie said she felt very supported by her manager and IDP from the day she announced her pregnancy.

"When IDP launched Elevate, I immediately jumped at the chance and applied for the program. While I was excited to find out that I'd been accepted, I was also halfway through my pregnancy.

"Our program facilitators took my plans into consideration and deferred my board appointment until my return from parental leave."

Jessie also benefited from IDP's policy ensuring that performance reviews and pay increases are applied, regardless of whether an employee is on maternity leave.

"Having my performance assessed during my parental leave meant my efforts and achievements throughout the year were recognised, and therefore rewarded accordingly," Jessie said.

Building a better tomorrow

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With a global corporate responsibility program in place, our goal is to harness the collective power of IDP teams to help address three of the biggest challenges facing the world today.

IDP's global corporate responsibility framework

To guide our corporate responsibility focus, IDP has implemented a global framework, Sustainable Futures.

To ensure we are targeting causes that can make a real difference, Sustainable Futures is based on the United Nations Sustainable Development Goals, with a strategic focus on three goals: Quality Education (Goal 4), Gender Equality (Goal 5) and Climate Action (Goal 13).

For FY21, the framework outlined 14 key programs IDP could deliver that align to these UN goals and help us work together to create a greener, more balanced, educated and equitable world for all.

Key highlights of this year's Sustainable Futures program included:

Tracking our carbon footprint

In FY21, we commenced a program to measure our Scope 1 and 2 carbon emissions, establishing a global baseline for reduction strategies. In doing so, we examined our direct and indirect emissions.

IDP's total Scope 1 and 2 emissions for FY20 were calculated to be 5,002 tonnes CO2-e. IDP emissions inventory is dominated by Scope 2, with purchased electricity emissions making up 99% of the total, and a small amount of Scope 1 emissions (1%) from diesel consumption.

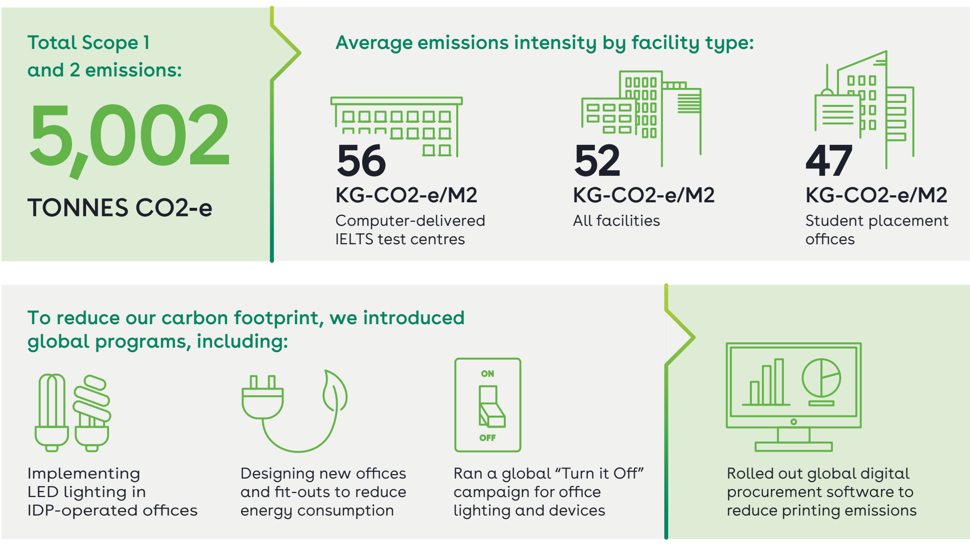
With a baseline now established, IDP is implementing initiatives to reduce our carbon footprint, including a global paperless procurement system, new standards for green building fit-outs and implementing LED lighting in all IDP-operated premises globally.

You can read more at www.idp.com/partners/greenerfutures.

Creating new product streams to address social needs

Leveraging the expertise of our team members, IDP introduced a challenge for select team members to identify new commercially-viable products that address a core goal of the Sustainable Futures program, Gender Equality.

Over the course of three months, two teams worked with internal and external business mentors to research community issues, develop business proposals and pitch potential products to IDP's leadership team. The two successful products are focused on the needs of women who are international students. The first provides a digital community when they arrive in their new country and the second is an internship for those who have been approved for seed funding.



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Thao's role in building a sustainable future

Driven by a passion for sustainability and building a greener, more inclusive world

The success of IDP's Sustainable Futures program is down to our global teams working in their communities to drive local initiatives that, when combined across our network, contribute to real global change.

Thao Nguyen, PX and Administration Manager at IDP Vietnam, is one of our many Sustainable Futures champions.

In addition to setting up a small organic farm inside the office, she and her team created a new foundation in FY21—IDP Vietnam Foundation—which raises funds for local communities and supports disadvantaged children in Vietnam.

Thao said that there has been a great response to the Foundation and that they've recently held several successful fundraising events.

"We held a non-profit market fair for employees and friends to fundraise for the Foundation. Our first event raised money to support 700 Ca Dong ethnic children in central Vietnam, which experienced devastating storm damage last year.

"We've since held events for IDP Community Day late last year and International Women's Day in March.

"Everyone has been excited to take part, and it has also been a great way for different teams within IDP to come together and connect," she said.

Board of Directors

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Peter Polson

Non-Executive Director and Chairman

Peter was appointed Non-Executive Director and Chairman of IDP Education in March 2007 and became Chairman of IDP Education Limited when the company listed on the Australian Stock Exchange in November 2015.

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 currently Chairman of Challenger Limited, Challenger Life Company Limited, Avant Group Insurance Limited and Very Special Kids.

Peter 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 of IDP Education in August 2015.

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

Prior to joining IDP Education, Andrew worked for SAP as President of Australia and New Zealand. Before this, he held leadership roles at Unisys, including Vice President of Unisys' Asia Pacific Japan operations covering 13 countries, Member of Unisys' Global Executive Committee, and Chairman of Unisys West: a technology services joint venture between BankWest and Unisys.

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

Ariane Barker

Non-Executive Director

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

Ariane is a Board Member of Commonwealth Superannuation Corporation since September 2016, a Non-Executive Director and Chair of the Audit and Risk Committee at Atlas Arteria since March 2021, a member of the Investment Committee at the Murdoch Children's Research Institute since 2011, and a former Board Director of Emergency Services & State Superannuation (ESSSuper).

She has extensive experience in international finance, risk management, debt and equity capital markets and venture capital, with over 20 years in senior executive roles at JBWere (part of National Australia Bank), Merrill Lynch, Goldman Sachs and HSBC in the United States, Europe, Japan, Hong Kong and Australia. She was previously the CEO of Scale Investors from 2017 to February 2021.

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 of IDP Education 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.

David's 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.

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

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Chris Leptos, AM

Non-Executive Director

Chris was appointed as a Non-Executive Director of IDP Education at the completion of its IPO in November 2015.

Chris recently retired as Chairman of SEA Electric and is Chairman of the National Heart Foundation of Australia.

In 2020 Chris was appointed by the Federal Government to conduct a statutory review of the National Housing and Investment Corporation Act reporting to Parliament in 2021.

In 2021 Chris was appointed by the Federal Government as the Independent Reviewer of the Food and Grocery Code under the Competition and Consumer Act.

He is also a Senior Advisor 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 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 of 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 of IDP Education in December 2006.

Greg is on the Council of the University of Wollongong and a Director and Chair of the Audit Committee of UOWGE Limited, a business arm of the University of Wollongong with universities in Dubai, Hong Kong and Malaysia. Greg is also a Director and Chair of Education Australia Limited.

Previously, Greg was Chief Executive Officer of a dual listed ASX biotech company. He has worked at Price Waterhouse and has held senior finance executive roles in investment banking with Bankers Trust, Deutsche Bank, NZI and other financial institutions.

Greg is a Director of the St James Foundation Limited.

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

Financial Report

For the year ended 30 June 2021

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Directors' Report

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The Directors of IDP Education Limited, present the financial report of IDP Education Limited (the Company) and its controlled entities (the Group, IDP Education or IDP) for the financial year ended 30 June 2021.

Operating and financial review

A summary of IDP Education's consolidated financial results for the year ending 30 June 2021 ("FY21") is set out below. The financial performance of the Company during FY21 was impacted by restrictions on operations caused by COVID-19, with the level of restrictions on operations, and therefore the impact, varying by geography and timing. In aggregate, revenue declined by 9.9%, EBIT declined 40.7% and NPAT declined 42% compared to FY20.

Summary Financials (A$m)

					Growth#	
	Unit	**FY21**	FY20 (restated)**	FY20 (previously reported)	$m	%
Total Revenue	A$m	**528.7**	587.1	587.1	-58.4	-9.9%
Gross Profit	A$m	**297.8**	345.2	345.2	-47.4	-13.7%
EBIT	A$m	**64.1**	108.1	107.8	-44.0	-40.7%
EBIT (Adjusted)*	A$m	**71.8**	111.3	111.0	-39.5	-35.5%
NPAT	A$m	**39.5**	68.0	67.8	-28.6	-42.0%
NPAT (Adjusted)*	A$m	**45.0**	70.6	70.4	-25.6	-36.3%
EPS	cents	**14.3**	26.2	26.1	-12.0	-45.6%
EPS (Adjusted)*	cents	**16.3**	27.2	27.1	-11.0	-40.3%
Debt	A$m	**56.7**	59.8	59.8	-3.1	-5.2%

* Adjusted EBIT, NPAT and earnings per share excludes intangible asset amortisation generated from business combinations and FY21 merger and acquisition expenses which related to the acquisition of the British Council's Indian IELTS operations.

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 and one-off merger and acquisition expenses from the reported IFRS measures.

** During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision dated April 2021 clarifying its interpretation of how current accounting standards apply to these types of arrangements, in particular AASB 138 Intangible Assets. Historical financial information has been restated to account for the impact of the change. Refer to note 1.8 of the Financial Statements for further details.

Growth is calculated by comparing the FY21 statutory results to the FY20 restated results as discussed above.

Review of Operations

IDP has a global footprint and a diversified business model. 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 financial performance of IDP Education in FY21 declined with a revenue decline of 9.9% compared to the same period in FY20. The impact of COVID-19 on operations in the first half was seen in a revenue decline of 29% compared to the first half of FY20. The impact of COVID-19 on operations in the second half was not as severe and revenue grew 24.8% compared to the second half of FY20. The growth in the second half slowed during the last quarter as lockdowns in India, and most of our operations in South Asia and South East Asia reduced our capacity to distribute and administer IELTS tests.

COVID-19 and the travel bans, border closures and lockdowns in both source and destination countries severely impacted the international education industry during FY21. International mobility ceased or was limited for much of the year to our destination markets. This restricted the ability of students to commence their overseas studies and created uncertainty for future students who were considering enrolments during 2021. IELTS testing was also impacted at times during the year with lockdowns and social distancing measures forcing the closure of testing centres throughout most of IDP's network.

IDP's largest student placement destination (by volume), Australia, remained closed to international students and significantly reduced the volume of students for both the second semester intake in July/August 2020 and the first semester intake in February 2021. The students that were placed by IDP during the period were required to commence their studies online or were already onshore and were able to commence a new course.

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IDP's other study destinations have also been impacted, but to a lesser extent as the UK border remained open and many UK institutions took international students in the second semester in February 2021. Canada's border for international students was closed until late October and slower visa processing delayed some students' commencement, leading to a 41% decline in revenue from Canadian institutions for the first six months of the financial year. As the visa processing issues were resolved and the borders re-opened, revenue for the second half from Canadian institutions was 16% higher than for the same period in FY20.

IDP Education's English language testing business started the year slowly with some lockdowns and restrictions impacting capacity but gained momentum in the second and third quarters with volumes returning to pre-COVID levels in the third quarter. The fourth quarter was impacted by the imposition by governments of further physical lockdowns forcing 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 in late April which remained largely in place until the middle of June.

IDP Education's EBIT decline of 40.7% was primarily a result of the revenue decline as both our source and destination countries managed through the impact of COVID-19 and affected both demand and capacity in most service lines. Whilst managing costs closely, IDP took the strategic decision not to reduce staff numbers during the period. Our staff did however voluntarily take a 20% pay reduction for the first 3 months of the financial year. In addition to the 20% pay reduction in the first three months, Directors and senior management reduced their income by 10% for the second 3 months of the year. These actions, along with other cost control measures enabled the Company to reduce overheads by 5% relative to FY20.

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	FY21	FY20	$m	%
Total Revenue	A$m	**316.2**	389.2	-73.0	-18.7%
EBIT	A$m	**76.6**	127.1	-50.5	-39.7%
EBIT Margin	%	**24**	33		
% of Total Group Revenue	%	**60**	66		
% of Total Group EBIT (Excl Corporate Overheads)	%	**61**	76		

Asia total revenue declined by 18.7% due to the impact of COVID-19, particularly on the student placement business, which declined in all countries in the Asia Segment, with EBIT declining 39.7% as we kept our teams together. Asia continued to be a key driver of the Company's profitability with 61% 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 was impacted by capacity constraints for IELTS testing for a large part of the year and IELTS revenue declined 14% relative to FY20. India's student placement revenue declined by 28% relative to FY20 with Australian student placement revenue declining 52% and multi-destination revenue declining 16%. UK destination revenue grew as Indian students were able to travel to the UK and commence their courses online in-country while Canada revenue declined as visa processing was delayed and many students missed the deadline for visas to be issued.

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In China, IDP revenue declined by 12% relative to FY20 with student placement revenue declining 18% and IDP's license fees from the British Council related to the distribution of IELTS in China increasing by 27% as the British Council's testing operations re-commenced in July after being suspended from February 2020 due to COVID-19. Students in China were prepared to commence their courses online and student volumes for Australia declined at a lower rate than the rest of our source countries while they increased for multi-destination compared to FY20.

Outside of India and China, IDP's revenue in the rest of Asia declined by 25%. COVID-19 had significant impacts on the English language teaching business in Cambodia and Vietnam as the schools moved their classes online, and IELTS testing revenue declined as restrictions were in place in most countries for large parts of the year. Despite that we had growth in IELTS revenue in Japan, Singapore, Laos, Bangladesh, and Indonesia compared to FY20. Student placement revenue in the rest of Asia is primarily to Australia and was therefore impacted by the closure of the Australian borders.

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	FY21	FY20	$m	%
Total Revenue	A$m	45.9	57.4	-11.5	-20.0%
EBIT	A$m	9.2	9.7	-0.5	-5.6%
EBIT Margin	%	20	17		
% of Total Group Revenue	%	9	10		
% of Total Group EBIT (Excl Corporate Overheads)	%	7	6		

The Australasian segment revenue decline was a result of lower IELTS volumes and lower student placement volumes in Australia and New Zealand due to lockdowns and the closure of the borders due to COVID-19. Student placement revenue onshore in Australia and New Zealand was negatively impacted when the borders in both countries closed. and the pool of students onshore declined as many students returned to their home countries and were unable to return. IELTS revenue was 19% below FY20 as the number of international students onshore declined and testing was restricted to small computer delivered centres during lockdowns and large paper based venues had rules for social distancing and caps placed on the number of candidates able to attend.

