

For personal use only

Prospectus

IDP Education Limited
Initial Public Offer of Ordinary Shares



Important notices

The Offer

This Prospectus is issued by IDP Education Limited (ABN 59 117 676 463) (IDP Education) and IDP Vendor Limited (ACN 608 900 161) (SaleCo) for the purpose of Chapter 6D of the *Corporations Act 2001* (Cth) (*Corporations Act*). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (Shares) in IDP Education that will be sold by SaleCo. Refer to Section 7 for further information.

Lodgement and listing

This Prospectus is dated 12 November 2015 and a copy was lodged with the Australian Securities and Investments Commission (ASIC) on that date (Prospectus Date). IDP Education will apply to ASX Limited (ABN 98 008 624 691) (ASX) within seven days after the Prospectus Date for admission of IDP Education to the Official List and quotation of all of its Shares on the ASX. None of ASIC, the ASX or their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. As set out in Section 7.2, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. IDP Education, SaleCo, the Share Registry, and the Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (Expiry Date) and no Shares will be transferred on the basis of this Prospectus after the Expiry Date.

Not investment advice

The information in this Prospectus is not investment or financial product advice. The Offer, and the information in this Prospectus, does not take into account your investment objectives, financial situation or particular needs (including finance and tax issues) as an investor. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in IDP Education and completing and lodging an Application Form.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the financial performance and position of IDP Education as well as the other information in this Prospectus. You should carefully consider these risks and this information in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your accountant, financial adviser, stockbroker, solicitor or other independent and qualified

professional adviser before deciding whether to invest in IDP Education. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, none of IDP Education, the Lead Managers, any other person named in this Prospectus or any other person warrants or guarantees the performance of IDP Education or the repayment of capital or any return on investment made pursuant to this Prospectus. This Prospectus includes information regarding past performance of IDP Education. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by IDP Education, SaleCo, the Lead Managers or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

Financial information presentation

The Historical Financial Information for FY13, FY14 and FY15 and the Pro Forma Historical Consolidated Balance Sheet as at 30 June 2015 included in this Prospectus have been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except where otherwise stated. The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors and SaleCo Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Historical Financial Information and the Pro Forma Historical Consolidated Balance Sheet as at 30 June 2015. The Historical Financial Information, Pro Forma Historical Consolidated Balance Sheet and Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4. Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends", "considers" and other similar words that involve known and unknown risks and uncertainties. In addition, consistent with customary market

practice in offerings in Australia, Forecast Financial Information has been prepared and included in this Prospectus in Section 4. The Forecast Financial Information is an example of forward looking statements. Any forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual results, performance, events or outcomes to differ materially from the results, performance, events or outcomes expressed, anticipated or implied in these statements, many of which are beyond the control of IDP Education and SaleCo. Such forward looking statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. The Forecast Financial Information and the other forward looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in Section 5, the general and specific assumptions set out in Section 4, the sensitivity analysis set out in Section 4 and other information contained in this Prospectus.

The Directors and the SaleCo Directors cannot and do not give any assurance that the results, performance, events, outcomes or achievements expressed, anticipated or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. IDP Education has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. IDP Education and SaleCo have not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Foreign jurisdictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia. In particular, the Broker Firm Offer will only be extended in New Zealand to

New Zealand Exempt Broker Clients contacted by the Broker. No public offering of Shares will be made in New Zealand.

The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Shares in certain jurisdictions outside Australia, please refer to Section 7.10.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the *United States Securities Act of 1933* as amended (**US Securities Act**) or the securities laws of any state of the United States, and may not be offered or sold, directly or indirectly, in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable United States state securities laws.

Exposure Period

The Corporations Act prohibits IDP Education and SaleCo from processing applications to acquire Shares in the seven day period after the Prospectus Date (**Exposure Period**). ASIC may extend this period by up to a further seven days (i.e. up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to applications received during the Exposure Period.

Prospectus availability

This Prospectus is available to Australian resident investors in electronic form at the Offer website, www.idpshareoffer.com.au. The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing the Prospectus within Australia and is not available to persons in any other jurisdiction (including the United States) without the prior approval of IDP Education, SaleCo and the Lead Managers. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus. A paper copy of this Prospectus may be available through your Broker if you are an eligible investor under the Broker Firm Offer.

Applications

Applications may be made only during the Offer period on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form or in its electronic form which must be downloaded in its entirety from www.idpshareoffer.com.au. By making an application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, a paper copy of this Prospectus or a complete and unaltered electronic copy of this Prospectus.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares transferred under this Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

Defined terms and abbreviations

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary. Unless otherwise stated or implied, a reference to time in this Prospectus is to Melbourne time. Unless otherwise stated or implied, references to dates or years are calendar year references. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

Privacy

By completing an Application Form, you are providing personal information to IDP Education and the Share Registry, which is contracted by IDP Education to manage applications. For information on how this information may be used, your rights to request access to it and IDP Education's privacy practices, refer to Section 9.6.

Website

IDP Education maintains a website at www.idp.com. Information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

Offer management

The Offer is being arranged, managed and underwritten by Goldman Sachs Australia Pty Ltd and Macquarie Capital (Australia) Limited.

Neither Lead Manager has authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by either of them or by any of their affiliates, officers or employees.

To the maximum extent permitted by law, each Lead Manager and each of their respective affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Investigating Accountant's Report on Financial Information and financial services guide

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act. The Investigating Accountant's Report and accompanying financial services guide are provided in Section 8.

Questions

If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in Section 7.3.1.2 of this Prospectus and on the back of the Application Form. Alternatively, call the IDP Education Offer Information Line on 1800 990 363 (within Australia) from 8:30am to 5:30pm (Melbourne time), Monday to Friday (Business Days only).

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Chairman's letter

12 November 2015

Dear investor,

On behalf of the Directors, it is my pleasure to invite you to become a shareholder in IDP Education Limited, a leading global provider of international student placement services and high-stakes English language testing services and an operator of English language schools in South East Asia.

IDP Education has a proud heritage and history spanning 46 years. During its history, the Company and its predecessors have played a major role in the development of the international education industry in Australia and is now a truly global business, with over 1,600 employees in 89 offices across 30 countries. IDP Education's Student Placement business applies specialist market knowledge in providing individualised counselling, assistance and guidance to students looking to study overseas. Historically, the Company was focussed on placing students into Australian education institutions but in 2010 it embarked on its multi-destination strategy, expanding the destination countries into which it places students to include the United States, the United Kingdom, Canada and New Zealand.

IDP Education is a co-owner of IELTS, along with the British Council and Cambridge Assessment (part of the University of Cambridge). IELTS is one of the world's leading high-stakes English language tests, being English language tests for candidates seeking to establish their proficiency in the English language for the purpose of legal or other official requirements. IELTS test results are recognised by over 9,000 organisations in more than 140 countries, including education institutions, government agencies, employers and professional associations for study, work and migration purposes. Approximately 2.6 million IELTS tests were taken in FY15.

IDP Education's businesses are all, to some degree, driven by the growth in international education and the central role of English as a key global language. This growth is expected to continue with demand for international education in English speaking countries principally driven by increasing numbers of international students emanating from Asia, including China and India.

In FY15, the Company placed students into approximately 26,700 courses and administered approximately 825,000 IELTS tests. The Company is forecasting FY16 pro forma revenue of \$357.3 million, EBITDA of \$58.4 million and NPAT of \$35.3 million, representing a CAGR between FY13 and FY16 of 18.1%, 22.4% and 29.9% respectively. The Company has a strong balance sheet with a net cash position as at 30 June 2015.

The Company has an organic growth strategy designed to leverage past investment in its global platform and capitalise on opportunities in the growing international student and high-stakes English language testing markets. In Student Placement, the continued development of the multi-destination strategy underpins the Company's growth strategy. In English Language Testing, IDP Education is focussed on working collaboratively with its IELTS co-owners to further strengthen IELTS' market position and continue to enhance the reputation and brand presence of the test with education institutions and government departments.

The existing shareholders of the Company include Education Australia, which represents 38 Australian universities, and SEEK Investments, a wholly owned subsidiary of SEEK. Each of Education Australia and SEEK Investments has a 50% shareholding in the Company. As part of the Offer, Education Australia intends to retain its shareholding and SEEK intends to divest its entire shareholding.

IDP Education is subject to a range of risks including, among others: the key IELTS agreements can be terminated without cause upon notice of 12 months or less; the Company faces competition in all of its businesses; recent regulatory changes in Australia have increased competition in its English Language Testing business; the global footprint which the Company operates across is exposed to regulatory, operating and management complexities and risks; changes to visa policies may impact the volume of international students and IELTS test-takers; the Company's corporate governance structure may reduce the chance of Shareholders receiving a change of control premium for their Shares; and the Company is affected by currency fluctuations. Further information regarding the risks associated with investing in IDP Education is set out in Section 5. I encourage you to read this document carefully and in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,



Peter Polson
Non-Executive Director and Chairman

IDP Education Limited

Key Offer Information

Important dates

Prospectus lodgement date	Thursday, 12 November 2015
Broker Firm Offer opening date	Friday, 20 November 2015
Broker Firm Offer closing date	Tuesday, 24 November 2015
Commencement of trading on a conditional and deferred settlement basis	Thursday, 26 November 2015
Settlement of the Offer	Monday, 30 November 2015
Completion of the Offer (Shares acquired by successful applicants) and expected commencement of trading of Shares on the ASX on a deferred settlement basis	Tuesday, 1 December 2015
Expected dispatch of holding statements	Wednesday, 2 December 2015
Expected commencement of trading of Shares on the ASX on a normal settlement basis	Thursday, 3 December 2015

These dates are indicative only and may change. IDP Education and SaleCo, with the prior written consent of the Lead Managers, reserve the right to amend any and all of the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the closing date, to accept late applications (either generally or in particular cases) or to cancel the Offer before Shares are transferred by SaleCo). If the Offer is cancelled before the transfer of Shares, then all application monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their applications as soon as possible after the Offer opens.

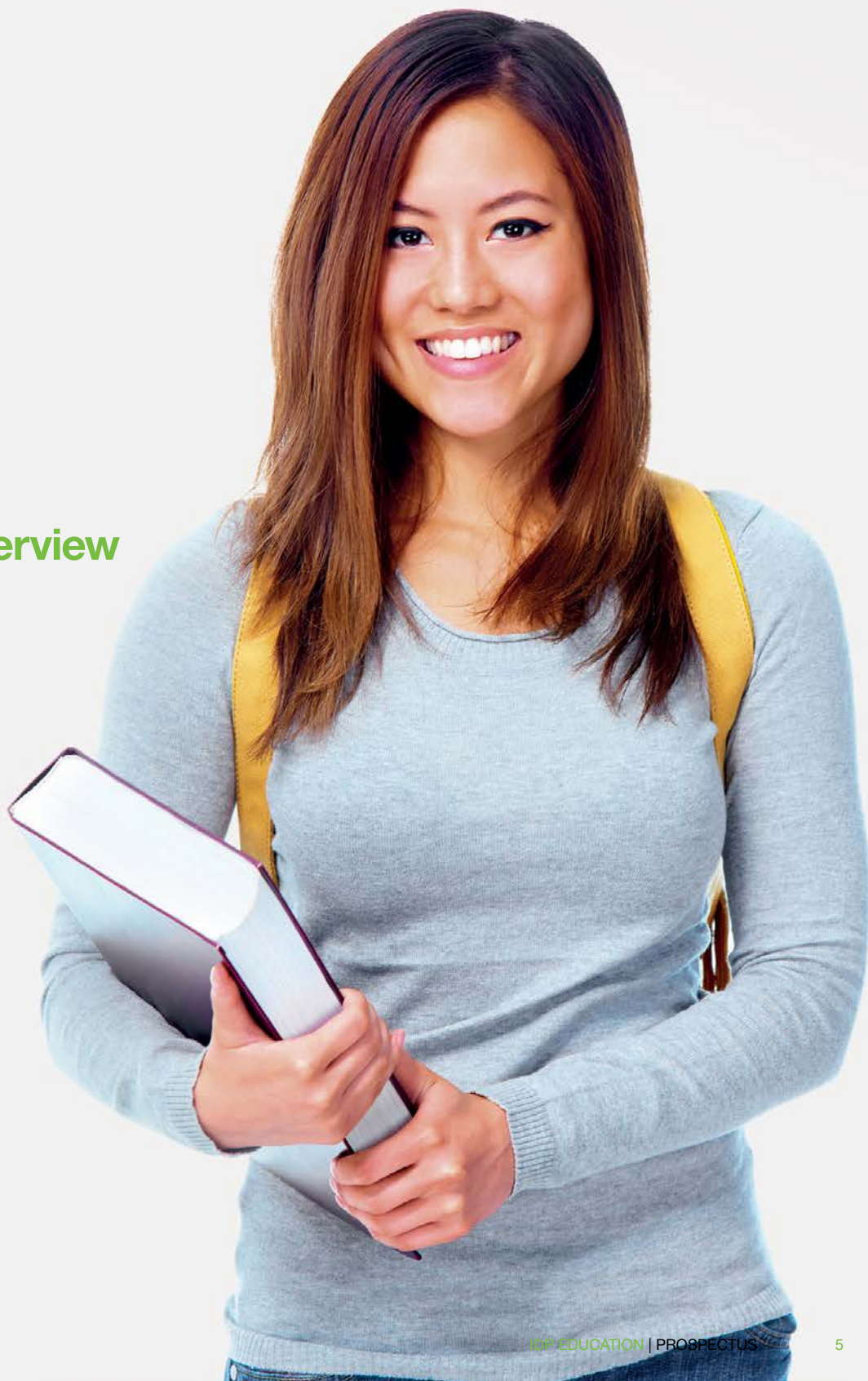
Key Offer statistics

Offer Price	\$2.65 per Share
Total number of Shares offered under the Offer ¹	125.1 million
Total value of Shares offered under this Prospectus ²	\$331.6 million
Number of Shares held by Existing Shareholders at Completion of the Offer (being Education Australia only) ³	125.1 million
Total number of Shares on issue at Completion of the Offer	250.3 million
Market capitalisation ²	\$663.3 million
Enterprise value ⁴	\$658.1 million
Enterprise value to pro forma forecast FY16 EBITDA ^{5, 6} (times)	11.3x
Enterprise value to pro forma forecast FY16 EBIT ^{5, 6} (times)	13.0x
Offer Price to pro forma forecast FY16 NPAT per Share ^{5, 7} (times)	18.8x
Implied dividend yield for FY16 at the Offer Price (based on the target dividend payout ratio of 70–80% and statutory forecast FY16 NPAT) ^{5, 8}	3.7–4.3%

Notes:

- The Shares under the Offer will be offered by SaleCo. For further information, refer to Section 7.1.
- Based on the Offer Price.
- These Shares will be subject to voluntary escrow arrangements until IDP Education's audited full year financial statements for the 12 months to 30 June 2016 are released to the ASX by IDP Education as described further in Section 7.5. In addition, Education Australia is bound by the terms of the Education Australia Consent Deed (as described in Section 6.5.1) under which the prior written consent of the British Council and Cambridge Assessment (which is not to be unreasonably withheld or delayed) is required in order for Education Australia to dispose of its Shares.
- Enterprise value calculated as the indicative market capitalisation of \$663.3 million (based on the Offer Price), less pro forma net cash of \$5.2 million as at 30 June 2015, adjusted to reflect the impact of the Offer as set out in Section 4.10.1.
- The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4.11 and Appendix A.1, and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved. Certain financial information included in this Prospectus is described as pro forma for the reasons described in Section 4.2.
- EBITDA is defined as earnings before interest, amortisation, depreciation and income tax and EBIT is calculated by deducting depreciation and amortisation from EBITDA.
- This ratio is commonly referred to as a price to earnings (PE), ratio. The PE ratio is calculated as the Offer Price of \$2.65 per Share divided by its EPS.
- For the 12 months ending 30 June 2016. Indicative dividend yield is calculated as the implied dividend per Share based on the target dividend payout ratio range of 70–80% and statutory forecast FY16 NPAT, divided by the Offer Price. It is the Board's current intention to pay its first dividend in September 2016 in respect of the period from Completion of the Offer to 30 June 2016. The payment of a dividend by IDP Education is at the discretion of the Directors and will be a function of a number of factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend and this indicative dividend yield is not a forecast. For more information on IDP Education's dividend policy, see Section 4.14.

01.
Investment overview



Investment overview

1.1 Overview of IDP Education

Topic	Summary	For more information
<p>What is IDP Education?</p>	<p>IDP Education is a leading provider of international student placement services and high-stakes English language testing services, being English language tests for candidates seeking to establish their proficiency in the English language for the purpose of legal or other official requirements. It also owns and operates English language schools in South East Asia and organises educational events and conferences globally. IDP Education has a proud heritage spanning 46 years.</p> <p>IDP Education's Student Placement business offers specialist market knowledge in the form of counselling, assistance and guidance to students exploring overseas study opportunities. Historically, the Company was focussed on placing students into Australian education institutions but in 2010 it embarked on its multi-destination strategy, expanding the destination countries into which it places students to include the United States, the United Kingdom, Canada and New Zealand. The Company has student recruitment services agreements in place with over 600 education institutions in its five destination countries. Students are sourced through the Company's 89 offices across 30 countries, the majority of which are in Asia. In FY15, IDP Education placed students into approximately 26,700 courses.</p> <p>IDP Education is a co-owner of IELTS, along with the British Council and Cambridge Assessment. IELTS is one of the world's leading high-stakes English language tests. IELTS test results are accepted by over 9,000 organisations in more than 140 countries, including education institutions, government agencies, employers and professional associations for study, work and migration purposes. The Company administers IELTS in over 400 test locations in over 50 countries. In FY15, the Company administered approximately 825,000 IELTS tests.</p> <p>IDP Education owns and operates English language schools in South East Asia. The Company established its first English language school in Thailand in 1989 and today operates 10 campuses across Cambodia, Vietnam and Thailand with the total number of courses taken by students in FY15 being approximately 60,000.</p>	<p>Section 3</p>
<p>What industries does the Company operate in?</p>	<p>IDP Education primarily operates in the international student placement and high-stakes English language testing industries. IDP Education also operates in the English language teaching industry in Cambodia, Vietnam and Thailand.</p> <p>These industries are all, to some degree, driven by the growth in international education and the central role of English as a key global language. Education is an important driver of economic growth, as it enhances productivity, contributes to personal and social development and reduces social inequality.</p> <p>Demand for international education is being driven by several factors. Strong economic growth in the world's emerging economies has driven an increase in demand for higher education particularly among the growing middle and upper classes. This growth in demand for a quality education, and the benefits that this provides, in many cases cannot be met by these emerging countries' domestic education industries, resulting in students looking offshore for their education.</p>	<p>Section 2</p>

Topic	Summary	For more information
What industries does the Company operate in? continued	<p>Student placement agents, such as IDP Education, provide placement services to prospective students seeking to leave their country of origin and move to another country for the purpose of study.</p> <p>High-stakes English language tests are English language tests for candidates seeking to establish their proficiency in the English language for the purpose of legal or other official requirements. This is often in a tertiary education, employment or migration context, where the results of the test and outcome based on those results are likely to be significant for the candidate.</p>	Section 2
Which are the industry participants?	<p>The international student placement industry is highly competitive, but at a global level is relatively fragmented. There are a small number of large, international companies and a large number of small to mid-sized participants, ranging from regional operators with offices in several countries to smaller agents operating out of a single office.</p> <p>IDP Education considers that there are a relatively small number of globally accepted high-stakes English language tests which are IELTS' main competitors. These are:</p> <ul style="list-style-type: none"> • TOEFL® (Test of English as a Foreign Language), administered by ETS, a private not-for-profit organisation based in the United States. The test was originally developed for the purpose of university entrance requirements in the United States; • CAE (Certificate in Advanced English), administered by Cambridge Assessment; and • PTE (Pearson Tests of English), a suite of tests offered by Pearson, an international education and information company. <p>There are also certain specialised tests that compete with IELTS in particular contexts.</p>	Sections 2.5.3 and 2.10
How does IDP Education generate income?	<p>IDP Education primarily generates income by:</p> <ul style="list-style-type: none"> • receiving an application processing fee (APF) from its client education institutions for the successful placement of a student into a course; • receiving a fee from people taking an IELTS test that has been administered by the Company or one of its agents, licensees or service providers; and • receiving tuition fees from students enrolled in the Company's English language schools. 	Sections 3.3.3, 3.4.6 and 3.5
What is the IELTS Examination Agreement and what are the roles of the parties to it?	<p>IELTS is jointly owned by IDP Education (through IELTS Australia Pty Ltd (IA)), the British Council and Cambridge Assessment. The parties have a long-standing commercial relationship of over 25 years with respect to IELTS.</p> <p>In broad terms, IDP Education and the British Council are involved in the distribution and administration of the IELTS test and supervision of their respective IELTS test centres, while Cambridge Assessment produces the test.</p> <p>The key terms of the relationship between IDP Education, the British Council and Cambridge Assessment in respect of the production, support, distribution and administration of IELTS are set out in the IELTS Examination Agreement and the IELTS Deed.</p>	Sections 3.4.5, 5.2.1 and 9.1.1

Topic	Summary	For more information
<p>What is the IELTS Examination Agreement and what are the roles of the parties to it? continued</p>	<p>In broad terms, under the IELTS Examination Agreement:</p> <ul style="list-style-type: none"> • IA, the British Council and Cambridge Assessment jointly own the intellectual property rights in the name “IELTS” and the Bank of Materials developed and used in connection with the production of the IELTS test; • under the IELTS Examination Agreement, decisions relating to IELTS require each of IA, the British Council and Cambridge Assessment to agree; and • the IELTS Examination Agreement can be terminated upon 12 months’ notice. The IELTS Examination Agreement does not set out what is to occur if it is terminated. Given this, subject to the matters agreed by the parties in the IELTS Deed (as described below), if the IELTS Examination Agreement is terminated, unless IA, the British Council and Cambridge Assessment agree that copyright in the materials, reports and publications and the test itself can be used by the parties after termination, it is likely that none of IDP Education, the British Council and Cambridge Assessment would be able to use such rights and therefore could not administer the IELTS test. <p>In broad terms, under the IELTS Deed, IA has agreed that:</p> <ul style="list-style-type: none"> • if it gives notice in writing to the British Council and/or Cambridge Assessment to terminate the IELTS Examination Agreement on 12 months’ notice, in respect of a material breach or in exercise of its rights generally or under common law (except where the notice to terminate is as a result of a Significant Breach, certain insolvency-related events or certain acts of fraud or wilful concealment by the British Council or Cambridge Assessment); and • at that time or on the effective date of such termination, a “Competitor” has “voting power” in IDP Education of at least 15% or a “Competitor” “controls” IDP Education, <p>all IELTS-related intellectual property rights owned by IA (or its related bodies corporate) shall, with effect from termination, be transferred by IA to the British Council and Cambridge Assessment. This means that the British Council and Cambridge Assessment would be able to continue to exploit those intellectual property rights and continue to operate their IELTS-related businesses.</p>	<p>Sections 3.4.5, 5.2.1 and 9.1.1</p>
<p>What is IDP Education’s current balance sheet position?</p>	<p>On Completion of the Offer, IDP Education will have a pro forma 30 June 2015 net cash balance of \$5.2 million.</p>	<p>Section 4.10</p>

1.2 Key strengths

Topic	Summary	For more information
<p>Attractive industry dynamics leveraging the desire of people in the developing world to study, work and live in English speaking countries</p>	<p>The industries in which IDP Education operates are all, to some degree, driven by the growth in international education and the central role of English as a key global language.</p> <p>English is a premier language of business and the professions, and the only global language of science, research and academic publication.</p> <p>Moreover, education is a valuable export industry for the English speaking destination countries where IDP Education operates and governments in those countries are supportive of continued growth. For example, in Australia, education was the fourth largest export industry (and largest non-mining export industry) in 2014-15, valued at A\$18.0 billion.</p> <p>The number of international students studying outside their home country globally has grown from approximately 0.8 million in 1975 to approximately 4.5 million in 2012 and is forecast to continue to grow.</p> <p>Key drivers of this growth include:</p> <ul style="list-style-type: none"> • growth of the middle classes in emerging economies, which are able to afford to send their children abroad to study. China and India represent the largest source countries for international students, representing 18.6% and 5.1% of total global international students in 2012 respectively; • individual incentives to study abroad, such as the expectation of a higher salary upon graduation; • internationalisation of the labour market, which provides an incentive to gain international experience as part of an education; • interest in gaining an education at institutions with world-class reputations, many of which are located in English speaking countries; • policies and investment by institutions and governments to promote international education and encourage mobility; and • constrained domestic tertiary education sector capacity in certain source countries, particularly China and India, which are not expected to be able to meet the education demands of the growing middle class. 	<p>Section 2</p>
<p>Leading global provider with unique network and diverse business model</p>	<p>IDP Education is a leading provider of international student placement services and high-stakes English language testing services.</p> <p>IDP Education has an extensive global network through which it provides its services. In its Student Placement business, the Company sources students through 89 offices across 30 countries, and places them into over 600 education institutions across its five destination countries. IDP Education’s English Language Testing services are provided across over 400 IELTS test locations in over 50 countries.</p> <p>This extensive global network is not easily replicated and is therefore a significant barrier to entry to potential new international entrants.</p>	<p>Section 3.1</p>
<p>Long term relationships with leading education institutions and government departments</p>	<p>Australia’s universities have been central to the creation and ongoing development of IDP Education. The involvement of Australia’s universities continues to this day with Education Australia – a company owned by 38 Australian universities – owning 50% of IDP Education. All of these 38 Australian universities utilise IDP Education’s student placement services and some of these universities administer IELTS tests under licence from IDP Education.</p>	<p>Sections 3.2 and 3.3</p>

Topic	Summary	For more information
Long term relationships with leading education institutions and government departments continued	<p>IDP Education has a strong customer network globally within its Student Placement business, with over 600 student recruitment services agreements in place with education institutions in Australia, the United States, the United Kingdom, Canada and New Zealand.</p> <p>In English Language Testing, IELTS test results are accepted by over 9,000 organisations in over 140 countries including education institutions, government agencies, employers and professional associations for study, work and migration purposes.</p>	Sections 3.2 and 3.3
Positioned for continued growth	<p>IDP Education is well positioned for future growth with an organic growth strategy designed to leverage past investment in its global platform and capitalise on opportunities in the growing international student and high-stakes English language testing markets.</p> <p>In Student Placement, the continued development of the multi-destination strategy underpins the Company's growth strategy. The multi-destination strategy is an established source of growth. The Company has made substantial investments in establishing capabilities in its new destination countries (being the United States, the United Kingdom, Canada and New Zealand), and expects to benefit from these investments in the future. Growth is expected as the number of students being placed into the new destination countries increases, and also as the penetration and expansion of target client education institutions within the new destination countries increases. In Australia, IDP Education is well positioned to capitalise on the recent growth in the number of international student enrolments in Australian institutions. In addition, the Company expects to selectively and incrementally expand its source country presence over the medium term.</p> <p>IDP Education is also well positioned to capitalise on continued strong 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. That said, IDP Education is expecting a loss of market share in English Language Testing associated with certain Australian visa programs as a result of that market being opened up to competition. IDP Education is focussed on working collaboratively with the British Council and Cambridge Assessment to further strengthen IELTS' market position and continuing to enhance the reputation and brand presence of IELTS with education institutions, government agencies and other organisations that utilise high-stakes English language tests. The Company also plans to selectively and incrementally establish IELTS testing locations in new countries over the medium term in response to demand.</p>	Sections 3.8, 5.2.2 and 5.2.3
Strong financial profile	<p>IDP Education has a track record of growth. Between FY13 and FY15, pro forma consolidated revenue, EBITDA and NPAT grew at a CAGR of 19.5%, 26.1% and 37.1% respectively. IDP Education forecasts pro forma revenue, EBITDA and NPAT to grow at a CAGR of 18.1%, 22.4% and 29.9% respectively between FY13 and FY16.</p> <p>The Company has historically experienced strong levels of cash generation, given that its business model requires relatively low capital expenditure and working capital intensity. IDP Education has a history of paying dividends to its shareholders and the Company expects to continue this practice. Accordingly, the Company has a policy to pay dividends equating to 70–80% of NPAT.</p>	Section 4

Topic	Summary	For more information
Strong financial profile <i>continued</i>	The Company has a strong balance sheet, with pro forma net cash of \$5.2 million as at 30 June 2015. Together with its proven cash generation ability, this provides flexibility to fund growth and capital management initiatives.	Section 4
Experienced global management team	IDP Education has a strong, experienced and established corporate and regional management team, led by Chief Executive Officer and Managing Director, Andrew Barkla.	Section 6.2

1.3 Key risks

Topic	Summary	For more information
Key IELTS agreements can be terminated without cause upon notice of 12 months or less	<p>English Language Testing through IELTS contributed to approximately 69% of IDP Education's revenue in FY15.</p> <p>Although IDP Education (through IA), the British Council and Cambridge Assessment have a longstanding commercial relationship that dates back to 1989, the IELTS Examination Agreement can be terminated in certain scenarios upon 12 months' notice by any party.</p> <p>The IELTS Examination Agreement does not set out what is to occur if the IELTS Examination Agreement is terminated. Given this, subject to the matters agreed by the parties in the IELTS Deed (as described below), if the IELTS Examination Agreement is terminated, unless the IELTS parties agree that copyright in (among other things) the name "IELTS" and the Bank of Materials developed and used in connection with the production of the IELTS test can be used by them after termination, it is likely that none of them would be able to use such rights and therefore could not administer the IELTS test.</p> <p>Because of this, the British Council and Cambridge Assessment requested (as part of agreeing to provide certain consents and approvals required for IDP Education to pursue and implement the Offer), and IA agreed, that they be able to continue exploiting all intellectual property rights related to IELTS if IA terminates the IELTS Examination Agreement upon 12 months' notice, in respect of a material breach or in exercise of its rights generally or under common law (except where the termination is as a result of a Significant Breach, certain insolvency-related events or certain acts of fraud or wilful concealment by the British Council or Cambridge Assessment) at a time when a "Competitor" has (or on the effective date of termination has) "voting power" in IDP Education of at least 15% or a "Competitor" "controls" (or "controls" on the effective date of termination) IDP Education.</p>	Sections 5.2.1 and 9.1.1

Topic	Summary	For more information
Key IELTS agreements can be terminated without cause upon notice of 12 months or less continued	<p>Accordingly, although the IELTS parties have a longstanding commercial relationship, there is a risk that the IELTS Examination Agreement could be terminated and, as a result, IDP Education would be unable to conduct its IELTS business. If this occurred, this would have a material and adverse impact on the Company's financial position and performance.</p> <p>There is also a risk that the IELTS parties have different or conflicting commercial objectives. This means that where the parties are required to agree certain matters (as required by the IELTS Examination Agreement), there is a possibility that they do not do so and a dispute arises. Further, a party to the IELTS Examination Agreement may fail to perform their obligations which could result in a dispute.</p> <p>Any disputes between the parties could be drawn out or costly and could potentially have a material and adverse impact on the Company's financial position and performance.</p> <p>The China Agreement between IDP Education and the British Council expires on 30 June 2016, and can be terminated without cause upon 12 months' notice by either party. If the agreement expires or is terminated, the loss of earnings from China based IELTS testing could have a material and adverse impact on the Company's financial position and performance.</p>	Sections 5.2.1 and 9.1.1
The IELTS test faces competition	<p>IELTS competes with a number of alternative high-stakes English language tests and, in some jurisdictions, IDP Education competes with the British Council as a distributor of IELTS. The following factors have the potential to reduce the number or profitability of IELTS tests that are conducted by IDP Education and therefore could have a material and adverse impact on the Company's financial position and performance: (i) the cost of sitting alternative high-stakes English language tests being lower than that for IELTS; (ii) increased acceptance by destination education institutions and immigration departments of alternative high-stakes English language tests; (iii) an increase in the number of testing centres, and times, at which alternative high-stakes English language tests can be taken; (iv) alternative high-stakes English language tests being marked in quicker timeframes when compared to those for IELTS; or (v) alternative high-stakes English language tests being perceived to be fairer and/or more suited to people whose first language is not English.</p> <p>For Australian visa purposes, DIBP has made a number of policy changes since 2011 that have altered the competitive landscape for IELTS.</p> <p>In November 2011, DIBP began accepting test results from competing English language tests for individuals applying for Australian student visas. In addition to IELTS, DIBP now accepts test results from TOEFL®, CAE and PTE for these visa categories.</p> <p>In November 2014, DIBP began accepting test results from TOEFL® and PTE across the Australian temporary graduate, skilled, former resident and work and holiday visa programs and, from early 2015, CAE test results were also accepted. Furthermore, in April 2015 DIBP began accepting TOEFL®, CAE and PTE test results for some visas within the Temporary Work (Skilled) visa (subclass 457) category in addition to IELTS and OET which were already accepted.</p>	Section 5.2.2

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Topic	Summary	For more information
<p>The IELTS test faces competition continued</p>	<p>Notwithstanding that IELTS already competes against these tests for Australian student visa purposes, these policy changes could have a material and adverse impact on the Company’s financial position and performance, given that English Language Testing by IDP Education relating to these visa programs represents a material percentage of the Company’s English Language Testing business.</p> <p>More specifically, the Company expects that the policy changes announced by DIBP in 2014 and 2015 will result in greater competition in the English Language Testing market related to the visa programs referred to above. This may lead to a loss of market share for IDP Education in this market segment and may lead to a reduction in the margins IDP Education derives from IELTS testing in various jurisdictions.</p> <p>The written component of the IELTS test is currently administered in “pen-and-paper” format. Some high-stakes English language tests which compete with IELTS have shifted to computer based testing. The co-owners of IELTS are currently developing a computer based version of IELTS which it will use initially for UKVI (UK Visas and Immigration) purposes. There is a risk that test-takers, immigration departments and education institutions may develop a preference for computer based high-stakes English language tests before IELTS’ investment in computer based testing is completed. The development of a computer based test for IELTS may also take more time, require more investment or be more costly to operate than expected. If this occurs, it could impact on IELTS’ competitive position and IDP Education’s financial performance.</p>	<p>Section 5.2.2</p>
<p>IDP Education faces competition in its Student Placement business</p>	<p>There are a large number of competitors to IDP Education in each of its source markets, many of whom are established in their market(s), while new competitors could emerge in the future.</p> <p>The Company’s educational institution clients also have “direct” marketing channels through which they themselves seek to attract foreign students without using third party student placement providers such as IDP Education. Improvements in technology and the availability of information regarding education institutions may enhance the ability of the Company’s education institution clients to market directly to student placement candidates.</p> <p>In addition, there is a risk that existing or potential competitors to the Company develop a superior offering, a lower cost or more effective business model, or respond to changes to regulations, policies or client requirements more efficiently and more effectively than the Company.</p>	<p>Section 5.2.3</p>
<p>The global footprint which IDP Education operates across is exposed to regulatory, operating and management complexities and risks</p>	<p>There are certain risks inherent in doing business in foreign jurisdictions such as unexpected changes in legal and regulatory requirements, difficulties in managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, expropriation, nationalisation, the application of sanctions, embargoes or export and trade restrictions and war. There may also be foreign exchange controls which restrict or prohibit repatriation of funds and prohibitions and delays from customers or government agencies. These issues may arise from time to time, in the foreign jurisdictions in which IDP Education operates, which could have a material and adverse impact on the Company’s financial position and performance.</p>	<p>Section 5.2.4</p>

Topic	Summary	For more information
<p>The global footprint which IDP Education operates across is exposed to regulatory, operating and management complexities and risks continued</p>	<p>In many of the countries in which it operates, IDP Education conducts its business activities pursuant to certain licences, permits, authorisations and operating structures that are granted, administered and regulated by government authorities. In some jurisdictions, the precise regulatory requirements can be unclear and subject to changes in the manner in which they are administered by the local authorities – in some cases without notice and with potentially significant and adverse consequences.</p> <p>There is a risk that IDP Education’s agents, licensees or employees are found to contravene or are alleged to have contravened laws or regulations, incur fines or penalties, or cause other negative impacts to IDP Education. This could adversely affect IDP Education’s business strategy and future financial position and performance.</p>	<p>Section 5.2.4</p>
<p>Changes to visa policies may impact the volume of international students and IELTS test-takers</p>	<p>The Company generates a substantial amount of income from placing international students into education institutions in Australia, the United States, the United Kingdom, Canada and New Zealand. To the extent that any of these destination countries alter immigration policies, regulation or visa requirements that reduce the number of student or migration visas that they grant, this will have a direct impact on IDP Education’s student placement enrolment volumes and/or IELTS test volumes and therefore revenue.</p> <p>Changes by government border 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 have a material and adverse impact on the Company’s financial position and performance.</p>	<p>Section 5.2.5</p>
<p>IDP Education’s business model relies on third party agents, licensees and other parties to conduct businesses on behalf of the Company and there are risks associated with these arrangements</p>	<p>There is a risk that a third party with whom IDP Education works seeks to renegotiate or terminate its relationship with the Company, does not provide a level of service consistent with that expected and required by IDP Education, contravenes or is alleged to have contravened laws or regulations, incurs fines or penalties, or causes other negative impacts to IDP Education.</p>	<p>Section 5.2.6</p>
<p>IDP Education is affected by currency fluctuations</p>	<p>Currency fluctuations affect the cost of courses for students and the cost of living and studying overseas. Some students will be price sensitive, and may choose not to travel overseas to study or will travel to a different location if costs increase in a particular destination country. As such, any appreciation of a destination country’s currency relative to that of source markets may have a direct impact on demand for the Company’s student placement services. Any reduction in the volume of students IDP Education is placing into education institutions could have a material and adverse impact on the Company’s financial position and performance.</p>	<p>Section 5.2.7</p>

Topic	Summary	For more information
IDP Education is affected by currency fluctuations continued	In addition, IDP Education currently earns revenues and incurs expenses in approximately 45 currencies and therefore is exposed to movements in foreign currency exchange rates. IDP Education's most significant individual foreign currency exposure is to GBP. Movements in these foreign currencies could have a material and adverse impact on the Company's financial position and performance.	Section 5.2.7
IDP Education and/or IELTS may suffer damage to its brand and/or reputation	<p>Maintaining the strength of the Company's reputation is important to attracting potential student placement candidates and potential IELTS test-takers, as well as maintaining the Company's relationships with government departments and authorities and client education institutions, the Company's licensees and agents and other service providers.</p> <p>There is a risk that the actions of any one of the Company's directors, employees, agents, licensees, placement students and/or client education institutions across the Company's source and destination countries may damage the Company's reputation or that unforeseen issues or events may adversely affect the Company's brand and/or reputation. This may impact on the future growth and profitability of the Company.</p> <p>If there were to be security breaches or fraud which affected the integrity or perceived integrity of the IELTS test, this could significantly reduce the number of IELTS test-takers and the number of education institutions and government departments willing to rely upon the results of the IELTS test.</p> <p>The reputation of IELTS also has the potential to be affected by the actions of the Company, the British Council, Cambridge Assessment and agents and licensees who administer the IELTS test.</p>	Section 5.2.8
Negative events involving source and destination countries may affect demand for IDP Education's services	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.	Section 5.2.9
Shareholders may not receive a change of control premium for their Shares	<p>The Company's constitution provides that a majority of the Board is to be comprised of A Class Directors. Further, Education Australia has agreed with the British Council and Cambridge Assessment (among other things) that it will not dispose of any of its Shares without their consent (not to be unreasonably withheld or delayed) and it will vote against any resolutions proposed at a general meeting of IDP Education to amend or alter one or more of the Relevant Definitions and Rules.</p> <p>While not preventing a third party who is a "Competitor" (as defined in the Constitution) from proposing or implementing a change of control transaction in respect of the Company or acquiring Shares and appointing representatives (who comprise less than a majority) to the Board, the effect of the above may be (among other things) to discourage, delay or prevent a change in control of the Company which may deprive Shareholders of an opportunity to receive a premium for their Shares and may reduce the value and price of Shares.</p>	Sections 5.2.18, 6.4.2 and 7.9

Additional risks are described in Section 5.