The decline in EBIT of 5.6% was primarily a result of the revenue decline offset by a decline in expenses of 19%. Staff took a 20% salary reduction in the first quarter.

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, Kenya, Kuwait, Lebanon, Mexico, Nigeria, Oman, Pakistan, Peru, Poland, Qatar, Romania, Russia, Saudi Arabia, Spain, Switzerland, Turkey, Uruguay, Ukraine, Uzbekistan, the United Arab Emirates ("UAE"), the United Kingdom, and the United States of America.

Rest of World Segment – Financial Summary

				Growth	
	Unit	FY21	FY20	$m	%
Total Revenue	A$m	166.6	140.5	26.1	18.6%
EBIT	A$m	39.0	29.4	9.6	32.6%
EBIT Margin	%	23	21		
% of Total Group Revenue	%	32	24		
% of Total Group EBIT (Excl Corporate Overheads)	%	31	18		

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The Rest of World recorded growth in both revenue and EBIT with strong growth in revenue in Canada, the USA, Italy, Qatar, Saudi Arabia, Pakistan, Uzbekistan and Nigeria with solid growth in the UK and the UAE. IELTS and Digital Marketing were the major contributors to the growth.

Canada was the standout performer with strong growth in IELTS volumes. The Canadian government launched new immigration programs in May 2021 with 90,000 places for international student graduates and essential workers onshore. This required an English language proficiency test that underpinned a strong increase in IDP IELTS volumes particularly in May and June.

The Middle East is primarily an IELTS market with IELTS making up 84% of the revenue. The Middle East had strong IELTS performances in countries that had lower COVID-19 impacts such as Saudi Arabia, the UAE, and Qatar, but Iran and Turkey suffered from multiple COVID-19 lockdowns and had significant declines in IELTS volumes.

Digital marketing revenue in the UK and North America also grew during the year driven by new products and services from IDP Connect including IQ on demand and IQ consultancy and research services with order value growth of 209% compared to FY20.

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	FY21	FY20	Unit	%
Volumes					
– Australia	000's	14.5	24.2	-9.7	-40.1%
– Multi-Destination	000's	23.6	26.8	-3.2	-11.8%
– Total Volumes	000's	38.1	51.0	-12.8	-25.2%
Revenue					
– Australia	A$m	59.7	90.4	-30.7	-33.9%
– Multi-Destination	A$m	83.5	100.2	-16.6	-16.6%
– Total Revenue	A$m	143.3	190.6	-47.3	-24.8%
Gross Profit	A$m	112.2	155.2	-43.0	-27.7%
Gross Profit Margin	%	78	81		
Average Fee (A$)					
– Australia	A$	4,128	3,742	386.0	10.3%
– Multi-Destination	A$	3,535	3,738	-203.0	-5.4%
– Total	A$	3,760	3,740	20.0	0.5%

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 declined by 25.2% in FY21 and reflects the impact of COVID-19 on all destination markets leading to the closure of the borders to Australia and the delays in visa processing for Canada. The decline was limited due to the institutions' ability to quickly offer courses online and the desire of students to commence online with a plan to travel to their destination as soon as borders opened.

Student placement office expansion was paused in FY21 with a total network of 128 student facing offices at the end of June 2021.

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Volumes to Australia declined 40.1% which reflected the impact of COVID-19 on IDP students unable to travel due the Australian border closure for both semester two in August 2020 and semester one in February 2021. Almost all source markets saw volume declines compared to FY20 with India the largest impacted and China declining at half the rate of India.

The multi-destination markets in total declined by 11.8% but there was wide divergence in the approach of governments in each destination country that delivered different outcomes. The UK continued to allow international students to travel and many took that opportunity despite most courses being online during the year, and IDP had a 4% increase in total volumes to the UK compared to FY20. Canada closed their border to international students until late October which affected the Fall intake and obtaining a student visa was difficult for the remaining intakes in February and May. Some international students were able to travel to Canada and IDP had a 12% decline in volume compared to FY20. The USA market for IDP is predominately a post graduate market for students from India and for the Fall intake the government policy was unwelcoming to international students who may have been required to take all classes online. In addition, the management of COVID-19 with the high transmission rates and death rates made the USA unattractive as a destination until the Biden administration came into government in January 2021. The USA market for IDP declined 43% compared to FY20. New Zealand closed its borders to international students and as a result IDP volumes declined 80% compared to FY20. Positive regulatory settings in the UK and Canada continue making these markets attractive to IDP students with multi-destination volume 62% of IDP students placed in FY21.

Gross profit declined by 27.7% and gross profit margin declined slightly to 78% as the costs related to the support and development of the student placement platform were higher as a proportion of revenue.

The average student placement fee across the business increased by 0.5% relative to that recorded in FY20. A range of factors contributed to this outcome, including:

- An increase in commission rates negotiated with clients, particularly Australian and UK 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 unfavourable during the year compared to FY20; and
- Incentives paid by clients for achievement of volume targets.

English Language Testing - Operational and Financial Summary

				Growth	
	Unit	FY21	FY20	Unit	%
Volumes	000's	**1,149.4**	1,095.6	53.8	4.9%
Revenue	A$m	**325.6**	325.5	0.1	0.0%
Gross Profit	A$m	**143.2**	145.7	-2.5	-1.7%
Gross Profit Margin	%	**44**	45		
Average Fee	A$	**283.3**	297.1	-13.8	-4.6%

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 increased 4.9% in FY21 taking the annual total to 1,149,400 tests – despite a decline in volume due to the COVID-19 impact in the last quarter in South Asia and South East Asia.

Increases in volume occurred in 60% of IDP markets despite the closure or restrictions on test centres operating at full capacity There were a number of markets that despite the impact of these closures achieved significant growth compared to FY20. The markets that had material volume increases were Canada, Nigeria, Pakistan, the UAE, Uzbekistan, Saudi Arabia, and Bangladesh.

Gross profit declined by 1.7% and gross profit margin declined to 44% as the direct costs per candidate increased by 1% primarily as a result of the annual increase in the payment per test to Cambridge Assessment.

The average fee declined for English Language Testing of 4.6% was primarily the impact of a 6.9% decline from unfavourable foreign exchange rates and a 2.2% increase in the underlying price. The annual average price increase impact was 1.8% with 0.4% due to lower volume from lower priced markets and higher volume from higher priced markets.

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English Language Teaching – Operational and Financial Summary

				Growth	
	Unit	FY21	FY20	Unit	%
Courses	000's	73.9	94.4	-20.5	-21.7%
Revenue	A$m	20.2	28.5	-8.3	-29.1%
Gross Profit	A$m	12.3	19.4	-7.0	-36.3%
Gross Profit Margin	%	61	68		
Average Course Fee	A$	273.4	302.0	-28.6	-9.5%

IDP Education's English Language teaching business comprises 9 schools across Cambodia and Vietnam. The division was significantly impacted by government mandated closures during COVID-19 lockdowns and were able to provide only online courses. Total course volumes across the division were down 21.7% for the year to 73,900 courses.

Revenue was down by a higher rate at 29.1% due to discounting to retain students when online learning was required due to COVID related restrictions and a mix of lower priced shorter courses. There was also a negative impact from foreign exchange as course fees in Cambodia are charged and paid in US dollars.

Digital Marketing and Events – Financial Summary

				Growth	
	Unit	FY21	FY20	$m	%
Revenue	A$m	36.4	38.2	-1.8	-4.7%
Gross Profit	A$m	28.6	22.8	5.8	25.4%
Gross Profit Margin	%	78	60		

The Digital Marketing and Events segment captures the revenue IDP generates from its student placement events and from the IDP Connect digital marketing business. Digital Marketing revenue had growth of 8.4% for the year with good momentum in the last quarter particularly with UK clients. 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 FY21 and IDP used its events platform to hold virtual events. Whilst Events revenue declined 40% as clients attending pay a lower fee to attend, the margin in the segment improved as virtual events are run at a lower cost and made a positive contribution.

Other – Financial Summary

				Growth	
	Unit	FY21	FY20	$m	%
Revenue	A$m	3.2	4.3	-1.1	-25.3%
Gross Profit	A$m	1.5	2.2	-0.7	-30.4%
Gross Profit Margin	%	48	51		

The Company generated a small amount of other revenue in FY21 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 declined at 25.3% during the year, while gross profit declined 30.4% as a number of the programs were put on hold during the COVID-19 lockdowns.

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Financial Position

The financial position of IDP Education remains strong. As at 30 June 2021 the Company had total assets of $695.4m of which 18% 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 $388.0m.

As at 30 June 2021, IDP has following facilities:

Australian Dollar $209,157,000	Facility A: Acquisition funding unsecured Cash Advance loan facility for acquisitions
Australian Dollar $75,000,000	Facility B: Unsecured Cash advance facility to support both general corporate purposes and working capital requirements of the Group

The total drawn debt was $56.7m at 30 June 2021.

The Company had $306.9m of cash on the balance sheet as at 30 June 2021.

Foreign Exchange

IDP Education 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 FY21 result, IDP Education has restated its FY20 restated results using the foreign exchange rates that were recorded in FY21. By comparing FY21 to the restated FY20 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 15 shows that foreign exchange movements had a negative impact on the net profit after tax for the year. The strengthening of the Australian dollar resulted an unfavourable movement on net profit after tax of $5.7m.

Underlying Growth

				Growth	
	Unit	FY21	FY20* (restated)	$m	%
Total Revenue	A$m	**528.7**	554.2	-25.4	-4.6%
Gross Profit	A$m	**297.8**	324.6	-26.7	-8.2%
EBIT	A$m	**64.1**	100.2	-36.1	-36.0%
EBIT (Adjusted)**	A$m	**71.8**	103.3	-31.5	-30.5%
NPAT	A$m	**39.5**	62.4	-22.9	-36.7%
NPAT (Adjusted)**	A$m	**45.0**	64.9	-19.9	-30.6%

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

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements, in particular AASB 138 Intangible Assets. Historical financial information has been restated to account for the impact of the change.

** Adjusted EBIT and NPAT excludes acquired intangible amortisation and one-off merger and acquisition expenses.

IDP Education utilises a variety of methods to manage its foreign currency exchange rate risk. The key methods are 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, USD, SGD and CAD.

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.

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We expect that COVID-19 will continue to impact the intakes for student placement during FY22. The Australian border remains closed and it is uncertain when Australian higher education institutions will be in a position to return to previous on campus activity levels. However, the impact of COVID on the UK and Canadian destinations is expected to lessen with institutions planning for on campus activity to resume late in 2021. IELTS testing volumes are expected to continue to be impacted by localised social distancing rules and lockdowns in specific testing markets. As the majority of IELTS test takers undertake the test for academic or migration purposes, IELTS testing volumes are expected to remain constrained until international borders are fully open for travel and higher education institutions are able to allow international students to commence courses on campus.

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.

In Australia, IDP Education is well positioned to capitalise on growth, when it returns, 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. Its strategy is to continue to build market share in these countries and will also look to leverage this capability and reputation by selectively and incrementally expanding its source country presence.

In addition to this organic volume growth, IDP Education is driving longer term growth in student placement through the use of technology. IDP's investment in its digital platform allows international students to engage with IDP Education beyond a traditional counselling service, which has been the main service offering to date. The ongoing development of IDP Education's digital platform enhances the experience 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 and social instability, natural disasters, infectious disease outbreaks, 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. IDP Education manages its exposure to these external risks through organisational resilience measures including access to funding channels and business continuity management processes.

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

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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, currently 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, for so long as Education Australia holds at least 10% of the securities, 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. On 11 March 2021, Education Australia announced its intention to undertake a restructure of its shareholding in the Company. The restructure involves all of the shares currently held by Education Australia in the Company ceasing to be held by Education Australia. This restructure is expected to be completed by 11 December 2021. From completion of the restructure, the Board will comprise a majority of Independent Directors as all directors, other than Mr. Barkla, will be considered Independent Directors (as defined in the Constitution).

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	Chief Executive Officer and Managing Director
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 Directors biographies, please see pages 12 and 13.

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	9	9	8	8	4	4	3	3
Andrew Barkla	9	9	–	–	–	–	–	–
Ariane Barker	9	9	8	8	4	4	3	3
Professor David Battersby AM	9	9	–	–	–	–	3	3
Chris Leptos AM	9	9	–	–	4	4	3	3
Professor Colin Stirling	9	9	–	–	–	–	3	3
Greg West	9	9	8	8	–	–	3	3

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

COVID-19 impact

Whilst challenged by the daily impacts of COVID-19, from lockdown and working in a virtual environment to personal tragedy, our global teams have remained dedicated to supporting our clients and each other. Our teams have responded in an agile manner to rapidly transition face-to-face events and counselling services to a virtual platform. They have supplied trusted advice to our students and their families. The Group remain committed to providing the support necessary to keep our talented and passionate team together.

COVID-19 and the resulting travel bans and lockdowns in both source and destination countries continued to severely impact the international education industry from the last quarter of FY20. 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. IELTS testing was also impacted with government lockdowns and social distancing measures forcing the closure of testing centres in many locations.

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 FY22. It is uncertain when Australian higher education institutions will be in a position to return to previous on campus activity levels, but UK and Canada institutions are planning for on campus activity to start late in 2021. IELTS testing volumes are expected to be impacted by localised social distancing rules and lockdowns in specific testing markets.

Future developments

Likely developments in, and expected results of the operations of the Group in subsequent years are referred to on page 22 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 2021, an unfranked interim dividend of 8 cents per share was paid on 26 March 2021. IDP's Board of Directors has decided not to declare a full year dividend.

In respect of the financial year ended 30 June 2020, an interim dividend of 16.5 cents per share franked at 17% was paid on 24 September 2020. No final dividend was declared by the Board.

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Events subsequent to balance date

Acquisition of the British Council's IELTS operation in India

On 1 July 2021, IDP entered into a binding agreement to acquire 100% of the British Council's Indian IELTS operations (BC IELTS India) for GBP130m on a debt free, cash free basis. The transaction was completed on 30 July 2021.

Both IDP and the British Council administered IELTS tests in India operating parallel pan-Indian distribution networks. The transaction brought BC IELTS India operations under IDP ownership, establishing a single network that provides the foundation for IELTS to build its leadership position in India. IDP is now the sole distributor of IELTS in the Indian market.

India is the largest IELTS market globally by volume and has exhibited one of the highest country growth rates in recent years with historic annual growth of approximately 21% between CY10 and CY19 (prior to the impact of COVID-19). IELTS, and the high stakes English language testing industry in India more broadly, benefits from several supportive structural growth drivers including strong population growth, a relatively young demographic, a high propensity to study abroad and high levels of demand from migration to English speaking countries.

The acquisition is highly strategic for IDP and provides increased exposure to the high-growth Indian IELTS market. Simplified distribution arrangements provide the opportunity to improve the delivery of IELTS to test takers in India. The acquisition enables IDP to deliver continuity for IELTS customers by delivering a consistent, trusted test experience throughout the transition process.

IDP has funded the acquisition from existing cash and debt.

Other than the COVID-19 impact and acquisition of BC IELTS India 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	366,875	-	121,278
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 relatively small and arises primarily from the energy used and materials consumed in its offices. The Board believes that the Group has adequate systems in place for the monitoring of environmental regulations.

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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 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 49.

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, wherever possible, complies with the Australian Securities Exchange Corporate Governance Principles and Recommendations (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 IDP Education Ltd – Investor Relations Site.

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Letter from Remuneration Committee Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to introduce IDP's 2021 Remuneration Report. We seek your support of the Report at our Annual General Meeting in October 2021.

2021 was our fifth full year of operation since listing in November 2015 and by far our most difficult. As detailed in the financial section of our Report, the headline profit results are strong in the circumstances, and significantly better than our original budgets, set in the midst of the COVID-19 pandemic at the beginning of the year, had predicted.

Management (and the Board) have worked tirelessly over the last 12 months to manage the many challenges confronted both in Australia and overseas. Key achievements in an extremely hostile environment included the following:

- Retention of our key talent across our 5,000 plus workforce, in a very competitive market, particularly for technology focused employees and executives;
- Acceleration of the digital transformation underpinning our new global platform, IDP Live, a connected community of students, agents and institutions that allows students to stay connected to IDP and also allows our clients to make data-led, informed decisions;
- Focus on continuing innovation and evolution of the way IELTS is offered. IELTS online delivered new websites in 50 countries and in 15 languages, a considerable achievement;
- Control of all expense lines globally, including reduced marketing spend; and
- Completion of the acquisition of British Council's IELTS business in India, a key market. This transaction alone required an extremely dedicated and focused team expending thousands of hours to achieve the completion in trying circumstances.

All of these initiatives and countless other achievements have scored highly on the key performance indicators set for 2021. More importantly, the successful completion of them will position IDP to benefit from the rebound that is expected when markets normalise post COVID-19 or living with it becomes business as usual.

Remuneration remains a key focus of the Board and it has never been more challenging. As one of the most successful ASX listed companies over the last five years our talented employees and executives are highly sought-after. We have developed an extremely cohesive and committed workforce through many of our People Experience initiatives. Remuneration is not the only tool we have for incentive and retention, but it is an important one.

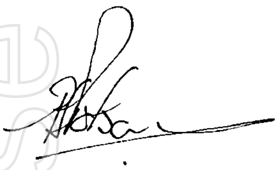
Balancing the interests of all stakeholders in the current environment has been difficult. Our efforts to achieve balance and perspective have included:

- Fixed remuneration reductions put in place last year for all employees, executives and Directors flowed through into part of 2021 and have now ended;
- I, personally, met with a number of key shareholders to get a firsthand understanding of the principal issues relating to IDP's business and remuneration strategy;
- A Remuneration Workshop was undertaken in April 2021 to consider market trends, regulatory changes, proxy adviser comments arising from our FY20 Remuneration Report and specific issues arising from key shareholder concerns;
- IDP's Board and Executive KMP remuneration strategies and policies were reviewed and updated to reflect changes adopted;
- Fixed remuneration increases for selected executives were approved to apply for FY22 based on specific market conditions and independent remuneration benchmark determinations;
- The remuneration mix for selected executives were approved to increase the 'at risk' components;
- The relevant non-financial and financial KPIs for FY22 were reviewed and updated to reflect current circumstances and IDP's strategic and growth focus;
- The LTI performance conditions were reviewed and the EPS CAGR and TSR relative were adopted again for this year's allocation. The EPS CAGR threshold rate is over 50%, reflecting the low base year (FY21) result. The TSR comparator group has remained unchanged from last year.

Directors' Report continued

2021 has again been an extremely challenging year. As Chair of the Remuneration Committee I will continue to work closely with fellow Directors, external advisors and management to ensure that IDP retains a strong, motivated and effective talent pool to meet our short term challenges and to optimise the rebound opportunities that will present themselves. In these uncertain times our skills and judgements are tested, but shareholders can be assured that we will always do what we consider to be in the best interests of the Company and all its stakeholders with an eye to the future.

I will continue to engage with our key stakeholders to ensure our decisions and processes are transparent and that a clear understanding of our remuneration strategies is provided.



Peter Polson
Chair of the Remuneration Committee
24 August 2021

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Remuneration Report

Key management personnel (KMP) is defined by AASB 124 *Related Party disclosures*. Only Directors, the Chief Executive Officer and Managing Director and executives who 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 Executive KMP of IDP for the year ended 30 June 2021 were:

	Position	Period as KMP
Executive KMP		
Andrew Barkla	Chief Executive Officer and Managing Director	17 August 2015 to Current
Murray Walton	Chief Financial Officer	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.

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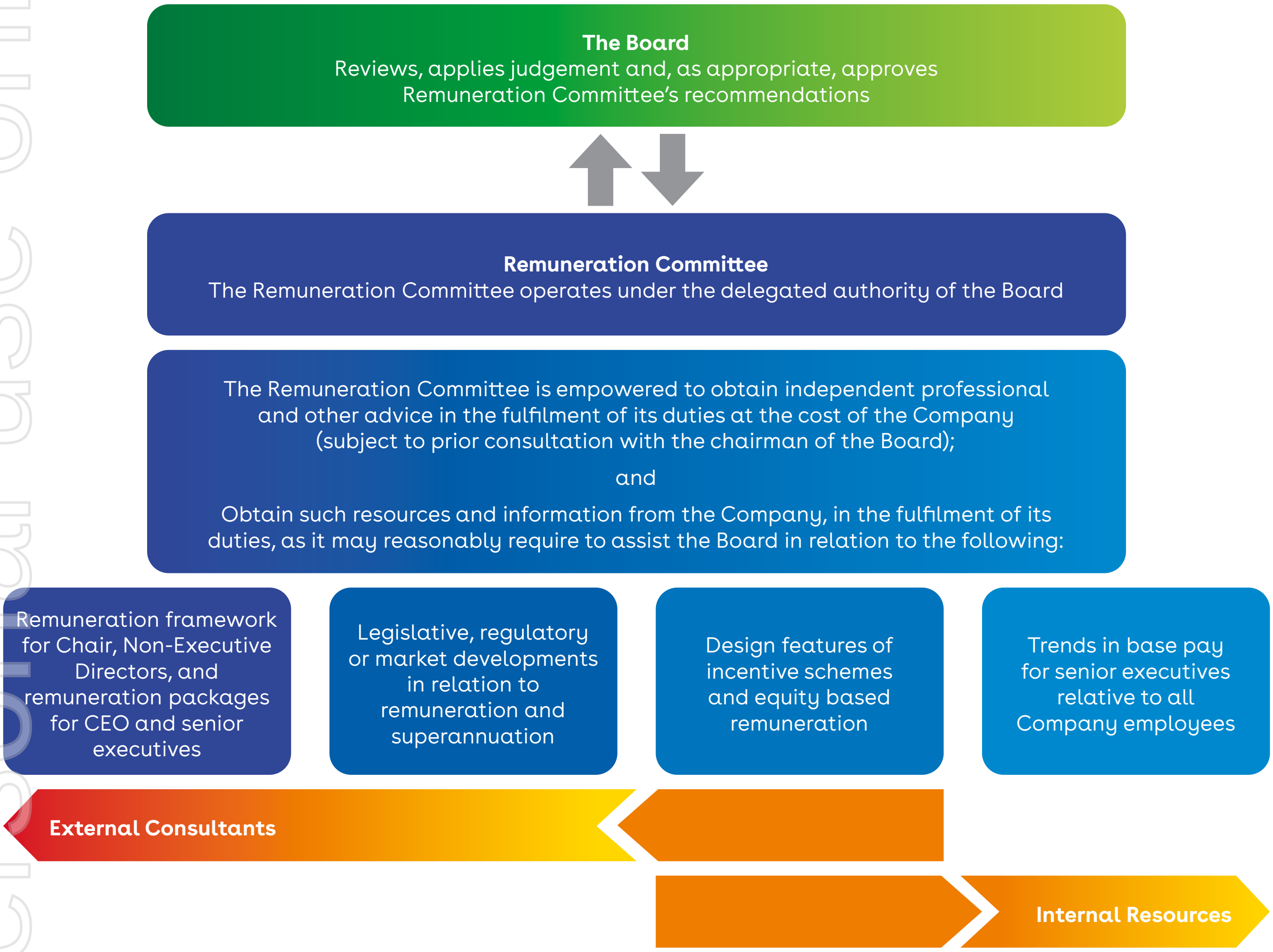
Remuneration Report continued

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 2021, 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.

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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 FY21, Crichton and Associates Pty Limited (Crichton and Associates) were engaged by the Board to provide remuneration recommendations in relation to KMP. Crichton and Associates invoiced IDP Education $8,705 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 recommendations, Crichton and Associates also provided services relating to other aspects of remuneration in respect of the Group's employees, including the provision of valuation services, IDP Education Employee Incentive Plan (IDIP) award offer documentation and related consulting services. For these services Crichton and Associates invoiced IDP Education $61,018 during FY21.

Remuneration Strategy

IDP's Board, Executive and Employee Remuneration Policy (Policy) aims to set director, executive and employee 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 is 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 effective 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 earnings (EPS) and Total Shareholder Return (TSR) performance;

› 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 performance measures, both short (annual) and long term (3+ years);

› Imposing appropriate performance hurdles for any executive equity incentive remuneration; and

› Setting director fees that are aligned to market expectations considering the size and complexity of the Company and the role.

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.

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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

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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)

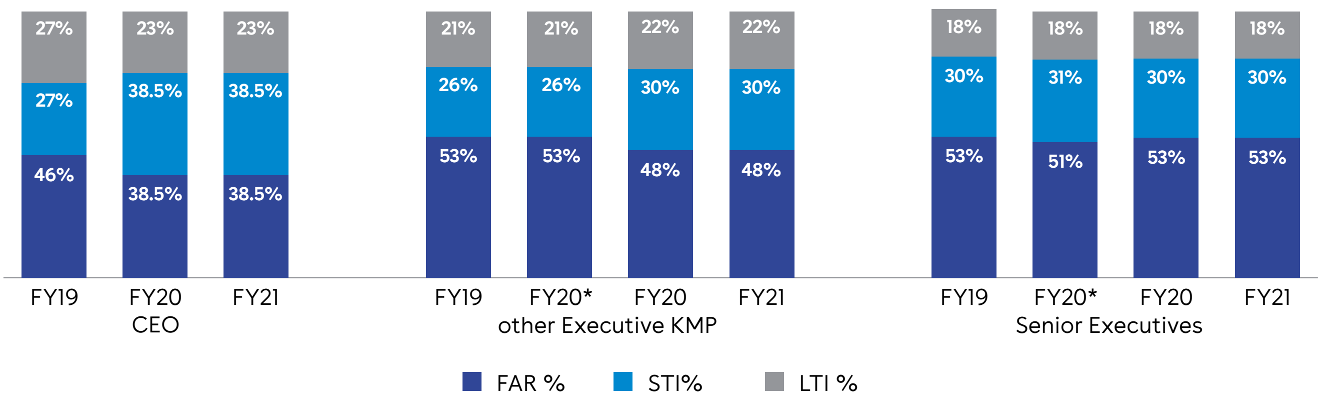
› At-Risk Remuneration:

- Short Term Incentive (STI)
- Long Term Incentive (LTI).

The illustration below provides an overview of the average FY21 Total Target Remuneration mix for the CEO, other Executive KMP and senior executives of IDP compared to FY19 and FY20.

There was no change to the remuneration mix in FY21, remaining at slightly below a performance aggressive mix of 33.33% FAR : 33.33% STI : 33.33% LTI for the CEO and slightly above a performance balanced mix of 50% FAR : 25% STI : 25% LTI for other Executive KMP.

Total Target Remuneration Mix (at target)



* Mr Pental joined the Executive KMP in FY20 and 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 which supports the attraction and retention of high performing and in demand executives;

› Achieving an appropriate market competitive 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 strategically important organisational metrics over the current financial year; and

› Providing a meaningful LTI (targeted at up to 100% of FAR) aligned to meeting benchmark earnings (EPS CAGR) and 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.

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Executive KMP Remuneration Mix

The mix of remuneration for the Executive KMP in FY21 is shown in the following table with a detailed description provided below:

	Fixed Annual Remuneration ($)	STI[1] (At-Target) ($)	STI[2] (Exceptional) ($)	LTI (At-Threshold) ($)	LTI[3] (At-Target) ($)
Executive KMP					
Andrew Barkla	1,050,000	1,050,000	2,100,000	315,000	630,000
Murray Walton	575,770	287,885	575,770	100,760	201,520
Warwick Freeland	455,106	227,553	455,106	102,399	204,798
Harmeet Pental	486,720[4]	486,720	973,440	146,016	292,032

1. STI payout for on-target performance
2. Maximum STI payout
3. LTI allocation value for FY21
4. Conversion from SGD to AUD based on 3 month average FX rate

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 (or similar).

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 considering 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.

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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 period	The STI performance period is for the financial year 1 July to 30 June.
Performance criteria	During FY21, the key performance criteria of IDP were directed to achieving the following Board approved targets: › Financial – 50% weighting • Earnings before Interest and Taxation; › Non-financial – 50% weighting • Student placement pipeline grown and maximised through increased organic leads, enhanced lead scoring and codesigned IDP Live app • IELTS market share increased through development of enhanced products and online customer experience • Leadership capability critical to the rebound and acceleration out of the pandemic developed 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. Specific achievement against the KPIs set for FY21 is set out below under the heading **Linking remuneration and Company performance in FY21**.
Rewarding performance	The STI performance weightings are set under a predetermined matrix with the Board determination final. Executive KMP's STI have a stretch component that is designed to encourage above at-target performance.
STI payment (50% cash: 50% deferred)	The CEO's STI is paid as follows: › STI amounts up to $100,000 and 50% of any amount above $100,000 will be paid in cash subsequent to 30 June 2021 following completion of the performance period and audit of the associated financial statements; and › 50% of any amount above $100,000 will be satisfied through a grant of service rights issued under the IDIP. The service rights are subject to a vesting condition that the CEO remains employed for a further 12 months from the end of the financial year. The COO's STI is paid as follows: › 70% will be paid in cash subsequent to 30 June 2021 following completion of the performance period and audit of the associated financial statements; and › 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. The STI of other Executive KMP will be paid in cash subsequent to 30 June 2021 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 FY22 performance criteria will consist of a mix of financial (EBIT) and non-financial criteria with non-financial KPIs primarily focused on delivering strategic priorities for IELTS, student placement and digital marketing.

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Long Term Incentives

The 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 four of these, Performance Rights, Options, Service Rights 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;
  - IDP comparative ranking of TSR against the component companies in an 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 Executive KMP's awards with shareholder returns. As at 30 June 2021, Executive KMP participate in the following Awards under the IDIP:

- FY19 LTI Award;
- FY20 LTI Award;
- FY21 LTI Award; and
- Deferred STI grant (FY20).