1.4 Key financial metrics

\$ millions	Pro forma historical			Pro forma forecast ¹	Statutory forecast
	FY13	FY14	FY15	FY16	FY16
Revenue	216.9	256.6	309.9	357.3	357.3
EBITDA	31.9	42.4	50.7	58.4	58.7
EBIT	25.5	35.5	44.1	50.5	50.8
Profit before tax	25.6	35.6	44.2	50.6	50.9
NPAT	16.1	24.8	30.3	35.3	35.5
EPS (cents)	6.45	9.91	12.11	14.11	14.19

Notes:

1. A reconciliation of the pro forma forecast and statutory forecast income statements is provided in Section 4.5.
2. The financial information presented above is a summary only and should be read in conjunction with the disclosure contained in Section 4 of the Historical Financial Information and the Forecast Financial Information, including the assumptions, management discussion and analysis and sensitivity analysis, as well as the risk factors set out in Section 5.

1.5 Experience and background of the Directors and senior management

1.5.1 Directors

Director	Experience	For more information
Peter Polson Non-Executive Director and Chairman	<ul style="list-style-type: none"> • Peter was appointed a Non-Executive Director at IDP Education in March 2007 • He is Chairman of Challenger Limited, Challenger Life Company Limited, Avant Group Insurance Limited and Very Special Kids • He is also a director of Avant Mutual Group Limited and Avant Group Holdings Limited 	Section 6.1
Andrew Barkla Chief Executive Officer and Managing Director	<ul style="list-style-type: none"> • Andrew was appointed Chief Executive Officer and Managing Director at IDP Education in August 2015 • Andrew has extensive experience in the technology, services and software industry, with over 20 years of senior management experience in roles across Australia, New Zealand, Asia and North America • Prior to joining IDP Education, Andrew worked for SAP as President of Australia and New Zealand • Prior to his role at SAP, Andrew held leadership roles at Unisys, including as Vice President of Unisys' Asia Pacific Japan operations covering 13 countries, as a member of Unisys' Global Executive Committee and as Chairman of Unisys West, a technology services joint venture between BankWest and Unisys 	Section 6.1
Ariane Barker Non-Executive Director	<ul style="list-style-type: none"> • Ariane was appointed a Non-Executive Director at IDP Education in November 2015 • Ariane is a board member and Chair of the Investment Committee of Emergency Services & State Superannuation (ESSSuper) and also a member of ESSSuper's Audit and Risk Committee • Ariane is also a member of the Murdoch Childrens Research Institute Investment Committee and Development Board • Ariane has worked in senior executive roles with Merrill Lynch, Goldman Sachs and HSBC in the United States, Europe, Japan and Hong Kong 	Section 6.1

Director	Experience	For more information
Professor David Battersby AM Non-Executive Director	<ul style="list-style-type: none"> • David was appointed a Non-Executive Director at IDP Education in February 2011 • He was appointed Vice-Chancellor of Federation University Australia in early 2014 and was previously Vice-Chancellor of the University of Ballarat, a position to which he was appointed in 2006 • David is also Chair of the board of Education Australia 	Section 6.1
Belinda Robinson Non-Executive Director	<ul style="list-style-type: none"> • Belinda was appointed a Non-Executive Director at IDP Education in November 2015 • Belinda is the Chief Executive and Executive Director of Universities Australia, the peak body representing Australia's 39 comprehensive universities to the Australian Government. Belinda is also a non-executive director and Chair of the Remuneration and Nomination Committee of Beach Energy • Belinda has been the Chief Executive of peak industry bodies for almost 15 years and has held a number of senior and senior executive positions within the Australian Government, including eight years with the Department of the Prime Minister and Cabinet • Belinda is also a director of Education Australia, The Conversation Media Group Limited and The Conversation Foundation Limited 	Section 6.1
Greg West Non-Executive Director	<ul style="list-style-type: none"> • Greg was appointed a Non-Executive Director at IDP Education in December 2006 • He is a director and Audit Committee Chairman of UOWD Limited (a business arm of Wollongong University) • Greg is also a director of Education Australia 	Section 6.1
Chris Leptos AM Non-Executive Director	<ul style="list-style-type: none"> • Chris was appointed a Non-Executive Director at IDP Education in November 2015 • His other board roles include Deputy Chairman of Linking Melbourne Authority (responsible for the East West Link project), non-executive director of Arete Capital Partners, non-executive director of PPB Advisory and Deputy Chairman of Flagstaff Partners • He is also a member of the Advisory Council of Asialink, a Governor of The Smith Family and a Fellow of the AICD • Chris was previously a Senior Partner with KPMG, and prior to that Managing Partner Government at Ernst & Young where he had national responsibility for leading the public sector and higher education practice 	Section 6.1

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1.5.2 Senior management

Executive	Experience	For more information
Andrew Barkla Chief Executive Officer and Managing Director	<ul style="list-style-type: none"> Refer to Section 1.5.1 	Section 6.2
Murray Walton Chief Financial Officer and Company Secretary	<ul style="list-style-type: none"> Murray commenced working with IDP Education in March 2010 as Group Financial Controller and is currently Chief Financial Officer and Company Secretary, positions which he has held since May 2010 Prior to joining the Company, Murray held senior finance and management roles with Kodak and SC Johnson in Australia, New Zealand and across Asia Pacific 	Section 6.2
Warwick Freeland Chief Strategy Officer and Managing Director IELTS	<ul style="list-style-type: none"> Warwick commenced work with IDP Education in November 2008 as General Manager, Strategy and Business Development and is currently Chief Strategy Officer and Managing Director IELTS, a position which he has held since July 2011 Prior to joining the Company, Warwick worked for Carl Zeiss Vision in Germany as VP Global Product Marketing and Innovation 	Section 6.2
Georgia Murphy General Manager, People and Culture	<ul style="list-style-type: none"> Georgia commenced work with IDP Education in April 2009 as the General Manager, People and Culture Prior to joining the Company, Georgia served in senior human resources management roles where she was responsible for management of complex, multi-site human resources operations, organisation development, strategic planning and change management 	Section 6.2
James Cauchy Regional Director, Australasia	<ul style="list-style-type: none"> James commenced work with IDP Education in January 2008 as Regional Manager Australia and is currently Regional Director, Australasia Prior to joining the Company, James worked in operational management positions for a number of different brands at major Australian retailer Coles Myer 	Section 6.2
Varaporn Dhamcharee Regional Director, South East Asia	<ul style="list-style-type: none"> Varaporn joined IDP Education in January 2015 as Regional Director, South East Asia Prior to joining the Company, Varaporn was Managing Director for Green Spot, a Thai FMCG business that employed over 1,500 employees and exported to 45 countries. Before that, she held senior leadership positions with Kimberly-Clark as General Manager for Thailand and Managing Director for Taiwan and Vietnam 	Section 6.2
Harmeet Pental Regional Director, South Asia, North America & United Kingdom	<ul style="list-style-type: none"> Harmeet commenced work with IDP Education in March 2009 as Regional Director, South Asia and is currently Regional Director, South Asia, North America & United Kingdom Prior to joining the Company, Harmeet worked in general management roles with Avon Products across India and Vietnam and VLCC (India's leading health and beauty services company). Prior to that, he had sales, operations and marketing experience across Lakme Lever (Unilever company) and Reckitt Benckiser 	Section 6.2

Executive	Experience	For more information
Allen Jiang Regional Director, North Asia	<ul style="list-style-type: none"> Allen commenced work with IDP Education in 2007 as Country Manager and is currently Regional Director, North Asia Prior to joining IDP Education, Allen was the Business Unit Director leading sales and marketing with a United States based medical device company (Stryker) and prior to that spent 10 years with Johnson & Johnson in both their consumer and professional product divisions 	Section 6.2
Maher El Bakry Regional Director, Middle East	<ul style="list-style-type: none"> Maher commenced work with IDP Education in March 2009 as Regional Director, Middle East Prior to joining the Company, Maher held positions in pharmaceutical manufacturing with Novartis Egypt, sales and marketing in Saudi Arabia with Beecham Pharmaceuticals, marketing in the Levant region with GSK, and as Commercial Director MENA for a Johnson & Johnson business unit 	Section 6.2

1.6 Significant interests of key people

Who are the Existing Shareholders and what will be their interests at the Completion of the Offer?						For more information
	Existing Shareholder	Existing interest (%)	Shares held prior to the Offer	Shares held at Completion of the Offer (%)	Shares held at Completion of the Offer	Section 7.1.3
Education Australia	50.0%	125,147,484	50.0%	125,147,484 ¹		
SEEK Investments	50.0%	125,147,484	–	–		
<p>Note: 1. These Shares will be subject to voluntary escrow arrangements which are described further in Section 7.5. In addition, Education Australia is bound by the terms of the Education Australia Consent Deed under which the prior written consent of the British Council and Cambridge Assessment (which is not to be unreasonably withheld or delayed) is required in order for Education Australia to dispose of its Shares.</p>						
What significant benefits are payable to Directors and the other persons connected with the Offer and what significant interests do they hold?	Key people		Interest or benefit			
	Existing Shareholders		Sale of interest in IDP Education and special dividend			Sections 4.10.1 and 7.1.2
	Management team		Remuneration Performance Rights STI arrangements			Sections 6.3.2 and 6.3.3
	Non-Executive Directors		Directors' fees Performance Rights (in respect of the Chairman and one other Non-Executive Director only)			Sections 6.3.1 and 6.3.3
Advisers and other service providers		Fees for services			Sections 6.3.4 and 6.5	

For more information

What significant benefits are payable to Directors and the other persons connected with the Offer and what significant interests do they hold? continued

As described above, on Completion of the Offer, Education Australia will hold 50.0% of the Shares on issue. These Shares will be subject to voluntary escrow arrangements which are detailed further in Section 7.5. In addition, Education Australia is bound by the terms of the Education Australia Consent Deed under which the prior written consent of the British Council and Cambridge Assessment (not to be unreasonably withheld or delayed) is required in order for Education Australia to dispose of its Shares.

SEEK and SEEK Investments will not hold any Shares on Completion of the Offer.

Certain Directors intend to purchase Shares under the Offer.

Sections 6.3.1.4 and 6.5

1.7 Overview of the Offer

For more information

Topic	Summary											
What is the Offer?	<p>The Offer is an initial public offering of 125.1 million Shares that will be sold by SaleCo.</p> <p>The Shares being offered will represent 50.0% of Shares on issue following settlement of the Offer.</p>	Section 7										
What is SaleCo?	SaleCo is a special purpose vehicle established to enable SEEK Investments to sell all of its investment in IDP Education on settlement of the Offer.	Section 7.1.4										
What will happen on settlement of the Offer?	<p>On settlement of the Offer, SaleCo will sell Shares in IDP Education to investors under the Offer.</p> <p>SaleCo will acquire the Shares it sells from SEEK Investments.</p>	Section 7.1.4										
Who are the issuers of this Prospectus?	IDP Education and SaleCo.											
What is the Offer size/price?	<table border="1"> <tbody> <tr> <td>Offer Price</td> <td>\$2.65 per Share</td> </tr> <tr> <td>Number of Shares offered under the Offer</td> <td>125.1 million</td> </tr> <tr> <td>Number of Shares held by Education Australia at Completion of the Offer</td> <td>125.1 million</td> </tr> <tr> <td>Total number of Shares on issue at Completion of the Offer</td> <td>250.3 million</td> </tr> <tr> <td>Cash proceeds from the Offer</td> <td>\$331.6 million</td> </tr> </tbody> </table>	Offer Price	\$2.65 per Share	Number of Shares offered under the Offer	125.1 million	Number of Shares held by Education Australia at Completion of the Offer	125.1 million	Total number of Shares on issue at Completion of the Offer	250.3 million	Cash proceeds from the Offer	\$331.6 million	Section 7.1
Offer Price	\$2.65 per Share											
Number of Shares offered under the Offer	125.1 million											
Number of Shares held by Education Australia at Completion of the Offer	125.1 million											
Total number of Shares on issue at Completion of the Offer	250.3 million											
Cash proceeds from the Offer	\$331.6 million											
Why is the Offer being conducted?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> • give SEEK Investments an opportunity to realise its investment in IDP Education; • provide a liquid market for Shares; • provide the broader IDP Education business with the benefits of an increased profile that arises from being a listed entity; • provide IDP Education with ongoing access to the capital markets to improve capital management flexibility; and • assist IDP Education in attracting and retaining quality staff. 	Section 7.1.1										

Topic	Summary	For more information
What is the proposed use of proceeds pursuant to the Offer?	The proceeds received on behalf of SaleCo will be paid to SEEK Investments, net of their share of costs and expenses of the Offer. No proceeds will be received by the Company.	Section 7.1.2
How is the Offer structured/who is eligible to participate?	The Offer comprises: <ul style="list-style-type: none"> the Broker Firm Offer, which is open to Australian Retail Broker Clients and New Zealand Exempt Broker Clients who receive an invitation from a Broker to acquire Shares under this Prospectus; the Priority Offer, which is made to eligible investors nominated by the Company who have received a Priority Offer invitation; and the Institutional Offer, which consisted of an invitation to acquire Shares made to Institutional Investors in Australia and certain other jurisdictions around the world. To the extent permitted by law, all applications under the Offer are irrevocable.	Sections 7.3 and 7.4
Is the Offer underwritten?	Yes. The Offer is underwritten.	Sections 7.2 and 9.1.3
Will the Shares be quoted?	IDP Education will apply to the ASX within seven days of the Prospectus Date, for its admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code IEL). Settlement of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all application monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.2
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Lead Managers in consultation with IDP Education having regard to the allocation policy outlined in Sections 7.3.1.5, 7.3.2.4 and 7.4.2. With respect to the Broker Firm Offer, it is a matter for the Brokers as to how they will allocate Shares among their eligible clients. The allocation of Shares under the Priority Offer will be at the absolute discretion of IDP Education, in consultation with the Lead Managers, provided that those allocations (in aggregate) do not exceed \$5 million worth of Shares. The allocation of Shares among applicants in the Institutional Offer was determined by the Lead Managers in consultation with IDP Education.	Sections 7.3.1.5, 7.3.2.4 and 7.4.2
Is there any brokerage, commissions or stamp duty payable by applicants?	No brokerage, commission or stamp duty is payable by applicants on an acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.5

Topic	Summary	For more information
When will I receive confirmation that my application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or around 2 December 2015.	Section 7.2
What is IDP Education's dividend policy?	<p>The payment of a dividend by IDP Education is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results, cash flows and the financial condition of IDP Education, and any other factors the Directors may consider relevant.</p> <p>The Directors intend to target a payout ratio of between 70-80% of statutory NPAT; however, the level of the payout ratio is expected to vary between periods depending on the factors above. No assurances can be given by any person, including the Directors, about the payment of any dividend or the level of franking on any such dividend.</p> <p>It is the current intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is anticipated that interim dividends will be paid in March and final dividends will be paid in September following the end of the relevant financial period. It is expected that all future dividends will be franked to the maximum extent possible but it should be noted that dividends are not expected to be fully franked given the level of offshore earnings generated by the Company.</p>	Section 4.14
When will the first dividend be paid?	It is the Board's current intention to pay its first dividend in September 2016 in respect of the period from Completion of the Offer to 30 June 2016.	Section 4.14
How can I apply?	<p>You may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus.</p> <p>To the extent permitted by law, an application by an applicant under the Offer is irrevocable.</p>	Section 7.3.1.2
Can the Offer be withdrawn?	<p>IDP Education and SaleCo reserve the right not to proceed with the Offer at any time before the transfer of Shares to successful applicants.</p> <p>If the Offer does not proceed, application monies will be refunded.</p> <p>No interest will be paid on any application monies refunded as a result of the withdrawal of the Offer.</p>	Section 7.6
Where can I find out more information about this Prospectus or the Offer?	<p>Call the IDP Education Offer Information Line on 1800 990 363 (within Australia), from 8:30am to 5:30pm (Melbourne time), Monday to Friday (Business Days only).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether IDP Education is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, solicitor or other independent and qualified professional adviser before deciding whether to invest.</p>	

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02.
Industry overview



Industry overview

2.1 Introduction

IDP Education primarily operates in the international student placement and high-stakes English language testing industries. High-stakes English language tests are English language tests for candidates seeking to establish their proficiency in the English language for the purpose of legal or other official requirements. IDP Education also operates in the English language teaching industry in Cambodia, Vietnam and Thailand.

These industries are all, to some degree, driven by the growth in international education and the central role of English as a key global language.

Education is an important driver of economic growth, enhances productivity, contributes to personal and social development, and reduces social inequality. International education is a large and growing part of the education sector, particularly at the tertiary level, and is a substantial export industry in the following countries:

- Australia, where it was the fourth largest export industry in 2014-15 with a value of A\$18.0 billion;
- the United Kingdom, where international students are estimated to have paid £10.2 billion in tuition fees and living expenses in the 2011/2012 academic year;
- the United States, where international students and their dependents contributed US\$26.8 billion to the economy in the 2013-2014 academic year;
- Canada, where international students are estimated to have spent over CAD\$8.4 billion in 2012; and
- New Zealand, where international students contributed NZD\$2.75 billion to the economy in 2014.

Demand for international education is being driven by several factors. Strong economic growth in the world's emerging economies has driven an increase in demand for higher education particularly among the growing middle and upper classes. This growth in demand for a quality education, and the benefits that this provides, in many cases cannot be met by these countries' domestic education industries, resulting in students looking offshore for an education.

The perceived quality of higher education institutions in the world's developed economies has at the same time, generated strong interest from potential international students in these emerging economies. In the 2015–2016 world university rankings published by Times Higher Education, 65 of the top 100 universities were located in developed English speaking countries.

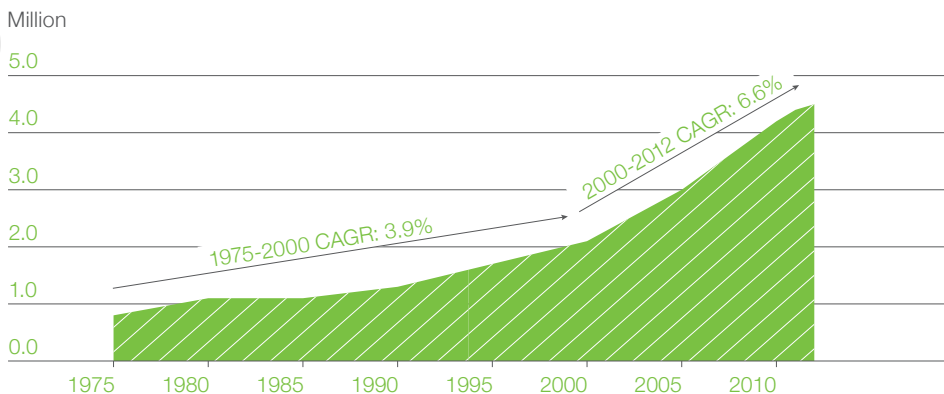
This recognised level of quality, together with the position of the English language as a premier language of business and the professions, and the only global language of science, research and academic publication, have supported the growth of international education in the main English speaking countries (being the United States, the United Kingdom, Canada, Australia and New Zealand). It is these factors that are also underpinning the demand for high-stakes English language testing due to the increased global mobility of students, workers and migrants.

Student Placement

2.2 International education in context

International student enrolments in tertiary education have grown globally from approximately 0.8 million in 1975 to more than 4.5 million in 2012, as shown in Figure 2.1:

Figure 2.1: Long term growth in number of foreign international students enrolled in tertiary education globally



Source: OECD, Education at a Glance 2014, Box C4.1

Note: Inter-year movements approximated and may be smoothed as historic data only available in source reports on a five year basis.

Various studies have been conducted in recent years to estimate the future level of international students globally. These studies use a variety of data sources and forecast methodologies and examine different time periods. The projections for the number of international students vary significantly but in general the studies conclude that the industry is expected to continue to grow.

A number of general factors help explain this growth including:

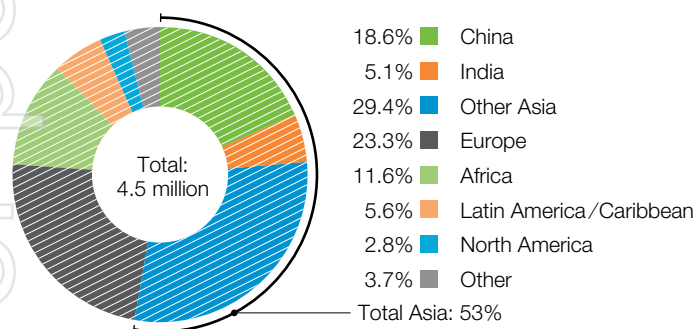
- the worldwide growth in demand for tertiary education and the increased mobility of large numbers of students – such growth is likely to continue to be driven by major emerging countries such as China, India and Indonesia;
- growth of the middle classes in emerging economies, particularly China and India, that can afford to send their children abroad to study;
- individual incentives to study abroad, such as the expectation of a higher salary upon graduation. The internationalisation of labour markets for highly skilled people has also given students an incentive to gain international experience as part of their higher education;
- interest in gaining an education at institutions with world-class reputations (many of which are located in English speaking countries);
- falling air transport and tourism costs, and improvements in technology, which make it increasingly easy to travel and stay in touch with family and friends at an acceptable cost;
- media globalisation, which makes certain parts of the world more visible and accessible; and
- policies and investment by institutions and governments to promote international education and encourage mobility. These are in turn driven by the desire of tertiary education institutions to accrue additional income or raise their profile and visibility on the national and international stage, and the desire of countries to stimulate academic and cultural exchanges. Several countries have made international education an explicit part of their socio-economic development strategy and have initiated policies to attract international students on a revenue-generating or at least a cost-recovery basis. In many countries, international students pay higher fees than the fees for domestic students and are therefore economically attractive to education institutions.

English speaking destination countries are expected to be the key beneficiaries of the growth in international student numbers, as English speaking education continues to be in high demand. Australia, along with the United States, the United Kingdom, Canada and New Zealand, is forecast to benefit from the growth in total international student numbers between 2011 and 2024.

2.3 Where do international students come from?

Globally, approximately 53% of all international tertiary education students come from Asia, with China and India the largest individual source countries, as can be seen in Figure 2.2:

Figure 2.2: International student enrolments in tertiary education by source country (2012)



Source: OECD, Education at a Glance 2014, table C4.3 Distribution of international and foreign students in tertiary education (2012)

China and India are also the largest sources of international tertiary education students in each of the main English speaking destination countries, as shown in Table 2.1:

Table 2.1: International higher education student enrolment by origin for the main English speaking destination countries

	Destination country				
	United States	United Kingdom	Australia	Canada	New Zealand
Top Countries of origin	China (28.4%)	China (14.6%)	China (35.1%)	China (17.8%)	China (22.1%)
	India (13.1%)	India (6.6%)	Malaysia (6.8%)	India (6.3%)	India (13.0%)
	Korea (9.5%)	Nigeria (4.6%)	India (4.7%)	France (4.8%)	United Kingdom (9.4%)
	Saudi Arabia (4.5%)	Ireland (4.1%)	Vietnam (4.4%)	United States (4.3%)	Korea (4.6%)
	Canada (3.5%)	Germany (3.8%)	Hong Kong (3.9%)	Korea (3.9%)	United States (4.3%)

Source: OECD Education at a Glance 2014, table C4.7 Number of foreign students in tertiary education, by country of origin and destination (2012)

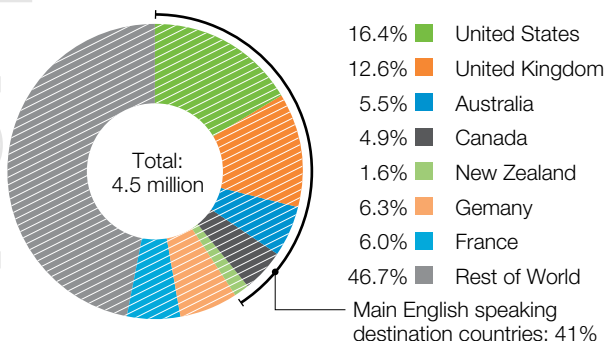
The number of international students from a particular source country is affected by a combination of demographic and economic drivers including:

- student age population, particularly the number of people aged between 18 and 22 in a given source country population;
- household income, which is a significant factor in determining rates of tertiary enrolment, as greater wealth leads to an increase in the ability to pay for tertiary education. Further, as the relative wealth of a country grows so does the demand for educated workers within that country;
- exchange rates, which affect the international purchasing power of students and their families, and their ability to pay for education in other countries;
- the earnings premium, which is commanded by more educated and qualified workers over high-school educated workers; and
- domestic tertiary education sector capacity, which in some source countries, particularly China and India, is not expected to be able to meet the education demands of growing middle classes.¹

2.4 Where do international students go to study?

As shown in Figure 2.3, the main English speaking destination countries attract approximately 41% of all international tertiary students. The United States attracts the largest proportion of international students, followed by the United Kingdom, Germany, France, Australia and Canada.

Figure 2.3: International student enrolments in tertiary education by destination country (2012)



Source: OECD, Education at a Glance 2014, table C4.4 Number of foreign students in tertiary education, by country of origin and destination (2012)

1. E.g. according to information from the Ministry of Education of the People's Republic of China, there was an approximate 2.3 million shortfall between the number of Gao-Kao students (corresponding to the United Kingdom's A-Levels) and the number of available Chinese university places.

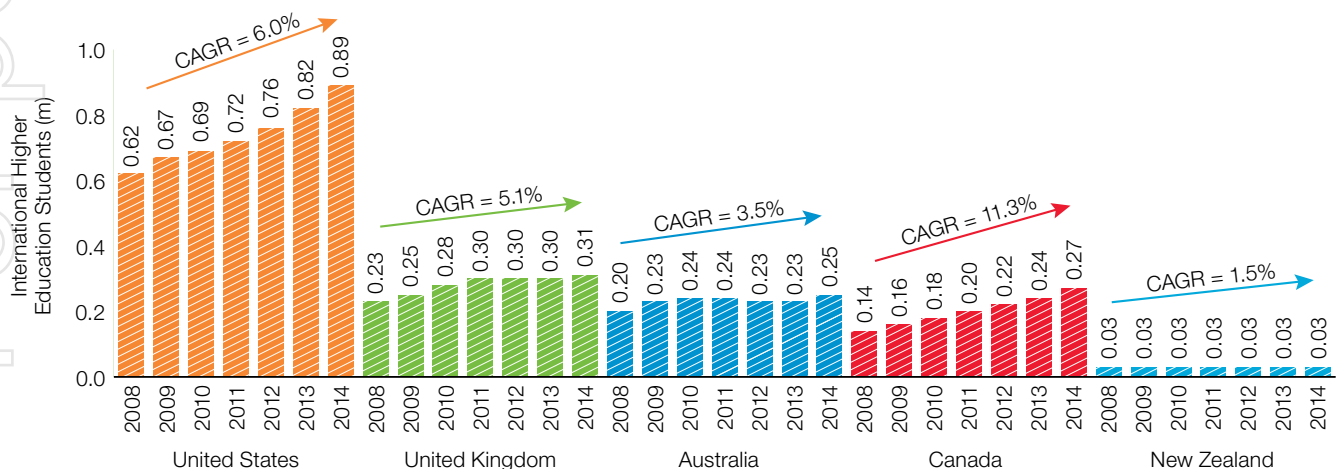
The number of international students studying in any given destination country is driven by the growth in overall global demand from students as well as a number of destination-specific quality, legal and policy factors which can have an effect over time including:

- **quality of programs:** international students often consider the actual or perceived quality of the education they will receive in a country when selecting their study destination. They select their study destination based on a wide array of information on, and the rankings of, higher education institutions. As noted in Section 2.1, universities in developed English speaking countries have a strong reputation for providing a high quality and prestigious education;
- **tuition fees:** cost considerations can be important for students choosing between similar educational opportunities. Exchange rates are also important in assessing the cost of international education in a particular destination country and sustained movements in currencies can have an impact on the flows of students over time;
- **immigration policy:** visa regimes and immigration laws have a significant impact on student mobility. These are often driven by the policies of national governments in relation to the international education industry. Many countries are actively seeking to grow their share of the international education market, recognising the potential significance of education as an export and its contribution to the broader economy;
- **language of instruction:** the language spoken and used in instruction can determine the country in which an international student chooses to study. The prevalence of predominantly English speaking destinations for international students, such as Australia, Canada, New Zealand, the United Kingdom and the United States, reflects the progressive adoption of English as a global language and, in particular, a language of international business. It may also reflect the fact that students intending to study abroad are likely to have learned English in their home country or wish to improve their English language skills through immersion in a native English speaking country;
- **student recruitment by institutions:** international students represent an important source of revenue for many education institutions. In many countries, institutions receive higher fees from international students than the fees from local students, creating an incentive to recruit higher numbers of international students. Today, many institutions actively recruit international students and many governments actively seek to develop their international education sector; and
- **political events and international relations:** the attractiveness of a destination country may also be influenced by political events, international relations, perceptions of security, and other international events.

2.4.1 Overview of the main English speaking destination countries

From 2008 to 2014, enrolments of international higher education students increased significantly in the main English speaking countries. Figure 2.4 shows the growth in enrolments of international students in these countries in this period:

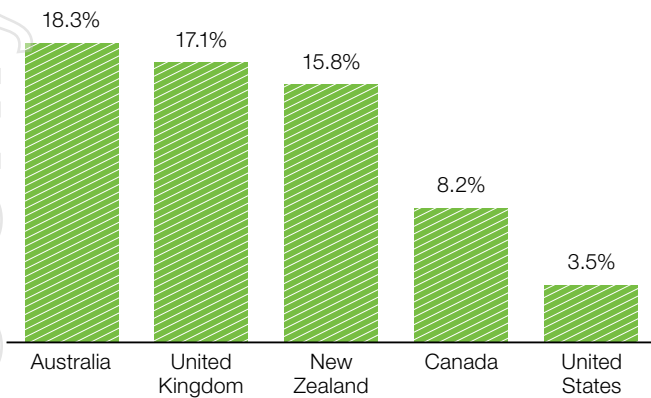
Figure 2.4: International higher education students within relevant country (millions), 2008 to 2014



Source: Institute of International Education for United States data, Higher Education Statistics Agency for United Kingdom (excludes European Union students) data, Department of Education and Training for Australia data, Citizenship and Immigration Canada for Canada data (Post-Secondary), and Ministry of Education Export Education Levy Key Statistics for New Zealand data (Tertiary Education Institutions). Reporting periods vary by country and are as follows: United States is year ending 31 August, United Kingdom is year ending 31 July, Australia is year ending 31 December, Canada is year ending 31 December and New Zealand is year ending 31 December

Of the main English speaking destination countries, Australia, the United Kingdom and New Zealand have relatively high levels of international students as a percentage of total tertiary student enrolment as shown in Figure 2.5:

Figure 2.5: International student enrolment as a percentage of total tertiary enrolment (2012)



Source: OECD, Education at a Glance 2014, Chart C4.4 (2012)

Set out below is an overview of the international student market in each of IDP Education's destination countries (being Australia, the United States, the United Kingdom, Canada and New Zealand) into which it places students.

2.4.1.1 Australia

Along with the United Kingdom, Australia was a pioneer in promoting its education institutions to international students and developing international education as a source of revenue. International student enrolments in Australia began in the early 1980s but enrolments remained relatively minor for several years.

The international education industry in Australia has grown significantly since that time and it is now the country's fourth largest export industry with a value of A\$18.0 billion in 2014-15. International students are now enrolled in all sectors of the Australian education industry. Within the tertiary education sector, this participation extends to all education providers including higher education, vocational education, and training and schools.

In global terms, Australia is now the third largest English speaking destination country globally for international students and has the highest proportion of international students, with over 18% of total students enrolled in tertiary education in Australia in 2012 being international students.

In July 2015, Department of Education and Training data estimated that there were nearly 260,000 international students in the higher education sector in Australia. This equated to almost 103,000 new student enrolments to education courses in 2015.

The growth in international student enrolments in the Australian higher education market over the last decade has been largely driven by Asian students. Growth was strongest in the 10 years to 2010 when supportive government policies, favourable exchange rates and positive perceptions of Australia as a destination underpinned strong student inflows.

In late 2009 and during 2010, a range of factors combined to significantly reduce the volume of international students entering Australia between 2010 and 2012. These factors included:

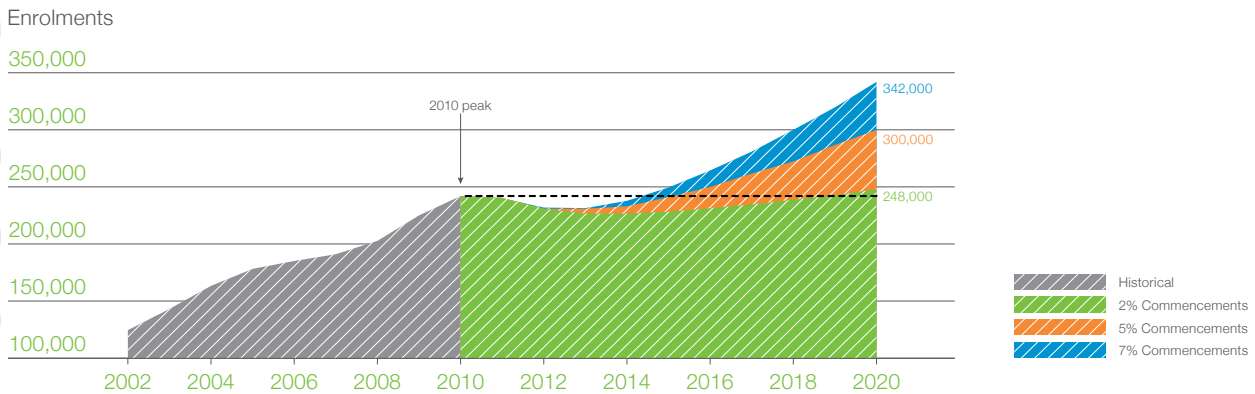
- a tightening of student visa regulations that made it more difficult for international students to meet the required criteria;
- changes to visa regulations that altered the student's work entitlements;
- a series of incidents involving Indian students that negatively impacted international perceptions of safety in Australia; and
- the appreciation in the Australian dollar which increased the relative cost of studying in Australia for international students.

In December 2010, the Australian Government initiated the Knight Review to assess potential options to reverse the trend of falling international student enrolments. As a result of the Knight Review recommendations, the Australian Government initiated reforms aimed at improving Australia's attractiveness to international students, including streamlined student visa processing starting with universities and the provision of increased post-study work entitlements to certain graduates.

Department of Education and Training data reported international higher education student enrolments recovered in 2014, with enrolments up 8.1% for the year. This upward trend has continued in 2015, with the seven months to July 2015 showing that total enrolments were up 10.1% over the same period in 2014.

In February 2013, Australia's International Education Advisory Council considered three scenarios for growth in Australian international higher education enrolments, as shown in Figure 2.6. The Council concluded that student commencements are likely to increase by an average of around 5% per annum to 2020. Such a growth rate would result in approximately 300,000 international higher education enrolments in 2020. The Council considered a 5% increase in total student commencements to be manageable, if appropriate steps are taken to ensure that the infrastructure underpinning the international education sector (e.g. accommodation) is developed to meet such demand.

Figure 2.6: International higher education enrolments in Australia based on three scenarios of commencement growth



Source: International Education Advisory Council, February 2013

2.4.1.2 United States

The United States competes in the international student market on the basis of scale and being the home of the best and wealthiest universities in the world. The country receives the highest number of international students in the world, but on a per capita basis, it remains the most underpenetrated market with international students representing only 3.5% of total students in tertiary institutions in the United States.

The low level of penetration is partly due to the significant size of the broader education sector in the United States and the high levels of domestic demand. However, in the fields of science and technology, international students represent a much larger percentage of enrolments, especially at the graduate level.

2.4.1.3 United Kingdom

The United Kingdom has the second largest number of international students globally and has a reputation as a high quality education destination. International education is a significant contributor to the United Kingdom's economy and a significant source of revenue for many education institutions.

In the United Kingdom, the fees for international students from countries outside of the EU are generally higher than the fees for domestic and EU students, which are generally set at the same level.

In 2009, the United Kingdom Government reviewed the then existing visa system and introduced a number of changes to student visas, including a reduction to the amount of time adult students were permitted to work, higher minimum English level entry requirements and higher financial capacity requirements. These changes were designed to enable high quality education providers to grow while reducing the overall number of student visas issued. As a result, there was a steady decline in the total number of student visas issued in the United Kingdom between 2010 and 2012. There were signs of recovery in 2013 although data for the 12 months ended March 2015 showed no growth on the previous year.

2.4.1.4 Canada

Canada was the sixth largest destination for international students globally in 2012. The number of international students in Canada grew from 145,000 in 2001 to over 304,000 in 2013, an increase of 110%.

The Canadian Government has identified international education as a key driver of Canada's future prosperity. In January 2014, the Government approved its International Education Strategy, which seeks to double the number of full time international students studying in the country, from 239,131 in 2011 to more than 450,000 by 2022.

2.4.1.5 New Zealand

New Zealand attracted around 1.6% of international students globally in 2012. International students represented over 15.8% of all students studying in New Zealand in 2012 and make a significant contribution to the economy.

In 2011, the New Zealand Government set an objective to double the annual economic value of international education delivered in New Zealand to approximately NZD\$5 billion by 2026 through increased international enrolments in tertiary institutions, private providers, and schools.

2.5 Student placement agents

2.5.1 What do student placement agents do?

Student placement agents, such as IDP Education, provide placement services to prospective students seeking to leave their country of origin and move to another country for the purpose of study. These services typically include:

- providing information and counselling to prospective students and their families on appropriate study options, including which country to study in and which institutions to apply to;
- assisting prospective students with application processes;
- assisting prospective students with visa applications and interview preparation;
- providing information and counselling to prospective students and their families on accommodation options; and
- providing pre-departure guidance.

A large proportion of the international student placement industry relates to the placement of students in tertiary (mostly university) education courses. However, student placement agents also provide their services in relation to other types of courses including:

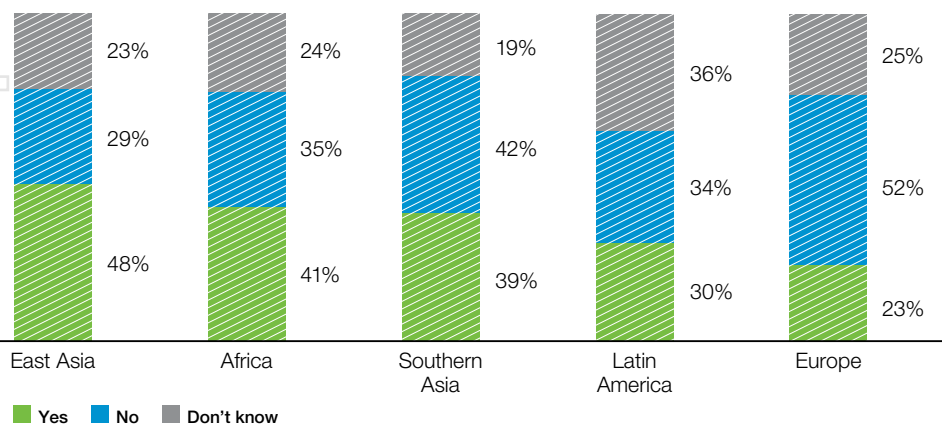
- pathway/foundation courses, which are designed to allow a student to progress to a university or other higher education course upon completion;
- English language courses; and
- vocational courses, short courses and professional development courses.

From the perspective of education institutions, student placement agents assist in attracting international students to their institutions and facilitate the application process. Institutions seeking to attract international students often have arrangements in place with student placement agents and pay a placement fee, typically on a per student basis.

2.5.2 Who uses student placement agents and why?

According to a 2011 study undertaken by the British Council, the use of student placement agents by prospective students varies significantly from country to country and from region to region. The study involved asking prospective students “Have you contacted or will you contact an education agent”², to which the students could respond “Yes”, “No” or “Don’t know”. As shown in Figure 2.7, prospective students from East Asia were the most likely to use an education agent, with 48% responding that they had or planned to contact an agent:

Figure 2.7: Likely use of education agents by region, 2007 to 2011



Source: British Council, *Why Students Use Agents* (2011), Charts 2, 4, 6, 8, 10

According to the survey’s findings, prospective students from China were the most likely to use student placement agents, with 60% responding that they had or planned to contact an agent. Prospective students were also more likely than not to use agents in Malaysia, South Korea, Taiwan and Vietnam (all over 50%). 47% of respondents from India indicated that they had or planned to contact an agent.

2. “Education agent” is another term for student placement agent.

A separate study conducted in 2014 by the independent consultancy firm, Strategy Policy and Research in Education, estimated that approximately 62% of international students commencing study in Australia in 2013 used an agent.

The British Council identified a number of factors that might explain why students use student placement agents rather than, for example, relying on their own research and making use of online application portals:

- students are reassured to know they have expert professional advice when making important decisions and value the depth of an agent's knowledge of education markets, systems and processes;
- language can be a significant obstacle to using online resources and print materials;
- the volume of online information can be overwhelming;
- student placement agents save students time and energy – even if students could find all the information themselves, many would prefer to devote their time to their current studies;
- students value face-to-face contact; and
- censorship issues mean that online resources are sometimes unreliable (this is a particular issue in China).

2.5.3 Who are the industry participants and how do they compete?

The international student placement industry is highly competitive but it is also relatively fragmented with a small number of large, international companies and a large number of small to mid-sized participants, ranging from regional operators with offices in several countries to smaller agents operating out of a single office. Most industry participants specialise in placing students from particular source countries, while some competitors specialise in placing students to particular destination countries.

Significant investment is required to achieve the scale and global footprint necessary to provide many of the service features valued by education institutions, such as the ability to source a geographically diverse range of students and to provide insight into student preferences.

2.6 Regulation of the international student placement industry

2.6.1 Destination countries

In general terms, destination countries do not have regulatory regimes that apply to persons who engage in placing students into education institutions.

However, various destination countries do have binding or non-binding regulatory regimes that apply to education institutions in relation to their use of student placement agents. These regimes can indirectly impact upon student placement agents given that certain of them require, by way of example, that education institutions:

- have written contracts in place with student placement agents, which include specific provisions (including in relation to monitoring the student placement agent and termination);
- require that student placement agents (acting on their behalf) comply with the requirements of the relevant regime;
- ensure that their student placement agents have up-to-date and accurate marketing material;
- do not accept students from a student placement agent or enter into an agreement with a student placement agent if the agent has, by way of example, facilitated the enrolment of a student who the agent believes will not comply with the conditions of their student visa/permit or provided immigration advice where they are not authorised to do so; and
- only use student placement agents, who are accountable, transparent and act with integrity.

2.6.2 Source countries

The regulation of student placement agents in source countries varies from country to country. Certain source countries require that student placement agents be registered with the relevant local authorities and/or hold certain certificates, licences, permits and/or approvals to undertake student recruitment activities.

English Language Testing

2.7 The importance of the English language

English is a premier language of business and the only global language of science, research and academic publication.

The British Council has noted that English is the main language of books, newspapers, airports and air-traffic control, international business, academic conferences, science, technology, diplomacy, sport, international competitions, pop music and advertising.

While the British Council also recognises that complex international, economic, technological and cultural changes could start to diminish the leading position of English as the language of the world market, English is widely expected to remain the key global language.

2.8 What is high-stakes English language testing?

High-stakes English language tests are English language tests for candidates seeking to establish their proficiency in the English language for the purpose of legal or other official requirements. This is often in a tertiary education, employment or migration context, where the results of the test and outcomes based on those results are likely to be significant for the candidate.

The official recognition of test results in these contexts distinguishes high-stakes tests from other forms of English language testing, such as testing as part of a course of language education or for the award of an academic qualification.

The characteristics of high-stakes tests vary between the providers of such tests but typically include:

- a rigorous framework for standardised test development and quality assurance;
- widespread accessibility to candidates, such as a global network of test centres;
- secure test delivery and administration, which includes reliable verification of a candidate's identity and measures to protect the confidentiality of test materials; and
- a rigorous marking process that ensures accuracy and consistency.

In contrast, other forms of English language testing are typically less standardised and/or do not require the same emphasis on security and confidentiality as high-stakes testing.

2.9 What are high-stakes English language tests used for?

High-stakes English language tests are used in three primary contexts in which authorities and organisations require and recognise test results: education, employment and migration.

2.9.1 Education

Universities and other higher education institutions in Australia, the United States, the United Kingdom, Canada and New Zealand often require a high-stakes English language test result from applicants from non-English speaking backgrounds. Many universities in non-English speaking countries also require a high-stakes English language test result where English is the language of instruction.

2.9.2 Migration

Immigration authorities in Australia, the United Kingdom, Canada and New Zealand require a high-stakes English language test result from applicants originating from non-English speaking backgrounds for certain visas.

In Australia, for example, English language test results are required by DIBP for certain skilled worker and student visas for applicants who are not citizens of, and hold a current passport from, Canada, Ireland, New Zealand, the United Kingdom or the United States.

Migration flows into English speaking countries are expected to continue to grow, supporting demand for high-stakes English language testing by applicants for visas that require the applicant to demonstrate a certain level of proficiency in English.

2.9.3 Employment

Many employers in a range of sectors require that prospective employees from non-English speaking backgrounds sit a high-stakes English language test and provide them with the results demonstrating a certain level of proficiency in English.

Professional registration bodies covering professions such as accounting, engineering, law, medicine and nursing in countries such as Australia, the United States and the United Kingdom, require a high-stakes English language test result from applicants from non-English speaking backgrounds before awarding professional status.

2.10 Who are the industry participants and how do they compete?

2.10.1 Industry participants

IELTS is one of the world's leading high-stakes English language tests. IELTS is owned by IDP Education (through IA), the British Council and Cambridge Assessment.

IDP Education considers IELTS's main competitors in high-stakes English language testing to be:

- TOEFL® (Test of English as a Foreign Language), administered by ETS, a private not-for-profit organisation based in the United States. The test was originally developed for the purpose of university entrance requirements in the United States;
- CAE (Certificate in Advanced English), administered by Cambridge Assessment; and
- PTE (Pearson Tests of English), a suite of tests offered by Pearson, an international education and information company.

There are also specialised tests that compete in particular contexts. For example:

- OET (Occupational English Test) is an international English language test that assesses the language and communication skills of healthcare professionals;
- CELPIP (Canadian English Language Proficiency Index Program) is a Canadian English language test accepted by the Canadian Border Authority for immigration to Canada, Canadian citizenship and for admission to Canadian universities and colleges; and
- Trinity College London administers tests in the UK that are accepted by UKVI for certain UK visa categories.

The acceptance by border authorities of a high-stakes English language test is a critical driver of demand for a test. IELTS is currently the only test accepted by all of the border authorities that require an English language test for visa purposes.

In Australia, DIBP currently accepts IELTS, TOEFL®, CAE, PTE and OET for certain Australian student, work and migration visas. Prior to November 2011, IELTS was the only test accepted by the Australian border authority. However, since that time the Australian Government has progressively accepted competing tests. See Section 5.2.2 for a description of this changing competitive landscape and the resulting risks to IDP Education.

For tests conducted in the UK, UKVI currently accepts IELTS and certain tests conducted by Trinity College London. For tests conducted in other parts of the world, it only accepts IELTS.

In Canada, the Canadian Border Authority only accepts IELTS and CELPIP.

The New Zealand border authority currently only accepts IELTS as a test of English language proficiency for certain visa categories.

2.10.2 Competitive dynamic

Key drivers of competition between providers of high-stakes English language tests include:

- their reputation, and their recognition/acceptance by universities, immigration authorities and other organisations, which in turn is driven by the rigour, reliability and security of the test;
- availability for candidates – i.e. the regularity of test dates and the accessibility of test locations in candidates' home countries; and
- other factors, including price, perceptions regarding the fairness or ease of the available test and individual candidate preferences.

There are a number of features of the industry that may make it challenging for new high-stakes test providers to enter and compete. These include:

- the need to gain recognition by a large number of immigration authorities, universities, and/or other organisations, which may be difficult for a new entrant with no track record;
- the cost of developing a sufficiently large database of test materials to enable rigorous, standardised testing to the level required for recognition by universities, immigration authorities and/or other organisations;
- the ability to implement and operate secure and standardised testing, and to demonstrate the integrity of the test and related operational processes; and
- the importance of scale – e.g. the need to attract enough candidates to support regular test dates in numerous locations.

2.11 Industry regulation and accreditation

While the high-stakes English language testing industry is not subject to significant regulation in its own right, regulation can occur indirectly via the setting of certain standards or characteristics that are required by certain authorities or organisations. For example, border authorities often require high-stakes English language test providers to conform to specific standards (such as integrity, content, results validity, etc) for them to be accepted as a legitimate test for visa purposes. The acceptance by border authorities of a high-stakes English language test is a critical driver of demand for a test. Accordingly, the standards set by border authorities indirectly impact upon how the industry operates.

03.
Company overview



Company overview

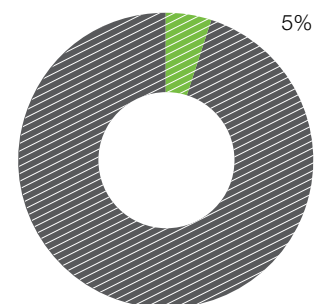
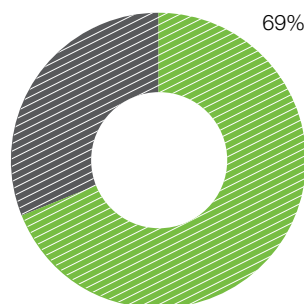
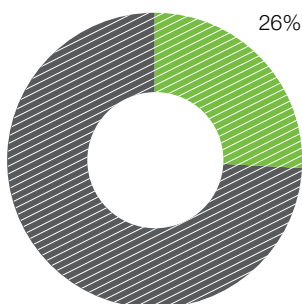
3.1 Overview

IDP Education is a leading provider of international student placement services and high-stakes English language testing services. It also owns and operates English language schools in South East Asia and organises educational events and conferences globally. The Company is headquartered in Melbourne, Australia and employs over 1,600 full time equivalent staff. Table 3.1 provides a description of each business unit:

Table 3.1: Business overview

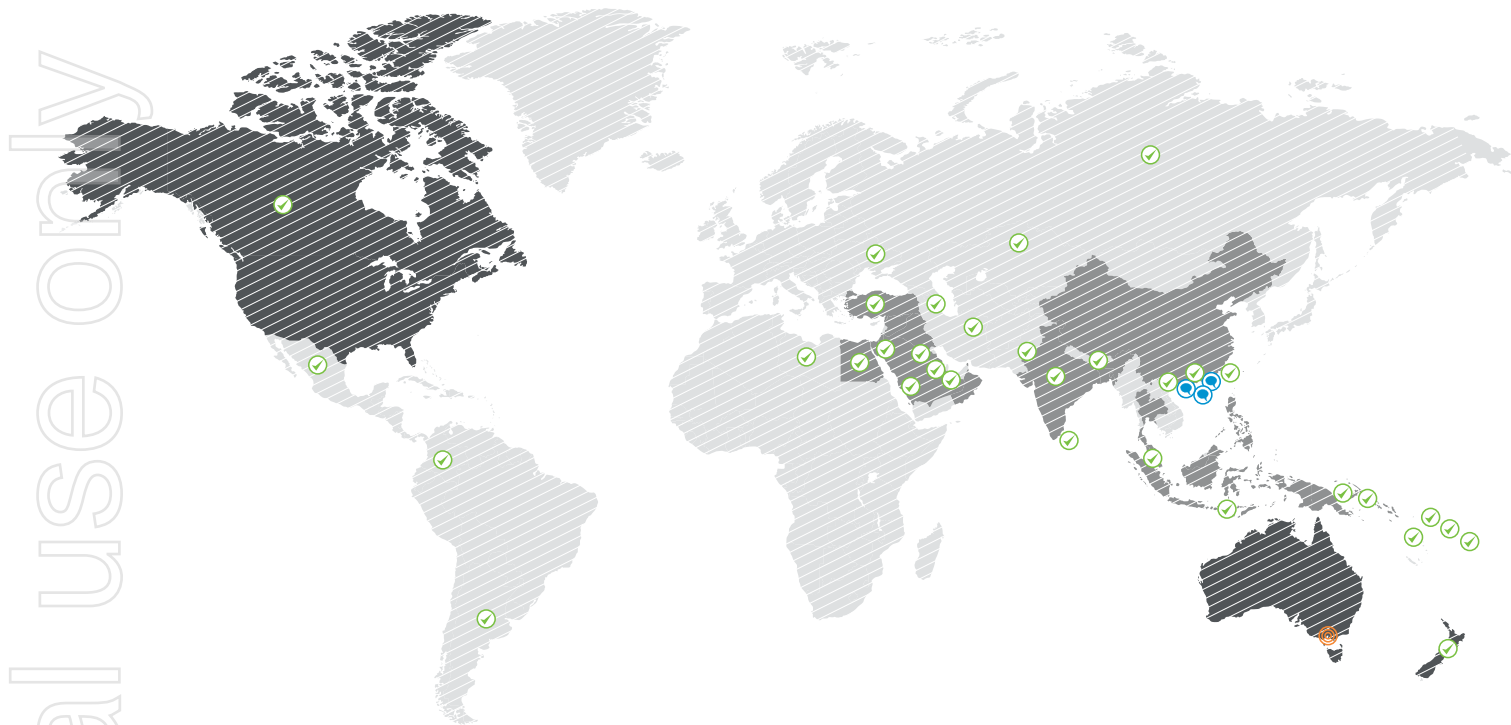
	Student Placement	English Language Testing	English Language Teaching
Description	<ul style="list-style-type: none"> Places international students into education institutions in the main English speaking countries Services include counselling, application processing and pre-departure guidance 	<ul style="list-style-type: none"> Co-owns IELTS, a globally recognised high-stakes English language test Distributes and administers IELTS tests for study, work and migration purposes 	<ul style="list-style-type: none"> Owns and operates English language schools in Cambodia, Vietnam and Thailand
Operations	<ul style="list-style-type: none"> 89 offices across 30 countries Places students into over 600 education institutions across Australia, the United States, the United Kingdom, Canada and New Zealand Placed students into approximately 26,700 courses in FY15 	<ul style="list-style-type: none"> Over 400 test locations in over 50 countries IDP Education administered approximately 825,000 IELTS tests in FY15 In total, the IELTS parties conducted approximately 2.6 million tests in FY15 	<ul style="list-style-type: none"> 10 campuses in three countries Students enrolled in approximately 60,000 courses in FY15
Highlights	<ul style="list-style-type: none"> Leading provider of student placement services into Australia Significant growth opportunities in the United States, the United Kingdom, Canada and New Zealand 	<ul style="list-style-type: none"> One of the leading international providers of high-stakes English language testing services Has recorded strong growth in test volumes with growth of 17% in FY15 	<ul style="list-style-type: none"> Established provider of English language teaching in its target markets

% of total
FY15
revenue¹



Note: 1. Student Placement contribution to FY15 includes Other as described in Section 4.7. Other includes events associated with Student Placement, contracted activities for development programs initiated by government or semi-government bodies and other miscellaneous items.

Figure 3.1: Global operational footprint



IDP Education IELTS Testing Locations

Argentina	Jordan	Qatar
Australia	Kazakhstan	Russia
Azerbaijan	Kiribati	Samoa
Bangladesh	Korea (South)	Saudi Arabia
Bhutan	Kuwait	Singapore
Brazil	Kyrgyzstan	Solomon Islands
Cambodia	Laos	Spain
Canada	Malaysia	Sri Lanka
Colombia	Mauritius	Taiwan
Egypt	Mexico	Thailand
Fiji	Nauru	Timor Leste
French Polynesia	New Caledonia	Tonga
Hong Kong	New Zealand	Turkey
India	Oman	Ukraine
Indonesia	Pakistan	United Arab Emirates
Iran	Papua New Guinea	Vanuatu
Italy	Philippines	Vietnam



Head Office



English language teaching campuses



Destination Country (Student Placement)



Source Region (Student Placement)

Australia
Canada
New Zealand
United Kingdom
United States

Australasia
South East Asia
North Asia
South Asia
Middle East

For personal use only

3.2 History of IDP Education

IDP Education has a proud heritage and history spanning 46 years. Its genesis was as an aid body, funded by the Australian Government when development aid was the main driver of international education.

The organisation was established in 1969 as the Australian-Asian Universities' Cooperation Scheme (AAUCS). Its mission was to strengthen teaching and research in disciplines related to food production in a number of institutions in Indonesia, Malaysia, Philippines and Thailand.

Australia's universities have been central to the creation and ongoing development of IDP Education with the Australian Vice-Chancellors Committee (now Universities Australia) intimately involved in the creation of AAUCS. The involvement of Australia's universities continues to this day with Education Australia – a company owned by 38 Australian universities – owning 50% of IDP Education.































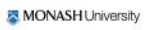







A brief summary of the history of IDP Education is provided in Table 3.2:

Table 3.2: IDP Education history

1969	<ul style="list-style-type: none"> Established by the Australian Government as a development agency called Australian-Asian Universities' Cooperation Scheme to deliver assistance to universities in South-East Asia
1981	<ul style="list-style-type: none"> Establishes first overseas office in Jakarta, Indonesia
1986	<ul style="list-style-type: none"> Establishes a new business to provide counselling to international residents planning to study in Australia to capitalise on the newly-established full fee paying international student market
1987	<ul style="list-style-type: none"> Organises the 1st Australian International Education Conference
1989	<ul style="list-style-type: none"> Establishes IDP Education Australia Bangkok Training Centre for English language studies
1989	<ul style="list-style-type: none"> IELTS launched by the predecessor of IDP Education, the British Council and Cambridge Assessment
1992	<ul style="list-style-type: none"> Establishes Australian College of English in Cambodia
1996	<ul style="list-style-type: none"> Becomes wholly owned by 38 Australian universities (being the shareholders of Education Australia)
2003	<ul style="list-style-type: none"> Over 140,000 IELTS tests administered by the predecessor of IDP Education globally within the calendar year
2006	<ul style="list-style-type: none"> SEEK (through SEEK Investments) acquires 50.0% shareholding in IDP Education following restructure of the predecessor of IDP Education
2009	<ul style="list-style-type: none"> Over 540,000 IELTS tests administered by IDP Education globally within the calendar year
2010	<ul style="list-style-type: none"> Commences multi-destination strategy by offering student placement services into the United States
2011	<ul style="list-style-type: none"> Extends multi-destination strategy into the United Kingdom and Canada
2012	<ul style="list-style-type: none"> Extends multi-destination strategy into New Zealand
2014	<ul style="list-style-type: none"> Opens a new English Language Teaching campus in Cambodia
2015	<ul style="list-style-type: none"> Approximately 825,000 IELTS tests administered by IDP Education globally within FY15

IDP Education is currently owned 50.0% by Education Australia and 50.0% by SEEK (through its wholly owned subsidiary SEEK Investments). Education Australia is a company owned by the 38 Australian universities listed in Table 3.3. Each of these universities utilises the Company's student placement services. In addition, some of these universities (or related persons) have agreements with IDP Education under which the universities (or related persons) agree to deliver and administer IELTS tests in return for a fee paid by IDP Education. The agreements to deliver and administer IELTS tests include making available premises for candidates to sit the IELTS test and ensuring that when needed there are certified examiners and certified clerical markers available.

Table 3.3: Shareholders of Education Australia

	Australian Catholic University		Southern Cross University
	Australian National University		Swinburne University of Technology
	Bond University		The University of Adelaide
	Central Queensland University		University of Canberra
	Charles Darwin University		The University of Melbourne
	Charles Sturt University		University of New England
	Curtin University		The University of New South Wales
	Deakin University		University of Newcastle
	Edith Cowan University		University of Queensland
	Federation University Australia		University of South Australia
	Flinders University		University of Southern Queensland
	Griffith University		The University of Sydney
	James Cook University		University of Tasmania
	La Trobe University		University of Technology Sydney
	Macquarie University		University of the Sunshine Coast
	Monash University		The University of Western Australia
	Murdoch University		University of Wollongong
	Queensland University of Technology		Victoria University
	RMIT University		Western Sydney University

3.3 Student Placement

3.3.1 Overview

IDP Education’s Student Placement business provides services to students who are exploring overseas study opportunities. The services IDP Education provides include counselling regarding potential study destinations, education institutions and courses, assistance with the processing of applications and pre-departure guidance. In FY15, IDP Education placed students into approximately 26,700 courses in education institutions globally. As part of its student placement activities, IDP Education also organises education events around the world designed to connect international student candidates and education institutions offering study opportunities.

Figure 3.2: IDP Education’s Student Placement business model



IDP Education represents a diverse range of client education institutions globally as described in Figure 3.3 and Figure 3.4:

Figure 3.3: IDP Education client education institutions by type (FY15)³

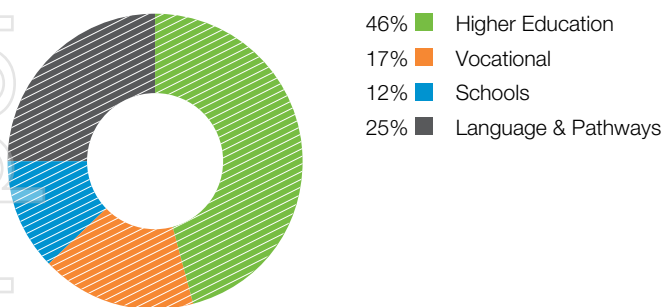
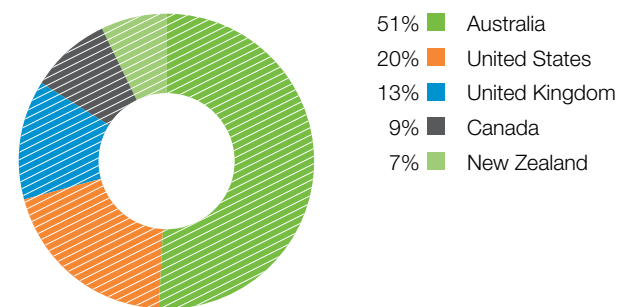


Figure 3.4: IDP Education client education institutions by destination country (FY15)⁴



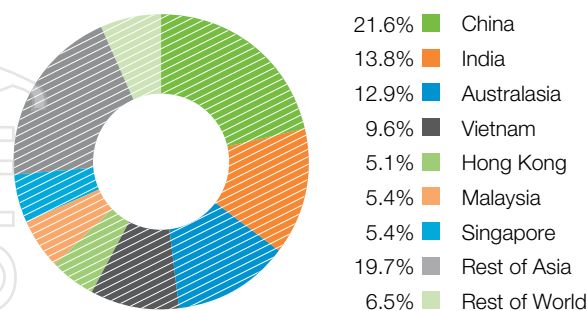
Source: IDP Education

IDP Education sources students from a diverse range of countries, principally in Asia, as shown in Figure 3.5 below. Until 2010, IDP Education’s Student Placement business was focussed exclusively on placing students into Australian education institutions. Figure 3.6 below shows that while the vast majority of the Company’s students are currently placed with Australian institutions, the contribution of the other destination countries under the multi-destination strategy (as described in Section 3.3.4) contributed approximately 15% of course enrolments in FY15 and IDP Education anticipates that the multi-destination strategy’s contribution will continue to grow.

3. As at 30 June 2015.

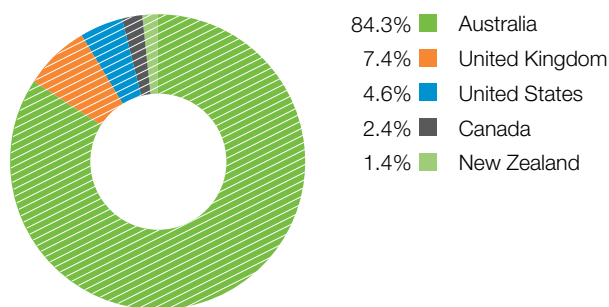
4. As at 30 June 2015.

Figure 3.5: Number of course enrolments by source region (FY15)⁵



Source: IDP Education

Figure 3.6: Number of course enrolments by destination country (FY15)⁶



3.3.2 Service offering

IDP Education’s student placement counsellors provide assistance to students through each step of the placement process. In broad terms, there are four basic steps to each student placement process as illustrated in Figure 3.7:

Figure 3.7: Student Placement service offering



The service IDP Education provides to each student ultimately depends on the student’s requirements. Some students require significant advice and counselling and interact with IDP Education staff on many occasions. Other students require less assistance and the four steps set out above can often be condensed into one or two sessions. Interactions with students can be conducted in person, over the phone or via email.

IDP Education monitors its service offerings within each source market to ensure that it is maximising its value proposition for students. While the key value drivers remain relatively consistent across different source markets, the emphasis and weightings of these value drivers can differ. The key value drivers for students using placement agents include filtering online information, overcoming language barriers, saving time and energy and leveraging the expertise of placement agents (see Section 2.5.2 for further information).

3.3.3 Revenue model

In all markets, IDP Education receives an APF from its client education institutions for the successful placement of a student. The APFs are negotiated directly with the client education institution. This fee varies depending on a range of factors including the student’s country of origin, the course type and the level of service provided by IDP Education. In general, the fee is structured as a percentage of the first year of a placed student’s tuition fees; however, for some placements, a fixed or capped fee is charged. Student placement fees are received after a student has been successfully placed; the timing of this can vary depending on the destination country and client education institution. In FY15, IDP Education’s average APF equated to approximately 12% of the average first year tuition fees of the courses taken by those students.

Other than in a limited number of source countries (e.g. China), IDP Education does not receive a fee from the student.

3.3.4 Multi-destination strategy

Until 2010, IDP Education’s Student Placement business was focussed exclusively on placing students into Australian education institutions. In 2010, IDP Education embarked on its multi-destination strategy, which involved the expansion of its student placement destination countries to include the other major English speaking international education markets of the United States and, in subsequent years, the United Kingdom, Canada and New Zealand.

5. IDP Education student placement data.

6. IDP Education student placement data.

The multi-destination strategy was a significant strategic development for the Company and required significant investment in people and systems. The launch of operations in each of the four new destination markets added regulatory and operational complexity to the Company's Student Placement business but in the view of the Board the launch of operations in the new destination countries was justified given the compelling strategic rationale for doing so. In the Company's opinion, the benefits of the multi-destination strategy include:

1. **expansion of addressable market:** a significant expansion of the destination markets into which IDP Education has the ability to place students and the range of study opportunities that IDP Education can offer students;
2. **scalable growth:** IDP Education has been able to implement the multi-destination strategy in a scalable manner by leveraging its established expertise, brand and systems in the student placement industry and its existing network of marketing offices in source countries; and
3. **diversification:** broadening of geographic exposure to new destination countries.