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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
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[1] 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[2] 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[3] 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 ASX listed companies of a similar size (based on Market Capitalisation) over the period 1 July 2019 to 30 June 2022[4] Continuous employment with IDP until Vesting Date	31-Aug-22
FY21 Award – Tranche 1	Performance Rights	07-Sep-20	19.16	0.00	EPS target CAGR over the period 1 July 2020 to 30 June 2023[5] Continuous employment with IDP until Vesting Date	31-Aug-23
FY21 Award – Tranche 2	Performance Rights	07-Sep-20	14.86	0.00	Ranking in TSR against the component companies in a selected 'peer' group of ASX listed companies of a similar size (based on Market Capitalisation) over the period 1 July 2020 to 30 June 2023[6] Continuous employment with IDP until Vesting Date	31-Aug-23

1. 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%.
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 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%.
4. 50% of performance rights available will vest if IDP achieves a ranking in TSR against the component companies in a selected 'peer' group of 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 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.
5. The base EPS has been set at FY20 EPS of 24.36 cents per share. 50% of performance rights available will vest if an EPS CAGR of at least 25% is achieved. 100% of performance rights available will vest if an EPS CAGR of at least 30% is achieved. Vesting will be on a pro rata basis between 25% and 30%.
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 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 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.

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Termination Benefits

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. This was reviewed and amended during the year to include the requirement that any application of the policy will also be disclosed to security holders in the Company's Annual Report. No circumstances have arisen during the current year that have required application of this policy.

Linking remuneration and Company performance in FY21

FY21 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's performance can be demonstrated through the STI performance criteria, their weighting and the outcome achieved for FY21.

Measure		Weighting	Outcome	Awarded
Financial 50%	Consolidated Earnings before Interest and Taxation target of A$20m (EBIT adjusted for M&A expenses and all Government Wage subsidies)	50.0%	100.0%	50.0%
Student placement 27.5%	Drive global lead volumes and conversion achieving 20% increase in organic leads and 2% increase in conversion of Hot/Warm leads	7.5%	5.6%	27.5%
	Score leads to drive conversion rate, refine reporting and metrics, set baseline measure and roll out to approved countries	5.0%	5.0%	
	Implement codesigned student Marketplace with client and student interfaces	10.0%	10.0%	
	Increase adoption of IDP App, with 4+ user rating	5.0%	6.8%	
IELTS 17.5%	Complete IELTS product technical build, pilot and launch in markets as defined in the go-to market plan	7.5%	11.3%	17.5%
	Across all markets where IDP and BC compete, increase the total market share	5.0%	5.0%	
	Complete global rollout of Empower websites and increase the 'Completion of Booking' rate	5.0%	6.3%	
Leadership 5.0%	Codesign and implement a global management development program for 5 core leadership roles	5.0%	5.0%	5.0%
		100.0%	**155%**	**100.0%**

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As a Board, we understand that it may appear incongruous to be rewarding executives for strong performance at a time when our earnings are lower than in previous years. However, the review of performance has acknowledged significant context that cannot be ignored in making this decision.

While the STI addresses a specific performance period, it is also important to note that IDP's FY21 performance is the direct result of years of wise investment, planning and innovation by this management team that allowed the business to not only survive the pandemic, but to continue to drive progress throughout. In the years since Andrew Barkla's appointment, he and his team have led a series of strategic investments, including:

› The digital transformation underpinning our new global platform, IDP Live, a connected community of students, counsellors and institutions that helps students stay connected to IDP and allows our clients to make data-led, informed decisions.

› Continued innovation and evolution of the way IELTS is offered.

FY21 Financial KPI – EBIT performance

Through the exceptional efforts of the entire IDP team, and while peer companies with exposure to travel and tourism experienced massive losses this past financial year, IDP was able to drive a relatively strong result and return a solid profit for shareholders exceeding the stretch target of A$20m EBIT.

For the purposes of the FY21 STI financial KPI Consolidated EBIT has been calculated using EBIT as reported in Statutory Financials with A$7.9m Government Wage Subsidies deducted and A$5.9m M&A expenses added back.

FY21 Non-financial KPIs

The non-financial KPIs for FY21 were designed to support the business to rebound strongly and accelerate when international mobility returned. In student placement and IELTS KPIs were focused on technology enabled improvements to the customer experience.

Student placement Organic leads increased with enhanced websites delivered which will continue to drive the pipeline, co designed strategies with students and client institutions culminated in the development of the IDP Live app setting IDP apart from competitors and the creation of inhouse data and analytics capability led to enhanced lead scoring and responsive follow up of enquiries.

IELTS KPIs also focused on growth through technology enabled improvements to the customer experience, including the development of IELTS Online, and delivery of new websites in 50 countries and 15 languages.

The Leadership KPI was delivered with co-designed content developed around a set of core competencies for 5 core leadership roles to be completed by 334 operational leaders critical to success.

Critically, the investments and strategies our management team implemented in recent years allowed the business to "pivot" quickly. During the past financial year, as a global pandemic raged and borders were closed, IDP was also able to:

› Retain our 5,000 talented people around the world, providing them with infrastructure and equipment so they could seamlessly transition to work at home and keep students engaged throughout the year.

› Grow our global digital platform, which allowed us to combine trusted advice with data insights and systems to deliver a new model for the industry. Our counsellors maintained relationships with students - often via mobile devices – to help us accelerate back to growth once borders are re-opened.

› Leverage our connected community to begin to provide data and insights to institutions, opening a new revenue stream for the Company.

› Complete the acquisition of British Council's IELTS business in India, a key market for IELTS.

› Continue roll-out of an online IELTS test as the pandemic took hold around the world.

› Launch a dedicated IELTS Prepare hub for students to engage with and seek support from IDP to support them in their preparation for their upcoming tests.

› Maintain a dedicated team that continued to manage in-person testing all over the world through the pandemic.

These innovations have allowed us to deliver a result that no one could have foreseen a year ago, and more importantly, has accelerated our strategy to set us up for FY22 and beyond.

As a Board we are more cognisant than ever of the need to reward and recognise the exceptional performance of our executives to return a profit in such a challenging environment, retain them to lead our rebound and acceleration and deliver our strategic plan.

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This decision is one of many challenging decisions we have faced over the past 12 months. However, one of the core principles of our remuneration strategy reflects the need for appropriate and competitive rewards to support the attraction and retention of a highly skilled and diverse workforce. At the same time shareholders have an expectation of a fair and reasonable return in terms of dividends and relative share price growth.

Balancing the reduced EBIT result compared to previous years against the strong share price growth investors have enjoyed, we believe it is appropriate to award a portion of what was achieved against the STI measures that were agreed at the beginning of the year. While performance against the Financial KPI was exceptional and a number of the non-financial STI KPIs have been assessed as Exceptional or Outstanding, the overall award has been capped at 100% of potential in FY21.

The table below provides a summary of STI payments achieved for the FY21 performance year:

FY21	STI At-Target $	STI Awarded[1,2] $	STI Achieved %	STI Awarded %	STI Forfeited $
Executive KMP					
Andrew Barkla	1,050,000	1,050,000[3]	154.98%	100.0%	577,290
Murray Walton	287,885	287,885	154.98%	100.0%	158,279
Warwick Freeland	227,553	227,553	154.98%	100.0%	125,109
Harmeet Pental	486,720[4]	486,720[5]	154.98%	100.0%	267,599

1. STI amounts indicated to have been achieved in respect of the year ended 30 June 2021 are subject to annual review and only payable subsequent to 30 June 2021 upon ratification and recommendation by the Remuneration Committee and approval by the Board
2. With the exception noted in footnote 3, all STI amounts will be paid in cash
3. An STI amount of $501,094 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. Conversion from SGD to AUD based on 3 month average FX rate
5. An STI amount of $146,016 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

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) measure 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	Vesting Probability	TSR Relative Vesting Date	Vesting Probability
FY19 LTI	31 August 2021	Nil	31 August 2021	Certain
FY20 LTI	31 August 2022	Unlikely	31 August 2022	Possible
FY21 LTI	31 August 2023	Possible	31 August 2023	Possible

The EPS CAGR for the period from 1 July 2017 to 30 June 2020 was 17.1% and -9.59% for the period from 1 July 2018 to 30 June 2021 due to the impact of the pandemic. It is not appropriate to provide further guidance on the likelihood of achievement of future EPS hurdles at this time.

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Generally, we believe the EPS CAGR component of LTI awards provides a strong correlation between IDP's performance and Executive KMP remuneration outcomes, significant unforeseen events, notwithstanding.

IDP's TSR performance relative measure has evolved over recent years. It was decided that IDP had outgrown the component companies in the ASX/S&P300 Discretionary Index. For both the FY20 and FY21 LTI Awards, a group of companies from XDKAI was independently selected with input from Crichton and Associates as a peer group for TSR comparison. Irrespective of the comparator group IDP has consistently achieved top quartile performance over an extended period and would have outperformed any comparator group selected. 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 FY21 and the four years prior.

Measure	FY21	FY20 (restated)[1]	FY19	FY18	FY17
Revenue ($000)	**528,742**	587,106	598,136	487,155	394,187
% change from previous year	***-9.94%***	*-1.84%*	*22.78%*	*23.58%*	*9.00%*
Earnings Before Interest and Taxation ($000)	**64,143**	108,100	97,116	75,924	61,224
% change from previous year	***-40.66%***	*11.31%*	*27.91%*	*24.01%*	*18.86%*
Net Profit after Taxation ($000)	**39,463**	68,046	66,311	51,481	41,511
% change from previous year	***-42.01%***	*2.61%*	*28.81%*	*24.02%*	*4.00%*
Basic Earnings per Share (cents per share)	**14.26**	26.23	26.26	20.59	16.58
% change from previous year	***-45.63%***	*-0.11%*	*27.54%*	*24.18%*	*3.95%*
3 year Compound Annual Growth Rate (Conventional)	***-11.52%***	*16.52%*	*18.08%*	*17.85%*	*14.04%*
Diluted Earnings per Share (cents per share)	**14.22**	26.18	26.09	20.14	16.20
% change from previous year	***-45.68%***	*0.34%*	*29.54%*	*24.32%*	*3.85%*
Dividend (cents per share)	**8.00**	24.00	18.50	14.00	12.50
% change from previous year	***-66.67%***	*29.73%*	*32.14%*	*12%*	*-34.83%*
Share Price as at 30 June ($)	**24.54**	15.49	17.66	10.58	5.09
Average STI payout as a % at-target for eligible Executive KMPs	***100.0%***	*65.1%*	*112.3%*	*122.5%*	*119.5%*

1. During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements, in particular AASB 138 *Intangible Assets*. FY20 financial information has been restated to account for the impact of the change. Refer to note 1.8 for further details.

In a year when the world continued to navigate the pandemic and its challenges, IDP strengthened its position as a global leader in international education services, tapping into the talent and capability of the 5,000 team members around the world.

Management delivered a solid revenue performance and maintained strong balance sheet cash management despite the ongoing challenges of COVID-19. The understandable reduction in student placement volumes was offset by a strong year for IELTS.

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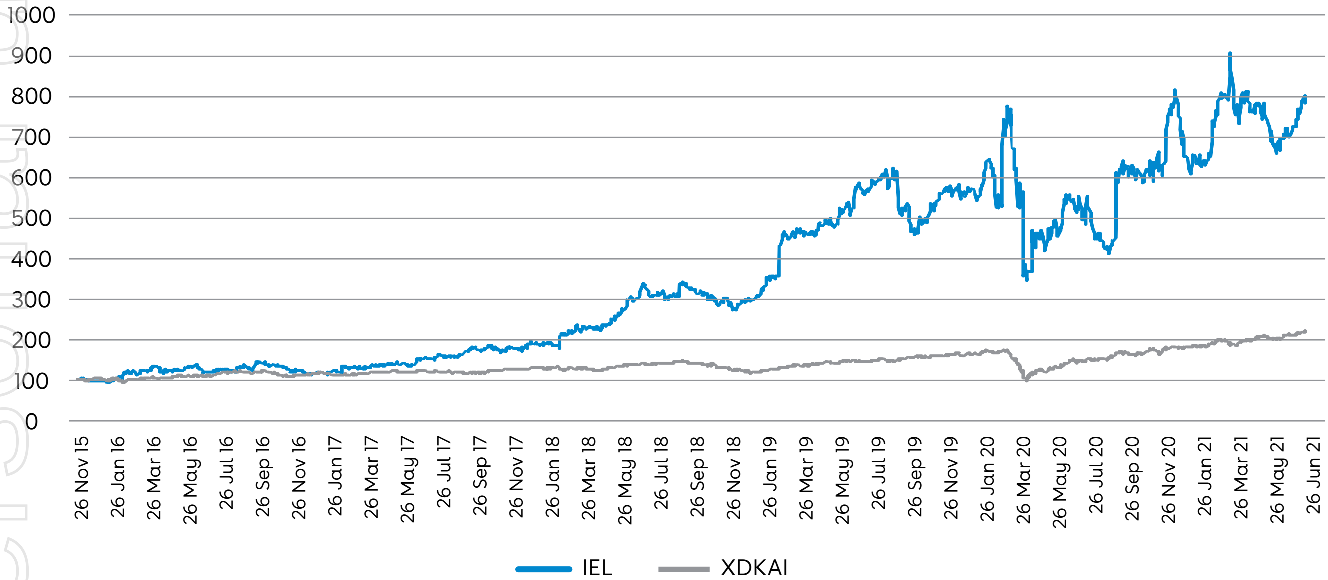
The component of LTI awards linked to TSR relative performance is a less predictable measure of performance. Because this measure requires a calculation of all the component companies in an Index or specific comparator group the exact performance can only be assessed at the final test date (30th June 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 a TSR of 781%, whereas the XDKAI has returned 220%. This means IDP shareholders have enjoyed TSR performance of more than 3½ times this indicative 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)
26 November 2015 to 30 June 2021



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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 FY21 that are yet to, and may never, be realised by the Executive KMP.

The statutory remuneration table below differs from the FY21 KMP remuneration mix outlined on page 34. Differences arise mainly due to the accounting treatment of share-based payment (performance rights and options). Salary changes reflect a 20% voluntary reduction from 1 July 2020 to 30 September 2020 and a 10% from 1 October 2020 to 31 December 2020.