IDP Education currently has student recruitment services agreements in place with over 600 client education institutions across its five destination countries. Given the Australian heritage of the business and the relatively recent launch of the multi-destination strategy, a large number of these agreements are with Australian education institutions (currently approximately 300) covering all sectors of higher education in Australia. The remaining approximately 300 or so agreements are with client education institutions in the United States, the United Kingdom, Canada and New Zealand.

There remains significant potential for IDP Education to enter into student recruitment services arrangements with new clients and place more students, particularly in its new destination countries. Australia is a well-established market for IDP Education, where it has strong relationships with the vast majority of its target clients. Since expanding into the United Kingdom and New Zealand markets, the Company has made substantial progress in entering into student recruitment services agreements with clients it was targeting and there remains significant opportunity for continued growth. IDP Education's target client education institutions generally have a large existing international student base and a commitment to increasing the diversity of their student population over time.

3.3.5 Competitive landscape

IDP Education is a leading provider of international student placement services. The student placement market is fragmented on a global level; however, there are in-market specialists that have strong market positions. As a result, the profile of student placement agencies can vary significantly on a country-by-country basis with only a few global agents and a large number of smaller agents. More detail is provided in Section 2.5.3.

The key competitive advantages of IDP Education's extensive global network include:

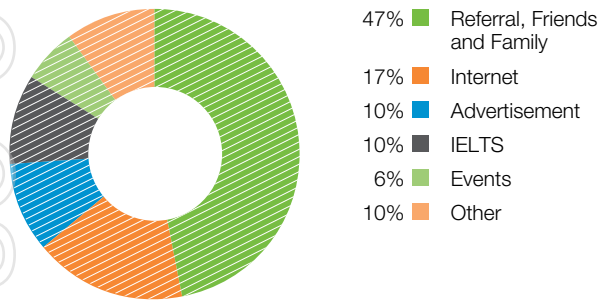
- IDP Education's reputation as a large, global provider of student placement services;
- IDP Education's ability to supply client education institutions with students from a diverse range of countries;
- the diversity of IDP Education's operations across countries, which reduces IDP Education's exposure to country specific risks; and
- IDP Education's global technology platform, Overseas Students Central Advice Resource (**OSCAR**), which is able to integrate directly with education institutions' management and application processing systems and provide information regarding the potential number of students considering international studies in the short to medium term (see Section 3.3.7 for further information on IDP Education's technology platform).

3.3.6 Marketing and branding

3.3.6.1 Ways in which IDP Education obtains students to place

IDP Education attracts students to place into education institutions through a variety of channels. Reflective of its strong brand, personal referrals are the most prominent channel, with almost 50% of IDP Education's students for its Australian Student Placement business first finding out about IDP Education in this way. Other key channels through which IDP Education obtains students to place include IDP Education's events, its network of websites and advertisements.

Figure 3.8: Ways in which students first found out about IDP Education's Australian Student Placement business



Source: IDP Education Student Satisfaction Survey, March 2015

3.3.6.2 Events

IDP Education runs over 80 education events each year around the world, bringing together international student candidates and education institutions. IDP Education also plays a role in supporting the education sector by co-hosting the Australian International Education Conference, a leading conference for international education professionals, and organising an international ESOL conference, CamTESOL, held annually in Cambodia. These events strengthen IDP Education's brand and are a key source by which connections are made with students.

3.3.7 Technology platform

Technology plays a key role in enabling IDP Education to execute its business model. The technology IDP Education utilises ensures consistent and detailed tracking of IDP Education's interaction with students and provides consistent information across the network.

IDP Education uses OSCAR, an end-to-end client relationship management and knowledge sharing technology platform, to efficiently manage each step of the student placement service offering across its global network. OSCAR is a fully integrated business development, application and student relationship management and reporting system which ensures consistency in the services offered by IDP Education and in the data captured across the entire IDP Education network. OSCAR ensures that students are treated in a consistent manner across IDP Education's offices and helps IDP Education provide an improved service to its client education institutions.

Internally, OSCAR provides IDP Education with information regarding the number of students to whom it is providing student placement services at any one time in addition to overall business performance analysis. OSCAR was launched in June 2011 at a total cost of approximately \$23 million.

3.3.8 Regulation of student placement

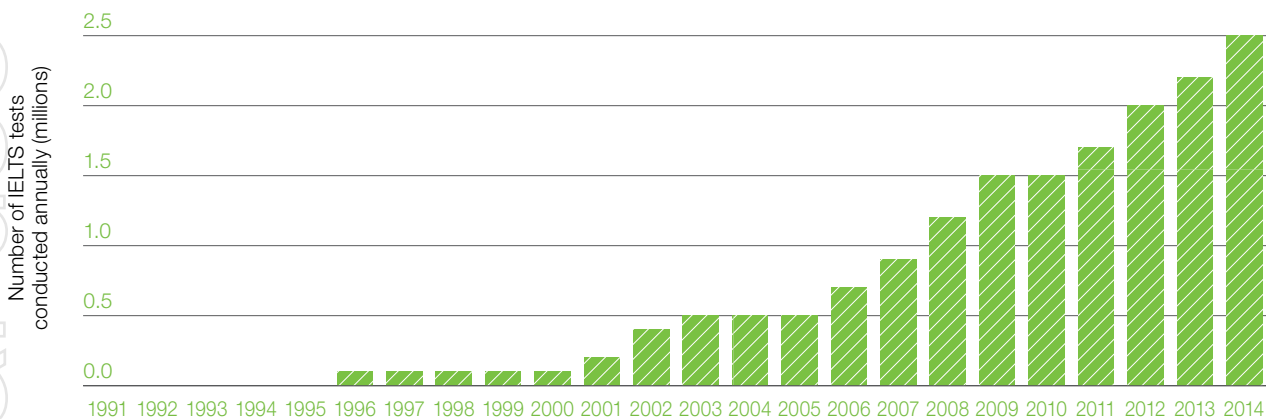
See Section 2.6 for a summary of how the international student placement industry is regulated.

3.4 English Language Testing

3.4.1 Overview

Through its co-ownership of IELTS, IDP Education is one of the world's leading providers of high-stakes English language testing services. IELTS is jointly owned by IDP Education (through IA), the British Council and Cambridge Assessment. IELTS is designed to, among other objectives, assess the English language skills of people who intend to relocate to a country where English is the language of communication. IELTS is a high-stakes test that is accepted by a variety of organisations in connection with applications associated with study, work and migration. Over 17 million IELTS tests have been conducted by IDP Education and the British Council since 2003 (up until the end of FY15), with the annual number of tests taken growing at a 17% CAGR over that period. Approximately 2.5 million IELTS tests were taken in calendar year 2014.

Figure 3.9: Number of IELTS tests conducted annually



Source: IDP Education

There are more than 1,000 IELTS test centre locations in over 140 countries worldwide. Of these, IDP Education and its licensees operate over 400 test locations in over 50 countries. The remainder are operated by the British Council. The test is available in each location up to 48 times each year.

3.4.2 Description of IELTS test

IELTS tests four language skills, being listening, reading, writing and speaking. The IELTS test is currently offered in two core modules:

- **Academic:** measures English language proficiency needed for an academic, higher learning environment. The tasks and texts are accessible to all test-takers, irrespective of their subject focus; and
- **General:** measures English language proficiency in a practical, everyday context. The tasks and texts reflect both workplace and social situations.

The reading and writing components vary between the Academic and General modules but both are conducted in a paper based environment.

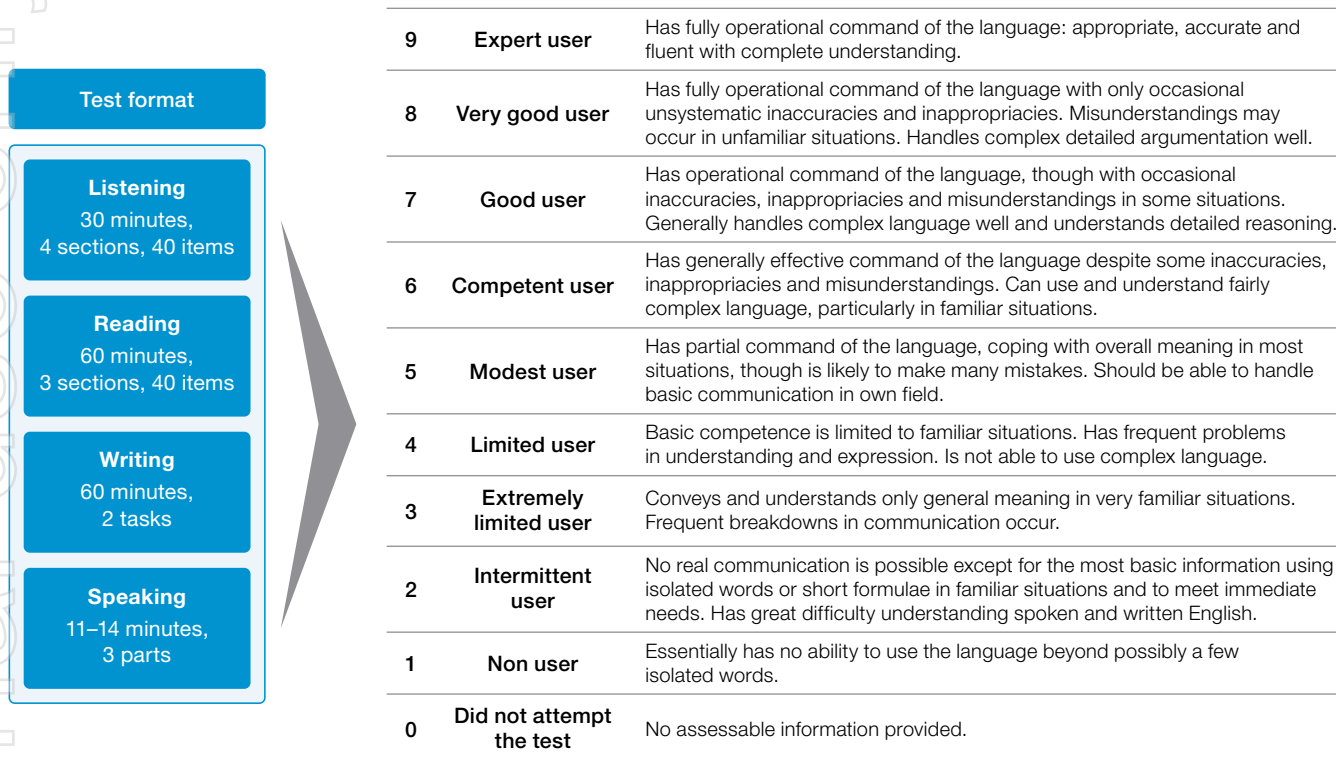
The listening and speaking components are the same for both. IELTS has always included a face-to-face speaking component which, in the IELTS owners' view, prompts the most realistic performance from candidates. The use of the face-to-face component in a high-stakes test is supported by a body of academic research.

In addition to the Academic and General tests, there is also the IELTS Life Skills test which is currently accepted by UKVI for certain visa categories and other immigration purposes. IELTS Life Skills is a test of speaking and listening only. It is owned by Cambridge Assessment and is licensed to IA and the British Council for UKVI testing purposes.

Each IELTS test contains a unique combination of questions. Every test is carefully constructed to ensure a consistent level of difficulty. This involves pre-testing (or trialling) each question on a culturally diverse range of language students to determine its suitability and fairness.

The results of both the Academic and General modules are reported to users on a 9-band scale as shown in Figure 3.10. The IELTS score required for a successful application is determined by the requirements of the organisation to which the candidate is applying.

Figure 3.10: IELTS 9-band test results scale



3.4.3 Security and integrity of IELTS

IELTS is a high-stakes test (as explained in Section 2.8) which is used by candidates seeking to establish their proficiency in the English language for the purpose of legal or other official requirements. Accordingly, the results of the test and the outcome based on those results are likely to be significant for the candidate. Therefore, the integrity and security associated with the test are of paramount importance to both organisations that accept IELTS results and candidates. Certain measures used to safeguard the security and integrity of IELTS include those described in Table 3.4:

Table 3.4: Security and integrity measures of IELTS

Security and integrity measure	Description
Test centre selection	<ul style="list-style-type: none"> Each prospective IELTS test centre goes through a rigorous selection process and agrees to a stringent set of contractual conditions
Test centre audits	<ul style="list-style-type: none"> IELTS test centres are contractually subjected to a comprehensive audit program, involving both scheduled site audits and spot audits without prior warning, to ensure test centre operations are maintained at a consistently high level
Identity authentication	<ul style="list-style-type: none"> Every test-taker must present a valid identity document before being accepted to sit a test A high-resolution photograph of each test candidate is captured at registration, while a low resolution version of that photograph appears on the test candidate's Test Report Form Biometric systems are used to capture and record each test candidate's finger scan at test registration and before entry to the test in jurisdictions where this is permitted. Biometric systems are specifically designed in consultation with security experts to fit the purpose of high-stakes language testing

Table 3.4: Security and integrity measures of IELTS (continued)

Security and integrity measure	Description
Test materials	<ul style="list-style-type: none"> • Every version of the test includes a unique combination of questions • Restricted user rights among test centre staff ensure that access to test materials is controlled
Test results	<ul style="list-style-type: none"> • Systems are in place to automatically and routinely scrutinise test results • When an anomaly is identified, the test-taker, the test centre and any organisation that has been sent the result are notified and appropriate action is taken, which may include cancellation of a test candidate's test result • Organisations are strongly advised to use a free IELTS Test Report verification service to ensure students' results are genuine

3.4.4 Organisations accepting IELTS

More than 9,000 organisations across more than 140 countries accept IELTS results. These include universities, colleges, professional registration bodies, employers and governments. Table 3.5 provides a general overview of the organisations/types of organisations that accept IELTS within each of its principal purposes:

Table 3.5: Organisations accepting IELTS

Purpose of test	Accepting organisations
Study	<ul style="list-style-type: none"> • Australia, the United Kingdom and New Zealand: all universities and the vast majority of tertiary institutions • Canada: most universities • United States: more than 3,200 higher education institutions • Other: universities in non-English speaking countries where English is the language of instruction (e.g. the United Arab Emirates, Germany, the Netherlands, France)
Work	<ul style="list-style-type: none"> • Professional registration bodies such as those relating to accounting, engineering, law, medicine and nursing, among others • Employers originating from industries including banking and finance, government, construction, energy and natural resources, aviation, health and tourism, among others
Migration	<ul style="list-style-type: none"> • Australia: accepted by DIBP for student visa applications and for migration more broadly • United Kingdom: accepted by UKVI for visa purposes • Canada: accepted by Citizenship and Immigration Canada for skilled work migrations • New Zealand: accepted by Immigration New Zealand for migration

The wide global reach of IELTS results from IELTS' strong value proposition to accepting organisations as described in Table 3.6:

Table 3.6: IELTS value proposition to organisations

Value driver	Description
Test quality and integrity	<ul style="list-style-type: none"> • Rigorous research and testing of questions to ensure reliability and validity • Large, quality controlled question bank • International approach to test development, involving English as a second language experts
Global reach	<ul style="list-style-type: none"> • Global footprint of test centres ensures the highest level of availability and accessibility • Models adopted by owners have fostered the growth and distribution of the test • Uniform policies and standardised global approach
Security	<ul style="list-style-type: none"> • Strict security measures at each point of distribution chain • Thorough authentication requirements for test candidates • Co-ordinated approach to counteract cheating
Stakeholder engagement	<ul style="list-style-type: none"> • Breadth and quality of recognising organisations • Strong relationships and long history of engaging stakeholders to deliver product and services improvements • Trust and confidence in the integrity, robustness and quality of the test

3.4.5 IELTS ownership and administration

IELTS is jointly owned by IDP Education (through IA), the British Council and Cambridge Assessment. The parties have a longstanding commercial relationship of over 25 years with respect to IELTS during which they have worked together in relation to it.

In relation to IELTS, each party focuses on different activities. In broad terms, IDP Education and the British Council are involved in the distribution and administration of the IELTS test and supervision of their respective IELTS test centres, while Cambridge Assessment produces the test.

IDP Education and the British Council operate in many of the same markets. In these markets, IDP Education and the British Council compete for test candidates. Figure 3.11 shows the breakdown of the approximately 2.6 million IELTS test volumes facilitated in FY15 by IDP Education and the British Council. Figure 3.12 shows the breakdown of the IELTS tests facilitated by IDP Education based on the geographic region in which the test was taken.

Figure 3.11: IELTS test volumes by party (FY15)⁷

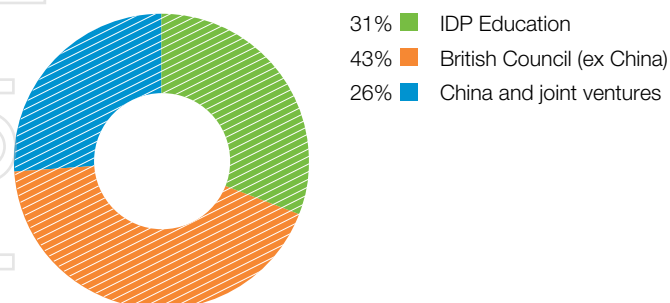
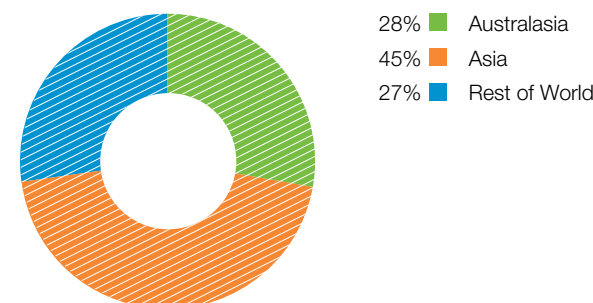


Figure 3.12: IDP Education-facilitated IELTS test volumes by region (FY15)⁸



7. British Council volumes exclude tests conducted in China under licence. Joint venture volumes include IELTS tests conducted in the United States by IELTS Inc., a joint venture owned equally by the IELTS parties.

8. See region definitions in Appendix A.1.

As noted above, IDP Education (along with the British Council) distributes and administers the IELTS test. This involves:

- managing test candidates – from registration through to receiving results;
- developing and managing a global test centre network (including training the employees of such test centres);
- ensuring there is sufficient test centre capacity to meet demand for the test;
- ensuring test centre quality and compliance (including administering extensive audit programs);
- ensuring secure test delivery – including verifying the identity of candidates;
- managing a network of examiners and the marking process;
- developing the markets in which IDP Education administers IELTS;
- providing local stakeholder management; and
- supporting/funding research.

The key terms of the relationship between IDP Education, the British Council and Cambridge Assessment in respect of the production, support, distribution and administration of IELTS are set out in:

- the “Agreement relating to the IELTS Examination”, dated 10 November 1999, between IA (IDP Education’s wholly owned subsidiary), the British Council and Cambridge Assessment (**IELTS Examination Agreement**); and
- the “Deed regarding the IELTS Agreement”, dated 8 April 2015, between IA, the British Council and Cambridge Assessment (**IELTS Deed**).

In broad terms, under the IELTS Examination Agreement:

- IA, the British Council and Cambridge Assessment jointly own the intellectual property rights in the name “IELTS” and the Bank of Materials developed and used in connection with the production of the IELTS test;
- decisions relating to IELTS (including in relation to certain fees) require each of IA, the British Council and Cambridge Assessment to agree; and
- it can be terminated upon 12 months’ notice, which could result in IDP Education (through IA) and the other parties, among other things, being unable to continue operating their IELTS-related businesses.

In broad terms, the IELTS Deed sets out arrangements for the transfer of all IELTS-related intellectual property rights owned by IDP Education group members to the British Council and Cambridge Assessment in the event that IA terminates the IELTS Examination Agreement upon 12 months’ notice, in respect of a material breach or in exercise of its rights generally or under common law (except where the termination is as a result of a Significant Breach, certain insolvency-related events or certain acts of fraud or wilful concealment by the British Council or Cambridge Assessment), at a time when a “Competitor” holds (or on the effective date of termination holds) 15% of the “voting power” of IDP Education or “controls” (or “controls” on the effective date of termination) IDP Education. The British Council and Cambridge Assessment requested, as part of agreeing to provide certain consents and approvals that IDP Education requires in order to pursue and implement the Offer, that IA agree to this to ensure that they could continue to operate their IELTS-related businesses in such circumstances.

Summaries of the key terms of the IELTS Examination Agreement and the IELTS Deed are set out in Sections 9.1.1.1 and 9.1.1.2 respectively, while various risks associated with the IELTS Examination Agreement and the IELTS Deed are described in Section 5.2.1.

As set out in Sections 3.1 and 3.6, IDP Education conducts its operations in various countries and through a variety of business models and agreements. As described below, IDP Education does not administer IELTS tests in China, while in the United States a joint venture administers IELTS tests.

In relation to China, IDP Education has granted a non-exclusive licence to the British Council to distribute IELTS in China. IDP Education currently receives a fee from the British Council which is calculated as a percentage of each candidate’s IELTS test fee for IELTS tests taken in China. The agreement between IDP Education and the British Council was entered into in 2008 (**China Agreement**). The China Agreement expires on 30 June 2016, and can be terminated without cause upon 12 months’ notice by either party. However, historically, the China Agreement has been extended by IDP Education and the British Council (generally for periods of one or two years). See Section 5.2.1 for further information relating to the China Agreement.

In relation to the United States, IDP Education, the British Council and Cambridge Assessment each own one-third of IELTS Inc., a non-stock, not-for-profit corporation incorporated in Delaware in the United States. Under a joint venture agreement relating to IELTS Inc. (**United States Joint Venture Agreement**):

- any monies distributed out of IELTS Inc. are to be used for charitable purposes; and
- IDP Education is restricted from having an interest in any business in the United States which carries on a business which competes with IELTS Inc.

3.4.6 Revenue model

IDP Education, its agents or licensees receive a fee from people taking the IELTS test. The test fee can vary from country to country depending on a variety of factors. IDP Education's Average Fee in FY15 was approximately \$260 per test. Test-takers are required to pay the test fee in advance of sitting an IELTS test (typically one to four weeks prior).

As noted in Section 3.4.5, in China, IDP Education receives a fee from the British Council for each test that the British Council administers in China.

A material cost for IDP Education's administration of IELTS examinations is its payment of the University of Cambridge Local Examinations Syndicate fee to Cambridge Assessment for its role in IELTS. This fee is denominated in GBP and is amended annually as agreed with the other IELTS parties (historically an increase of approximately 3% per annum).

3.4.7 Competitive landscape

IELTS is one of the largest high-stakes English language tests in the world. Key competitors are discussed in Section 2.10.

3.4.8 Regulation of English language testing

In certain jurisdictions in which IDP Education operates, IDP Education (or the entity or agent through which it operates) is required to be registered with relevant local authorities and/or hold certain certificates, licences, permits and/or approvals to conduct its English Language Testing business.

IDP Education, either in its own right or via agents, licensees or service providers, operates over 400 IELTS test locations in over 50 countries which brings with it regulatory and operating complexity.

3.5 English Language Teaching

IDP Education owns and operates English language schools in South East Asia. The Company established its first English language school in Thailand in 1989 and today operates 10 campuses across Cambodia, Vietnam and Thailand with the total number of courses undertaken by students in FY15 of approximately 60,000.

IDP Education's English Language Teaching schools offer a range of courses from general English, to business and academic English. Courses range from short courses with the duration of approximately 20 hours for preparatory purposes, up to four years of part time study for students wishing to achieve an upper-intermediate level of general English.

The curriculum adopted at each campus varies from country to country. IDP Education develops and teaches its own proprietary content in each location and in addition utilises curriculum provided by INSEARCH for some courses in Vietnam. In return for providing the curriculum materials, INSEARCH is entitled to 40% of the profits from IDP Education's Vietnamese schools.

A snapshot of IDP Education's English Language Teaching business is provided in Table 3.7:

Table 3.7: Overview of English Language Teaching

	Cambodia	Vietnam	Thailand
School name	Australia Centre for Education	Australia Centre for Education & Training	IDP English
Year of establishment	1992	2001	1989
Curriculum source	IDP Education	3rd party	IDP Education
Campuses	4	5	1

IDP Education (or the entity or agent through which it operates) is required to be registered with relevant local authorities and/or hold certain certificates, licences, permits and/or approvals to operate English language schools in Cambodia, Vietnam and Thailand.

IDP Education generates revenue primarily from tuition fees received from enrolled students.

3.6 Business models and agreements

IDP Education conducts its operations through a variety of business models and agreements. The structures used vary by country of operation and have been put in place to suit the local market dynamics and regulatory regimes.

In addition to wholly owned subsidiary and branch operations, IDP Education utilises the following models for its Student Placement and/or its English Language Testing operations:

- **licence agreements:** IDP Education enters into a contract with a third party under which IDP Education grants to the third party a licence to carry on business in a particular region using IDP Education's name, IDP Education's trademarks and logos, publications, websites, computer software, databases and systems. The third party agrees to operate its business in accordance with IDP Education's guidelines, procedures, policies and practices. IDP Education pays the third party fees in consideration for the performance of its obligations;
- **service provider model:** IDP Education enters into contracts with third parties to provide services for the organisation and delivery of IELTS tests in certain markets. Under this model, the service provider agrees (among other things) in return for a fee, to make necessary arrangements and meet all costs for the local delivery and administration of IELTS tests, collect test fees from candidates and pay those test fees to IDP Education;
- **co-operation agreements:** IDP Education has entered into certain co-operation agreements with a local Chinese entity that is licensed to engage in student recruitment activities. Under these agreements, IDP Education provides the licensed local entity with the right to use certain intellectual property rights, introduces the local entity to foreign education institutions and provides other commercial and consulting services to the local entity in return for the payment of fees by the local entity. IDP Education has implemented a variable interest entity (VIE) arrangement with the local entity to provide IDP Education with additional protections in relation to the assets and operations of the local entity; and
- **agency and sponsor agreements:** under these agreements, IDP Education appoints a local agent or sponsor in a jurisdiction to provide certain services in order to comply with local regulatory requirements. Depending on the jurisdiction, the agent may provide compliance-type services – e.g. obtaining and renewing licences and permits and obtaining and renewing employment visas and work permits. In other jurisdictions, the agent or sponsor may provide student recruitment services, marketing and promotional services and deliver and administer IELTS tests. Under certain of these agency/sponsor arrangements, IDP Education effectively controls the agency business (e.g. by having the right to select employees) and is exposed to the revenue generated and expenses incurred by the agency business. IDP Education pays the agent/sponsor a fee for its services.

3.7 Group functions

IDP Education has a strong senior management team which combines education industry experience with experience in professional services, financial services, technology and marketing. The management team has overseen the growth and expansion of IDP Education to its current operations. Further information on the senior management team is contained in Section 6.2.

IDP Education operates shared services functions, principally from its head office in Melbourne. The key shared services are marketing and client relations, finance and administration, information technology and corporate.

Including the senior management team set out in Section 6.2, the Company had 1,684 full time equivalent employees as at 30 June 2015, split by function and region as described in Table 3.8:

Table 3.8: Full time equivalent employees (as at 30 June 2015)

By function		By region	
Student Placement	638	Asia	1,342
IELTS	232	Australasia	65
English Language Teaching	154	Rest of World	113
Network management and other	547	Corporate	164
Corporate	113		
Total	1,684	Total	1,684

3.8 Growth strategy

The Company has an organic growth strategy designed to leverage past investment in its extensive global platform and capitalise on opportunities in the growing international student and high-stakes English language testing markets.

3.8.1 Student Placement

IDP Education's multi-destination strategy, which is described in Section 3.3.4, underpins the Company's growth strategy for the Student Placement business. The multi-destination strategy is an established source of growth. The Company has made substantial investments in establishing resources in the new destination countries since FY10 and expects to realise significant benefits in the future. The multi-destination strategy provides scalable growth opportunities given IDP Education's ability to leverage its existing established marketing platform in source countries. Specifically, growth is expected to be driven by:

- increasing numbers of students in source countries approaching IDP Education for assistance in applying for courses offered by IDP Education's client education institutions in the new destination countries (being the United States, the United Kingdom, Canada and New Zealand); and
- IDP Education entering into new student recruitment service agreements with client education institutions that IDP Education is targeting within the new destination countries.

In Australia, IDP Education is focussed on maintaining its strong market position and further strengthening its relationships with its client education institutions. IDP Education considers that it is well positioned to capitalise on the recent return to growth of international student enrolments in Australian institutions, as described in Section 2.4.1.1. IDP Education regularly assesses potential new source countries and expects to selectively and incrementally expand its source country presence over the medium term.

3.8.2 English Language Testing

IDP Education is focussed on working collaboratively with the British Council and Cambridge Assessment to further strengthen IELTS' market position in the large and growing high-stakes English language testing industry. Specifically, IDP Education intends to:

- alongside the British Council and Cambridge Assessment, enhance the reputation and brand presence of IELTS by pro-actively managing relationships with education institutions, government departments and other organisations that utilise high-stakes English language tests; and
- continue to promote the benefits of IELTS to international student candidates through its growing international Student Placement business.

IDP Education regularly assesses geographic expansion opportunities and expects to selectively and incrementally establish IELTS testing locations in countries where there is an existing presence and in new countries over the medium term in response to demand.

3.8.3 English Language Teaching

IDP Education intends to incrementally grow the profitability of its English Language Teaching business in its existing markets by carefully managing student volumes and course fees in each local market and by improving the competitive positioning of each school through targeted marketing programs.

04.
Financial Information



Financial Information

4.1 Introduction

This Section 4 contains a summary of the following historical and forecast financial information of IDP Education:

- statutory historical financial information of IDP Education, which comprises:
 - the statutory historical consolidated income statements of IDP Education for the financial years ended 30 June 2013 (FY13), 30 June 2014 (FY14) and 30 June 2015 (FY15);
 - the statutory historical consolidated net cash flow before financing of IDP Education for FY13, FY14 and FY15; and
 - the statutory historical consolidated balance sheet of IDP Education as at 30 June 2015 (together, the **Statutory Historical Financial Information**);
- pro forma historical financial information of IDP Education, which comprises:
 - the pro forma historical consolidated income statements of IDP Education for FY13, FY14 and FY15;
 - the pro forma historical consolidated net cash flow before financing of IDP Education for FY13, FY14 and FY15; and
 - the pro forma historical consolidated balance sheet of IDP Education as at 30 June 2015 (together, the **Pro Forma Historical Financial Information**);
- statutory forecast financial information of IDP Education, which comprises:
 - the statutory forecast consolidated income statement of IDP Education for the financial year ending 30 June 2016 (FY16); and
 - the statutory forecast consolidated net cash flow of IDP Education for FY16 (together, the **Statutory Forecast Financial Information**); and
- pro forma forecast financial information of IDP Education, which comprises:
 - the pro forma forecast consolidated income statement of IDP Education for FY16; and
 - the pro forma forecast consolidated net cash flow before financing of IDP Education for FY16 (together, the **Pro Forma Forecast Financial Information**).

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information together form the **Historical Financial Information**.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information together form the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information including an explanation of non-IFRS financial measures (refer to Section 4.2);
- the key operating and financial metrics of IDP Education (refer to Section 4.4);
- management discussion and analysis of the Pro Forma Historical Financial Information (refer to Section 4.9);
- the Directors' best estimate assumptions underlying the Forecast Financial Information (refer to Section 4.11);
- sensitivity analysis of the Forecast Financial Information to changes in certain key assumptions (refer to Section 4.12); and
- a summary of IDP Education's proposed dividend policy (refer to Section 4.14).

The Financial Information has been reviewed and reported on by Deloitte Corporate Finance Pty Limited, whose Investigating Accountant's Report is set out in Section 8.

All amounts disclosed in this Section 4 are presented in AUD and, unless otherwise noted, are rounded to the nearest \$0.1 million. All changes in year-on-year amounts are calculated using data that has not been adjusted for rounding.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), issued by the Australian Accounting Standards Board (AASB) and the summarised accounting policies adopted by IDP Education. Compliance with Australian Accounting Standards ensures that the Financial Information complies with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB).

The significant accounting policies of IDP Education are set out in Appendix A.1. These have been consistently applied for the financial years presented.

The Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Financial Information presented in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.2.2 Preparation of the Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from IDP Education's audited statutory consolidated financial statements for FY13, FY14 and FY15. The statutory consolidated financial statements of IDP Education for FY13, FY14 and FY15 were audited by Deloitte Touche Tohmatsu, which issued unmodified audit opinions in respect of each of those financial years.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus, and has been derived from the Statutory Historical Financial Information with pro forma adjustments made to reflect IDP Education's intended operating and capital structure following Completion of the Offer and to exclude certain non-recurring items as set out in Sections 4.5, 4.8 and 4.10.

The following statutory to pro forma reconciliations are contained within this Section 4:

- statutory historical consolidated income statements and pro forma historical consolidated income statements at the EBIT and NPAT levels (refer to Section 4.5);
- statutory historical consolidated net cash flows before financing and pro forma historical consolidated net cash flows before financing (refer to Section 4.8); and
- statutory historical consolidated balance sheet and pro forma historical consolidated balance sheet (refer to Section 4.10).

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors with due care and attention and based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions as set out in Section 4.11. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on IDP Education's actual financial performance or financial position.

Investors are advised to review the Forecast Financial Information and best estimate assumptions set out in Section 4.11, in conjunction with the sensitivity analysis set out in Section 4.12, the risk factors set out in Section 5 and other information set out in this Prospectus.

The Forecast Financial Information is presented on both a statutory and pro forma basis.

The Statutory Forecast Financial Information has been prepared on a basis consistent with how IDP Education's statutory financial statements are expected to be prepared for future financial periods. The Statutory Forecast

Financial Information for FY16 is the best estimate of the financial performance that the Directors expect to report in IDP Education's general purpose statutory consolidated financial report for FY16.

The Statutory Forecast Financial Information assumes Completion of the Offer will occur on 1 December 2015, and therefore only reflects a part year impact of IDP Education's intended operating and capital structure following Completion of the Offer.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information and has been adjusted to reflect the full year impact of the operating and capital structure that will be in place upon Completion of the Offer, excluding Offer costs and other non-recurring items that are not expected to occur in future periods. Refer to Sections 4.5 and 4.8 for reconciliations between the Pro Forma Forecast Financial Information and the Statutory Forecast Financial Information.

The basis of preparation and presentation of the Pro Forma Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation of the Pro Forma Historical Financial Information. IDP Education has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.4 Explanation of certain non-IFRS financial measures

IDP Education uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as **non-IFRS financial measures**. The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **Average Fee** is the global average fee revenue received by IDP Education for placing students or conducting English language tests (as the case requires). See also Table 4.2 for explanation of how these Average Fees are calculated;
- **Gross Profit** is calculated by deducting direct costs incurred in generating fees from revenue on both a total and product level basis;
- **EBITDA** is the earnings before interest, income tax, depreciation and amortisation; and
- **EBIT** is calculated by subtracting depreciation and amortisation from EBITDA. This is the principal measure that IDP Education management considers in assessing the operating performance of its business.

Although IDP Education believes that these measures provide useful information about the financial performance of IDP Education, they should be considered as supplemental to the measures calculated in accordance with Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way IDP Education calculates these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

4.3 Pro forma historical, pro forma forecast and statutory forecast consolidated income statements

Table 4.1 sets out a summary of IDP Education's pro forma historical consolidated income statements for FY13, FY14 and FY15 and the pro forma and statutory forecast consolidated income statements for FY16:

Table 4.1: Summary pro forma historical consolidated income statements from FY13 to FY15 and summary pro forma and statutory forecast consolidated income statements for FY16

\$ millions, June year end	Pro forma historical ¹			Pro forma forecast ²	Statutory forecast
	FY13	FY14	FY15	FY16	FY16
Total revenue	216.9	256.6	309.9	357.3	357.3
Direct costs	(107.9)	(124.8)	(157.0)	(174.1)	(174.1)
Overhead costs					
– Employee benefits expenses	(45.8)	(52.0)	(61.8)	(77.8)	(77.8)
– Occupancy expenses	(7.8)	(9.3)	(11.4)	(14.1)	(14.1)
– Promotion and publicity expenses	(6.4)	(7.5)	(9.1)	(10.5)	(10.5)
– Other expenses	(17.3)	(20.8)	(19.7)	(22.3)	(22.0)
Total expenses	(185.2)	(214.5)	(259.1)	(298.9)	(298.6)
Share of net profits/(losses) of joint ventures	0.2	0.2	(0.0)	0.0	0.0
EBITDA	31.9	42.4	50.7	58.4	58.7
Depreciation and amortisation	(6.4)	(6.9)	(6.6)	(7.9)	(7.9)
EBIT	25.5	35.5	44.1	50.5	50.8
Net interest income	0.1	0.1	0.1	0.1	0.1
Profit before tax	25.6	35.6	44.2	50.6	50.9
Income tax expense	(9.5)	(10.8)	(13.9)	(15.3)	(15.3)
NPAT	16.1	24.8	30.3	35.3	35.5

Notes:

1. The pro forma historical consolidated income statements for FY13, FY14 and FY15 are reconciled to the respective statutory historical consolidated income statements at the EBIT and NPAT levels for FY13, FY14 and FY15 in Section 4.5.
2. The pro forma forecast consolidated income statement for FY16 is reconciled to the statutory forecast consolidated income statement for FY16 in Section 4.5.

4.4 Key operating and financial metrics

Table 4.2 sets out a summary of IDP Education's pro forma historical key operating and financial metrics for the Student Placement and English Language Testing product categories for FY13, FY14 and FY15 and the pro forma forecast key operating and financial metrics for the Student Placement and English Language Testing product categories for FY16:

Table 4.2: Summary pro forma historical key operating and financial metrics from FY13 to FY15 and summary pro forma forecast key operating and financial metrics for FY16

June year end	Pro forma historical			Pro forma forecast
	FY13	FY14	FY15	FY16
Volumes (000s)				
Student Placement ¹	20.4	23.9	26.7	31.5
– Australia	19.2	21.4	22.5	24.5
– Multi-destination	1.2	2.5	4.2	7.0
English Language Testing ²	609.7	705.1	825.9	869.2
Average Fee (\$)				
Student Placement ³	2,331	2,398	2,602	2,679
– Australia	2,245	2,298	2,492	2,458
– Multi-destination	3,678	3,262	3,189	3,451

June year end	Pro forma historical			Pro forma forecast
	FY13	FY14	FY15	FY16
English Language Testing ⁴	244	250	258	277
Financial metrics				
Revenue growth		18.3%	20.7%	15.3%
EBITDA growth		32.9%	19.8%	15.2%
EBITDA margin	14.7%	16.5%	16.4%	16.4%
EBIT growth		39.3%	24.2%	14.5%
EBIT margin	11.8%	13.8%	14.2%	14.1%
NPAT growth		53.8%	22.2%	16.5%
NPAT margin	7.4%	9.7%	9.8%	9.9%

Notes:

1. Student Placement volumes represent the number of courses that IDP Education successfully places students at client education institutions in Australia (referred to in this Section 4 as **Australia**) or education institutions in the United States, the United Kingdom, Canada or New Zealand under its multi-destination strategy (referred to in this Section 4 as **Multi-destination**).
2. English Language Testing volumes represent the number of IELTS tests conducted by IDP Education.
3. The Average Fee for Student Placement 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.
4. 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.

4.5 Pro forma adjustments to the statutory historical and statutory forecast consolidated income statements

The pro forma historical and pro forma forecast consolidated income statements included in this Prospectus have been derived by applying certain pro forma adjustments to the statutory historical and statutory forecast consolidated income statements. These adjustments at an EBIT and NPAT level are summarised in Table 4.3:

Table 4.3: Pro forma adjustments to the statutory historical consolidated income statements from FY13 to FY15, and statutory forecast consolidated income statement for FY16

\$ millions, June year end	Historical			Forecast ⁵
	FY13	FY14	FY15	FY16
Statutory EBIT	31.0	38.6	45.2	50.8
Doubtful debt reversal ¹	(1.6)	(1.1)	–	–
Reversal of tax penalty provisions ²	(1.2)	–	–	–
Public company costs ³	(2.7)	(2.0)	(1.0)	(0.3)
Pro forma EBIT	25.5	35.5	44.1	50.5
Statutory NPAT	21.2	28.0	31.5	35.5
Doubtful debt reversal ¹	(1.1)	(0.8)	–	–
Reversal of tax penalty provisions ²	(1.2)	–	–	–
Public company costs ³	(2.3)	(1.7)	(0.7)	(0.2)
Net interest adjustment ⁴	(0.5)	(0.7)	(0.4)	–
Pro forma NPAT	16.1	24.8	30.3	35.3

Notes: The pro forma adjustments made to the Statutory Historical Financial Information and Statutory Forecast Financial Information of IDP Education are as follows:

- Doubtful debt reversal:** This adjustment reflects the progressive release of a provision for a doubtful debt relating to a third party IELTS operator in India in FY13 and FY14 following the recovery of the debt from a third party;
- Reversal of tax penalty provisions:** In FY12, a provision for \$1.2 million was raised for expected tax penalties on outstanding matters in Malaysia and Korea. These matters were successfully concluded in FY13, and accordingly this represents the reversal of this provision in FY13;
- Public company costs:** These represent IDP Education's estimate of the incremental costs that the Company will incur as a listed entity. These costs include increased non-executive Directors' remuneration, additional audit and legal costs, listing and registry fees, directors' and officers' insurance premiums as well as investor relations, company secretarial, annual general meeting and annual report costs. In addition, the adjustment includes the LTI plan cost (annual cost estimated at \$1.3 million, which has been adjusted for in the pro forma historical consolidated income statements, and included in the pro forma and statutory forecast consolidated income statements);
- Net interest adjustment:** This represents the adjustment to reflect pro forma net interest revenue based on the Company's forecast net cash profile and interest rates currently available to the Company in each relevant location and the Company's forecast repayment of debt drawn prior to Completion of the Offer from cash flow from operations in FY16; and
- Offer costs:** The Existing Shareholders have agreed to bear the costs of the Offer including all underwriting/Lead Managers' fees and all other adviser fees. These are therefore not reflected in the Forecast Financial Information. Refer to Section 7.1.2 for further detail.

Table 4.4 sets out the statutory historical consolidated income statements for FY13, FY14 and FY15 which have been reconciled in Table 4.3 to the pro forma historical consolidated income statements for FY13, FY14 and FY15:

Table 4.4: Statutory historical consolidated income statements from FY13 to FY15

\$ millions, June year end	Statutory historical		
	FY13	FY14	FY15
Total revenue	216.9	256.6	309.9
Direct costs	(106.3)	(123.7)	(157.0)
Overhead costs			
– Employee benefits expenses	(44.1)	(51.1)	(61.8)
– Occupancy expenses	(7.8)	(9.3)	(11.4)
– Promotion and publicity expenses	(6.4)	(7.5)	(9.1)
– Other expenses	(15.0)	(19.7)	(18.7)
Total expenses	(179.6)	(211.4)	(258.1)
Share of net profits/(losses) of joint ventures	0.2	0.2	(0.0)
EBITDA	37.4	45.4	51.8
Depreciation and amortisation	(6.4)	(6.9)	(6.6)
EBIT	31.0	38.6	45.2
Net interest income	0.8	1.2	0.7
Profit before tax	31.8	39.8	45.9
Income tax expense	(10.6)	(11.8)	(14.4)
NPAT	21.2	28.0	31.5

4.6 Summary geographic earnings

In accordance with AASB 8 Operating Segments, IDP Education has determined that its reporting segments comprise the geographic regions of:

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

These geographic segments are based on IDP Education's management reporting system and the way IDP Education management views the business. This reflects the basis on which the Company will prepare its statutory financial reporting in future periods.

Table 4.5 presents a breakdown of revenue and EBIT before corporate costs by these geographic segments, and total EBIT after corporate costs:

Table 4.5: Summary pro forma historical consolidated geographical revenue and EBIT pre corporate costs from FY13 to FY15, summary pro forma and statutory forecast consolidated geographical revenue and EBIT pre corporate costs for FY16, and total EBIT post corporate costs from FY13 to FY16:

\$ millions, June year end	Pro forma historical			Pro forma forecast	Statutory forecast
	FY13	FY14	FY15	FY16	FY16
Revenue					
Australasia	81.2	81.7	83.4	76.6	76.6
Asia	100.4	126.5	163.4	195.8	195.8
Rest of World	35.4	48.4	63.2	84.9	84.9
Total revenue	216.9	256.6	309.9	357.3	357.3
EBIT					
Australasia	26.8	26.5	24.9	22.2	22.2
Asia	30.4	39.9	46.8	56.6	56.6
Rest of World	7.1	10.8	12.1	16.2	16.2
Total EBIT pre corporate costs	64.3	77.2	83.8	95.0	95.0
Corporate costs	(38.8)	(41.7)	(39.7)	(44.5)	(44.2)
Total EBIT	25.5	35.5	44.1	50.5	50.8

4.7 Summary pro forma product revenue and Gross Profit

Table 4.6 presents a breakdown of revenue and Gross Profit by key products before corporate costs. For an explanation of the revenue and direct costs associated with each product category, please see Sections 4.9.1.1 and 4.9.1.2 respectively. See also the description of Gross Profit in Section 4.2.4.

Table 4.6: Summary pro forma historical consolidated revenue and Gross Profit by product from FY13 to FY15, and summary pro forma and statutory forecast consolidated revenue and Gross Profit by product for FY16

\$ millions, June year end	Pro forma historical			Pro forma forecast	Statutory forecast
	FY13	FY14	FY15	FY16	FY16
Revenue					
Student Placement	47.6	57.3	69.5	84.4	84.4
— Australia	43.1	49.2	56.1	60.2	60.2
— Multi-destination	4.5	8.1	13.4	24.2	24.2
English Language Testing	148.7	175.8	213.5	241.1	241.1
English Language Teaching	11.1	13.5	16.2	20.7	20.7
Other ¹	9.5	10.1	10.7	11.1	11.1
Total revenue	216.9	256.6	309.9	357.3	357.3

Table 4.6: Summary pro forma historical consolidated revenue and Gross Profit by product from FY13 to FY15, and summary pro forma and statutory forecast consolidated revenue and Gross Profit by product for FY16 (continued)

\$ millions, June year end	Pro forma historical			Pro forma forecast	Statutory forecast
	FY13	FY14	FY15	FY16	FY16
Gross Profit					
Student Placement	40.1	49.1	59.0	74.7	74.7
English Language Testing	57.8	70.4	80.5	93.3	93.3
English Language Teaching	7.6	9.3	11.0	13.5	13.5
Other ¹	3.5	2.9	2.2	1.7	1.7
Total Gross Profit	109.0	131.8	152.8	183.2	183.2

Note: 1. Other includes events associated with Student Placement, contracted activities for development programs initiated by government or semi-government bodies and other miscellaneous items.

4.8 Historical and forecast consolidated cash flows

Table 4.7 presents the pro forma historical consolidated net cash flow for FY13, FY14 and FY15 and the pro forma and statutory forecast consolidated net cash flow for FY16.

Table 4.7: Summary pro forma historical consolidated net cash flow from FY13 to FY15, and summary pro forma and statutory forecast consolidated net cash flow for FY16

\$ millions, June year end	Pro forma historical			Pro forma forecast	Statutory forecast
	FY13	FY14	FY15	FY16	FY16
EBITDA	31.9	42.4	50.7	58.4	58.7
Non-cash items	1.1	(2.4)	(0.7)	0.3	0.3
Change in working capital ¹	1.0	5.5	8.8	3.7	3.7
Income tax paid	1.8	(10.2)	(15.5)	(18.7)	(18.8)
Net interest received	0.1	0.1	0.1	0.1	0.1
Operating cash flow	35.9	35.4	43.4	43.8	44.0
Capital expenditure ²	(2.2)	(2.0)	(9.7)	(11.0)	(11.0)
Net cash flow before financing	33.7	33.4	33.7	32.8	33.0
Dividend payments ³					(48.0)
Net cash flow⁴					(15.0)

Notes:

1. Change in working capital comprises trade and other receivables, other current assets, trade and other payables, provisions and deferred revenue.
2. Capital expenditure primarily consists of expenditure on English Language Testing and Student Placement-related development projects, and the acquisition and/or replacement of leasehold fit outs and plant and equipment in the ordinary course of business. Forecast capital expenditure of \$11.0 million in FY16 includes the development projects relating to English Language Testing.
3. Dividend payments forecast in FY16 on a statutory basis include the FY15 year-end final dividend of \$18 million paid to Existing Shareholders in September 2015. The statutory forecast consolidated net cash flow also includes a special dividend of \$30 million payable to the Existing Shareholders prior to Completion of the Offer.
4. Financing activities during FY16 are intended to include drawdowns on the revolving facility to fund the payment of special dividends and operating expenses. The facility is forecast to be repaid in full prior to the end of FY16.

4.8.1 Pro forma adjustments to the statutory historical and forecast consolidated net cash flows

Table 4.8 below sets out the pro forma adjustments to the statutory historical consolidated net cash flow before financing and the statutory forecast consolidated net cash flow before financing. This reflects the full year impact of the operating and capital structure that will be in place following Completion of the Offer and eliminates certain non-recurring items.

Table 4.8: Pro forma adjustments to the statutory historical consolidated net cash flow before financing for FY13 to FY15, and the statutory forecast consolidated net cash flow before financing for FY16

\$ millions, June year end	Historical			Forecast
	FY13	FY14	FY15	FY16
Statutory net cash flow before financing	37.5	36.6	34.8	33.0
Doubtful debt reversal ¹	(1.6)	(1.1)	–	–
Public company costs ³	(2.7)	(2.0)	(0.8)	(0.3)
Net interest adjustment ⁴	(0.6)	(1.1)	(0.8)	–
Income tax impact from pro forma adjustments above	1.1	1.0	0.5	0.1
Pro forma net cash flow before financing	33.7	33.4	33.7	32.8

Note: Adjustments have been made to the statutory consolidated net cash flow before financing to present the information on a consistent basis with operating free cash flow after capital expenditure but before financing. For a description of the individual pro forma adjustments, refer to the notes below Table 4.3.

4.9 Management discussion and analysis of the Pro Forma Historical Financial Information

4.9.1 General factors affecting the operating results of IDP Education

This Section 4.9 sets out a discussion of the key factors which affected IDP Education's operating and financial performance during FY13, FY14 and FY15 and which IDP Education expects may continue to affect the Company's operating and financial performance over the period of the Forecast Financial Information.

The general matters discussed below are a summary only and do not represent all factors that affected the Company's historical operating and financial performance, nor everything that may affect its operating and financial performance over the forecast period. The information in this Section 4.9 should be read in conjunction with the risk factors set out in Section 5, the sensitivities set out in Section 4.12 and the other information contained in this Prospectus.

Investors should also consider the management discussion and analysis in respect of movements in foreign exchange rates and the impact of the movements in rates on IDP Education's performance over the historical period and the forecast rates for FY16 (refer to Section 4.10.4 for further information).

4.9.1.1 Revenue

Student Placement

IDP Education's Student Placement revenue is primarily generated by successfully placing students into courses conducted by its client education institutions in one of five destination countries (being Australia, the United States, the United Kingdom, Canada and New Zealand) and charging fees to those institutions. The diverse geographical spread of the Company's operations means that the drivers of revenue are varied and impacted by microeconomic and social factors in both source countries and destination countries. However, in broad terms, the primary drivers of Student Placement revenue are the number of students seeking to study internationally and the fees charged by IDP Education.

As described in Section 2.2, the key determinants of the number of students seeking to study internationally and the fees charged by IDP Education include, but are not limited to:

- economic growth, particularly in the world's emerging economies. This in turn drives household income levels and the capacity to pay for international higher education;
- perceived attractiveness of an international education which is in part driven by the relative availability and quality of domestic versus offshore education;
- tuition fees and exchange rates. Cost considerations can be important for students choosing between similar educational opportunities. Exchange rates are also important in assessing the cost of international education in a particular destination country; and

- immigration policy in the key destination countries. Visa regimes and immigration laws have a significant impact on student mobility. These are often driven by the policies of national governments in relation to the international education industry.

In addition, the perception of agents and the percentage of potential international students that use agent services rather than apply through other channels influence IDP Education's Student Placement revenue.

Student placement fees are recognised as revenue when student enrolments are confirmed, subject to the Company assessing that, based on the terms of the relevant contract and relevant past experience on student withdrawal rates, it is probable that the Company will be entitled to those fees. As a result, the recognition date can and does vary between markets depending on the maturity of the market and relevant factors such as availability of supporting data and other evidence used to assess probability of entitlement in the context of the relevant customer contract. These factors are reviewed regularly and where appropriate, the recognition date is updated. The Company is not entitled to fees for confirmed student enrolments that are subsequently withdrawn prior to a date specified in the relevant contract, typically the student census date. Accordingly, allowance provisions, where applicable, are established based on historical information for student withdrawals.

English Language Testing

IDP Education's English Language Testing revenue is generated from the distribution and administration of the IELTS test. IDP Education, its agents, licensees and service providers receive a fee from candidates taking the IELTS test. The primary drivers of revenue in English Language Testing are therefore the volume of tests administered and the fees charged by IDP Education, its agents, licensees and service providers for administering IELTS tests.

As described in Section 2, the key determinants of the above include but are not limited to:

- the growth of the use of the English language;
- migration flows into English speaking countries including international students;
- the number of people taking the IELTS test at a test location operated by IDP Education or its agents, licensees or service providers;
- the breadth and quality of organisations that recognise IELTS as an acceptable test of English language proficiency; and
- the fee charged by IDP Education or its third party agents, licensees or service providers.

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

English Language Teaching

IDP Education's English Language Teaching revenue is generated from students enrolling in English language courses at one of its schools in Cambodia, Vietnam or Thailand. Revenue is therefore primarily driven by the number of courses taken and the fees charged to the students for each course.

Revenue for English Language Teaching is generally recognised on a percentage of course completion basis.

Other revenue

Other revenue includes revenues in relation to events associated with Student Placement, contracted activities for developmental programs initiated by government or semi-government bodies and other miscellaneous revenue items.

4.9.1.2 Expenses

IDP Education's costs are typically categorised as either direct costs or overhead costs.

Direct costs

Student Placement – the direct costs in IDP Education's Student Placement business are:

- the commissions it pays to agents, licensees or services providers that source students on its behalf; and
- the OSCAR customer relationship management licence fee which IDP Education pays to a third party.

English Language Testing – the direct costs in IDP Education's English Language Testing business are:

- the fee paid to Cambridge Assessment for its role in IELTS (see Section 3.4.6); and
- the costs of the operation of IELTS testing centres, whether incurred directly by IDP Education or via a third party agent, licensee or service provider. For example, this includes the wages of invigilators, testers and examiners, as well as venue hire and administrative costs.

English Language Teaching – the direct costs IDP Education incurs in respect of its English Language Teaching business are primarily wages and expenses associated with teachers.

Overhead costs

IDP Education's overhead costs can be categorised as follows:

- employee benefits expenses – which relate to salaries, wages and employment-related costs of operational and management staff employed by IDP Education. These costs are primarily fixed with a commission based variable component;
- occupancy expenses – which relate to the rent payable on various office locations leased by IDP Education;
- promotion and publicity expenses – which include all costs associated with global and local marketing campaigns used by IDP Education to promote events and to increase awareness of the IDP Education and IELTS brands; and
- other expenses – which relate to communication, consultancy, travel and other general and administrative expenses.

4.9.1.3 Seasonality

IDP Education's total revenue and earnings currently show very little seasonality with a broadly even split between the first and second half of the financial year.

4.9.1.4 Working capital

IDP Education's cash flow and working capital management activities are focussed on ensuring that the Company's global operations have sufficient working capital to operate effectively while ensuring that excess cash is available for IDP Education to retain, redeploy or distribute to shareholders.

In the Company's Student Placement operations, the time at which IDP Education receives student placement fees varies depending on the destination country. For some destinations, the student placement fee is generally invoiced on receipt of a confirmation of enrolment provided by the relevant client education institution. IDP Education's payment terms for client education institutions typically require that the student placement fee be paid within 30 days. For other destination countries, IDP Education generally invoices its client education institutions for the student placement fee post census date when the student attendance has been confirmed.

As the revenue generated from IDP Education's Multi-destination strategy increases, the Company expects that the seasonality of the cash flow cycle is likely to change with higher cash inflows expected to occur in the third quarter of the financial year, being the period when cash is collected from its education institution clients following the main university and college commencement dates in the northern hemisphere.

A key element of IDP Education's working capital cycle and cash flow management is the payment, on a quarterly basis, of the fee to Cambridge Assessment for its role in IELTS (see Section 3.4.6). This payment is made in GBP which, among other factors, results in IDP Education being exposed to fluctuations in the AUD:GBP exchange rate. This is described in further detail in Section 3.4.5.

4.9.2 Pro forma historical consolidated income statements: FY14 compared to FY13

Table 4.9 sets out the summary pro forma historical consolidated income statements and selected key operating and financial metrics for FY13 and FY14.

Table 4.9: Summary pro forma historical consolidated income statements and selected key operating and financial metrics for FY14 compared to FY13

\$ millions, June year end	Pro forma historical		
	FY13	FY14	% change
Total revenue	216.9	256.6	18.3 %
Direct costs	(107.9)	(124.8)	15.7 %
Overhead costs			
– Employee benefits expenses	(45.8)	(52.0)	13.7 %
– Occupancy expenses	(7.8)	(9.3)	19.7 %
– Promotion and publicity expenses	(6.4)	(7.5)	17.3 %
– Other expenses	(17.3)	(20.8)	20.2 %
Total expenses	(185.2)	(214.5)	15.8 %
Share of net profits/(losses) of joint ventures	0.2	0.2	26.3 %
EBITDA	31.9	42.4	32.9 %
EBITDA margin	14.7%	16.5%	12.3 %
Depreciation and amortisation	(6.4)	(6.9)	7.2 %
EBIT	25.5	35.5	39.3 %
EBIT margin	11.8%	13.8%	17.7 %
NPAT	16.1	24.8	53.8 %
NPAT margin	7.4%	9.7%	30.0 %
Volumes (000s)			
Student Placement	20.4	23.9	17.0 %
– Australia	19.2	21.4	11.5 %
– Multi-destination	1.2	2.5	103.1 %
English Language Testing	609.7	705.1	15.6 %
Average Fee (\$)			
Student Placement	2,331	2,398	2.9 %
– Australia	2,245	2,298	2.4 %
– Multi-destination	3,678	3,262	(11.3)%
English Language Testing	244	250	2.2 %

Note: Please refer to the notes for Table 4.2 in Section 4.4 and Table 4.3 in Section 4.5.

4.9.2.1 Revenue

IDP Education's pro forma revenue increased 18.3% to \$256.6 million in FY14. The key drivers of this growth are as described:

Student Placement

Student Placement revenue increased 20.4% to \$57.3 million in FY14, as a result of Australian Student Placement revenue growth of 14.2% and Multi-destination Student Placement growth of 80.1%. The key drivers of the growth were:

- total Student Placement volume growth of 17.0% in FY14, inclusive of growth in both Australian Student Placement (11.5%) and Multi-destination (103.1%);
- Australian Student Placement volumes grew 11.5% in FY14 due primarily to increasing Asian market student numbers, in particular from China, Vietnam and India. Volume growth was also supported by Australian onshore revenues for the year. However, student volumes from the Middle East declined year on year due to political and economic instability in some of the Company's source countries in the region;
- growth in Multi-destination volumes was primarily derived from Asia, with India being the largest contributor to growth. China, Hong Kong and Thailand also posted a strong performance in FY14. Growth in the Rest of World was driven by a strong performance from the United Arab Emirates where the United States and UK were popular destination markets; and
- the Average Fee for Student Placements in FY14 increased 2.9%, reflecting the general increase in tuition fees over the period.

English Language Testing

English Language Testing revenue increased 18.2% to \$175.8 million in FY14, driven primarily by a combination of increases in volumes and the average IELTS test fee of 15.6% and 2.2% respectively. In particular, it is noted that:

- FY14 English Language Testing volume growth was underpinned by demand in Asia where India, Vietnam and Hong Kong all recorded volume growth above 20%. The Rest of World also grew strongly with Canada, Saudi Arabia, Iran and the United Arab Emirates delivering strong results. Volumes in Australasia were broadly flat year on year; and
- the average IELTS test fee payable by candidates for sitting the test in FY14 increased 2.2% as a result of changes in the fee for sitting the test in certain countries and foreign exchange impacts.

English Language Teaching

English Language Teaching revenue increased 21.9% to \$13.5 million in FY14, with approximately half of that growth attributable to increases in course volumes, and the remainder as a result of foreign exchange movements.

4.9.2.2 Expenses

The key drivers of the various expense items in FY14 relative to FY13 are described below. Direct costs increased 15.7% to \$124.8 million in FY14 due to a combination of:

- the growth in English Language Testing revenue of 18.2%, with the difference reflective of foreign exchange impacts (mainly due to AUD:GBP). Approximately 85% of IDP Education's total FY14 direct costs were attributable to English Language Testing, being the fee payable to Cambridge Assessment for its role in IELTS and the costs of test day operations;
- direct costs for Student Placement, relating to the OSCAR client relationship management system licence costs and commissions paid to licensees and agents, and estimated at 14.3% of Student Placement revenue in FY14. These grew in FY14 as a result of the growth in Student Placement volumes and the Average Fee for Student Placements; and
- direct costs related to English Language Teaching, which accounted for 3.3% of the total direct costs.

As a percentage of total revenue, overhead costs declined from 35.6% in FY13 to approximately 35.0% in FY14.

The increase in overhead costs by 16.0% to \$89.7 million includes:

- employee benefits expenses increased 13.7% to \$52.0 million. This increase was primarily due to the additional headcount taken on in FY14 and the annualised impact of FY13 headcount increases to support the expansion of Multi-destination Student Placement;
- occupancy expenses increased 19.7% to \$9.3 million. The majority of the increase was as a result of office expansion and relocation in Indonesia and India during FY14;
- promotion and publicity expenses increased 17.3% to \$7.5 million; and
- other expenses increased 20.2% to \$20.8 million in FY14. The \$1.1 million cost of an English Language Testing project accounted for a large part of the increase.

4.9.2.3 Income tax

The effective tax rate for FY14 was 30.3%, which was lower than the 37.0% recorded in FY13 due to additional income tax expense of \$1.6 million in FY13 related to prior year Australian and Vietnam tax return amendments.

4.9.3 Pro forma consolidated cash flows: FY14 compared to FY13

Table 4.10 sets out the summary pro forma historical consolidated net cash flows for FY13 and FY14.

Table 4.10: Summary pro forma historical consolidated net cash flow for FY14 compared to FY13

\$ millions, June year end	Pro forma historical		
	FY13	FY14	% change
EBITDA	31.9	42.4	32.9 %
Non-cash items	1.1	(2.4)	(321.2)%
Change in working capital	1.0	5.5	452.0%
Income tax (paid)/received	1.8	(10.2)	(664.2)%
Net interest received	0.1	0.1	–
Operating cash flow	35.9	35.4	(1.3)%
Capital expenditure	(2.2)	(2.0)	(9.3)%
Net cash flow before financing	33.7	33.4	(0.8)%

IDP Education's comparative cash flows for FY13 and FY14 were influenced by:

- EBITDA increasing from \$31.9 million in FY13 to \$42.4 million in FY14;
- an increase in cash collected in advance of service delivery corresponding with the underlying growth in the business. IDP Education is in a net negative working capital position (i.e. working capital liabilities typically exceed working capital assets due to billings and collections on English Language Testing in advance); and
- tax cash flows during FY13 benefitting from a research and development tax concession claim in relation to the OSCAR system. During FY14, IDP Education returned to regular corporate income tax installments and tax payments.

4.9.4 Pro forma consolidated income statements: FY15 compared to FY14

Table 4.11 sets out the summary pro forma historical consolidated income statements and selected key operating and financial metrics for FY14 and FY15:

Table 4.11: Summary pro forma historical consolidated income statements and selected key operating and financial metrics for FY15 compared to FY14

\$ millions, June year end	Pro forma historical		
	FY14	FY15	% change
Total revenue	256.6	309.9	20.7 %
Direct costs	(124.8)	(157.0)	25.8 %
Overhead costs			
– Employee benefits expenses	(52.0)	(61.8)	18.9 %
– Occupancy expenses	(9.3)	(11.4)	22.0 %
– Promotion and publicity expenses	(7.5)	(9.1)	21.7 %
– Other expenses	(20.8)	(19.7)	(5.4)%
Total expenses	(214.5)	(259.1)	20.8 %
Share of net profits/(losses) of joint ventures	0.2	(0.0)	(117.3)%
EBITDA	42.4	50.7	19.8 %
EBITDA margin	16.5%	16.4%	(0.8)%
Depreciation and amortisation	(6.9)	(6.6)	(3.3)%
EBIT	35.5	44.1	24.2 %
EBIT margin	13.8%	14.2%	2.9 %
NPAT	24.8	30.3	22.2 %
NPAT margin	9.7%	9.8%	1.2 %
Volumes (000s)			
Student Placement	23.9	26.7	11.7 %
– Australia	21.4	22.5	5.1 %
– Multi-destination	2.5	4.2	68.6 %
English Language Testing	705.1	825.9	17.1 %
Average Fee (\$)			
Student Placement	2,398	2,602	8.5 %
– Australia	2,298	2,492	8.4 %
– Multi-destination	3,262	3,189	(2.2)%
English Language Testing	250	258	3.6 %

Note: Please refer to the notes for Table 4.2 in Section 4.4 and Table 4.3 in Section 4.5.

4.9.4.1 Revenue

IDP Education's pro forma revenue increased 20.7% to \$309.9 million in FY15. The key drivers of this growth are described:

Student Placement

Student Placement revenue increased 21.2% to \$69.5 million in FY15, reflecting a combination of Australian Student Placement growth of 14.0% and Multi-destination Student Placement growth of 64.9%. The key drivers of the growth were:

- total Student Placement volume growth of 11.7% in FY15, reflecting a combination of Australian Student Placement and Multi-destination volume growth of 5.1% and 68.6% respectively;
- growth in Australian Student Placement volumes, primarily due to increasing student numbers from Asian markets, with China and India the key growth countries, along with solid growth from "onshore" Australia (being those students already in Australia and being placed into another course);
- growth in Multi-destination volumes, primarily derived from Asia, with India and China the key drivers with other countries such as Hong Kong, and Vietnam also contributing strong volume increases. The Rest of World also performed strongly with Oman, the United Arab Emirates and Saudi Arabia the largest contributors; and
- the Average Fee for Student Placement in FY15 increased 8.5%, reflecting a general increase in tuition fees, a mix shift in the type of courses enrolled, increased revenue in China (where the students also pay a fee) and an increased contribution from Multi-destination where the average fee is currently higher in AUD driven by the current exchange rates.

English Language Testing

English Language Testing revenue increased 21.5% to \$213.5 million in FY15, with volume increases of 17.1% and an increase in the average IELTS test fee of 3.6% being the primary drivers of the growth, as explained below:

- growth in English Language Testing volumes in FY15 was 17.1%. In Asia, volume growth was underpinned by strong performance from India with Indonesia, Philippines and Vietnam also recording above average growth rates. The Middle East also recorded very strong growth with the United Arab Emirates, Turkey, Pakistan and Iran underpinning the volume growth. Australasian volumes were flat reflecting the relative maturity of the market and increased competition;
- from a regulatory perspective, the introduction in January 2015 by the Canadian Government of a new visa program aimed at increasing migration into Canada stimulated demand for additional IELTS testing, particularly in India; and
- the average IELTS test fee payable by candidates for sitting the test in FY15 increased 3.6% as a result of test fee increases in a small number of countries during the year as well as foreign exchange impacts.

English Language Teaching

English Language Teaching revenue increased 20.0% to \$16.2 million in FY15, driven primarily by a half year contribution from the fourth Cambodian campus in Phnom Penh, which opened in December 2014 as well as the positive foreign currency impact of a weaker AUD against the USD.

4.9.4.2 Expenses

The key drivers of the various expense items in FY15 relative to FY14 are described below. Direct costs increased 25.8% to \$157.0 million in FY15 including:

- approximately 84.7% of IDP Education's total direct costs in FY15 were attributable to English Language Testing. These costs include the fee payable to Cambridge Assessment for its role in IELTS and the costs of test day operations across the IDP Education network. The increase in direct costs during FY15 primarily reflected the increased English Language Testing volumes along with the impact of a weaker AUD against the GBP which increased the fee payable to Cambridge Assessment in AUD terms.
- direct costs for Student Placement, which relate to the licence costs of the OSCAR client relationship management system and commissions paid to licensees and agents, which were 15.0% of Student Placement revenue in FY15, an increase from 14.3% in FY14; and
- direct costs related to English Language Teaching accounted for 3.3% of the total direct cost consistent with FY14.

Overhead costs increased 13.8% to \$102.1 million in FY15, with the key drivers explained below:

- employee benefits expenses increased 18.9% to \$61.8 million in FY15. This increase was due to the staff costs associated with the addition of five new student placement offices in India along with the general increases in wages;
- occupancy expenses increased 22.0% to \$11.4 million in FY15, with the office expansion in India, the new campus in Phnom Penh and general rental increases driving the majority of that increase;
- promotion and publicity expenses increased 21.7% to \$9.1 million in FY15; and
- other expenses in FY15 decreased 5.4% to \$19.7 million in FY15. This included travel expenses, consultant fees, administration expenses, communication expenses and IT expenses.

4.9.4.3 Income tax

The effective tax rate for FY15 was 31.4% which was a slight increase on the 30.3% recorded in FY14 due to an increase in Australian taxable 'Controlled Foreign Corporations' income in FY15.

4.9.5 Pro forma consolidated cash flows: FY15 compared to FY14

Table 4.12 sets out the summary pro forma historical consolidated net cash flows for FY14 and FY15.

Table 4.12: Summary pro forma historical consolidated net cash flow for FY15 compared to FY14

\$ millions, June year end	Pro forma historical		
	FY14	FY15	% change
EBITDA	42.4	50.7	19.8%
Non-cash items	(2.4)	(0.7)	(70.8%)
Change in working capital	5.6	8.7	57.1%
Income tax (paid)/received	(10.2)	(15.5)	52.8%
Net interest received	0.1	0.1	–
Operating cash flow	35.4	43.4	22.5%
Capital expenditure	(2.0)	(9.7)	377.2%
Net cash flow before financing	33.4	33.7	1.0%

IDP Education's comparative cash flows for the financial years FY14 and FY15 were influenced by:

- EBITDA increasing from \$42.4 million in FY14 to \$50.7 million in FY15, resulting in an increase in cash received from operating activities;
- continued increase in cash collections in advance of service delivery corresponding with the underlying growth in the business. IDP Education is in a net negative working capital position (i.e. working capital liabilities typically exceed working capital assets due to billings and collections on English Language Testing in advance);
- income tax paid increasing from \$10.2 million in FY14 to \$15.5 million in FY15, as a result of increased profitability in FY15; and
- capital expenditure increasing from \$2.0 million in FY14 to \$9.7 million in FY15, as a result of project costs and a business acquisition. The acquisition was a small China based Student Placement agent which was acquired for \$2.2 million with an additional contingent payment of up to \$2.8 million payable in August 2016. This acquired business specialises in placing students to UK universities and had 11 offices across China.