		Short Term Benefits				Post-Employment Benefits	Long-Term Benefits	Equity-Based Benefits	
	Financial Year	Salary $	STI[1] $	Other $	Non-monetary Benefits[2] $	Superannuation $	Leave[3] $	Performance Rights/ Options[4] $	Total Remuneration $
Executive KMP									
Andrew Barkla[5]	**2021**	**946,250**	**1,050,000**	**20,128**	**-**	**25,000**	**27,369**	**497,322**	**2,566,069**
	2020	972,500	683,468	-	-	25,000	40,202	512,919	2,234,089
Murray Walton[6]	**2021**	**507,587**	**287,885**	**-**	**-**	**25,000**	**15,474**	**75,011**	**910,957**
	2020	521,982	187,391	11,037	-	25,000	19,714	89,929	855,053
Warwick Freeland	**2021**	**395,973**	**227,553**	**-**	**-**	**25,000**	**12,231**	**77,951**	**738,708**
	2020	407,351	148,119	-	-	25,000	16,055	103,241	699,766
Harmeet Pental[7]	**2021**	**485,242**	**486,720**	**20,927[8]**	**114,613**	**-**	**-**	**222,128**	**1,329,630**
	2020	458,512	362,775	24,600	72,543	51,922	-	156,536	1,126,888
Total	**2021**	**2,335,052**	**2,052,158**	**41,055**	**114,613**	**75,000**	**55,074**	**872,412**	**5,545,364**
	2020	2,360,345	1,381,753	35,637	72,543	126,922	75,971	862,625	4,915,796

1. Short term STI includes both cash and service rights expected to be paid/vest in future periods as a result of FY20 and FY21 STI outcomes. An explanation of the detailed STI performance outcomes is set out in the Linking remuneration and Company performance section of this Report.
2. Non-monetary benefits for COO represent car benefit and housing benefit for this offshore position.
3. Long term benefits represent long service leave accrued but untaken during the year.
4. 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
5. Other short term benefits for CEO in 2021 was a 5 year service award paid under IDP's Global Service Recognition policy, equivalent to one week's salary.
6. Other short term benefits for CFO in 2020 was a 10 year service award paid under IDP's Global Service Recognition policy, equivalent to one week's salary.
7. Harmeet Pental, COO is paid in Singapore dollars and the figures are impacted by variations in the FX rate.
8. Other short term benefits for COO represents medical insurance for this offshore position.

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Executive KMP LTI Outcomes

Executive KMP	LTI Award	Performance Rights/ Options Awards[1]	Grant Date	Opening Balance
Andrew Barkla	CEO Incentive Award	Options	17-Aug-15	295,000
	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	38,485
	The FY21 Award	Performance Rights	07-Sep-20	-
Murray Walton	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	12,310
	The FY21 Award	Performance Rights	07-Sep-20	-
Warwick Freeland	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	12,510
	The FY21 Award	Performance Rights	07-Sep-20	-
Harmeet Pental	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	19,175
	The FY21 Award	Performance Rights	07-Sep-20	-

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	241,793	109,768	295,000	(295,000)	351,561
Murray Walton	69,771	31,011	-	(38,532)	62,250
Warwick Freeland	-	37,925	-	(37,925)	-
Harmeet Pental	11,956	58,308	-	(30,000)	40,264

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

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Granted during year	Exercised during year	Forfeited during year	Closing Balance – vested and exercisable	Closing Balance – vested but not exercisable	Closing Balance – unvested
–	(295,000)	–	–	–	-
–	(94,302)	–	–	–	-
–	–	–	–	–	49,723
–	–	–	–	–	38,485
33,070	–	–	–	–	33,070
–	(31,011)	–	–	–	-
–	–	–	–	–	18,015
–	–	–	–	–	12,310
10,578	–	–	–	–	10,578
–	(37,925)	–	–	–	-
–	–	–	–	–	18,308
–	–	–	–	–	12,510
10,750	–	–	–	–	10,750
–	(58,308)	–	–	–	-
–	–	–	–	–	27,231
–	–	–	–	–	19,175
17,553	–	–	–	–	17,553

Please note, table continues from page 44

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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 within the approved fee pool and 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

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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 $	Superannuation $	Leave $	Performance Rights $	Total Remuneration $
Non-Executive Directors									
Peter Polson	2021	298,927	–	–	–	24,823	–	–	323,750
	2020	307,677	–	–	–	24,823	–	–	332,500
Ariane Barker	2021	175,750	–	–	–	–	–	–	175,750
	2020	180,500	–	–	–	–	–	–	180,500
Professor David Battersby AM	2021	135,160	–	–	–	12,840	–	–	148,000
	2020	138,813	–	–	–	13,187	–	–	152,000
Greg West	2021	143,607	–	–	–	13,643	–	–	157,250
	2020	147,489	–	–	–	14,011	–	–	161,500
Chris Leptos AM	2021	143,607	–	–	–	13,643	–	–	157,250
	2020	147,489	–	–	–	14,011	–	–	161,500
Professor Colin Stirling	2021	135,160	–	–	–	12,840	–	–	148,000
	2020	138,813	–	–	–	13,187	–	–	152,000
Total	2021	1,032,211	–	–	–	77,789	–	–	1,110,000
	2020	1,060,781	–	–	–	79,219	–	–	1,140,000

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 FY21 Directors agreed to extend the period of the 20% reduction in fees payable agreed to in FY20 for the period 1 July to 30 September 2020 and a 10% reduction in fees payable for the period 1 October to 31 December 2020 in light of the ongoing 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	52,817	–	–	–	52,817
Ariane Barker	21,684	–	–	–	21,684
Professor David Battersby AM*	10,048	–	–	–	10,048
Greg West*	27,817	–	–	–	27,817
Chris Leptos AM	28,684	–	–	–	28,684
Professor Colin Stirling*	–	–	–	–	–

* indicates representatives of Education Australia

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 2021 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
24 August 2021

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Auditor's Independence Declaration

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Deloitte.

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24 August 2021

The Board of Directors
IDP Education Limited
Level 10, Melbourne Quarter 2
697 Collins Street
Docklands VIC 3008

Dear Board Members

Auditor's Independence Declaration to 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 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

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Partner
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Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Consolidated statement of profit or loss

for the year ended 30 June 2021

	Notes	30 June 2021 $'000	30 June 2020 (restated)* $'000
Revenue	3	528,742	587,106
Expenses	4.1	(426,283)	(441,555)
Depreciation and amortisation		(37,588)	(37,132)
Finance income		1,617	849
Finance costs	4.2	(6,899)	(6,037)
Share of loss of associates		(728)	(319)
Profit for the year before income tax expense		58,861	102,912
Income tax expense	5	(19,398)	(34,866)
Profit for the year		39,463	68,046
Profit for the year attributable to:			
Owners of IDP Education Limited		39,683	68,110
Non-controlling interests		(220)	(64)
		39,463	68,046

Earnings per share for profit attributable to ordinary equity holders	Notes	30 June 2021	30 June 2020 (restated)*
Basic earnings per share (cents per share)	7	14.26	26.23
Diluted earnings per share (cents per share)	7	14.22	26.18

* During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements, in particular AASB 138 Intangible Assets. Historical financial information has been restated to account for the impact of the change. Refer to note 1.8 for further details.

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

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Consolidated statement of comprehensive income

for the year ended 30 June 2021

	Notes	30 June 2021 $'000	30 June 2020 (restated)* $'000
Profit for the year		39,463	68,046
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net investment hedge of foreign operations		(1,562)	490
Exchange differences arising on translating the foreign operations		(1,160)	(3,790)
Gains/(losses) arising on changes in fair value of hedging instruments entered into for cash flow hedges			
Forward foreign exchange contracts		(1,765)	(269)
Cumulative gains/(losses) arising on changes in fair value of hedging instruments reclassified to profit or loss		270	803
Income tax related to gains/(losses) recognised in other comprehensive income	5	(604)	(276)
Items that will not be reclassified subsequently to profit or loss:		-	-
Other comprehensive income for the year, net of income tax		(4,821)	(3,042)
Total comprehensive income for the year		34,642	65,004
Total comprehensive income attributable to:			
Owners of IDP Education Limited		34,832	65,039
Non-controlling interests		(190)	(35)
		34,642	65,004

* During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements, in particular AASB 138 Intangible Assets. Historical financial information has been restated to account for the impact of the change. Refer to note 1.8 for further details.

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Consolidated statement of financial position

as at 30 June 2021

	Notes	30 June 2021 $'000	30 June 2020 (restated)* $'000
CURRENT ASSETS			
Cash and cash equivalents	20	306,948	307,089
Trade and other receivables	8	72,444	68,407
Contract assets	9	31,877	23,586
Derivative financial instruments	22	736	461
Current tax assets		5,137	16,279
Other current assets	14	14,681	13,332
Total current assets		431,823	429,154
NON-CURRENT ASSETS			
Contract assets	9	2,333	3,210
Investment in associates	27	4,941	5,929
Property, plant and equipment	11	22,258	24,216
Rights-of-use assets	12	79,392	82,598
Intangible assets	13	109,453	115,145
Capitalised development costs	10	16,306	5,709
Deferred tax assets	5	15,007	14,960
Other non-current assets	14	13,929	11,385
Total non-current assets		263,619	263,152
TOTAL ASSETS		695,442	692,306
CURRENT LIABILITIES			
Trade and other payables	15	93,008	57,318
Dividends payable	6	-	41,983
Lease liabilities	19	17,882	17,262
Contract liabilities	16	41,768	37,821
Provisions	17	13,605	11,342
Current tax liabilities		1,815	3,654
Derivative financial instruments	22	2,757	929
Total current liabilities		170,835	170,309
NON-CURRENT LIABILITIES			
Borrowings	18	56,745	59,831
Lease liabilities	19	68,473	67,301
Deferred tax liabilities	5	4,913	5,082
Provisions	17	6,482	6,474
Total non-current liabilities		136,613	138,688
TOTAL LIABILITIES		307,448	308,997
NET ASSETS		387,994	383,309
EQUITY			
Issued capital	21	278,145	270,959
Reserves		(12,884)	6,843
Retained earnings		123,270	105,854
Equity attributable to owners of IDP Education Limited		388,531	383,656
Non-controlling interests		(537)	(347)
TOTAL EQUITY		387,994	383,309

* During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements, in particular AASB 138 Intangible Assets. Historical financial information has been restated to account for the impact of the change. Refer to note 1.8 for further details.

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

Consolidated statement of changes in equity

for the year ended 30 June 2021

	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 (previously reported)		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)	-	-	-	-
Effects of changes in accounting policies	1.8	-	-	-	-	(9,849)	(9,849)	-	(9,849)
As at 1 July 2019 (restated)		30,811	(562)	2,012	13,339	98,810	144,410	(312)	144,098
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		-	-	-	-	68,110	68,110	(64)	68,046
Total comprehensive income for the year		-	373	(3,444)	-	68,110	65,039	(35)	65,004
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 (restated)		270,959	(189)	(1,432)	8,464	105,854	383,656	(347)	383,309

(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.

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Consolidated statement of changes in equity continued

for the year ended 30 June 2021

	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 Jun 2020 (previously reported)		270,959	(189)	(1,432)	8,464	115,466	393,268	(347)	392,921
Effects of changes in accounting policies	1.8	–	–	–	–	(9,612)	(9,612)	–	(9,612)
As at 1 July 2020 (restated)		270,959	(189)	(1,432)	8,464	105,854	383,656	(347)	383,309
Change in the fair value of cash flow hedges, net of income tax		–	(1,047)	–	–	–	(1,047)	–	(1,047)
Exchange differences arising on translating the foreign operations		–	–	(3,994)	–	–	(3,994)	30	(3,964)
Foreign currency exchange differences recycled to profit or loss		–	–	190	–	–	190	–	190
Profit for the year		–	–	–	–	39,683	39,683	(220)	39,463
Total comprehensive income for the year		–	(1,047)	(3,804)	–	39,683	34,832	(190)	34,642
Exercise of share options	21.1	405	–	–	–	–	405	–	405
Acquisition of treasury shares	21.2	(9,567)	–	–	–	–	(9,567)	–	(9,567)
Share-based payments schemes including tax effect – value of employee services		–	–	–	1,472	–	1,472	–	1,472
Issue of treasury shares to employees		16,348	–	–	(16,348)	–	–	–	–
Dividends paid	6	–	–	–	–	(22,267)	(22,267)	–	(22,267)
As at 30 June 2021		278,145	(1,236)	(5,236)	(6,412)	123,270	388,531	(537)	387,994

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

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Consolidated statement of cash flow

for the year ended 30 June 2021

	Notes	30 June 2021 $'000	30 June 2020 (restated)* $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		526,472	610,105
Payments to suppliers and employees		(395,109)	(498,388)
Interest received		1,902	563
Interest paid		(4,776)	(5,472)
Income tax paid		(11,588)	(31,623)
Net cash inflow from operating activities	20	116,901	75,185
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of right of use assets and intangible assets		666	-
Payments for investment in associates		(172)	(1,788)
Payments for plant and equipment, intangible assets and capitalised development costs		(20,140)	(19,005)
Net cash outflow from investing activities		(19,646)	(20,793)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	18	56,745	14,000
Repayments of borrowings	18	(61,571)	(14,000)
Issue of new shares, net of transaction costs	21.1	-	248,963
Proceeds from exercise of share options	21.1	405	612
Payments for treasury shares	21.2	(9,567)	(17,940)
Repayment of lease liabilities		(17,483)	(15,478)
Dividends paid	6	(64,250)	(19,083)
Net cash inflow/(outflow) from financing activities		(95,721)	197,074
Net increase in cash and cash equivalents		1,534	251,466
Cash and cash equivalents at the beginning of the year		307,089	56,059
Effect of exchange rates on cash holdings in foreign currencies		(1,675)	(436)
Cash and cash equivalents at the end of the year	20	306,948	307,089

* During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements, in particular AASB 138 Intangible Assets. Historical financial information has been restated to account for the impact of the change. Refer to note 1.8 for further details.

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

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Notes to the consolidated financial statements

for the year ended 30 June 2021

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1. Basis of preparation

This general purpose financial report for the year ended 30 June 2021 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 2021 were authorised for issue in accordance with a resolution of the Directors on 24 August 2021.

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 1.10.

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

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

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, Note 14 – Other assets and Note 30 – Contingent liabilities
- Note 13 – Intangible assets – Impairment test of goodwill and intangible assets with indefinite useful lives
- Note 13 – Intangible assets – Capitalisation of configuration and customisation costs in SaaS arrangements
- 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 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

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 AASB 101 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 AASB 101. 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

AASB 2019-1 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.

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Notes to the consolidated financial statements
continued

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1. Basis of preparation (continued)

1.6 Adoption of new and revised Accounting Standards (continued)

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.

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 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

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 the above amendments will have a material impact in future periods on the financial statements of the Group.