4.10 Balance sheet information

4.10.1 Pro forma historical consolidated balance sheet

Details of the pro forma adjustments to the statutory historical consolidated balance sheet as at 30 June 2015 are set out in the notes to Table 4.13. The pro forma historical consolidated balance sheet is provided for illustrative purposes and is not intended to be representative of IDP Education's view on its future financial position. Further information on the sources and uses of funds of the Offer can be found in Section 7.1.2.

The pro forma historical consolidated balance sheet as at 30 June 2015 in Table 4.13 is based on the statutory historical consolidated balance sheet as at 30 June 2015, adjusted for certain pro forma adjustments to reflect the impact of the Offer and the change in capital structure that will take place as part of the Offer, as if it was in place at 30 June 2015.

Table 4.13: Pro forma historical consolidated balance sheet as at 30 June 2015

\$ millions, 30 June 2015	Statutory	Adjustments	Pro forma
Assets			
Current assets			
Cash and cash equivalents ¹	51.2	(36.0)	15.2
Trade and other receivables	28.0	–	28.0
Derivative financial instruments	6.0	–	6.0
Other ²	10.9	(2.0)	8.9
Total current assets	96.1	(38.0)	58.1
Non-current assets			
Property, plant and equipment	8.5	–	8.5
Intangibles ³	56.8	–	56.8
Other	3.9	–	3.9
Total non-current assets	69.2	–	69.2
Total assets	165.3	(38.0)	127.3
Liabilities			
Current liabilities			
Trade and other payables	39.1	–	39.1
Deferred revenue	15.3	–	15.3
Current tax liabilities	8.8	–	8.8
Provisions	4.2	–	4.2
Derivative financial instruments	0.2	–	0.2
Borrowings ⁴	–	10.0	10.0
Total current liabilities	67.6	10.0	77.6
Non-current liabilities			
Trade and other payables	1.1	–	1.1
Provisions	2.4	–	2.4
Financial liabilities	2.8	–	2.8
Total non-current liabilities	6.3	–	6.3
Total liabilities	73.9	10.0	83.9
Net assets	91.4	(48.0)	43.4
Equity			
Issued capital	27.4	–	27.4
Reserves	1.0	–	1.0
Retained earnings ⁵	63.0	(48.0)	15.0
Total equity	91.4	(48.0)	43.4

Notes:

- The **cash and cash equivalents** adjustment of \$36.0 million reflects:
 - the payment of the FY15 final dividend (\$18.0 million) and the special dividend (\$30.0 million) in the period between 30 June 2015 and Completion of the Offer;
 - the receipt from the Existing Shareholders of \$2.0 million in settlement of the Offer-related transaction costs incurred by the Company (excluding fees payable to the underwriters); and
 - the receipt of \$10.0 million drawn down from the Company's debt facilities prior to Completion of the Offer.
- The **other current assets adjustment** reflects the elimination of the receivable of \$2.0 million in the audited consolidated historical balance sheet as at 30 June 2015 for the reimbursement of the Offer-related transaction costs.
- The **intangibles** balance at 30 June 2015 includes contracts for English language testing (\$35.2 million) acquired in September 2006 and recognised at their fair value at the date of acquisition, and goodwill (\$13.2 million) generated on business acquisitions. These are tested for impairment on an annual basis. Other intangibles include amortising software, student placement licence and trade names.
- The **borrowings** adjustment of \$10.0 million reflects the drawing down of \$10.0 million in cash from the Company's debt facilities prior to Completion of the Offer in connection with the payment of the dividends as noted.
- The **retained earnings** adjustment reflects the payment of the following dividends to the Existing Shareholders in the period between 30 June 2015 and Completion of the Offer:
 - a final dividend of \$18.0 million in relation to FY15; and
 - the payment of a special dividend of \$30.0 million.

The Directors believe that IDP Education will have sufficient working capital to carry out its stated objectives in the forecast period to 30 June 2016.

4.10.2 Indebtedness

Table 4.14 sets out the net indebtedness of the Company as at 30 June 2015 before the Offer based on the audited statutory consolidated financial statements and pro forma net indebtedness following Completion of the Offer.

Table 4.14: Statutory and pro forma historical consolidated indebtedness

\$ millions	June 2015 Statutory	November 2015 (pro forma following Completion of the Offer)
Cash and cash equivalents ¹	51.2	15.2
Current borrowings	–	(10.0)
Non-current borrowings	–	–
Net total cash/(indebtedness)	51.2	5.2

Notes:

- Pro forma net cash position decreases by \$46.0 million as a result of the payment of dividends to the Existing Shareholders post 30 June 2015 but prior to Completion of the Offer (\$48.0 million), offset by collection of Offer-related costs from the Existing Shareholders (\$2.0 million).

4.10.2.1 Description of the debt facilities

IDP Education entered into a facility agreement with National Australia Bank Limited (**Lender**) on 3 December 2013 under which revolving facilities have been provided since that date. Under that facility agreement, the Lender will make available an aggregate amount of \$20 million in the period up to 30 June 2016, reducing to \$10 million from 1 July 2016 until the facility expiry date of 31 December 2016. Drawings under the facility may be made in AUD. The interest rate under the facility will be a variable rate based on the Bank Bill Swap Rate (BBSY) plus a margin.

The facility agreement contains certain undertakings, including financial undertakings which are tested at financial year end and the end of each quarter. IDP Education expects to remain in compliance with these undertakings during FY16.

4.10.3 Sources of liquidity and capital

Following Completion of the Offer, IDP Education's principal source of funds will be the cash generated from operations, supplemented with cash on hand and borrowings under the bank facilities as described in Section 4.10.2.1.

IDP Education expects that it will have sufficient cash flow from operations to meet its operational requirements and business needs during FY16. IDP Education expects that its operating cash flow, together with its cash on hand and borrowings under the facility agreement referred to in Section 4.10.2.1, will position the Company to grow its business as contemplated in the Forecast Financial Information.

4.10.4 Foreign currency risk management

IDP Education currently earns revenues and incurs expenses in approximately 45 currencies and as a result is exposed to movements in foreign exchange rates. This Section 4.10.4 describes the nature and extent of IDP Education's foreign currency exposures and the Company's approach to foreign currency risk management, which is designed to mitigate the risk of material movements.

This Section 4.10.4 also illustrates the impact that the assumed movements in foreign exchange rates in FY16 have on the Forecast Financial Information by separating the impact of foreign exchange rate movements from underlying operational growth.

4.10.4.1 Foreign currency exposures

IDP Education's most significant individual foreign currency exposure is to GBP, mainly due to the quarterly fee paid to Cambridge Assessment for its role in IELTS which is denominated in GBP (refer to Section 3.4.6 for further information).

The other main currency exposures are to the USD, SGD, HKD, CAD, CNY, INR and VND.

The main ways in which IDP Education's revenue and costs are impacted by foreign currency exchange rates are described:

Student Placement

Student Placement revenue is predominantly derived in the currency of the destination country which results in revenue being received in AUD, GBP, USD, CAD and NZD. The majority of Student Placement revenue is currently received in AUD. The contribution from other destination countries is smaller, although this is expected to increase in the future in line with forecast growth from the Multi-destination strategy.

In China, students may also pay a fee in local currency (CNY) directly to agents of IDP Education which partially funds CNY expenses across IDP Education's Student Placement activities in China (refer to Section 3.4.5).

The majority of the costs incurred in relation to Student Placement are denominated in the currency of the country from where the student is sourced.

English Language Testing

English Language Testing revenue is primarily denominated in the currency of the country where the testing occurs. However, where test centres are operated by third parties, IDP Education receives its fee in AUD, GBP, USD or EUR. The fee IDP Education receives from the British Council for the testing it conducts in China is denominated in GBP.

The quarterly fee paid by IDP Education to Cambridge Assessment for its role in IELTS is denominated in GBP. This represents the largest individual foreign currency exposure of IDP Education.

The other costs of English Language Testing are primarily incurred in the currency of the country where the testing occurs.

Other revenues and costs

English Language Teaching revenues and costs are denominated in either the currency of the country where English language schools are located (being Vietnam, Cambodia and Thailand) or USD.

Corporate costs are incurred in the currency of the country in which they are incurred, which is primarily in AUD. Corporate costs also include amounts paid in GBP, USD and CAD for the operations of the Student Placement client relations teams in the United Kingdom, the United States and Canada.

4.10.4.2 Foreign currency exchange rate management policy

IDP Education utilises a variety of methods to manage its foreign currency exchange rate risk. The key method is the use of forward exchange contracts and currency option contracts. IDP Education's hedging policy 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 currencies currently covered by the hedging strategy are GBP, USD, SGD, HKD, CAD, CNY and INR.

The Company's current policy is to put hedges in place 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).

In line with this hedging policy, forward exchange contracts and currency option contracts have been entered into to cover 100% of the forecast cash operating expenses (net of any forecast cash receipts) for FY16 for the currencies covered by the hedging policy. Where the forecast cash receipts exceed the forecast cash operating expenses for the same currency, IDP Education does not take a hedge to cover the position (e.g. the USD exposures were not hedged for FY13 to FY16 and the CAD exposures were not hedged for FY16).

IDP Education's foreign currency hedge rates for FY13, FY14, FY15 and FY16 are shown in Table 4.15:

Table 4.15: Foreign currency hedge rates

Currency	FY13 AUD Hedge rate	FY14 AUD Hedge rate	FY15 AUD Hedge rate	FY16 AUD Hedge rate
GBP	0.6270	0.6482	0.5543	0.5445
INR	48.4900	59.2400	60.6317	51.1800
CNY	6.1683	6.4238	5.4083	5.0312
HKD	7.9365	7.5581	6.7830	6.3404
SGD	1.1834	1.2214	1.1066	1.0597
CAD	1.0654	1.0013	0.9412	–
USD	–	–	–	–

The actual FY13, FY14 and FY15 and forecast FY16 foreign currency exchange rates for IDP Education's most commonly traded currencies are shown in Table 4.16:

Table 4.16: Actual and forecast foreign currency exchange rates

Currency	FY13 AUD Actual rate	FY14 AUD Actual rate	FY15 AUD Actual rate	FY16 AUD Forecast rate
GBP	0.6575	0.5699	0.5353	0.5285
INR	56.4006	56.3266	52.3774	50.3732
USD	1.0315	0.9189	0.8504	0.7294
CNY	6.4926	5.6497	5.2237	4.9295
VND	21,732.1	19,516.0	18,157.6	15,835.0
HKD	8.0006	7.1271	6.5936	6.2052
SGD	1.2797	1.1586	1.1056	1.0504
CAD	1.0359	0.9795	0.9826	0.9393

In Table 4.15 and Table 4.16, each FY13, FY14 and FY15 rate comprises an average of the actual monthly rates in FY13, FY14 and FY15 respectively. The FY16 hedge rates in Table 4.15 are comprised of actual average monthly hedge rates, whereas the FY16 forecast rates in Table 4.16 are comprised of actual average monthly rates for the three months ended 30 September 2015 and the average monthly forecast rates for the nine months ending 30 June 2016. The FY16 forecast foreign exchange rates in Table 4.15 and Table 4.16 have been used by IDP Education in preparing the Forecast Financial Information.

4.10.4.3 Estimated impact of foreign exchange rate movements on the Financial Information

Set out below is an analysis of the estimated impact of the year-on-year movements in foreign currency exchange rates on the Financial Information. The analysis illustrates the movements in pro forma revenues and NPAT from FY13 to FY14, FY14 to FY15 and FY15 to FY16.

Care should be taken in interpreting this analysis. The estimated impact of foreign currency exchange rate movements has been calculated based on a set of estimates and assumptions regarding average foreign currency exchange rates from period to period (including those specified in Table 4.15 and Table 4.16). These estimates and assumptions have been made in isolation of other assumptions regarding the Company's performance, in order to illustrate the estimated impact of foreign currency exchange rate movements on the Historical Financial Information and Forecast Financial Information. The analysis set out below is not intended to be indicative of the actual impact that will be experienced, which may be substantially different.

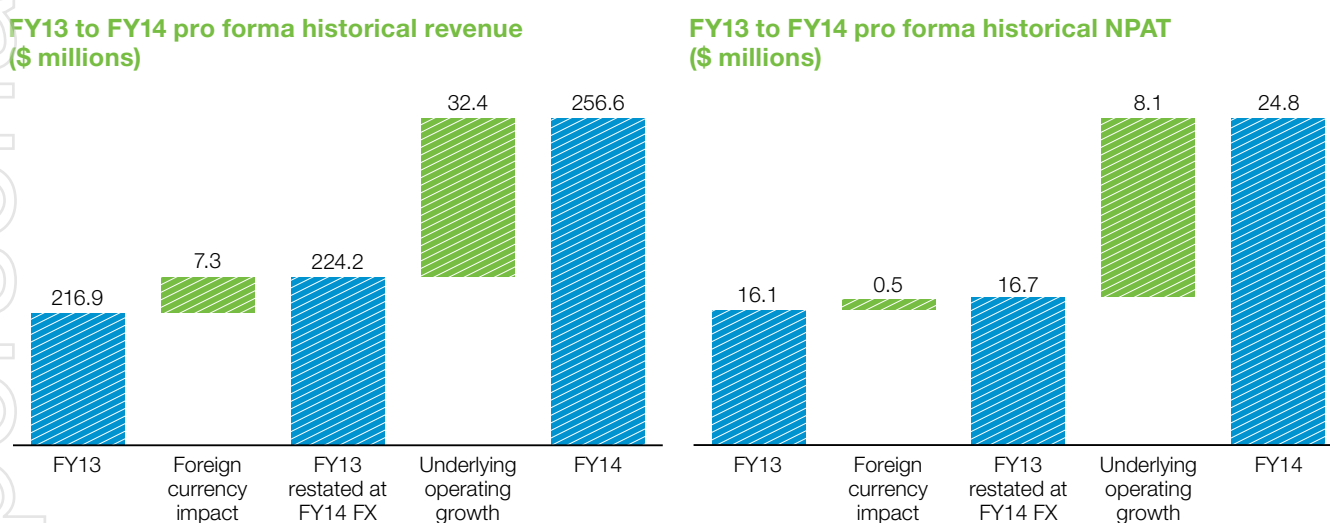
FY14 foreign currency exchange rate impact

To illustrate the estimated impact of foreign currency exchange rate movements on FY14 Pro Forma Historical Financial Information, IDP Education has restated its pro forma historical revenue and pro forma historical NPAT for FY13 using the foreign exchange rates that were recorded in FY14.

Figure 4.1 summarises this analysis which illustrates that if the foreign exchange rates used to derive the Pro Forma Historical Financial Information for FY14 are used to restate IDP Education's pro forma historical revenue and pro forma historical NPAT for FY13:

- pro forma historical revenue in FY13 would be approximately \$7.3 million higher; and
- pro forma historical NPAT in FY13 would be approximately \$0.5 million higher.

Figure 4.1: Analysis of estimated foreign currency exchange rate impact on FY13 pro forma historical revenue and NPAT



FY15 foreign currency exchange rate impact

To illustrate the estimated impact of foreign currency exchange rate movements on FY15 Pro Forma Historical Financial Information, IDP Education has restated its pro forma historical revenue and pro forma historical NPAT for FY14 using the foreign exchange rates that were recorded in FY15.

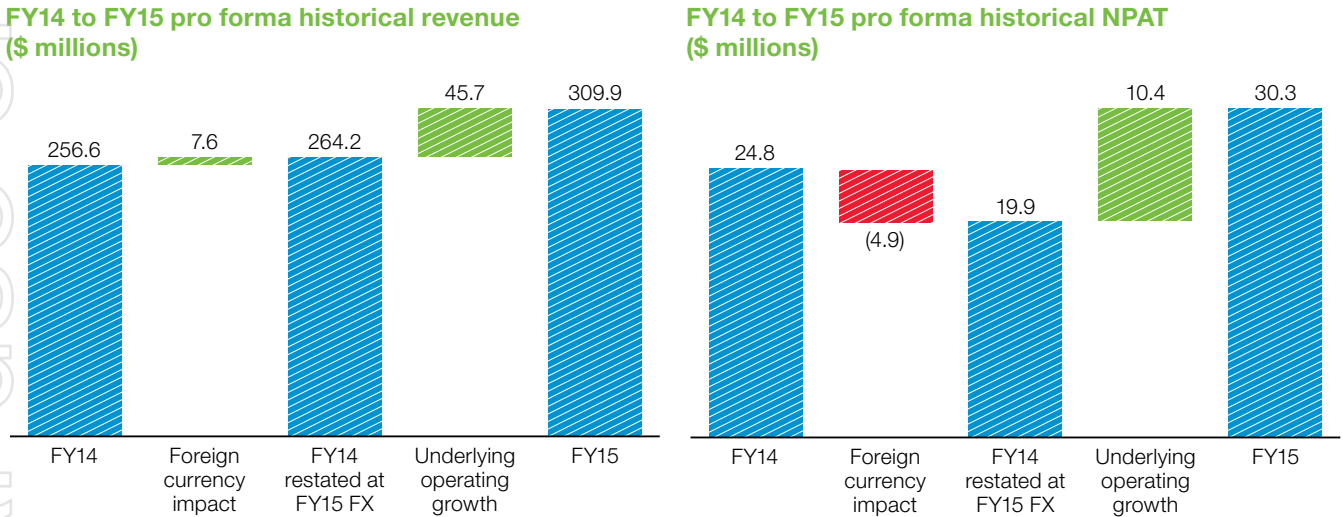
Figure 4.2 summarises this analysis by showing the estimated impact of foreign currency exchange rate movements on pro forma historical revenue and pro forma historical NPAT between FY14 and FY15.

As shown in Table 4.15, IDP Education experienced a decrease of approximately 14.5% in its average GBP hedge rate as compared to FY14, as well as significant decreases in the AUD exchange rates against the other major currencies. The FY15 decrease in the average GBP hedge rate increased the AUD costs of the English Language Testing, primarily via the fee paid to Cambridge Assessment for its role in IELTS, which is paid in GBP.

Figure 4.2 illustrates that if the foreign exchange rates used to derive the Pro Forma Historical Financial Information for FY15 are used to restate IDP Education’s pro forma historical revenue and pro forma historical NPAT for FY14:

- FY14 pro forma historical revenue would be approximately \$7.6 million higher; and
- FY14 pro forma historical NPAT would be approximately \$4.9 million lower.

Figure 4.2: Analysis of estimated foreign currency exchange rate impact on FY14 pro forma historical revenue and NPAT



FY16 estimated foreign currency exchange rate impact

To illustrate the estimated impact of foreign currency exchange rate movements on FY16 Pro Forma Forecast Financial Information, IDP Education has restated its pro forma historical revenue and pro forma historical NPAT for FY15 as set out in Section 4.3 using the foreign exchange rates used to derive the Forecast Financial Information for FY16.

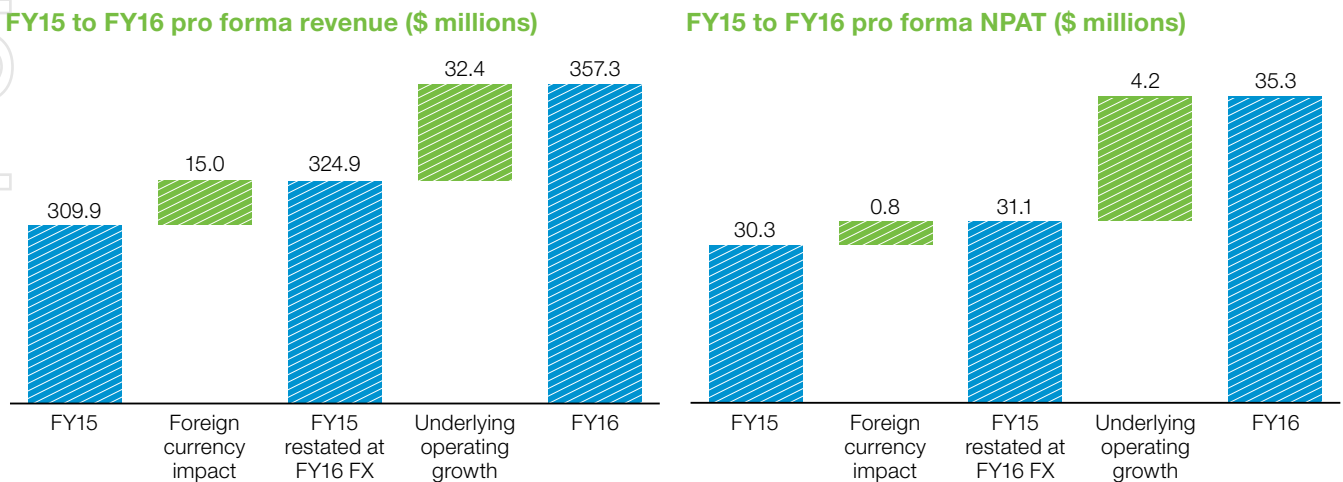
Figure 4.3 summarises this analysis by showing the estimated impact of foreign currency exchange rate movements on pro forma revenue and pro forma NPAT between FY15 and FY16.

As shown in Table 4.15 and Table 4.16, FY16 assumes a generally weaker AUD relative to FY15, which has the effect of increasing AUD revenue, but the GBP hedge reduces the foreign currency exchange rate impact on AUD costs of the English Language Testing business, which is IDP Education’s largest foreign currency cost.

Figure 4.3 illustrates that if the foreign exchange rates used to derive the Forecast Financial Information for FY16 are used to restate IDP Education’s pro forma historical revenue and pro forma historical NPAT for FY15:

- FY15 pro forma historical revenue would be approximately \$15.0 million higher; and
- FY15 pro forma historical NPAT would be approximately \$0.8 million higher.

Figure 4.3: Analysis of estimated foreign currency exchange rate impact on FY15 pro forma forecast revenue and NPAT



4.10.5 Lease commitments

The majority of IDP Education's lease commitments relate to commitments for its schools and offices globally. IDP Education's operating lease commitments are set out in Table 4.17:

Table 4.17: Lease commitments as at 30 June 2015

\$ millions	As at 30 June 2015
Not later than one year	6.5
Later than one year and not later than five years	9.2
Later than five years	3.4
Total	19.1

4.11 Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by IDP Education, which are in accordance with the Australian Accounting Standards, and which are disclosed in Appendix A.1. It is assumed that there will be no changes to Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on IDP Education's accounting policies during FY16.

The Forecast Financial Information is based on a number of best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, IDP Education has undertaken an analysis of historical performance and applied assumptions where appropriate across each of the geographic segments by business to predict future performance for FY16. IDP Education believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.11.1.

However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of IDP Education and its Directors, and are not reliably predictable. As such actual results are likely to vary from those forecasts and any variation may be materially positive or negative.

Accordingly, none of IDP Education, its Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.12, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8.

4.11.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted:

- no material change in the competitive environment in which IDP Education operates;
- no significant deviation from current market expectations of global or Australian economic conditions relevant to the education industry;
- no material changes in Commonwealth, state or local government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosure of IDP Education;
- no material changes in government regulation or policy (both domestic and foreign) relating to migration regimes;
- no material changes in key personnel including Key Management Personnel, and IDP Education maintains its ability to recruit and retain the standard of personnel required to support the Company's businesses and future growth;
- no significant interruptions are experienced in relation to the technology platform or websites utilised by IDP Education;

- no material changes in applicable Australian Accounting Standards or other mandatory professional reporting requirements of the Corporations Act which have a material effect on IDP Education's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosure;
- no material industry disturbances, environmental costs, contingent liabilities or legal claims will arise or are settled to the detriment of IDP Education;
- no material income statement, cash flow or financial position impact in relation to contingent liabilities, legal claims or litigation (existing or otherwise);
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus;
- no material changes to IDP Education's corporate or funding structure other than as set out in, or contemplated by, this Prospectus;
- no material disruptions to the continuity of operations of IDP Education, nor other material changes in its business activities;
- no termination or material amendment to any material agreement, contract or arrangement (including, without limitation, the IELTS Examination Agreement or the China Agreement referred to in Section 3.4.5) relating to IDP Education or any of its businesses other than set out in, or contemplated by, this Prospectus;
- none of the key risks listed in Section 5 eventuates, or if they do, none of them has a material adverse impact on the operations of IDP Education;
- no material movements in global exchange rates; and
- the Offer proceeds in accordance with the timetable set out on page 4 of this Prospectus.

4.11.2 Material assumptions affecting the Forecast Financial Information and management discussion

In preparing the Forecast Financial Information, IDP Education has undertaken an analysis of Pro Forma Historical Financial Information and applied various best estimate assumptions, of which the key assumptions are set out in this Section 4.11.2.

4.11.2.1 Pro forma historical and forecast consolidated income statements: FY16 compared to FY15 and specific assumptions

Table 4.18 sets out the summary pro forma historical and forecast consolidated income statements and selected key operating and financial metrics for FY15 and FY16:

Table 4.18: Summary pro forma consolidated historical and forecast consolidated income statements and selected key operating and financial metrics for FY16 compared to FY15

\$ millions, June year end	Pro forma historical and forecast		
	FY15	FY16	% change
Total revenue	309.9	357.3	15.3 %
Direct costs	(157.0)	(174.1)	10.9 %
Overhead costs			
– Employee benefits expenses	(61.8)	(77.8)	25.9 %
– Occupancy expenses	(11.4)	(14.1)	24.0 %
– Promotion and publicity expenses	(9.1)	(10.5)	15.2 %
– Other expenses	(19.7)	(22.3)	12.9 %
Total expenses	(259.1)	(298.9)	15.4 %
Share of net profits/(losses) of joint ventures	(0.0)	0.0	n.m. ¹
EBITDA	50.7	58.4	15.2 %
EBITDA margin	16.4%	16.4%	(0.1)%
Depreciation and amortisation	(6.6)	(7.9)	19.7 %
EBIT	44.1	50.5	14.5 %
EBIT margin	14.2%	14.1%	(0.7)%
NPAT	30.3	35.3	16.5 %
NPAT margin	9.8%	9.9%	1.0 %

Table 4.18: Summary pro forma consolidated historical and forecast consolidated income statements and selected key operating and financial metrics for FY16 compared to FY15 (continued)

Volumes (000s), June year end	Pro forma historical and forecast		
	FY15	FY16	% change
Student Placement	26.7	31.5	18.0 %
– Australia	22.5	24.5	8.9 %
– Multi-destination	4.2	7.0	67.2 %
English Language Testing	825.9	869.2	5.2 %
Average Fee (\$)			
Student Placement	2,602	2,679	3.0 %
– Australia	2,492	2,458	(1.4)%
– Multi-destination	3,189	3,451	8.2 %
English Language Testing	258	277	7.3 %

Note: 1. n.m. indicates that the year-on-year comparison is not meaningful.

4.11.2.2 Revenue

In FY16, IDP Education has forecast revenue growth of 15.3% to \$357.3 million, due primarily through a combination of the following factors:

Student Placement

Student Placement revenue is forecast to increase 21.6% to \$84.4 million in FY16, inclusive of Australian Student Placement revenue growth of 7.4% and Multi-destination Student Placement revenue growth of 81.0%. The key drivers of the forecast growth are:

- total Student Placement volumes in FY16 are forecast to increase 18.0%, based on Australian Student Placement volume growth of 8.9% and Multi-destination volume growth of 67.2%, continuing the growth and performance observed historically as further scale is achieved in the latter;
- Australian Student Placement volume growth is forecast to be strong in Asia, with China, Vietnam and Philippines forecast to be key contributors. Onshore Australia volumes are also expected to be a key contributor to total volume growth;
- multi-destination Student Placement volume growth is forecast at 67.2% across the network with Asia providing the majority of that growth, principally from India, China, Vietnam and Thailand. Multi-destination volumes from China will also benefit from a full year contribution from the student placement agent acquired in FY15 (see Section 4.9.5); and
- the Average Fee for Student Placements is forecast to increase 3.0% in FY16, as a result of a general increase in tuition fees and more students being placed into educational institutions in the United States, the United Kingdom, Canada and New Zealand which generate a higher average AUD fee.

English Language Testing

English Language Testing revenue is forecast to increase 12.9% to \$241.1 million in FY16, as a result of volume growth of 5.2% and the average IELTS test fee payable by candidates increasing by 7.3%.

- total English Language Testing volumes in FY16 are forecast to grow by 5.2% with Rest of World expected to contribute the majority of this growth. Along with assumed growth in Asia, this is expected to offset a forecast decline in Australian testing volumes due to the full year impact of increased competition; and
- the average IELTS test fee payable by candidates sitting the test in FY16 is forecast to increase 7.3% with both price and foreign exchange movements impacting this.

English Language Teaching

English Language Teaching revenue is forecast to increase 28.1% to \$20.7 million in FY16, primarily as a result of a favourable FX impact and an increase in the number of courses being undertaken, principally in Cambodia and Vietnam.

4.11.2.3 Expenses

Direct costs are forecast to increase 10.9% to \$174.1 million in FY16. The key drivers of this are as follows:

- English Language Testing direct costs are forecast to increase broadly in line with English Language Testing revenue, being 1.8% lower than the forecast growth in English Language Testing revenue of 12.9% with the difference reflective of foreign exchange impacts. English Language Testing costs are forecast to account for approximately 85% of IDP Education's total FY16 direct costs. These costs are comprised of the fee payable to Cambridge Assessment for its role in IELTS and the costs of test day operations;
- direct costs for Student Placement, which relate to OSCAR client relationship management system licence costs and commissions paid to licensees and agents, are forecast to account for 11.6% of Student Placement revenue in FY16 consistent with forecast growth in both Student Placement volumes and Average Fee for Student Placements; and
- direct costs related to English Language Teaching are forecast to account for 4.2% of the total direct costs consistent with the forecast growth in the number of courses being undertaken.

Overhead costs are forecast to increase 22.2% to \$124.7 million in FY16. The key movements are as follows:

- Employee benefits expenses are forecast to increase 25.9% to \$77.8 million in FY16. This increase is due to the staff costs associated with the addition of 11 new student placement offices in China through the acquisition conducted in FY15, the full year impact of headcount increases made during FY15 to support the revenue growth, costs associated with the UKVI process along with general increases in wages;
- occupancy expenses are forecast to increase 24.0% to \$14.1 million in FY16, due to the office expansion in China, the full year impact of FY15 office expansion in India and the new campus in Phnom Penh along with general rental increases driving the majority of that increase;
- promotion and publicity expenses are forecast to increase 15.2% to \$10.5 million in FY16, reflecting continued marketing and promotional spend to support forecast assumed growth in the business; and
- other expenses are forecast to increase 12.9% to \$22.3 million in FY16 consistent with the continued growth of the business and its geographically diverse nature. This includes travel expenses, consultants' fees, administration expenses, communication expenses and IT expenses.

4.11.2.4 Pro forma historical and forecast consolidated cash flows: FY16 compared to FY15

Table 4.19 sets out the summary pro forma historical consolidated net cash flows before financing for FY15 and the pro forma forecast consolidated net cash flows before financing for FY16:

Table 4.19: Summary pro forma historical and forecast consolidated net cash flow for FY16 compared to FY15

\$ millions, June year end	Pro forma historical and forecast		
	FY15	FY16	% change
EBITDA	50.7	58.4	15.2 %
Non-cash items	(0.7)	0.3	n.m ¹
Change in working capital	8.7	3.7	(58.3)%
Income tax (paid)/received	(15.5)	(18.7)	20.3%
Net interest received	0.1	0.1	–
Operating cash flow	43.4	43.8	1.0%
Capital expenditure	(9.7)	(11.0)	(13.9)%
Net cash flow before financing	33.7	32.8	2.8%

Note:

1. n.m. indicates that the year on year comparison is not meaningful.

IDP Education's pro forma comparative cash flows for FY15 and FY16 are forecast to be impacted by:

- pro forma forecast EBITDA increasing from \$50.7 million in FY15 to \$58.4 million in FY16, resulting in an increase in expected cash generated from operating activities;
- continued increase in cash collections in advance of service delivery driven by the forecast growth in the underlying business. IDP Education maintains a net negative working capital position (i.e. working capital liabilities typically exceed working capital assets due to billings and collections on English Language Testing in advance); and
- an increase in tax payments from \$15.5 million in FY15 to \$18.7 million in FY16, primarily as a function of the Company's forecast increased profitability.

4.12 Sensitivity analysis of the Forecast Financial Information

The Forecast Financial Information included in Sections 4.3 and 4.8 is based on a number of estimates and assumptions as described in Sections 4.11.1 and 4.11.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of IDP Education and its Directors and management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out in Table 4.20 is a summary of the sensitivity of the Forecast Financial Information to changes in a number of key variables. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial. For the purpose of this analysis, each sensitivity is presented in terms of the impact of each on FY16 pro forma forecast NPAT of \$35.1 million.

Table 4.20: Sensitivity analysis of Forecast Financial Information (FY16 NPAT)

Assumption	Variance	Pro forma forecast, \$ millions FY16
Australian Student Placement volumes (000s)	+/- 5.0%	+/- 1.8
Multi-destination Student Placement volumes (000s)	+/- 10.0%	+/- 1.2
English Language Testing volumes (000s)	+/- 5.0%	+/- 3.4
English Language Testing Average Fee (\$)	+/- 5.0%	+/- 5.5
Student Placement Average Fee (\$)	+/- 5.0%	+/- 2.4
AUD – with hedges ¹	+/- 10.0%	-0.8/+0.6
AUD:GBP ²	+/- 10.0%	+2.0/-1.9

Notes:

1. Assumes AUD strengthens (+) or weakens (-) against all currencies, maintaining existing foreign currency hedges.
2. Assumes AUD strengthens (+) or weakens (-) against the GBP with no hedges in place.

Care should be taken in interpreting each sensitivity. The estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate the likely impact on the Forecast Financial Information. In practice, changes in assumptions may offset each other or alternatively may occur simultaneously or compound each other. While it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on IDP Education's results and cash flows, this may not be possible.

4.13 Earnings per Share

Table 4.21 sets out an overview of IDP Education's earnings per Share (EPS), based on the Pro Forma Forecast Financial Information.

Table 4.21: Pro forma forecast earnings per Share

	Pro forma forecast
EPS	FY16
Cents per share	14.11

4.14 Dividend policy

The payment of a dividend by IDP Education is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results, cash flows, the financial condition of IDP Education, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by IDP Education, and any other factors the Directors may consider relevant.

The Directors intend to target a payout ratio of between 70-80% of statutory NPAT; however, the level of payout ratio is expected to vary between periods depending on the factors above. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

It is the current intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is anticipated that interim dividends will be paid in March and final dividends will be paid in September following the end of the relevant financial period. It is expected that all future dividends will be franked to the maximum extent possible but it should be noted that dividends are not expected to be fully franked given the level of offshore earnings generated by the Company. If IDP Education increases the proportion of its earnings from foreign jurisdictions on which Australian taxation is not payable, this may further reduce the Company's ability to pay shareholders franked dividends in the future.