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1.8. Changes in accounting policies

Implementation of IFRIC agenda decision and new accounting policy

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements, in particular AASB 138 *Intangible Assets*. The new accounting policy is presented below. Historical financial information has been restated to account for the impact of the change.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

Retrospective adjustments to the financial statements

As disclosed above, the Group revised its accounting policy in relation to SaaS arrangements during the year resulting from the implementation of agenda decisions issued by the IFRIC. Historical financial information has been restated to account for the impact of the change in accounting policy, as follows:

Financial statement item	30 June 2020 ($'000) Increase/ (decrease)	1 July 2019 ($'000) Increase/ (decrease)
Statement of financial position		
Intangible assets	(13,496)	(14,049)
Capitalised development costs	(235)	(21)
Deferred tax assets	4,119	4,221
Total assets/Net assets	(9,612)	(9,849)
Retained earnings	(9,612)	(9,849)
Total equity	(9,612)	(9,849)
Statement of comprehensive income		
Expenses	3,417	
Depreciation and amortisation	(3,756)	
Profit before tax	(339)	
Profit after tax	(237)	
Earnings per share – basic and diluted (cents)	(0.09)	
Statement of cashflows		
Payments to suppliers and employees	3,417	
Net cash generated by operating activities	3,417	
Payments to acquire intangible assets and capitalised development costs	(3,417)	
Net cash used in investing activities	(3,417)	

Notes to the consolidated financial statements
continued

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1. Basis of preparation (continued)

1.9. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021. 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.

1.10. Foreign currency translation

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

Transactions and balances

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

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

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

Group consolidation

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

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

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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 and Managing Director.

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, 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	
	30 June 2021 $'000	30 June 2020 $'000	30 June 2021 $'000	30 June 2020 (restated) $'000
Asia	316,215	389,174	76,616	127,127
Australasia	45,903	57,399	9,161	9,708
Rest of World	166,624	140,533	39,045	29,436
Consolidated total	528,742	587,106	124,822	166,271
Corporate cost			(60,679)	(58,171)
EBIT			64,143	108,100
Net finance cost			(5,282)	(5,188)
Profit before tax			58,861	102,912

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 2021 $'000	30 June 2020 $'000
Student placement	112,195	155,150
IELTS examination	143,219	145,720
English language teaching	12,329	19,354
Digital marketing and events	28,588	22,799
Other	1,518	2,183
	297,849	345,206

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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).
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 2021 $'000	30 June 2020 $'000
At a point in time		
Student placement revenue	143,278	190,566
Other revenue	3,192	4,271
Over time		
IELTS examination revenue	325,627	325,517
English language teaching revenue	20,200	28,503
Digital marketing and event revenue	36,445	38,249
Total revenue	528,742	587,106

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4. Expenses and finance costs

4.1 Expenses

	30 June 2021 $'000	30 June 2020 (restated) $'000
Service providers fees	190,766	192,568
Employee benefits expenses	155,879	160,830
Occupancy expenses	8,206	8,934
Marketing expenses	18,083	25,348
Administrative expenses	10,473	10,760
IT and communication expenses	20,309	19,786
Consultancy and professional expenses	15,964	11,096
Travel expenses	1,557	6,904
Foreign exchange loss/(gain)	342	(510)
Other expenses	4,704	5,839
	426,283	441,555

4.2 Finance costs

	30 June 2021 $'000	30 June 2020 $'000
Interest on borrowings	712	959
Interest expenses on lease liabilities	3,914	4,487
Other finance costs	2,273	591
	6,899	6,037

4.3 Included in the employee benefit expenses

	30 June 2021 $'000	30 June 2020 $'000
Share-based payments	2,160	1,631
Governments wages subsidies[1]	(7,973)	(4,464)
Defined contribution plans	10,635	10,015

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 FY21, IDP received $7.973m (2020: $4.464m) government wages subsidies. It was recognised as deductions against employee expenses as permitted under AASB 112 Government Grants and deductions against payments to employees and suppliers in the Consolidated statement of cash flow.

Notes to the consolidated financial statements
continued

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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.

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5.1 Income tax recognised in profit or loss

	30 June 2021 $'000	30 June 2020 (restated) $'000
Current tax		
Current tax expense in respect of the current year	23,613	30,834
Withholding taxes	(112)	872
Adjustments recognised in the current year in relation to the current tax of prior years	(1,867)	652
	21,634	32,358
Deferred tax		
In respect of the current year	(2,236)	2,508
Total income tax expense recognised in the current year relating to continuing operations	19,398	34,866

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

	30 June 2021 $'000	30 June 2020 (restated) $'000
Profit before tax	58,861	102,912
Income tax expense calculated at 30% (2020: 30%)	17,658	30,874
Add tax effect of:		
Non-deductible expenses	286	635
Attributed income	1,345	178
Unused tax losses, tax offsets and timing differences not recognised as deferred tax assets	3,878	2,415
Withholding taxes	(112)	872
Effect on deferred tax balances due to the change in income tax rate	68	481
Adjustments recognised in the current year in relation to the current tax of prior years	(1,867)	652
	21,256	36,107
Less tax effect of:		
Non-assessable income	(626)	(378)
Other deductible items	(814)	(29)
Adjustments recognised in relation to prior year deferred tax balances	(811)	2,363
Effect of tax rate in foreign jurisdictions	393	(3,124)
Tax losses	–	(73)
Income tax recognised in profit or loss	19,398	34,866

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5. Income taxes (continued)

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 2021 $'000	30 June 2020 (restated) $'000
Deferred tax assets	15,007	14,960
Deferred tax liabilities	(4,913)	(5,082)
	10,094	9,878

2021

Temporary differences and tax losses.

$'000	Opening balance as previously reported	Effects of changes in accounting policies	Opening balance (restated)	Recog-nised in profit or loss	Recog-nised in other compre-hensive income	Recog-nised in reserves	Closing balance
Accrued expenses	2,359	–	2,359	990	–	–	3,349
Deferred capital expenditure	377	–	377	297	–	–	674
Employee benefits	4,999	–	4,999	596	–	(1,416)	4,179
Leases	886	–	886	1,147	–	–	2,033
Trade receivable	877	–	877	(469)	–	–	408
Derivative financial instruments	369	–	369	(103)	449	–	715
Hedge of net investments	923	–	923	–	(923)	–	–
Unrealised foreign exchange losses	242	–	242	(22)	–	–	220
Plant, property and equipment	(1,304)	4,119	2,815	(1,390)	–	–	1,425
Deferred revenue	180	–	180	425	–	–	605
Intangible assets	(5,082)	–	(5,082)	342	(130)	–	(4,870)
Prepayments	(33)	–	(33)	(1)	–	–	(34)
Tax losses	571	–	571	525	–	–	1,096
Others	395	–	395	(101)	–	–	294
Net deferred tax	5,759	4,119	9,878	2,236	(604)	(1,416)	10,094

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2020

Temporary differences and tax losses.

$'000	Opening balance as previously reported	Effects of changes in accounting policies	Opening balance (restated)	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in reserves	Closing balance
Accrued expenses	1,760	–	1,760	599	–	–	2,359
Deferred capital expenditure	96	–	96	281	–	–	377
Employee benefits	9,452	–	9,452	(1,489)	–	(2,964)	4,999
Leases	–	–	–	886	–	–	886
Trade receivable	339	–	339	538	–	–	877
Derivative financial instruments	580	–	580	(51)	(160)	–	369
Hedge of net investments	1,070	–	1,070	–	(147)	–	923
Unrealised foreign exchange losses	437	–	437	(195)	–	–	242
Plant, property and equipment	(1,026)	4,221	3,195	(380)	–	–	2,815
Deferred revenue	(418)	–	(418)	598	–	–	180
Intangible assets	(5,725)	–	(5,725)	612	31	–	(5,082)
Prepayments	(35)	–	(35)	2	–	–	(33)
Tax losses	1,698	–	1,698	(1,127)	–	–	571
Others	3,177	–	3,177	(2,782)	–	–	395
Net deferred tax	11,405	4,221	15,626	(2,508)	(276)	(2,964)	9,878

5.3 Unrecognised deferred tax assets

	30 June 2021 $'000	30 June 2020 $'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	1,388	802
– tax losses	6,120	4,531
	7,508	5,333

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

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6. Dividends

Accounting policy

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

6.1 Dividends paid

	30 June 2021		30 June 2020	
	cents per share	Total $'000	cents per share	Total $'000
Final dividend paid in respect of prior financial year – 0% franked (2020: 45%) at the Australia corporate tax rate of 30%	-	-	7.5	19,083
Interim dividend paid in respect of current financial year - 0% franked (2020: 17%) at the Australia corporate tax rate of 30%	8.0	22,267	16.5	41,983
Total		22,267		61,066

There was no final dividend declared for the financial year ended 30 June 2020. Interim dividend in respect of the financial year ended 30 June 2020 was paid on 24 September 2020.

The interim dividend of 8.0c per share for the financial year ended 30 June 2021 was declared on 23 February 2021 to shareholders registered on 5 March 2021. The payment was made 26 March 2021.

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 2021 is $2.264m (2020: $12.111m) based on the Australian corporate tax rate of 30% (2020: 30%).

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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 2021 Cents		30 June 2020 Cents	
	Basic	**Diluted**	Basic (restated)	Diluted (restated)
Earnings per share	**14.26**	**14.22**	26.23	26.18

Earnings used in calculating earnings per share	30 June 2021 $000	30 June 2020 (restated) $000
Earnings used in the calculation of basic and diluted earnings per share	**39,683**	68,110

Weighted average number of shares used as the denominator	30 June 2021	30 June 2020
Weighted average number of shares used as denominator in calculating basic EPS	**278,336,211**	259,678,139
Weighted average of potential dilutive ordinary shares:		
- options	**-**	-
- performance rights	**631,421**	501,802
Weighted average number of shares used as denominator in calculating diluted EPS	**278,967,632**	260,179,941

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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 2021 $'000	30 June 2020 $'000
Trade receivables	70,195	65,339
Credit loss allowance	(2,302)	(1,527)
	67,893	63,812
Other receivables	4,551	4,595
	72,444	68,407

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 2021 $'000	30 June 2020 $'000
Balance at beginning of the year	(1,527)	(1,416)
Impairment losses recognised on receivables	(1,175)	(874)
Impairment losses reversed	158	668
Amounts written off during the year	242	95
Balance at end of the year	(2,302)	(1,527)

9. Contract assets

	30 June 2021 $'000	30 June 2020 $'000
Student placement services	34,210	26,796
Current	31,877	23,586
Non-current	2,333	3,210
	34,210	26,796

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.

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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 2021 $'000	30 June 2020 (restated) $'000
Balance at beginning of the year as previously reported	5,944	3,921
Effects of changes in accounting policies (note 1.8)	(235)	(21)
Balance at beginning of the year as restated	5,709	3,900
Additions	16,567	4,981
Transfers to property, plant and equipment	(4,992)	(277)
Transfers to intangible assets	(960)	(2,856)
Effect of foreign currency exchange differences	(18)	(39)
Balance at end of the year	16,306	5,709

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%

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11. Property, plant and equipment (continued)

Accounting policy (continued)

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 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
Additions	210	2,997	3,207
Transfer from capitalised development costs	2,932	2,060	4,992
Disposals	(2,153)	(1,190)	(3,343)
Effect of foreign currency exchange differences	(1,326)	(1,500)	(2,826)
Balance at 30 June 2021	27,061	25,915	52,976
Accumulated depreciation			
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)
Depreciation for the year	(4,186)	(4,352)	(8,538)
Disposals	2,088	1,163	3,251
Effect of foreign currency exchange differences	181	1,118	1,299
Balance at 30 June 2021	(13,381)	(17,337)	(30,718)
Net Book Value			
At 30 June 2020	15,934	8,282	24,216
At 30 June 2021	13,680	8,578	22,258

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.

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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
Additions	22,617
Disposal	(2,802)
Effect of foreign currency exchange differences	(5,853)
Balance at 30 June 2021	116,378
Accumulated depreciation	
Balance at 30 June 2019	-
Depreciation for the year	(21,148)
Disposal	531
Effect of foreign currency exchange differences	799
Balance at 30 June 2020	(19,818)
Depreciation for the year	(20,830)
Disposal	2,708
Effect of foreign currency exchange differences	954
Balance at 30 June 2021	(36,986)
Net Book Value	
At 30 June 2020	82,598
At 30 June 2021	79,392

Amounts recognised in the Statement of Profit or Loss

	30 June 2021 $'000	30 June 2020 $'000
Depreciation expenses on right-of-use assets	20,830	21,148
Interest expenses on lease liabilities	3,914	4,487
Expenses relating to short term or low value leases	205	870
Occupancy expenses[1]	8,001	8,064

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. $0.7m (2020: $1.3m) was recognised in profit or loss to reflect changes in lease payments that arose from rent concessions.

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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.

Capitalisation of configuration and customisation costs in SaaS arrangements

Note 1.8 describes the Group's accounting policy change in respect of customisation and configuration costs incurred in implementing SaaS arrangements. In applying the Group's accounting policy, the Directors made the following key judgements that may have the most significant effect on the amounts recognised in financial statements.

Part of the customisation and configuration activities undertaken in implementing SaaS arrangements may entail the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with cloud-based software applications (referred to as bridging modules or APIs). Judgement was applied in determining whether the additional code meets the definition of and recognition criteria for an intangible asset in AASB 138 Intangible Assets. During the year, the Group recognised $0.1m (2020: $0.2m) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, the Directors applied judgement to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term.

Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant. During the year, the Group didn't recognise (2020: $nil) prepayments in respect of customisation and configuration activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS access over the contract term.

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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.