It is the Board's current intention to pay its first dividend in September 2016 in respect of the period from Completion of the Offer to 30 June 2016. Subject to the forecasts being achieved, the target dividend payout ratio of 70-80% and other relevant factors including those described above, the dividend payment for FY16 is expected to be 9.93-11.35 cents per Share and, as noted above, will not be fully franked.

05.
Risks



5.1 Introduction

This Section 5 describes potential risks associated with IDP Education's business. The risks set out below should not be taken as a complete list of the risks associated with the Company. The occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of the Company, its Directors and senior management.

The selection of risks set out below has been based on an assessment of a combination of the probability of the risk occurring and the impact if it did occur. This assessment is based on the knowledge of the Directors as at the Prospectus Date, but the relative importance of different risks could change and other risks could emerge.

There can be no guarantee that the Company will deliver on its business strategy, or that any forecasts or any forward looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

This Section 5 describes some of the key risks associated with an investment in the Shares. These risks have been separated into:

- specific risks of an investment in IDP Education (described in Section 5.2); and
- general risks of an investment in IDP Education (described in Section 5.3).

Before applying for the Shares, any prospective investor should be satisfied that they have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment, having regard to their own investment objectives, financial circumstances and particular needs (including financial and tax issues). If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the Shares, it is recommended that you seek professional guidance from your accountant, financial adviser, stockbroker, solicitor or other independent and qualified professional adviser before deciding whether to invest in the Shares.

5.2 Specific risks of an investment in IDP Education**5.2.1 Key IELTS agreements can be terminated without cause upon notice of 12 months or less****IELTS Examination Agreement**

As referred to in Section 3.4.5, IDP Education, through IA, administers the IELTS test pursuant to the IELTS Examination Agreement. English Language Testing through IELTS contributed approximately 69% of IDP Education's revenue in FY15. Although IDP Education (through IA), the British Council and Cambridge Assessment have a longstanding commercial relationship that dates back to 1989, the IELTS Examination Agreement can be terminated upon 12 months' notice by any party, or terminated (or a defaulting party excluded) for a material breach that is not remedied or (in broad terms) where a party has ceased trading, is unable to pay its debts or is to be wound up.

The IELTS Examination Agreement provides that all intellectual property rights in the name "IELTS", the name "International English Language Testing System", test materials, materials used for training persons to administer IELTS, promotional and publicity materials for the test, research and development reports and publications in respect of IELTS jointly commissioned by IA, the British Council and Cambridge Assessment and the test itself are jointly owned by the parties to the IELTS Examination Agreement.

The IELTS Examination Agreement does not set out what is to occur if the IELTS Examination Agreement is terminated. Given this, subject to the matters agreed by the parties in the IELTS Deed (as described below), if the IELTS Examination Agreement is terminated, unless IA, the British Council and Cambridge Assessment agree that copyright in the materials, reports and publications (referred to above) and the test itself can be used by the parties after termination, it is likely that none of IDP Education, the British Council and Cambridge Assessment would be able to use such rights and therefore could not administer the IELTS test.

Because of this, the British Council and Cambridge Assessment requested (as part of agreeing to provide certain consents and approvals that IDP Education requires in order to pursue and implement the Offer), and IA agreed, that the British Council and Cambridge Assessment be able to continue exploiting all intellectual property rights related to IELTS in the event that IA terminates the IELTS Examination Agreement upon 12 months' notice, in respect of a material breach or in exercise of its rights generally or under common law (except where the termination is as a result of a Significant Breach, certain insolvency-related events or certain acts of fraud or wilful concealment by the British Council or Cambridge Assessment) at a time when a "Competitor" has (or on the effective date of termination has) "voting power" in IDP Education of at least 15% or a "Competitor" "controls" (or "controls" on the effective date of termination) IDP Education (see Section 9.1.1.2).

Risks continued

Accordingly, although the parties to the IELTS Examination Agreement have a longstanding commercial relationship, there is a risk that the IELTS Examination Agreement could be terminated and, as a result, IDP Education would be unable to conduct its IELTS business. If this occurred, this would have a material and adverse impact on the Company's financial position and performance.

There is also a risk that the parties to the IELTS Examination Agreement have different or conflicting commercial objectives. This means that where the parties are required to agree certain matters under the IELTS Examination Agreement – e.g. material changes to the content or format of the IELTS test, or changes to certain fees and the purposes for which the IELTS test are used – there is a possibility that the parties may not reach agreement and that a dispute arises. Further, a party to the IELTS Examination Agreement may fail to perform their obligations which could result in a dispute. Any disputes between the parties could be drawn out or costly and could potentially have a material and adverse impact on the Company's financial position and performance.

Summaries of the key terms of the IELTS Examination Agreement and the IELTS Deed are set out in Sections 9.1.1.1 and 9.1.1.2 respectively.

China Agreement

IDP Education has granted a non-exclusive licence to the British Council to distribute IELTS in China.

As consideration, IDP Education receives a fee from the British Council which is currently calculated as a percentage of each candidate's IELTS test fee for IELTS tests taken in China. The British Council has paid a fee, in relation to IELTS testing in China, since April 2001.

The current China Agreement was entered into in 2008 with its initial term expiring in March 2009. The agreement has been extended on a number of occasions with the current term expiring on 30 June 2016. The agreement can be terminated without cause upon 12 months' notice by either party. If the agreement expires or is terminated, the loss of earnings from China based IELTS testing could have a material and adverse impact on the Company's financial position and performance.

5.2.2 The IELTS test faces competition

IELTS competes with a number of alternative high-stakes English language tests – see Sections 2.10.1 and 3.4.7 for an overview of the competitive landscape. In addition, in some jurisdictions, IDP Education as distributor of the IELTS test also competes with the British Council as an alternative distributor of the test. Each of the following factors has the potential to reduce the number or profitability of the IELTS tests that are administered by IDP Education and therefore could have a material and adverse impact on the Company's financial position and performance:

- the cost of sitting alternative high-stakes English language tests being lower than that for IELTS;
- test-takers, immigration departments and/or education institutions developing a preference for computer based high-stakes English language tests (see below for further information);
- increased acceptance by destination education institutions and immigration departments of alternative high-stakes English language tests;
- an increase in the number of testing centres, and times, at which alternative high-stakes English language tests can be taken;
- alternative high-stakes English language tests being marked in quicker timeframes when compared to those for IELTS; and
- alternative high-stakes English language tests being perceived to be fairer, easier and/or more suited to people whose first language is not English.

For Australian visa purposes, DIBP has made a number of policy changes since 2011 that have altered the competitive landscape.

In November 2011, DIBP began accepting test results from competing English language tests for Australian student visa purposes. In addition to IELTS, DIBP now accepts test results from TOEFL®, CAE and PTE for these visa categories.

In November 2014, DIBP began accepting test results from TOEFL® and PTE across the Australian temporary graduate, skilled, former resident and work and holiday visa programs and, from early 2015, CAE test results were also accepted. Furthermore, in April 2015 DIBP began accepting TOEFL®, CAE and PTE test results for some visas within the Temporary Work (Skilled) visa (subclass 457) category in addition to IELTS and OET which were already accepted.

Notwithstanding that IELTS already competes against these tests for Australian student visa purposes, these policy changes could have a material and adverse impact on the Company's financial position and performance, given that English Language Testing by IDP Education relating to these visa programs represents a material percentage of the Company's English Language Testing business. There is a risk the Australian Government decides to accept other

tests for this visa or alter the English language proficiency requirements in a way that impacts IDP Education's financial performance.

More specifically, the Company expects that the policy changes announced by DIBP in 2014 and 2015 will result in greater competition in the English Language Testing market related to the Australian visa programs referred to above. This may lead to:

- a loss of market share for IDP Education in this market segment; and
- a reduction in the margins IDP Education derives from IELTS testing in various jurisdictions.

There is a risk that the impact of competition is greater than expected and that as a result the financial performance of IDP Education is negatively impacted in FY16 and in the medium term.

In New Zealand, IELTS is currently the only test accepted by the border authority as proof of English language proficiency for certain visa categories. The Government has recently undertaken a review of its English language testing rules and there is a potential that they will accept other test providers in the future.

The written components of the IELTS test are currently administered in "pen-and-paper" format. Some high-stakes English language tests which compete with IELTS have shifted to computer based testing. The co-owners of IELTS are currently developing a computer based version of IELTS which it will use initially for UKVI purposes. There is a risk that test-takers, immigration departments and education institutions may develop a preference for computer based high-stakes English language tests before the relevant investment in computer based testing for IELTS is completed. The development of a computer based test for IELTS may also take more time, require more investment or be more costly to operate than expected.

Any or all of these factors could lead to a reduction in the number of IELTS tests that are administered by IDP Education and have a material and adverse impact on the Company's financial position and performance.

5.2.3 IDP Education faces competition in its Student Placement business

The student placement market is highly competitive – both in relation to attracting potential international students and education institutions as clients.

There are a large number of competitors in each of IDP Education's source markets that provide services comparable to those provided by the Company. Many of these competitors are established in their relevant source market(s) and have a deep understanding of them. New competitors could also emerge in the future.

The Company's education institution clients also have "direct" marketing channels through which they themselves seek to attract foreign students to study at their institutions without using third party student placement providers such as IDP Education. Improvements in technology and the availability of information regarding education institutions may enhance the ability of the Company's education institution clients to market directly to student placement candidates.

In addition, there is a risk that an existing or potential competitor to the Company in one or more of the Company's existing markets develops a superior offering, a lower cost or more effective business model, or responds to changes to regulations, policies or client requirements more efficiently and more effectively than the Company.

An increase in competition in source markets could result in a decrease in the number of students the Company places into education institutions, while an increase in competition from education institutions' direct marketing could affect the Company's margins. More generally, an increase in competition in the student placement market could result in the Company needing to increase its marketing and/or capital expenditure, reduce its fees, revise its business strategy or alter other aspects of its business model to remain competitive. All of these factors could have a material and adverse impact the Company's financial position and performance.

5.2.4 The global footprint which IDP Education operates across is exposed to regulatory, operating and management complexities and risks

The Company, either in its own right or via agents or licensees, operates across 30 source countries and five destination countries in relation to its Student Placement business, and across over 50 countries in relation to its IELTS business. There are regulatory, operating and management complexities associated with operating a global business with this diverse footprint. The multi-destination strategy (as described in Section 3.3.4) has further increased the complexity of the Company's business model.

There are certain risks inherent in doing business in foreign jurisdictions such as unexpected changes in legal and regulatory requirements (including in relation to taxation, tariffs, customs duties, foreign investment, and the practices of government and regulatory authorities), difficulties in managing foreign operations (including from an employee, financial control and compliance perspective), longer payment cycles, problems in collecting accounts receivable, political instability, expropriation, nationalisation, the application of sanctions, embargoes or export and

trade restrictions and war. There may also be foreign exchange controls which restrict or prohibit repatriation of funds and prohibitions and delays from customers or government agencies. These issues may arise from time to time, in the foreign jurisdictions in which IDP Education operates and could affect parts of IDP Education's business, the business of IDP Education's agents and licensees or the students which IDP Education assists, which could have a material and adverse impact on the Company's financial position and performance.

In many of the countries in which it operates, IDP Education conducts its business activities pursuant to certain licences, permits, authorisations and operating structures that are granted, administered and regulated by government authorities. In some jurisdictions, the precise regulatory requirements can be unclear and subject to changes in the manner in which they are administered by the local authorities – in some cases without notice and with potentially significant and adverse consequences. See Section 5.2.6 for an overview of certain risks associated with the structures through which IDP Education conducts its operations in China.

To the extent that there are changes to the laws, rules, regulations or policies that govern these licences, permits, authorisations and operating structures, or the manner in which these requirements are administered by local authorities, this could have a direct impact on the Company's cost of operations, margins, and (in extreme circumstances) even the ability of the Company to conduct its businesses in these countries. This could have a material impact on the Company's financial position and performance.

There is a risk that IDP Education's agents, licensees or employees are found to have contravened or are alleged to have contravened laws or regulations (including those relating to bribery and/or anti-corruption), incur fines or penalties, or undertake actions that cause other negative impacts to IDP Education. Any of these matters could adversely affect IDP Education's brand, business strategy and future financial position and performance.

5.2.5 Changes to visa policies may impact the volume of international students and IELTS test-takers

The Company generates a substantial amount of income from placing international students into education institutions in Australia, the United States, the United Kingdom, Canada and New Zealand. To the extent that any of these destination countries alter immigration policies, regulation or visa requirements that reduce the number of student or migration visas that they grant, this will have a direct impact on IDP Education's student placement enrolment volumes and/or IELTS test volumes and therefore revenue.

Examples of other policy changes which could potentially have an impact on the level of demand for IDP Education's services may include delays in visa processing and approvals, changes to financial capacity requirements for the grant of student visas, changes to the post-study work rights for students, and increases in fees associated with applying for, and obtaining, a visa.

IELTS is currently the predominant test used for Australian migration-related English language testing purposes. In addition to the threats mentioned above, a potential threat to the IELTS business in Australia is a change to the tests accepted by the Australian Government for migration purposes or indeed the relevance of English language testing for migration going forward. DIBP has recently revised certain policies regarding acceptable English language tests, as described in Section 5.2.2.

Similarly, changes could be made by any other of the government border authorities in the United Kingdom, Canada or New Zealand that remove the acceptance of IELTS or increases competition from other test providers.

For example, IELTS is currently the only test accepted by UKVI for English language tests conducted outside of the UK. Within the UK, UKVI accepts IELTS and certain tests conducted by Trinity College London. These arrangements are governed by a concession agreement with UKVI. This concession has an initial term of two years (plus three potential one-year extensions) and can be terminated by UKVI at any time. The removal of this concession, changes to the terms and conditions of the agreement or provision of concessions to other test providers could have a material and adverse impact on the Company's financial position and performance.

If any of the risks set out above were to eventuate, this could have a material and adverse impact on the Company's financial position and performance.

5.2.6 IDP Education's business model relies on third party agents, licensees and other parties to conduct businesses on behalf of the Company and there are risks associated with these arrangements

IDP Education's business model relies on a network of third party agents, licensees and other parties to provide services including student placement, English language teaching, and particularly IELTS testing. Many of these relationships are non-exclusive and can be renegotiated or terminated and certain of them have no fixed term.

There is a risk that if one or more of these third parties seeks to renegotiate or terminate its relationship with the Company, does not provide a level of service consistent with that expected and required by IDP Education, contravenes or is alleged to have contravened laws or regulations (including those relating to bribery and/or anti-corruption), incurs fines or penalties, or undertakes actions that cause other negative impacts to IDP Education, any of these matters could adversely affect IDP Education's brand, business strategy and future financial position and performance.

As an example, IDP Education is reliant on arrangements with a local entity in China as regulations in China require companies involved in overseas student recruitment activities to hold a licence, but prohibit foreign companies like IDP Education from directly holding these licences.

As a result, IDP Education has entered into certain co-operation agreements with a local Chinese entity that is licensed to engage in student recruitment activities. Under those agreements, IDP Education provides the local entity with the right to use certain intellectual property rights, introduces the local entity to foreign education institutions and provides other commercial and consulting services to the licensed local entity in return for the payment of fees by the licensed local entity. IDP Education has implemented a VIE arrangement with the local entity to provide IDP Education with additional protections in relation to the assets and operations of the local entity.

There are also substantial uncertainties regarding the interpretation and application of Chinese laws and regulations. The Chinese Government may not agree with IDP Education's corporate structure in China or that its contractual arrangements comply with Chinese licensing, registration or other regulatory requirements. Chinese laws and regulations governing the validity of IDP Education's contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

If IDP Education or any of its current or future contractual co-operation structures or subsidiaries is found to be in violation of any existing or future Chinese laws or regulations, or fails to obtain or maintain any of the required permits or approvals, the relevant Chinese regulatory authorities would have broad discretion in dealing with such violations, including levying fines, confiscating income, discontinuing or placing restrictions or onerous conditions on IDP Education's operations in China or taking other enforcement actions that could be harmful to IDP Education's business in China and have a material and adverse impact on the Company's financial position and performance.

5.2.7 IDP Education is affected by currency fluctuations

Currency fluctuations affect the cost of courses for students and the cost of living and studying overseas. Some students will be price sensitive, and may choose not to travel overseas to study or will travel to a different location if costs increase in a particular destination country. As such, any appreciation of a destination country's currency relative to source markets may have a direct impact on demand for the Company's student placement services. Any reduction in the volume of students IDP Education is placing into education institutions could have a material and adverse impact on the Company's financial position and performance.

In addition, IDP Education generates revenue and incurs costs in approximately 45 currencies. The Company's most significant individual foreign currency exposure is to GBP, mainly due to the quarterly fee paid to Cambridge Assessment for its role in IELTS which is denominated in GBP (refer to Section 3.4.6 for further information). Movements in these foreign currencies could have a material and adverse impact the Company's financial position and performance. The proportion of the revenue the Company generates and the costs that the Company incurs in foreign currencies is expected to increase in the future in line with forecast growth from the multi-destination strategy.

As described in Section 4.10.4, the Company's current approach to the implementation of its hedging strategy is to put hedges in place during the current year covering up to 100% 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 flows forecasts for the following financial year (which is prior to the commencement of that financial year). The currencies currently covered by the hedging strategy are GBP, USD, SGD, HKD, CAD, CNY and INR. However, it is possible that prior to the resetting of these hedges in the future, exchange rates may move in an unfavourable direction and this may be detrimental to the Company's financial position and earnings. The Company also has natural hedges from earning revenues and incurring costs in multiple foreign currencies.

5.2.8 IDP Education and/or IELTS may suffer damage to its brand and/or reputation

Maintaining the strength of the Company's reputation is important to attracting potential student placement candidates and potential IELTS test-takers, as well as maintaining relationships with government departments and authorities and client education institutions, the Company's licensees and agents and other service providers. This is particularly relevant given that referrals are the dominant form of business generation for the Company's Student Placement business. There is a risk that the actions of any one of the Company's directors, employees, agents, licensees, placement students and/or client education institutions across its source and destination countries may damage the Company's reputation or that unforeseen issues or events may adversely affect the Company's brand and/or reputation. This may impact the future revenue and earnings of the Company.

IDP Education believes that a key factor underpinning the success of the IELTS test is its reputation for integrity and security. The tests are continuously monitored with strict rules around managing distribution and assessment. If there were to be security breaches or fraud which affected the integrity or perceived integrity of the IELTS test, this could significantly reduce the number of IELTS test-takers and the number of education institutions and government departments that are willing to rely upon the results of the IELTS test. For example, if IELTS' accreditation with any border agencies (e.g. DIBP or UKVI) was temporarily or permanently removed, then it would have a material and adverse impact on the Company's financial position and performance. Aside from these reputational risks, breaches of certain conditions applying to IELTS' agreements with border authorities could also lead to the payment of financial penalties. The reputation of IELTS also has the potential to be affected by the actions of the Company, the British Council, Cambridge Assessment and agents and licensees who administer the IELTS test.

Any factors that diminish the reputation of the IELTS test could result in client education institutions, the Company's agents and licensees and other service providers ceasing to do business with the Company, impede the Company's ability to compete successfully in English language testing markets and have a material and adverse impact on the Company's financial position and performance.

5.2.9 Negative events involving source and destination countries may affect demand for IDP Education's services

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

5.2.10 IDP Education needs to attract and retain skilled staff and management

The Company's ability to effectively perform its day-to-day operations and execute its multi-destination growth strategy depends upon the experience, expertise and performance of its staff and, in particular, its senior management team.

The Company's multi-destination strategy has increased the number of staff required to operate the Company's businesses as well as the skill level required to manage the businesses at the head office, regional and country levels. The Company relies on highly trained and specialised staff in its IELTS, Student Placement and English language schools businesses. There is a risk that the Company may not be able to attract and retain key staff or be able to find suitable replacements in a timely manner, which could adversely impact upon the Company's ability to operate its businesses and achieve its growth strategies.

5.2.11 IDP Education's key agreements with education institutions and other third parties are able to be terminated

IDP Education's key agreements with education institutions and other third parties are generally non-exclusive with no fixed term and can generally be terminated on the provision of between 30 and 90 days' notice.

There is a risk that the relevant counterparties to these arrangements, which contribute a significant amount of revenue to the Company, could terminate the contracts they have in place with a Company member, seek to renegotiate the terms of such contracts (including in relation to fees), enter into relationships with any of IDP Education's competitors, or undertake the relevant activities in their own right. Any of these outcomes could materially and adversely affect the amount of revenue or earnings generated by the Company.

5.2.12 The changing landscape of education, including competition from online providers, may impact upon the relevance and demand for IDP Education's services

IDP Education's Student Placement services, and a proportion of its high-stakes English Language Testing and English Language Teaching services are used by international student placement candidates who are aiming to study at higher education institutions in destination countries.

Increased availability of quality higher education and/or English language education opportunities in IDP Education's source countries, either through the improvement of current, or the entry of new, local education providers or "transnational" expansion by international universities entering new markets may reduce the number of students choosing to study overseas and therefore the need for IDP Education's services.

Moreover, to the extent that there is an increase in the use of online education courses (as opposed to traditional on-campus attendance at an educational institution), this could potentially reduce the demand for IDP Education's services. This may have a material adverse effect on the Company's business model, customer base and earnings.

5.2.13 The Company's technology platform may be disrupted, fail or be insufficient

The Company relies on third party software products and services from a number of different providers to enable internal data management and reporting and the delivery of services to clients.

Although the Company has back-up, restoration and recovery procedures in place, any significant interruption to its technology systems or a major loss of data could impair the ability of the Company to continue to provide its services.

In addition, over time, the Company's current technology platforms may prove insufficient. For example, the market may demand that the IELTS test become computer based (as opposed to a "pen-and-paper" test), which would require a significant capital investment from the Company and potentially the British Council and Cambridge Assessment.

If the Company's or any of its third party provider's technology platforms prove to be insufficient for the Company's needs, or are disrupted or fail, this could adversely affect the Company's businesses and/or require that the Company outlay additional capital to improve the platforms or fix the disruption or failure. This could have a material and adverse impact the Company's financial position and performance.

5.2.14 There is the potential for certain "legacy" issues to arise in the future stemming from the Company's and its predecessor's former not-for-profit status

Prior to 2006, the Company and its predecessor operated on a not-for-profit basis. Moving to a for-profit basis required a significant change in the organisation's reporting, administration and financial management systems. From 2006, the Company has significantly changed its policies, processes and business model to reflect the commercial nature of its operations. This has involved improving the Company's compliance from an accounting, tax and corporate structure perspective.

Notwithstanding the work that has been undertaken by the Company to improve its accounting, tax and general corporate compliance, there is the possibility for certain "legacy" issues to arise (such as tax liabilities). If any such issues do arise in the future, there is the chance that such issues could have a material and adverse impact on the Company's financial position or performance.

5.2.15 Protection of personal information and data

In order to conduct its day-to-day operations including student placement and high-stakes English language testing, the Company collects a wide range of personal and financial data from its clients. This information includes (without limitation) personal data, copies of passports and visas and banking details.

IDP Education's efforts to protect such information may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or other factors.

Allegations of, or actual, unauthorised access or loss of such sensitive data could occur, resulting in a breach of the Company's obligations under applicable laws or regulations. Affected clients or government authorities could initiate legal or regulatory action against IDP Education in connection with any such breaches. Any such allegations, unauthorised access, or breaches of laws or regulations could have an adverse effect on IDP Education's or IELTS' reputation, future financial position and performance and market position.

5.2.16 Protection of intellectual property

The Company relies on laws relating to trade secrets, copyright and trademarks to assist with protecting its proprietary rights. However, there is a risk that unauthorised use or copying of the Company's data, specialised technology or platforms could occur. In addition, there is a risk that the validity, ownership or authorised use of intellectual property relevant to the business of the Company could be successfully challenged by third parties.

This could involve significant expense and potentially result in the Company being unable to use the intellectual property in question. Such an outcome could potentially have a material and adverse impact on the Company's financial position and performance.

5.2.17 Education Australia will retain a substantial stake in the listed Company

Following Completion of the Offer, Education Australia, which represents 38 Australian universities, will own 50.0% of the Shares. The Constitution also requires that, until such time as Education Australia ceases to have "voting power" in the Company of at least 10%, a majority of the Board is to be comprised, collectively, of Directors who are Independent Directors (as defined in the Constitution) or representatives of Education Australia.

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

As it relates to IDP Education, the Australian universities which own Education Australia are predominantly focussed on the flow of students to their Australian and international programs, and the delivery of IELTS tests under licence from IDP Education. IDP Education's multi-destination strategy extends beyond this and includes the placement of students into educational institutions based in the United States, the United Kingdom, Canada and New Zealand (in addition to Australia).

The 38 Australian universities who are shareholders in Education Australia are also clients of IDP Education's Student Placement business. Certain of these universities compete with IDP Education in the student placement market by directly seeking to attract foreign students to study at their institutions without using third party student placement providers such as IDP Education.

There is a risk that the interests of Education Australia (and, in particular, its 38 shareholders) may not be aligned to the interests of other Shareholders.

5.2.18 Shareholders may not receive a change of control premium for their Shares

As described in Sections 7.9 and 6.4.2, the Constitution and Board Charter provide that a majority of the Board is to be comprised of A Class Directors, and the Constitution contains certain rules to ensure that this is maintained. In addition, Education Australia has agreed with the British Council and Cambridge Assessment (among other things) that it will:

- not dispose of any of its Shares without their consent, where such consent is not to be unreasonably withheld or delayed (as described in Section 6.5.1); and
- vote against any resolutions proposed at a general meeting of IDP Education to amend or alter one or more of the Relevant Definitions and Rules (as described in Section 6.5.2), or vary or amend the voting rights attached to Shares held by Education Australia.

While not preventing a third party who is a Competitor (as defined in the Constitution) from proposing or implementing a change of control transaction in respect of the Company or acquiring Shares and appointing representatives (who comprise less than a majority) to the Board, collectively, the effect of the Constitution, the Board Charter, the Education Australia Consent Deed and the Education Australia Voting Deed:

- will likely be that implementing a change of control transaction requires that Education Australia (and by virtue of the Education Australia Consent Deed, the British Council and Cambridge Assessment) support the proposal or transaction. Accordingly, the chances of a change of control transaction succeeding that is not supported by these stakeholders is significantly reduced;
- is that a Competitor (as defined in the Constitution) will be restricted from having a majority of its representatives appointed to the Board while the Competitor (as defined in the Constitution) does not have sufficient "voting power" to propose and/or pass a special resolution to amend the Constitution in order to alter the Relevant Definitions and Rules; and
- may be that they discourage, delay or prevent a change in control of the Company which may deprive Shareholders of an opportunity to receive a premium for their Shares and may reduce the value and price of Shares.

5.3 General risks of an investment in IDP Education

5.3.1 Price of Shares may fluctuate

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade below the Offer Price. There is no assurance that the price of the Shares will increase following their quotation on the ASX, even if the Company's earnings increase.

Some of the factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Company operates and general operational and business risks.

Other factors which may negatively affect investor sentiment and influence the Company specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters.

5.3.2 Trading in Shares might not be liquid

There is currently no public market through which the Shares may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

Following Completion of the Offer, Education Australia will hold 50.0% of the Shares on issue, which may also impact on liquidity. Education Australia has entered into voluntary escrow arrangements in relation to all of the Shares it holds immediately following Completion of the Offer, to the date which is two Business Days after the date on which IDP Education's audited full year accounts for FY16 are released to the ASX by IDP Education, subject to certain exceptions set out in Section 7.5. The absence of any sale of Shares by Education Australia during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

Following release from escrow, and subject to the terms of the Education Australia Consent Deed (see Section 6.5.1), Shares held by Education Australia will be able to be freely traded on the ASX. A significant sale of Shares by Education Australia, or the perception that such a sale has occurred or might occur, could adversely affect the price of Shares.

5.3.3 Exposure to general economic conditions

General economic conditions (both domestically and internationally), may adversely impact the price of Shares as well as the Company's ability to pay dividends. The Company is unable to forecast the market price for Shares and they may trade on the ASX at a price that is below the Offer Price.

5.3.4 Risk of Shareholder dilution

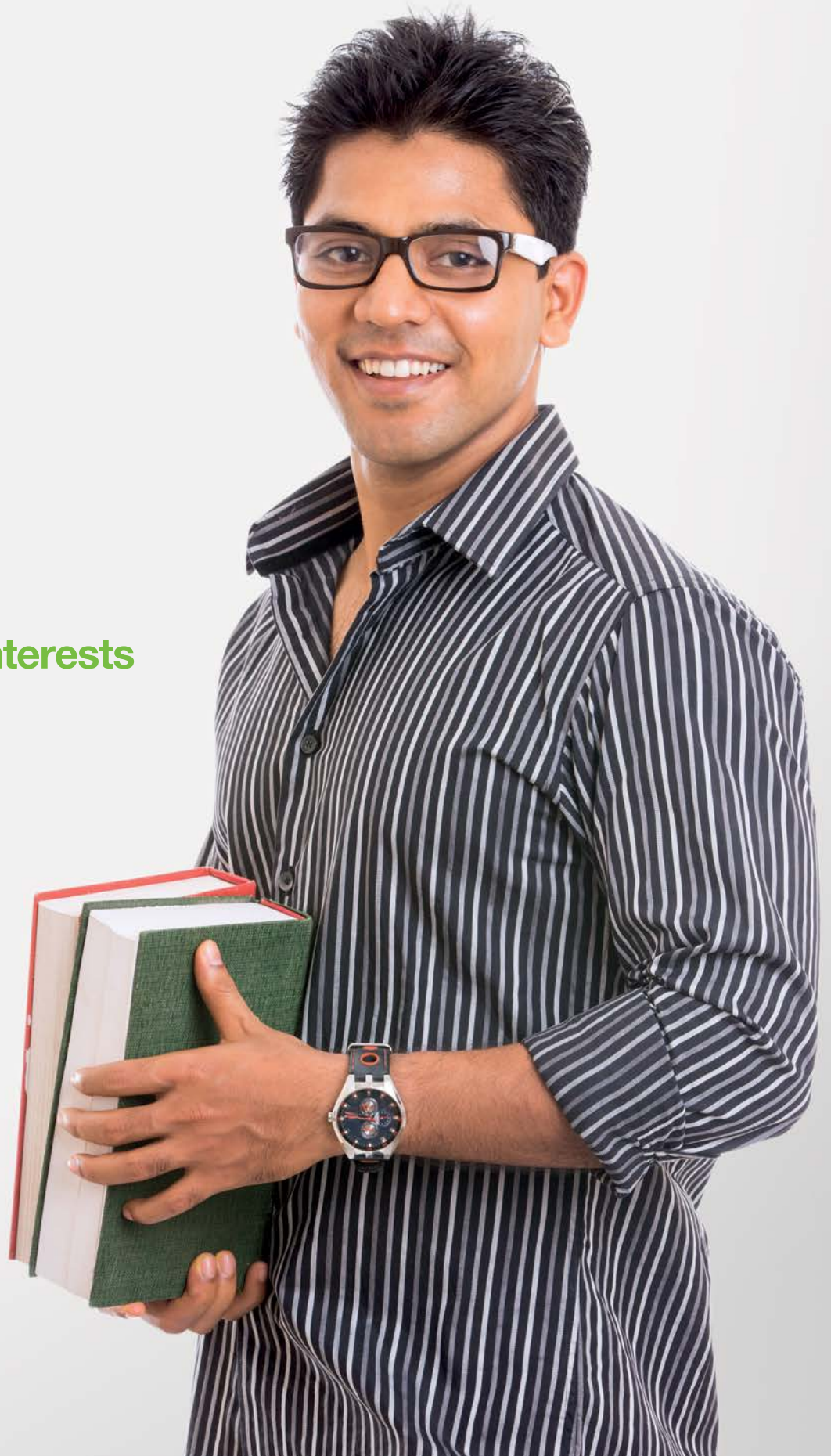
In the future, the Company may elect to issue Shares to engage in fundraisings and also to fund, or raise proceeds, for acquisitions IDP Education may decide to make. While IDP Education will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

5.3.5 Exposure to changes in tax rules or their interpretation

Tax rules or their interpretation in relation to equity investments may change. In particular, both the level and basis of taxation may change. In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective shareholder is encouraged to seek professional tax advice in connection with any investment in IDP Education.

06.

Key people, interests and benefits



Key people, interests and benefits

6.1 Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience:

Director	Experience, qualifications and expertise
Peter Polson <i>Non-Executive Director and Chairman</i>	<ul style="list-style-type: none"> • Peter was appointed Non-Executive Director at IDP Education in March 2007 • Peter has broad experience in the financial services industry, first as Managing Director of the international funds management business with the Colonial Group, then as an executive with the Commonwealth Banking Group with responsibility for all investment and insurance services, including the group's funds management, master funds, superannuation and insurance businesses and third party support services for brokers, agents and financial advisers • He is Chairman of Challenger Limited, Challenger Life Company Limited, Avant Group Insurance Limited and Very Special Kids • He is also a director of Avant Mutual Group Limited and Avant Group Holdings Limited
Andrew Barkla <i>Chief Executive Officer and Managing Director</i>	<ul style="list-style-type: none"> • Andrew was appointed Chief Executive Officer and Managing Director at IDP Education in August 2015 • Andrew has extensive experience in the technology, services and software industry, with over 20 years of senior management experience in roles across Australia, New Zealand, Asia and North America • Prior to joining IDP Education, Andrew worked for SAP as President of Australia and New Zealand • Prior to his role at SAP, Andrew held leadership roles at Unisys, including as Vice President of Unisys' Asia Pacific Japan operations covering 13 countries, as Member of Unisys' Global Executive Committee and as Chairman of Unisys West, a technology services joint venture between BankWest and Unisys • Earlier in his career, Andrew was Vice President and General Manager of PeopleSoft's Asia Pacific region prior to the company's acquisition by Oracle, and was Managing Director for certain other companies in the technology, services and software industry
Ariane Barker <i>Non-Executive Director</i>	<ul style="list-style-type: none"> • Ariane was appointed Non-Executive Director at IDP Education in November 2015 • With an extensive career in international financial services and over a decade working in Asia, Ariane brings a diversity of perspectives to strategic decision-making • Ariane is a board member and Chair of the Investment Committee of Emergency Services & State Superannuation (ESSSuper), a member of ESSSuper's Audit and Risk Committee and a member of the Murdoch Childrens Research Institute Investment Committee and Development Board • Ariane has extensive experience in international finance, risk management, and debt and equity capital markets, having worked in executive roles with Merrill Lynch, Goldman Sachs and HSBC in the United States, Europe, Japan and Hong Kong • In 2010, Ariane was awarded an Australian Institute of Company Directors (AICD) board diversity scholarship and successfully completed the AICD Company Directors course

Director	Experience, qualifications and expertise
<p>Professor David Battersby AM <i>Non-Executive Director</i></p>	<ul style="list-style-type: none"> • David was appointed Non-Executive Director at IDP Education in February 2011 • He was appointed Vice-Chancellor of Federation University Australia in early 2014 and was previously Vice-Chancellor of the University of Ballarat, a position to which he was appointed in 2006 • David's previous senior appointments have been at universities in Australia and New Zealand. He has undertaken consultancies for UNESCO, the OECD and various government agencies • He was foundation Chair of the Australian Regional Universities Network and the board of the Museum of Australian Democracy at Eureka and is currently on the board of directors for Business Higher Education Round Table Board, Committee for Ballarat and Melbourne Institute of Technology • David is also Chair of the Board of Education Australia
<p>Belinda Robinson <i>Non-Executive Director</i></p>	<ul style="list-style-type: none"> • Belinda was appointed Non-Executive Director at IDP Education in November 2015 • Belinda is the Chief Executive and Executive Director of Universities Australia, the peak body representing Australia's 39 comprehensive universities to the Government. Belinda is a director of Education Australia • Belinda is also a Non-Executive Director and Chair of the Remuneration and Nomination Committee of Beach Energy and a director of The Conversation Media Group Limited and The Conversation Foundation Limited • Belinda has been the Chief Executive of peak industry bodies for almost 15 years and has held a number of senior and senior executive positions within the Federal Australian Government, including eight years with the Department of the Prime Minister and Cabinet • Belinda has extensive knowledge and experience in higher education policy, government processes, political advocacy, change management and corporate governance • She is a graduate member of the AICD, has completed the Company Director's course, was selected to participate in the AICD's ASX Chairman's Mentoring Program and has held positions on numerous not-for-profit boards and management/advisory committees
<p>Greg West <i>Non-Executive Director</i></p>	<ul style="list-style-type: none"> • Greg was appointed Non-Executive Director at IDP Education in December 2006 • Greg is a Chartered Accountant with experience in investment banking, financial services and ASX-listed start-ups in the biotech sector • He is a Director and audit committee Chairman of UOWD Limited (a business arm of Wollongong University) • Previously, he has worked at Price Waterhouse and has held senior finance executive roles in investment banking with Bankers Trust, Deutsche Bank, NZI and other financial institutions • Greg is also a Director of Education Australia

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Director	Experience, qualifications and expertise
Chris Leptos AM <i>Non-Executive Director</i>	<ul style="list-style-type: none"> Chris was appointed Non-Executive Director at IDP Education in November 2015 His other Board roles include Deputy Chairman of Linking Melbourne Authority (responsible for the East West Link project), Non Executive Director of Arete Capital Partners, Non Executive Director of PPB Advisory, and Deputy Chairman of Flagstaff Partners He is also a member of the Australian Research Industry Advisory Board, the Advisory Board of The University of Melbourne Faculty of Business and the Advisory Council of Asialink, a Governor of The Smith Family, and a Fellow of the AICD Chris was previously a Senior Partner with KPMG and Managing Partner Government at Ernst & Young where he had national responsibility for leading the public sector and higher education practice Earlier in his career, Chris was General Manager of Corporate Development for Western Mining Corporation and Chief of Staff to Senator John Button He was a member of the Infrastructure Planning Council of Victoria and the Australian Information Economy Advisory Council Chris has lived and worked in Jakarta, Shanghai, Tokyo, London and Toronto, and in 2000 he was designated a Member of the Order of Australia for services to business and the community

The composition of the Board committees and details of its key corporate governance policies are set out in Section 6.4.