Cost	Software (restated) $'000	Student placement licence $'000	Brand and trade names $'000	Customer relationships $'000	Website technology and database $'000	Goodwill $'000	Contracts for English language testing $'000	Total (restated) $'000
Balance at 30 June 2019 as previously reported	62,312	2,493	15,281	14,376	7,312	39,191	35,200	176,165
Effects of changes in accounting policies	(17,950)	-	-	-	-	-	-	(17,950)
Balance at 30 June 2019 as restated	44,362	2,493	15,281	14,376	7,312	39,191	35,200	158,215
Additions	1,701	-	-	-	-	-		1,701
Transfer from capitalised development costs	2,856	-	-	-	-	-	-	2,856
Disposals	(22,023)	(2,493)	-	-	-	-	-	(24,516)
Effect of foreign currency exchange differences	44	-	(125)	(124)	(64)	(228)	-	(497)
Balance at 30 June 2020	26,940	-	15,156	14,252	7,248	38,963	35,200	137,759
Accumulated amortisation								
Balance at 30 June 2019 as previously reported	(32,723)	(2,493)	(289)	(2,374)	(4,475)	-	-	(42,354)
Effects of changes in accounting policies	3,901	-	-	-	-	-	-	3,901
Balance at 30 June 2019 as restated	(28,822)	(2,493)	(289)	(2,374)	(4,475)	-	-	(38,453)
Amortisation for the year	(5,381)	-	-	-	-	-	-	(5,381)
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	(12,431)	-	(360)	(3,954)	(5,869)	-	-	(22,614)
Net Book Value								
At 30 June 2020 (restated)	14,509	-	14,796	10,298	1,379	38,963	35,200	115,145
At 30 June 2019 (restated)	15,540	-	14,992	12,002	2,837	39,191	35,200	119,762

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13. Intangible assets (continued)

Cost	Software (restated) $'000	Student placement licence $'000	Brand and trade names $'000	Customer relationships $'000	Website technology and database $'000	Goodwill $'000	Contracts for English language testing $'000	Total (restated) $'000
Balance at 30 June 2020 as previously reported	48,093	–	15,156	14,252	7,248	38,963	35,200	158,912
Effects of changes in accounting policies	(21,153)	–	–	–	–	–	–	(21,153)
Balance at 30 June 2020 as restated	26,940	–	15,156	14,252	7,248	38,963	35,200	137,759
Additions	**241**	**–**	**–**	**–**	**–**	**–**	**–**	**241**
Transfer from capitalised development costs	**960**	**–**	**–**	**–**	**–**	**–**	**–**	**960**
Disposals	**(165)**	**–**	**–**	**–**	**–**	**–**	**–**	**(165)**
Effect of foreign currency exchange differences	**(35)**	**–**	**398**	**395**	**204**	**726**	**–**	**1,688**
Balance at 30 June 2021	**27,941**	**–**	**15,554**	**14,647**	**7,452**	**39,689**	**35,200**	**140,483**
Accumulated amortisation								
Balance at 30 June 2020 as previously reported	(20,088)	–	(360)	(3,954)	(5,869)	–	–	(30,271)
Effects of changes in accounting policies	7,657	–	–	–	–	–	–	7,657
Balance at 30 June 2020 as restated	(12,431)	–	(360)	(3,954)	(5,869)	–	–	(22,614)
Amortisation for the year	**(6,447)**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,447)**
Amortisation of intangible assets generated from business combinations	**–**	**–**	**(71)**	**(827)**	**(875)**	**–**	**–**	**(1,773)**
Disposals	**40**	**–**	**–**	**–**	**–**	**–**	**–**	**40**
Effect of foreign currency exchange differences	**78**	**–**	**–**	**(128)**	**(186)**	**–**	**–**	**(236)**
Balance at 30 June 2021	**(18,760)**	**–**	**(431)**	**(4,909)**	**(6,930)**	**–**	**–**	**(31,030)**
Net Book Value								
At 30 June 2021	**9,181**	**–**	**15,123**	**9,738**	**522**	**39,689**	**35,200**	**109,453**
At 30 June 2020 (restated)	14,509	–	14,796	10,298	1,379	38,963	35,200	115,145

Software

Software is amortised over the useful life of 3 to 5 years. During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements in response to the IFRIC agenda decision. Note 1.8 describes the Group's accounting policy in respect of customisation and configuration costs incurred in implementing SaaS arrangements. Historical financial information has been restated to account for the impact of the change.

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.

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13. Intangible assets (continued)

Accounting policy (continued)

Impairment testing and key assumptions

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

	30 June 2021		30 June 2020	
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	**26,464**	**14,495**	25,738	14,098
	39,689	**49,695**	38,963	49,298

The Group tests whether goodwill and intangible assets with indefinite useful lives are subject to any impairment annually or whenever an impairment indicator 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.

Key assumptions

CGU/Group of CGUs	Valuation method	Years of cash flow projection	Terminal growth rate	Post-tax discount rate %	
				2021	2020
Asia – IELTS testing	Value in use	3	3%	**8.1%**	9.3%
Australasia – IELTS testing	Value in use	3	0%	**8.1%**	9.3%
Rest of World – IELTS testing	Value in use	3	3%	**8.1%**	9.3%
China – Student placement	Value in use	3	1.3%	**16%**	19%
UK – Digital marketing	Value in use	3	1.5%	**11%**	10.5%

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 2021 and 2020, 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.

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14. Other assets

Other current assets	30 June 2021 $'000	30 June 2020 $'000
Prepayments	4,922	4,006
Refundable deposits	9,307	8,928
Other assets	452	398
	14,681	13,332

Other non-current assets	30 June 2021 $'000	30 June 2020 $'000
Prepayments	144	974
GST receivables[1]	13,785	10,411
	13,929	11,385

1. GST receivables represents GST paid in advance in foreign jurisdictions, which are to be refunded to the Group. While the processing of such refunds is expected to take longer than 12 months, the Group expects to receive all such refunds in full.

Critical accounting estimates and assumptions

The Group is subject to GST and other value added taxes 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 2021 $'000	30 June 2020 $'000
Trade payables	64,962	38,728
Employee benefits payable	27,382	17,837
Other payables	664	753
	93,008	57,318

As at 30 June 2021 and 2020, the carrying value of trade and other payables approximated their fair value.

Notes to the consolidated financial statements
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16. Contract liabilities

	30 June 2021 $'000	30 June 2020 $'000
Amounts received in advance of delivery of exams[1]	17,663	17,238
Amounts received in advance of student placement services[2]	2,643	3,590
Amounts received in advance of events[3]	1,585	1,286
Amounts received in advance of language courses[4]	2,170	3,553
Amounts received in advance of online digital marketing services[5]	17,707	12,154
	41,768	37,821

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 2020 ($37.821m) have been fully recognised in the current reporting period revenue.

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 2021 $'000	30 June 2020 $'000
Employee benefits	18,272	15,894
Make good provision	1,815	1,922
	20,087	17,816
Current	13,605	11,342
Non-current	6,482	6,474
	20,087	17,816

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Capital structure and financing

18. Borrowings

Non-current	30 June 2021 $'000	30 June 2020 $'000
Bank loans	56,745	59,831
Total	56,745	59,831

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
2021					
Bank loans	59,831	(4,826)	1,347	393	56,745
2020					
Bank loans	60,478	-	(491)	(156)	59,831

(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 2021 '000	30 June 2020 '000
Cash advance facility A[2]	GBP	-	30,906
Facility utilised at end of the year	GBP	-	(30,906)
Facility not utilised at end of the year	GBP	-	-
Cash advance facility A[1]	AUD	209,157	-
Facility utilised at end of the year	AUD	(56,745)	-
Facility not utilised at end of the year	AUD	152,412	-
Cash advance facility B[1]	AUD	75,000	25,000
Facility utilised at end of the year	AUD	-	-
Facility not utilised at end of the year	AUD	75,000	25,000
Cash advance facility C[2]	AUD	-	5,000
Facility utilised at end of the year	AUD	-	(4,826)
Facility not utilised at end of the year	AUD	-	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 and B will expire on 31 July 2024.
2. Facilities were cancelled on 29 Jun 2021.

Notes to the consolidated financial statements
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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. 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.

Maturity analysis	30 June 2021 $'000	30 June 2020 $'000
Year 1	21,154	21,112
Year 2 to 5	50,501	53,345
Year 5 onwards	26,769	25,073
	98,424	99,530
Less: interest expenses	(12,069)	(14,967)
	86,355	84,563
Presented as:		
Current lease liabilities	17,882	17,262
Non-current lease liabilities	68,473	67,301
	86,355	84,563

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

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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 2021 $'000	30 June 2020 $'000
Net profit after tax	39,463	68,046
Adjustment for:		
Depreciation and amortisation	37,588	37,132
Credit losses	1,339	477
Share of loss of an associate	728	319
Net foreign exchange (gain)/loss	342	(510)
Interest expenses	6,899	6,037
Share-based payments	2,160	1,631
(Gain)/loss on disposal of plant and equipment	(355)	89
Movement in working capital:		
Trade and other receivables	(5,376)	(326)
Contract assets	(7,414)	8,622
Derivative financial instruments	1,553	(225)
Other assets	(3,893)	(10,136)
Trade and other payables and contract liabilities	37,973	(34,787)
Current and deferred tax assets	8,399	3,366
Provisions	2,271	922
Cash generated from operations	121,677	80,657
Interest paid	(4,776)	(5,472)
Net cash inflow from operating activities	116,901	75,185

Reconciliation of cash and cash equivalents

	30 June 2021 $'000	30 June 2020 $'000
Cash and bank balances on demand	306,948	87,089
Term deposits with maturity within three months	–	220,000
	306,948	307,089

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21. Issued capital

21.1. Share capital

	Note	30 June 2021 $'000	30 June 2020 $'000
Ordinary shares fully paid		282,369	281,964
Treasury shares	21.2	(4,224)	(11,005)
		278,145	270,959

Movement in ordinary shares (fully paid)	Number of shares	$ per share	$'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
Exercise of options	–	1.44	405
Balance at 30 June 2021	278,336,211		282,369

21.2. Treasury shares

Movement in treasury shares	Note	Number of shares	$ per share	$'000
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
Acquisition of treasury shares – FY21		466,399	20.51	9,567
Transfer to employees	23.2	(912,828)	17.91	(16,348)
Balance at 30 June 2021		183,958		4,224

During FY21, 912,828 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 FY21, IDP Education Employee Share Scheme Trust acquired 466,399 shares (at an average price of $20.51 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 2021, there were 183,958 treasury shares ($4.224m) held in the Trust. These shares will be transferred to eligible employees under the Performance Rights plan once the vesting conditions are met.

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22. Financial instruments

22.1. Financial assets and liabilities

	30 June 2021 $'000	30 June 2020 $'000
Financial assets		
Cash and cash equivalents	306,948	307,089
Derivative financial instruments		
Foreign exchange forward/option contracts	736	461
Trade and other receivables	72,444	68,407
Contract assets	34,210	26,796
Financial liabilities		
Borrowings	56,745	59,831
Lease liabilities	86,355	84,563
Derivative financial instruments		
Foreign exchange forward/option contracts	2,757	929
Trade and other payables	93,008	57,318
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.

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22. Financial instruments (continued)

22.1. Financial assets and liabilities (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 used a foreign currency loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Up to 29 June 2021, there was a borrowing of GBP 30.906m which had been designated as a hedge of the net investment in the subsidiary in UK. This borrowing was 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 were transferred to OCI to offset any gains or losses on translation of the net investment in the subsidiary. On 29 June 2021, the Group fully repaid the GBP borrowings and hedging accounting was discontinued.

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), Chinese Yuan (CNY), Canadian dollar (CAD) and United States dollar (USD).

Foreign currency exchange rate risk arises from:

- GBP payments to the University of Cambridge Local Examinations Syndicate test materials commitment;
- 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, INR, CNY, CAD and USD.

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).

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COVID-19 impacts

IDP has updated forecast hedging volumes to reflect FY22 budget outcomes which take into account potential COVID-19 financial impacts. Portfolio adjustments and further hedging can be initiated in future to ensure IDP's hedging portfolio is in line with highly probable forecast transactions. This will ensure IDP is not over hedged across the FY22 financial year.

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 2021 $'000	30 June 2020 $'000	30 June 2021 $'000	30 June 2020 $'000
Buy GBP				
0 to 3 months	8,142	7,500	(153)	(339)
3 to 6 months	2,500	5,000	106	50
6 months to 1 year	5,000	8,250	243	(332)
Sell INR				
0 to 3 months	(343,000)	(566,000)	(52)	136
Buy CNY				
0 to 3 months	27,832	15,000	125	(11)
3 to 6 months	30,000	15,000	94	(10)
6 months to 1 year	60,000	24,000	76	(34)
Sell CAD				
0 to 3 months	(11,100)	(2,000)	(462)	28
3 to 6 months	(11,100)	(2,000)	(459)	53
6 months to 1 year	(22,200)	-	(907)	-
Sell USD				
0 to 3 months	(3,750)	-	(139)	-
3 to 6 months	(3,750)	-	(137)	-
6 months to 1 year	(7,500)	-	(274)	-

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 2021		30 June 2020	
AUD equivalent	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
USD	15,891	(13,879)	17,173	(13,811)
CNY	1,289	(7,530)	2,233	(8,985)
GBP	34,913	(25,722)	34,155	(65,740)
INR	52,969	(30,340)	3,345	(33,222)
NZD	816	(105)	5,662	(514)
VND	1,300	(6,097)	3,046	(7,693)
CAD	19,682	(2,424)	20,565	(1,673)
AED	8,870	(1,801)	5,192	(1,522)
Other Currencies	17,649	(21,797)	14,192	(19,400)
Total	153,379	(109,695)	105,563	(152,560)

Notes to the consolidated financial statements
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22. Financial instruments (continued)

22.2. Financial risk management objectives and policies (continued)

Foreign currency sensitivity analysis

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

		Effect on profit and loss $'000	Effect on equity $'000
USD			
2021	-10%	156	(1,398)
2020	-10%	262	262
CNY			
2021	-10%	(485)	1,405
2020	-10%	(525)	339
GBP			
2021	-10%	715	2,957
2020	-10%	1,852	440
INR			
2021	-10%	1,760	1,205
2020	-10%	(2,324)	(2,229)
CAD			
2021	-10%	1,342	(2,369)
2020	-10%	1,469	1,137
AED			
2021	-10%	550	550
2020	-10%	285	285
Other currencies			
2021	-10%	(640)	(393)
2020	-10%	(658)	(597)

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 2021, the Group was exposed to the variable interest rate loans of $56.7m (2020: $60.2m).

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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
2021	50	199	199
2020	50	211	211

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 2021					
- Trade and other payables	93,008	-	-	93,008	93,008
- Interest-bearing borrowings	755	58,317	-	59,072	56,745
- Lease liabilities	21,154	50,501	26,769	98,424	86,355
- Foreign exchange forward contracts	2,757	-	-	2,757	2,757
	117,674	108,818	26,769	253,261	238,865
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

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22. Financial instruments (continued)

22.2. Financial risk management objectives and policies (continued)

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.

22.3. 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

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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 2021 $'000	Fair value as at 30 June 2020 $'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: 736 Liabilities: 2,757	Assets: 461 Liabilities: 929	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values as detailed in Note 22.1.

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 2021, IDP has following facilities:

Australian Dollar $209,157,000	Facility A: Acquisition funding unsecured Cash Advance loan facility for acquisitions
Australian Dollar $75,000,000	Facility B: 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 2021, the net leverage ratio was nil (2020: nil). The ratio is calculated as Net Debt to Earnings before Interest, tax, depreciation and amortisation (EBITDA) as defined by the loan covenants.

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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.

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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
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	77,171	27-Sep-18	9.67	N/A	EPS target CAGR	31-Aug-21
FY19 IDP plan award – tranche 2	77,151	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
FY20 Deferred STI	24,613	7-Sep-20	19.52	N/A	Service condition	1-Jul-21
FY21 LTI award – tranche 1	58,286	7-Sep-20	19.16	N/A	EPS target CAGR	31-Aug-23
FY21 LTI award – tranche 2	58,291	7-Sep-20	14.86	N/A	Total shareholder return hurdle	31-Aug-23
FY21 IDP plan award – tranche 1	75,116	7-Sep-20	19.16	N/A	EPS target CAGR	31-Aug-23
FY21 IDP plan award – tranche 2	75,154	7-Sep-20	14.86	N/A	Total shareholder return hurdle	31-Aug-23

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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:

2021

				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	17-Aug-15	3.0	$1.44	295,000	-	(295,000)	-	-	-
Total Options				295,000	-	(295,000)	-	-	-
Performance right plans									
FY18 LTI	15-Sep-17	3.0	$0.00	342,341	-	(342,341)	-	-	-
FY18 IDP plan award	15-Sep-17	3.0	$0.00	260,021	-	(260,021)	-	-	-
FY19 LTI	27-Sep-18	3.0	$0.00	174,210	-	-	-	174,210	-
FY19 IDP plan award	27-Sep-18	3.0	$0.00	160,180	-	-	(5,858)	154,322	-
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)	-	-	-
FY21 LTI	7-Sep-20	3.0	$0.00	-	116,577	-	-	116,577	-
FY21 IDP plan award	7-Sep-20	3.0	$0.00	-	152,386	-	(2,116)	150,270	-
FY20 deferred STI	7-Sep-20	1.0	$0.00	-	24,613	-	-	24,613	-
Total Performance Rights				1,198,050	293,576	(617,828)	(7,974)	865,824	-
Total All Plans				1,493,050	293,576	(912,828)	(7,974)	865,824	-
Weighted average exercise price				0.28	-	0.47	-	-	-

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2020

	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
				Number of options or rights					
Options plan									
CEO incentive award options	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

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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:

	7 September 2020 Performance Rights
Exercise price	-
Share value at grant date	$19.65
Expected volatility	50%
Expected dividend yield	0.84%
Risk free interest rate	0.10%-0.28%

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:

	2021 $'000	2020 $'000
LTI performance rights/options plans	2,160	1,631
	2,160	1,631

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 2021 $	30 June 2020 $
Short-term employee benefits	5,575,089	4,911,059
Post-employment benefits	152,789	206,141
Other long-term benefits	55,074	75,971
Share-based payments	872,412	862,625
Total compensation paid to key management personnel	6,655,364	6,055,796

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

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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 2021 $	30 June 2020 $
Group Auditor, Deloitte Touche Tohmatsu (Australia)		
Audit and review of financial statements	488,335	514,000
Other consultancy service[1]	155,549	251,002
Member firms of Deloitte Touche Tohmatsu in relation to subsidiaries		
Audit and review of financial statements	291,763	341,459
Taxation advisory services	12,644	35,143
	948,291	1,141,604

1. 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 2021	2020
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[3]	English Language Teaching	Thailand	-	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[3]	Client Relations	United States of America	-	100%
IDP Education UK Limited[3]	Client Relations	United Kingdom	-	100%
IDP Education (Canada) Ltd	Client Relations, Student Placements & 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%

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Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of voting power controlled by the Group 2021	2020
Beijing Promising Education Limited	Student Placements	China	100%	100%
IDP Education Services New Zealand Limited	Student Placements & Examinations	New Zealand	100%	100%
IDP Education Turkey LLC	Student Placements & Examinations	Turkey	100%	100%
IDP Education Lanka (Private) Limited	Student Placements & Examinations	Sri Lanka	100%	100%
IDP Education Pakistan (Private) Limited	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%	100%

1. IDP Education Limited owns 100% ordinary Class A shares, which represents 49% of total shares of IDP Education Services Co. Ltd. According to the Company constitution, ordinary Class A shares holds 100% voting right of the Company. Based on these facts and circumstances, management determined that, in substance, the Group controls these entities with no non-controlling interest
2. Foundation controlled through IDP Education Limited's capacity to control management of the Company
3. Subsidiaries dissolved during the year

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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 136 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.

			Proportion of voting power held by the Group	
Name of associates	Principal activity	Place of incorporation and operation	2021	2020
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%	33.33%

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27. Associates (continued)

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 2021 $'000	30 June 2020 $'000
Current assets	10,392	10,623
Non-current assets	3,285	6,408
Current liabilities	10,977	8,838
Non-current liabilities	234	466
Revenue	16,371	13,065
Profit for the year	(1,155)	(762)
Other comprehensive income for the year	–	–
Total comprehensive income	(1,155)	(762)

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

	30 June 2021 $'000	30 June 2020 $'000
Net assets of the associates	2,393	7,653
Proportion of the Group's ownership interest in associates	141	1,398
Long term loans	1,700	1,442
Goodwill	3,100	3,089
Carrying amount of the Group's interest in associates	4,941	5,929

Transactions and balances with associates are as follows.

	30 June 2021 $'000	30 June 2020 $'000
Transactions		
Provision of services	227	1,019
Services received	(4,249)	(938)
Balances		
Trade and other payables	–	(756)

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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 2021 $'000	30 June 2020 (restated) $'000
Revenue	279,913	282,018
Dividend income	4,674	6,886
Expenses	(210,151)	(222,136)
Depreciation and amortisation	(16,657)	(13,355)
Finance income	1,141	549
Finance costs	(3,318)	(1,975)
Share of loss of associates	(728)	(319)
Profit for the year before income tax expense	54,874	51,668
Income tax expense	(16,455)	(16,972)
Profit for the year of the Closed Group	38,419	34,696
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net investment hedge of foreign operations	(1,562)	491
Exchange differences arising on translating the foreign operations	(111)	87
Gain/loss arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	(1,765)	(269)
Cumulative gain/loss arising on changes in fair value of hedging instruments reclassified to profit or loss	270	803
Income tax related to gains/losses recognised in other comprehensive income	(474)	(309)
Items that will not be reclassified subsequently to profit or loss:	-	-
Other comprehensive income for the year, net of income tax	(3,642)	803
Total comprehensive income for the year of the Closed Group	34,777	35,499

Summary of movements in consolidated retained profits	30 June 2021 $'000	30 June 2020 (restated) $'000
Retained profits at 1 July	44,010	70,380
Profit for the year	38,419	34,696
Dividends paid	(22,267)	(61,066)
Retained profits at 30 June of the Closed Group	60,162	44,010

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28. Deed of cross guarantee (continued)

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

	30 June 2021 $'000	30 June 2020 (restated) $'000
CURRENT ASSETS		
Cash and cash equivalents	234,522	281,872
Trade and other receivables	56,796	53,484
Contract assets	31,877	23,586
Derivative financial instruments	736	461
Current tax assets	3,086	14,462
Other current assets	5,625	4,202
Total current assets	332,642	378,067
NON-CURRENT ASSETS		
Contract assets	2,333	3,210
Investments in subsidiaries	63,906	63,944
Investments in associates	4,941	5,929
Property, plant and equipment	9,291	6,651
Right-of-use assets	26,869	17,457
Intangible assets	54,728	60,398
Capitalised development costs	15,889	4,953
Deferred tax assets	9,034	10,639
Other non-current assets	144	973
Total non-current assets	187,135	174,154
TOTAL ASSETS	519,777	552,221
CURRENT LIABILITIES		
Trade and other payables	86,893	94,262
Dividends payable	-	41,983
Lease liabilities	6,578	6,433
Contract liabilities	6,436	7,261
Provisions	10,639	8,713
Derivative financial instruments	2,757	929
Total current liabilities	113,303	159,581
NON-CURRENT LIABILITIES		
Borrowings	56,745	59,831
Lease liabilities	23,211	10,851
Provisions	1,522	1,781
Total non-current liabilities	81,478	72,463
TOTAL LIABILITIES	194,781	232,044
NET ASSETS	324,996	320,177
EQUITY		
Issued capital	278,145	270,959
Reserves	(13,311)	5,208
Retained earnings	60,162	44,010
TOTAL EQUITY	324,996	320,177

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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 position	30 June 2021 $'000	30 June 2020 (restated) $'000
Current assets	302,884	370,894
Total assets	482,904	536,675
Current liabilities	135,669	193,333
Total liabilities	217,147	265,796
Equity		
Issued capital	278,145	270,959
Retained earnings	1,231	(5,590)
Reserves	(13,619)	5,510
Total equity	265,757	270,879

Financial performance	30 June 2021 $'000	30 June 2020 (restated) $'000
Profit for the year	29,089	44,312
Other comprehensive income	(4,254)	1,367
Total comprehensive income	24,835	45,679

During the year, the parent entity received $54.7m dividends income from the subsidiaries (2020: $66.9m).

30. Contingent liabilities

The Group currently has open Indian Service Tax matters and Indian GST matters which are subject to legal proceedings and reviews by Indian tax authorities in the ordinary course of business. Total amounts in dispute as at 30 June 2021 are $7.9m for Indian service tax and $6.0m for Indian GST. Based on advice from leading external tax and legal counsel in India on these matters, the Group's management consider that whilst a potential liability exists, it is not currently probable that a material outflow will be required and as a result the matters are deemed contingent liabilities with no provision recognised on the balance sheet at 30 June 2021.

Notes to the consolidated financial statements
continued

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31. Events after the reporting period

Acquisition of the British Council's IELTS operation in India

On 1 July 2021, IDP entered into a binding agreement to acquire 100% of the British Council's Indian IELTS operations (BC IELTS India) for GBP130m on a debt free, cash free basis. This transaction was completed on 30 July 2021.

Both IDP and the British Council administered IELTS tests in India operating parallel pan-Indian distribution networks. The transaction brought BC IELTS India operations under IDP ownership, establishing a single network that provides the foundation for IELTS to build its leadership position in India. IDP is now the sole distributor of IELTS in the Indian market.

India is the largest IELTS market globally by volume and has exhibited one of the highest country growth rates in recent years with historic annual growth of approximately 21% between CY10 and CY19 (prior to the impact of COVID-19).

IELTS, and the high stakes English language testing industry in India more broadly, benefits from several supportive structural growth drivers including strong population growth, a relatively young demographic, a high propensity to study abroad and high levels of demand from migration to English speaking countries.

The acquisition is highly strategic for IDP and provides increased exposure to the high-growth Indian IELTS market. Simplified distribution arrangements provide the opportunity to improve the delivery of IELTS to test takers in India. The acquisition enables IDP to deliver continuity for IELTS customers by delivering a consistent, trusted test experience throughout the transition process.

IDP has funded the acquisition from existing cash and debt.

COVID-19 impact

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 FY22. It is uncertain when Australian higher education institutions will be in a position to return to previous on campus activity levels, but UK and Canada institutions are planning for on campus activity to start late in 2021. IELTS testing volumes are 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

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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 50 to 104 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 2021 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 Managing Director 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
Chief Executive Officer
and Managing Director

Melbourne
24 August 2021

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

Opinion

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 2021, 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Assessment of uncertain tax positions
 	
Refer to Note 5 Taxation, Note 14 Other assets and Note 30 Contingent Liabilities
 	
The Group operates across a large number of jurisdictions including Australasia, Asia and various other locations. Consequently, the Group is subject to inspections 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.
 	
Significant judgement is therefore exercised in the determination of the tax position in relation these matters.
	Our procedures included, but were not limited to:
	
	• Understanding the process that management have undertaken to identify and assess uncertain tax positions, including the monitoring and guidance issued by regulatory authorities,
	• In conjunction with our tax specialists, we:
	   o Assessed the current status of tax assessments and investigations and the process to monitor developments in ongoing disputes by management,
	   o Evaluated external tax advice where available, including assessing the independence, competency and objectivity of management's tax advisors, and
	   o Read recent tax rulings and correspondence with local tax authorities, to assess that the tax provisions have been appropriately accounted for or adjusted to reflect the latest external tax developments.
	
	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)
 	
Refer to Note 13 Intangible assets
 	
The carrying value of UK Digital Marketing CGU includes $26.5 million of goodwill and $14.5 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.
 	
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:
	
	• Understanding the process that management has undertaken to assess the recoverable amount,
	• Assessing the assumptions and methodology used by management in the impairment models, in particular, those relating to revenue, EBITDA and discount rates. Our procedures included the following:
	   o Agreeing forecasted cash flows to the latest Board approved budget and assessing the historical accuracy of management's forecasting,
	   o Evaluating the underlying cash flow assumptions in the impairment model for reasonableness including management's assessment of any ongoing impact of COVID-19 on the forecasted cash flows,
	   o Assessing the discount rate adopted by management by comparing to our own independent rate,
	   o Testing the calculations in the impairment model for mathematical accuracy; and,
	   o Assessing the sensitivity of the calculations by varying key assumptions within a reasonably possible range.
	
	We also assessed the appropriateness of the disclosures in the Notes to the financial statements.

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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 2021 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 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.

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- 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 29 to 48 of the Director's Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of IDP Education Limited, for the year ended 30 June 2021, 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, 24 August 2021

Shareholder Information

As at 10 August 2021

Top 20 holders

Rank	Name	Shares Held	%
1	EDUCATION AUSTRALIA LIMITED	111,334,485	40.00
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	59,885,303	21.52
3	CITICORP NOMINEES PTY LIMITED	37,241,770	13.38
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	33,888,435	12.18
5	NATIONAL NOMINEES LIMITED	11,212,535	4.03
6	BNP PARIBAS NOMS PTY LTD	8,820,693	3.17
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,640,971	0.95
8	PACIFIC CUSTODIANS PTY LIMITED	1,091,352	0.39
9	CITICORP NOMINEES PTY LIMITED	647,572	0.23
10	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	566,181	0.20
11	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	504,149	0.18
12	DIVERSIFIED UNITED INVESTMENT LIMITED	500,000	0.18
13	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	362,422	0.13
14	EASTY HOLDINGS PTY LTD	282,817	0.10
15	AMP LIFE LIMITED	250,796	0.09
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	213,817	0.08
17	BNP PARIBAS NOMS(NZ) LTD	199,441	0.07
18	WOODROSS NOMINEES PTY LTD	181,969	0.07
19	MIRRABOOKA INVESTMENTS LIMITED	165,000	0.06
20	PACIFIC CUSTODIANS PTY LIMITED	164,850	0.06
Total		**270,154,558**	**97.06**
Balance of register		8,181,653	2.94
Grand total		**278,336,211**	**100.00**

Substantial Shareholders

Range	Shares Held[1]	% of issued Capital
Education Australia Limited[2]	111,334,485	40.00
The British Council[3]	111,334,485	40.00
The Chancellor Masters and Scholars of the University of Cambridge acting by the University of Cambridge Local Examination Syndicate (UCLES)[3]	111,334,485	40.00
Bennelong Australia Equity Partners Ltd	25,277,598	9.08
The Capital Group Companies Inc	16,882,064	6.07

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 1,091,352 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.

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Unquoted Equity Securities

Range	Number on issue	Number of Holders
Employee performance rights plan	865,365	84

Distribution of Shareholders

Range	Securities	% of issued Capital	No. of holders	%
100,001 and Over	270,748,175	97.27	29	0.46
10,001 to 100,000	2,280,160	0.82	100	1.59
5,001 to 10,000	1,126,985	0.40	159	2.53
1,001 to 5,000	2,718,204	0.98	1,214	19.33
1 to 1,000	1,462,687	0.53	4,779	76.09
Total	278,336,211	100.00	6,281	100.00

There were 139 holders of less than a marketable parcel of ordinary shares.

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Corporate Directory

Directors

Peter Polson
Chairman

Andrew Barkla
Chief Executive Officer and Managing Director

Ariane Barker

Professor David Battersby AM

Chris Leptos AM

Professor Colin Stirling

Greg West

Secretary

Ashley Warmbrand

Principal registered office in Australia

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Share Registry

Link Market Service Limited
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Auditor

Deloitte Touche Tohmatsu
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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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