6.2 Senior management team

Executive	Experience, qualifications and expertise
Andrew Barkla <i>Chief Executive Officer and Managing Director</i>	<ul style="list-style-type: none"> Andrew commenced work with IDP Education in August 2015 as Chief Executive Officer and Managing Director Refer to Section 6.1 for further details
Murray Walton <i>Chief Financial Officer and Company Secretary</i>	<ul style="list-style-type: none"> Murray commenced working with IDP Education in March 2010 as Group Financial Controller and is currently Chief Financial Officer and Company Secretary, positions which he has held since May 2010 Prior to joining the Company, Murray held senior finance and management roles with Kodak and SC Johnson in Australia, New Zealand and across Asia Pacific Murray started his finance career with Fisher & Paykel before spending the next 25 years working for United States based multi-nationals Murray is a chartered accountant and a member of Chartered Accountants Australia and New Zealand
Warwick Freeland <i>Chief Strategy Officer and Managing Director IELTS</i>	<ul style="list-style-type: none"> Warwick commenced work with IDP Education in November 2008 as General Manager, Strategy and Business Development and is currently Chief Strategy Officer and Managing Director IELTS, a position which he has held since July 2011 He is responsible for strategy, marketing, acquisitions, information services, project management and IELTS Prior to joining the Company, Warwick worked for Carl Zeiss Vision in Germany as VP Global Product Marketing and Innovation. He has also previously worked with high-growth electronics and machine tools companies Warwick has also managed the Victorian Government's economic development for Europe and North America Warwick holds a Graduate Diploma, Marketing from Monash University and a Bachelor of Engineering (Honours) from Swinburne University of Technology

Key people, interests and benefits continued

Executive	Experience, qualifications and expertise
<p>Georgia Murphy <i>General Manager, People and Culture</i></p>	<ul style="list-style-type: none"> • Georgia commenced work with IDP Education in April 2009 as the General Manager, People and Culture • Prior to joining the Company, Georgia served in senior human resources management roles where she was responsible for the management of complex, multi-site human resources operations, organisation development, strategic planning and change management • Georgia holds a Masters in Business from Victoria University of Technology, a Graduate Diploma in Organisation Development from Deakin University and a Bachelor of Applied Science from RMIT
<p>James Cauchy <i>Regional Director, Australasia</i></p>	<ul style="list-style-type: none"> • James commenced work with IDP Education in January 2008 as Regional Manager Australia and is currently Regional Director, Australasia based in Melbourne, Australia • James is responsible for IDP Education's onshore operation in Australia including Student Placement and IELTS. James also manages the Australian and New Zealand client relations functions as well as the web development team for IDP Education websites across its global network of countries. James is also responsible for the operation for IELTS and Student Placement in New Zealand, New Caledonia, Fiji and Papua New Guinea • Prior to joining the Company, James worked in operational management positions for a number of different brands at major Australian retailer Coles Myer
<p>Varaporn Dhamcharee <i>Regional Director, South East Asia</i></p>	<ul style="list-style-type: none"> • Varaporn joined IDP Education in January 2015 as Regional Director, South East Asia • She is based in Bangkok, Thailand and in her role Varaporn is responsible for IDP Education's offices in five countries in the South East Asia region: Thailand, Vietnam, Singapore, Philippines and Cambodia • Varaporn has over 20 years of sales, commercial and general management experience gained across Asia. She previously held senior leadership positions with Kimberly-Clark as General Manager for Thailand and Managing Director for Taiwan and Vietnam • Varaporn's most recent role was as Managing Director for Green Spot, a Thai FMCG business that employed over 1,500 staff and exported to 45 countries • Varaporn holds a BA (Hons) from Chulalongkorn University and an MBA from Sasin Graduate Institute, a partnership between Chulalongkorn, Kellogg and Wharton
<p>Harmeet Pental <i>Regional Director, South Asia, North America & United Kingdom</i></p>	<ul style="list-style-type: none"> • Harmeet commenced work with IDP Education in March 2009 as Regional Director, South Asia and is currently Regional Director, South Asia, North America & United Kingdom • He is based in Gurgaon, India and in his role Harmeet is responsible for 36 IDP Education offices in six countries in South Asia: India, Mauritius, Bangladesh, Sri Lanka, Indonesia and Malaysia. In addition, Harmeet is also responsible for the client teams based across the United States, Canada and the United Kingdom and IELTS operations in Canada • Prior to joining the Company, Harmeet worked in general management roles with Avon Products across India and Vietnam and VLCC (India's leading health and beauty services company). Prior to that he had sales, operations and marketing experiences across Lakme Lever (Unilever company) and Reckitt Benckiser • Harmeet holds an MBA and BA (Hons) in Mathematics from Delhi University

Executive	Experience, qualifications and expertise
Allen Jiang <i>Regional Director, North Asia</i>	<ul style="list-style-type: none"> • Allen commenced work with IDP Education in 2007 as Country Manager and is currently Regional Director, North Asia • He is based in Shanghai and, in his role, Allen is responsible for all aspects of the Company's business operations in North Asia, which currently covers China, Taiwan and Hong Kong • Prior to joining IDP Education, Allen was the Business Unit Director leading sales and marketing with a United States-based medical device company (Stryker) and prior to that spent 10 years with Johnson & Johnson in both their consumer and professional product divisions • Allen holds a Bachelor of Medicine from the Medical School of Zhe Jiang University and an MBA from Shanghai Jiao Tong University
Maher El Bakry <i>Regional Director, Middle East</i>	<ul style="list-style-type: none"> • Maher commenced work with IDP Education in March 2009 as Regional Director, Middle East • He is based in Dubai, United Arab Emirates and in his role Maher is responsible for IDP Education's Middle Eastern operations • Prior to joining the Company, Maher held positions in pharmaceutical manufacturing with Novartis Egypt, sales and marketing in Saudi Arabia with Beecham Pharmaceuticals, marketing in the Levant region with GSK, and was Commercial Director MENA for Johnson & Johnson's "diabetes care" business unit • Maher holds a Bachelor of Science in Pharmacy from Cairo University, a sales and marketing degree from the CIM, United Kingdom, and an MBA from Sheffield Hallam University, United Kingdom

6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of IDP Education; or
- underwriter to the Offer,

holds at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

- the formation or promotion of IDP Education;
- property acquired or proposed to be acquired by IDP Education in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of IDP Education or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Directors' interests and remuneration

6.3.1.1 Chief Executive Officer and Managing Director

The Company has entered into an employment contract with Andrew Barkla, the Company's Chief Executive Officer and Managing Director, to govern his employment with IDP Education. Further details of the terms of his employment are set out in Section 6.3.2.2.

6.3.1.2 Non-executive Director remuneration

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 IDP Education in a general meeting. This amount, being the fee pool limit, has been fixed at \$1,500,000 per financial year.

Annual directors' fees currently agreed to be paid by the Company are \$175,000 to the Chairman, Peter Polson, and \$115,000 to each of the other non-executive Directors.

In addition, the chair of the Audit and Risk Committee and the chair of the Nomination and Remuneration Committee will each be paid an annual fee of \$15,000 and \$10,000 respectively (unless, in either case, the chair of the committee is also the Chairman of the Board in which case the chair of the committee will not be paid any additional annual fees for performing that role). Other members of each committee are not entitled to any additional fees for performing those roles.

These fees will be reviewed on annual basis and any increases must be within the overall fee pool limit, unless this limit is increased with shareholder approval.

Directors may also be reimbursed for all reasonable travelling and other expenses properly incurred by them in attending Board meetings or any meetings of committees of Directors, in attending any general meetings of the Company and in connection with the Company's business.

Directors may be paid such additional or special remuneration if they, with the approval of the Board, perform any extra services or make special exertions for the benefit of the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.3.1.3 Deeds of access, insurance and indemnity for Directors

The Company has entered into deeds of access, insurance and indemnity with each Director which confirms each person's right of access to Board papers and certain books and records of IDP Education during their term of appointment as a Director and for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before the seven year period expires. The deed also requires IDP Education to provide an indemnity for liability incurred as an officer of IDP Education and its subsidiaries, to the maximum extent permitted by law.

The Constitution requires the Company to indemnify current and former Directors and other officers of IDP Education and its subsidiaries (together, the **Group**), to the maximum extent permitted by law, against liabilities (including legal costs) arising out of the conduct of the business of any member of the Group or the discharge by that person of their duties in that capacity. In addition, under the deeds of access, indemnity and insurance, the Company indemnifies each Director, to the maximum extent permitted by law, against all liabilities (including legal costs) that may arise out of the conduct of the business of any member of the Group or from any act or omission of the Director in their capacity as a director of any Group member. The deed provides that the Company must advance to the Director costs reasonably incurred by the Director in conducting or defending certain proceedings.

The Constitution also permits the Company to arrange and pay for directors' and officers' insurance for current and former Directors and other officers of any member of the Group against liabilities (including legal costs) arising out of the conduct of the business of any member of the Group or the discharge by that person of their duties in that capacity. In addition, under the deeds of access, indemnity and insurance, to the maximum extent permitted by law the Company must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.3.1.4 Directors' shareholdings

Directors are not required under the Constitution to hold any shares in IDP Education. The Directors (and their associates) are entitled to apply for Shares under the Offer. The following Directors have informed the Company that they (or trusts, companies or superannuation funds they are associated with) intend to apply for Shares under the Offer. The interests of the Directors (directly or indirectly) on Completion of the Offer are expected to be as follows:

Director	Shares on Completion of the Offer ⁹
Peter Polson	37,735
Andrew Barkla	–
Ariane Barker	18,867
Professor David Battersby	–
Belinda Robinson	–
Greg West	–
Chris Leptos	18,867

6.3.2 Management team interests and remuneration

6.3.2.1 Remuneration approach

IDP Education's executive remuneration policies have been developed over time and are intended to fairly remunerate executives for their contribution to the business and to reward performance. These policies are also designed to attract, motivate and retain qualified and experienced executives employed across diverse businesses and geographic locations.

To do this, IDP Education provides an appropriate and competitive mix of remuneration components balanced between fixed and variable 'at risk' components, awarded in both cash and equity.

Fixed remuneration components are determined having regard to the specific skills and competencies of the executive with reference to both internal and external relativities, including any special local market conditions.

The at risk components of remuneration, being both short term incentive (STI) and long term incentive (LTI), are intended to reward superior (risk balanced) performance based on clearly defined targets.

The equity components of remuneration are currently offered under the IDP Education Employee Incentive Plan (IDIP). The IDIP is a flexible plan suitable for both local and overseas participation which enables IDP Education, within the limits imposed, to offer executives (and other selected employees) a range of different employee share scheme interests (Awards) to reward and drive performance and retain senior management and other selected employees or to offer broad based employee share ownership.

These Awards that may be issued under the IDIP currently include:

- Performance Rights;
- Options;
- Cash Rights;
- Service Rights;
- Deferred Shares;
- Stock Appreciation Rights; and
- Exempt Shares.

To date, Performance Rights Awards and Option Awards have been offered and Service Rights Awards for deferred STI are contemplated. Full details of existing Awards are set out in Section 6.3.3.

Other Award types may be added as contemporary reward practices in Australia or overseas evolve.

9. Includes Shares held directly or indirectly (via trusts, companies or superannuation funds associated with the Director).

Key people, interests and benefits continued

The key terms of the IDIP are as follows:

Eligibility	<p>The Board has the discretion to determine which executives and employees are eligible to participate in the IDIP and what type of Award suits the remuneration or incentive purpose. The definition of employee under the IDIP rules includes any full time or permanent part time employee or officer and a director of the Company. Non-executive Directors are also eligible to participate in the IDIP, if approved by shareholders.</p>
Awards	<p>The Board has the discretion to set the terms and conditions on which it will offer Awards under the IDIP.</p> <p>The Board may determine that the Awards will be subject to performance, service or other conditions (Vesting Conditions) and, if so, will specify those Vesting Conditions in the offer. Vesting Conditions may include conditions relating to continuous employment, performance of the participant and/or IDP Education or the occurrence of specific events.</p> <p>Awards will vest to the extent that the applicable Vesting Conditions are satisfied, and the Board retains discretion to waive the satisfaction of the Vesting Conditions, in certain approved circumstances.</p> <p>Awards under the IDIP may be issued at no cost to the participants. Options may be subject to payment of an exercise price by the participant which is determined by the Board and advised to the participant in individual offer documents.</p>
Vesting date	<p>Subject to the satisfaction of any applicable Vesting Conditions, Awards held by a participant will vest on the date specified in the terms of offer for those Awards (to be determined by the Board at the time of offer and advised to the participant in individual offer documents).</p>
Shares as an Award or on vesting of an Award	<p>Shares allocated on vesting of an Award carry the same rights and entitlements as other issued Shares, including dividend and voting rights.</p> <p>Depending on the terms of issue, the Shares may be subject to disposal and/or forfeiture restrictions, which means that they may not be disposed of or dealt with for a period of time and/or may be forfeited if certain further conditions are not satisfied.</p> <p>Shares allocated to participants under the IDIP may be issued by IDP Education or acquired on or off market by IDP Education or its nominee. IDP Education may initially issue Shares to a trustee and later transfer the Shares to participants.</p>
Dividend and voting entitlements	<p>Awards, other than Shares, are not entitled to dividend or voting rights.</p>
Quotation	<p>Awards, except Shares, will not be quoted on the ASX. IDP Education will apply for official quotation of any Shares issued under the IDIP, in accordance with the ASX Listing Rules and having regard to any disposal restrictions in place under the IDIP.</p>
Cessation of employment	<p>If a participant's employment with IDP Education ceases for any reason other than death, the participant's unvested Awards will immediately lapse (unless the Board determines otherwise).</p> <p>If a participant's employment with IDP Education ceases due to death, the Vesting Conditions (and any disposal and/or forfeiture restrictions) applicable to the participant's unvested Awards will cease to apply.</p>
Change of control	<p>If a change of control of IDP Education occurs, the Board will determine, in its sole and absolute discretion, the manner in which all unvested and vested Awards will be dealt with.</p>
Restrictions	<p>Without the prior approval of the Board, Awards may not be sold, transferred, mortgaged, pledged, charged, granted as security or otherwise disposed of.</p> <p>Participants must not enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested Awards.</p>
Loans	<p>There are no loans allowed or provided under the IDIP.</p>

IDP Education Employee Share Scheme Trust	A trust, the IDP Education Employee Share Scheme Trust (IDP ESS Trust), has been established in connection with the operation and administration of the IDIP. The IDP ESS Trust may be used to acquire Shares that are then used to satisfy the Company's obligations to deliver Shares to participants upon satisfaction of the Vesting Conditions. In addition, any Shares delivered on vesting, which are subject to disposal or forfeiture conditions, will continue to be held in the IDP ESS Trust until these disposal or forfeiture conditions cease to apply. After the disposal or forfeiture conditions cease to apply, participants can continue to hold their Shares via the IDP ESS Trust or have these Shares transferred out of the IDP ESS Trust, at their discretion.
Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the IDIP.
Other terms	The IDIP also contains customary and usual terms having regard to Australian law for dealing with the administration, variation, suspension and termination of the IDIP.

6.3.2.2 Chief Executive Officer and Managing Director

The Company has entered into an employment contract with Andrew Barkla, the Company's Chief Executive Officer and Managing Director, to govern his employment with IDP Education.

Mr Barkla's contract provides that he will receive an amount of fixed annual remuneration (inclusive of superannuation), which amount is subject to annual review by the Company. His fixed annual remuneration is currently \$800,000. In addition to his fixed annual remuneration, Mr Barkla has been offered participation in various incentive arrangements, including:

- a STI under which, depending on IDP Education's and Mr Barkla's respective performance, he may be entitled to receive up to a maximum of \$400,000 in a mix of cash and Service Rights Awards in each financial year (see Section 6.3.3.1 for further information); and
- a LTI under which Mr Barkla will be entitled to receive Awards under the IDIP, subject to appropriate documentation and shareholder approval if necessary, with an allocation value equal to up to a maximum of \$400,000 each financial year (noting that the vesting of those Awards will be dependent on the satisfaction of the applicable Vesting Conditions). At the Prospectus Date, a total of 324,447 Performance Rights Awards have been granted to Mr Barkla (see Section 6.3.3.3 for further information).

In addition, as part of Mr Barkla's sign-on arrangements, he was also granted 4,150,000 Option Awards under the IDIP with an exercise price of \$1.44 for each Option (see Section 6.3.3.3 for further information).

Mr Barkla may terminate his employment contract by giving three months' notice in writing. IDP Education may terminate Mr Barkla's employment by giving nine months' notice in writing. If either party provides notice, the Company may make a payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, IDP Education may terminate Mr Barkla's employment contract immediately without notice.

Upon the termination of Mr Barkla's employment contract, and provided the restraint clause in his contract is found to be enforceable, he will be subject to a restraint of trade period of up to 12 months from the date of termination.

6.3.2.3 Chief Financial Officer and Company Secretary

The Company has entered into an employment contract with Murray Walton, the Company's Chief Financial Officer and Company Secretary, to govern his employment with IDP Education.

Mr Walton will receive fixed annual remuneration of \$340,627 (inclusive of superannuation). In addition to his fixed annual remuneration, Mr Walton has been offered participation in various incentive arrangements, including:

- a STI under which, depending on IDP Education's and Mr Walton's respective performance, he may be entitled to receive up to 50% of his fixed annual remuneration in cash in each financial year (see Section 6.3.3.2 for further information); and
- a LTI under which Mr Walton will be entitled to receive Awards under the IDIP, subject to relevant documentation, with an allocation value equal to up to a maximum of 35% of his fixed annual remuneration in each financial year (noting that the vesting of those Awards will be dependent on the satisfaction of the applicable Vesting Conditions). At the Prospectus Date a total of 335,071 Performance Rights Awards have been granted to Mr Walton (see Section 6.3.3.3 for further information).

Either party may terminate Mr Walton's employment contract by giving one month's notice in writing and the Company may make a payment in lieu of notice in either case. In the event of serious misconduct or other circumstances warranting summary dismissal, IDP Education may terminate Mr Walton's employment contract immediately without notice.

Upon the termination of Mr Walton's employment contract, and provided the restraint clause in his contract is found to be enforceable, he will be subject to a restraint of trade period of up to 12 months.

6.3.2.4 Other senior management employment arrangements

Other members of IDP Education's senior management team are employed under individual employment contracts. The employment contracts establish:

- fixed annual remuneration, comprising base salary, allowances and superannuation (or foreign equivalent);
- termination notice provisions of between one month and three months by either party (other than in the event of serious misconduct or other circumstances warranting summary dismissal);
- restraint of trade provisions of up to 12 months after termination of employment, provided the restraint clause is found to be enforceable;
- eligibility to receive a STI under which, depending on IDP Education's and the individual's respective performance, the individual may be entitled to receive up to between 30% and 50% of their fixed annual remuneration in cash in each financial year (see Section 6.3.3.2 for further information); and
- eligibility to receive a LTI under which they may be entitled to receive Awards under the IDIP equal in value to up to 45% of their fixed annual remuneration in each financial year. A total of 2,313,459 Performance Rights have been granted to these members of IDP Education's senior management team (see Section 6.3.3.3 for further information).

6.3.3 Short and long term incentive arrangements

6.3.3.1 Short term incentive arrangements – Chief Executive Officer and Managing Director

Andrew Barkla, the Company's Chief Executive Officer and Managing Director, is entitled to a STI (agreed to as part of his employment arrangements) under which, depending on IDP Education's and Mr Barkla's respective performance, he may be entitled to receive up to a maximum of \$400,000 in a mix of cash and Service Rights Awards in each financial year.

The actual STI payments earned in any given year will depend on the achievement of financial and non-financial performance criteria (set by reference to Company and individual performance) as set by the Board from year to year. The principal financial measure currently used for his STI is budgeted Group EBIT, and the non-financial measures are key performance indicators (KPIs) approved annually by the Board (and being both qualitative and quantitative measures). These measures are tested annually after the end of the relevant financial year.

The value of any STI payments will be determined based on achievement against the targets set and approved by the Nomination and Remuneration Committee. The STI, if any, will be paid as follows:

- for FY16:
 - \$200,000 will be paid in cash upon Completion of the Offer; and
 - in respect of any amount in excess of \$200,000 (which will be based on the extent of achievement against the other approved performance criteria):
 - 50% will be satisfied through the grant of Service Rights Awards under the IDIP which will be subject to a Vesting Condition that Mr Barkla remains employed for a further period of 12 months from the end of FY16 and which will automatically vest on satisfaction of that Vesting Condition; and
 - 50% will be paid in cash; and
- for financial years beyond FY16, the total amount will be based on the extent of achievement against the approved performance criteria and:
 - up to the first \$100,000 and 50% of any amount in excess of \$100,000 will be paid in cash before the end of the first quarter of the financial year following the financial year in which the incentive payment was earned; and
 - the remaining 50% of any amount in excess of \$100,000 will be satisfied through the grant of Service Rights Awards under the IDIP which will be subject to a Vesting Condition that Mr Barkla remains employed for a period of 12 months from the end of the financial year in which the payment was earned and which will automatically vest on satisfaction of that Vesting Condition.

6.3.3.2 Short term incentive arrangements – other senior management

The Chief Financial Officer and Company Secretary and selected other members of IDP Education's senior management team are eligible to receive a STI. The target STI payment is set as a percentage of their fixed annual remuneration. Actual STI payments in any given year may be at, above or below target depending on the achievement of financial and non-financial performance criteria as set by the Board in accordance with the terms

of the STI offer (which may be varied from time to time by the Board). The current STI offers provide for financial and non-financial performance criteria, set by reference to Company, business unit and individual performance targets appropriate to a participant's position in the Company (with the weighting between financial and non-financial performance criteria also depending on the participant's position in the Company).

The financial measure used under current STI offers is budgeted Group EBIT for Group-wide employees or a combination of budgeted Group EBIT and budgeted business unit EBIT for participants with responsibilities for a specific IDP Education business unit. Non-financial measures are KPIs determined annually by the Nomination and Remuneration Committee. These measures are tested annually after the end of the relevant financial year.

All STI payments to senior management are approved by the Nomination and Remuneration Committee and the Board, in their absolute discretion. In exercising their discretion, the Nomination and Remuneration Committee and the Board may take into account such matters as they consider appropriate including the financial and non-financial performance criteria, the recommendations of the Chief Executive Officer and Managing Director for other employees and other factors relevant to the business.

STI payments will be made after the release of IDP Education's full year audited financial results to the ASX.

6.3.3.3 Long term incentive arrangements – Directors and senior management

IDP Education has offered a range of LTI Awards under the IDIP. These Awards are designed to assist in the motivation and retention of senior management and other selected employees in line with contemporary market practice. Details of the various types of Awards and the key terms of the IDIP are set out in Section 6.3.2.1.

As at the Prospectus Date, the following Awards under the IDIP are in place:

- the IPO Award (467,124 Performance Rights);
- the Prospectus Performance Award (285,852 Performance Rights);
- the 2013 LTI Award (FY14) (575,107 Performance Rights);
- the 2014 LTI Award (FY15) (630,717 Performance Rights);
- the FY16 Award (1,195,449 Performance Rights); and
- the CEO 'sign-on' Options.

The details in respect of each of these Awards are as follows:

The IPO Award

Number of Performance Rights issued	467,124 Performance Rights – comprising: <ul style="list-style-type: none"> • 106,655 issued to the Chairman, Peter Polson; • 74,617 issued to one Non-executive Director, Greg West; • 39,757 issued to the Chief Financial Officer; and • 246,095 issued to other members of IDP Education's senior management team.
Vesting Date	Completion of the Offer.
Vesting Conditions	The Performance Rights granted under the IPO Award will only vest if: <ul style="list-style-type: none"> • Completion of the Offer occurs before 7 February 2016; and • the participant has maintained continuous employment with IDP Education from the time of grant until Completion of the Offer.
Automatic exercise of Performance Rights	Any Performance Rights which meet the Vesting Conditions will be automatically exercised on the Vesting Date and Shares acquired for the benefit of the participant and held in the IDP ESS Trust.
Forfeiture conditions	Shares allocated on vesting of the Performance Rights granted under the IPO Award are also subject to an additional service Vesting Condition which requires the participant to maintain continuous employment with IDP Education for 12 months from the Vesting Date. <p>If the participant's employment with IDP Education is terminated for any reason within that 12 month period, the Shares allocated on vesting will be subject to immediate forfeiture, unless the Board determines otherwise.</p> <p>Once the service Vesting Condition has been satisfied, the participant can have the Shares transferred from the IDP ESS Trust or sold.</p>

The Prospectus Performance Award

Number of Performance Rights issued	285,852 Performance Rights – comprising: <ul style="list-style-type: none"> • 39,757 issued to the Chief Financial Officer; and • 246,095 issued to other members of IDP Education’s senior management team. 										
Vesting Date	The date IDP Education’s financial results for FY16 are released.										
Vesting Conditions	<p>The Performance Rights granted under the Prospectus Performance Award will:</p> <ul style="list-style-type: none"> • only vest if the participant has maintained continuous employment with IDP Education from the grant date of the Performance Rights to the Vesting Date; and • vest proportional to actual Earnings for FY16 as a proportion of forecast Earnings for FY16 (as set out in Section 4), in accordance with the following table: <table border="1"> <thead> <tr> <th>Actual Earnings as a proportion of forecast Earnings</th> <th>% of Prospectus Performance Award Performance Rights to vest</th> </tr> </thead> <tbody> <tr> <td>Less than 90%</td> <td>0</td> </tr> <tr> <td>At least 90%</td> <td>50</td> </tr> <tr> <td>At least 95%</td> <td>75</td> </tr> <tr> <td>100% or over</td> <td>100</td> </tr> </tbody> </table> <p>Where Earnings are between 90% and 100% of the Prospectus forecast, interpolative vesting on a straight line basis shall be applied. For this purpose, Earnings are defined as NPAT or equivalent.</p>	Actual Earnings as a proportion of forecast Earnings	% of Prospectus Performance Award Performance Rights to vest	Less than 90%	0	At least 90%	50	At least 95%	75	100% or over	100
Actual Earnings as a proportion of forecast Earnings	% of Prospectus Performance Award Performance Rights to vest										
Less than 90%	0										
At least 90%	50										
At least 95%	75										
100% or over	100										
Automatic exercise of Performance Rights	Any Performance Rights which meet the Vesting Conditions will be automatically exercised on the Vesting Date and Shares acquired for the benefit of the participant and held in the IDP ESS Trust.										
Forfeiture conditions	<p>Shares allocated on vesting of the Performance Rights granted under the Prospectus Performance Award are also subject to an additional service Vesting Condition which requires the participant to maintain continuous employment with IDP Education for 12 months from the Vesting Date.</p> <p>If the participant’s employment with IDP Education is terminated for any reason within that 12 month period, the Shares allocated on vesting will be subject to immediate forfeiture, unless the Board determines otherwise.</p> <p>Once the service Vesting Condition has been satisfied, the participant can have the Shares transferred from the IDP ESS Trust or sold.</p>										

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The 2013 LTI Award (FY14)

Number of Performance Rights issued	575,107 Performance Rights – comprising: <ul style="list-style-type: none"> • 79,431 issued to the Chief Financial Officer; and • 495,676 issued to other members of IDP Education’s senior management team. 								
Vesting Date	31 August 2016.								
Vesting Conditions	<p>The Performance Rights granted under the 2013 LTI Award (FY14) will:</p> <ul style="list-style-type: none"> • only vest if the participant has maintained continuous employment with IDP Education from the grant date of the Performance Rights to the Vesting Date; and • vest proportional to the EPS Target being achieved as set down in the following table: <table border="1"> <thead> <tr> <th>EPS Target Compound annual growth rate (CAGR) in EPS over the Measurement Period</th> <th>% of 2013 LTI (FY14) Award Performance Rights to vest</th> </tr> </thead> <tbody> <tr> <td>Less than 5% per annum</td> <td>0</td> </tr> <tr> <td>At least 5% per annum</td> <td>50</td> </tr> <tr> <td>10% or more per annum</td> <td>100</td> </tr> </tbody> </table> <p>Where the CAGR is between 5% and 10% per annum, interpolative vesting on a straight line basis will be applied.</p> <p>The Measurement Period is the period from Completion of the Offer to the end of the FY16.</p> <p>CAGR will be calculated over the Measurement Period with a base EPS calculated using the FY14 NPAT and the number of Shares on issue at Completion of the Offer. In calculating the CAGR, any dilution resulting from share issues shall be adjusted at the discretion of the Board.</p>	EPS Target Compound annual growth rate (CAGR) in EPS over the Measurement Period	% of 2013 LTI (FY14) Award Performance Rights to vest	Less than 5% per annum	0	At least 5% per annum	50	10% or more per annum	100
EPS Target Compound annual growth rate (CAGR) in EPS over the Measurement Period	% of 2013 LTI (FY14) Award Performance Rights to vest								
Less than 5% per annum	0								
At least 5% per annum	50								
10% or more per annum	100								
Automatic exercise of Performance Rights	Any Performance Rights which meet the Vesting Conditions will be automatically exercised on the Vesting Date and Shares acquired for the benefit of the participant and held in the IDP ESS Trust.								
No forfeiture conditions	There are no additional forfeiture conditions.								

The 2014 LTI (FY15) Award

Number of Performance Rights issued	630,717 Performance Rights – comprising: <ul style="list-style-type: none"> • 79,431 issued to the Chief Financial Officer; and • 551,286 issued to other members of IDP Education’s senior management team. 								
Vesting Date	31 August 2017.								
Vesting Conditions	<p>The Performance Rights granted under the 2014 LTI Award (FY15) will:</p> <ul style="list-style-type: none"> • only vest if the participant has maintained continuous employment with IDP Education from the grant date of the Performance Rights to the Vesting Date; and • vest proportional to the EPS Target being achieved as set down in the following table: <table border="1"> <thead> <tr> <th>EPS Target CAGR in EPS over the Measurement Period</th> <th>% of 2014 LTI (FY15) Award Performance Rights to vest</th> </tr> </thead> <tbody> <tr> <td>Less than 5% per annum</td> <td>0</td> </tr> <tr> <td>At least 5% per annum</td> <td>50</td> </tr> <tr> <td>10% or more per annum</td> <td>100</td> </tr> </tbody> </table> <p>Where the CAGR is between 5% and 10% per annum, interpolative vesting on a straight line basis will be applied.</p> <p>The Measurement Period is the period from Completion of the Offer to the end of FY17.</p> <p>CAGR will be calculated over the Measurement Period with a base EPS calculated using the FY14 NPAT and the number of Shares on issue at Completion of the Offer. In calculating the CAGR, any dilution resulting from share issues shall be adjusted at the discretion of the Board.</p>	EPS Target CAGR in EPS over the Measurement Period	% of 2014 LTI (FY15) Award Performance Rights to vest	Less than 5% per annum	0	At least 5% per annum	50	10% or more per annum	100
EPS Target CAGR in EPS over the Measurement Period	% of 2014 LTI (FY15) Award Performance Rights to vest								
Less than 5% per annum	0								
At least 5% per annum	50								
10% or more per annum	100								
Automatic exercise of Performance Rights	Any Performance Rights which meet the Vesting Conditions will be automatically exercised on the Vesting Date and Shares acquired for the benefit of the participant and held in the IDP ESS Trust.								
No forfeiture conditions	There are no additional forfeiture conditions.								

The FY16 Award

Number of Performance Rights issued

1,195,449 Performance Rights:

- 324,447 issued to the Chief Executive Officer and Managing Director;
- 96,695 issued to the Chief Financial Officer; and
- 774,307 issued to other members of IDP Education's senior management team.

Each participant's grant of Performance Rights was divided into three equal tranches.

Vesting Date

31 August 2018.

Vesting Conditions

The Performance Rights granted under the FY16 LTI Award will only vest if:

- IDP Education meets the applicable **Performance Conditions** (see below);
- the participant meets the **Service Condition** (see below); and
- Completion of the Offer occurs before 17 August 2017 and IDP's market capitalisation on Completion of the Offer (based on the Offer Price) is at least A\$400 million.

Performance Conditions

Each tranche of the Performance Rights granted under the FY16 Award is subject to its own Performance Conditions, as follows:

Tranche 1: NPAT forecast

The Performance Rights in Tranche 1 will vest if IDP Education achieves the forecast Earnings for FY16 (as set out in Section 4); and

Tranche 2: NPAT CAGR

The Performance Rights in Tranche 2 will vest if IDP Education achieves an NPAT CAGR of at least 5% per annum above the NPAT for FY15 over the period FY16 to FY18 as per the following table:

NPAT CAGR	% of Tranche 2 Performance Rights which will vest
Less than 5% per annum	0
At least 5% per annum	50
At least 6% per annum	100

Proportional straight line vesting will be applied between 5% and 6% per annum

Tranche 3: TSR CAGR

The Performance Rights in Tranche 3 will vest if IDP Education achieves a Total Shareholder Return (TSR) CAGR of at least 6% per annum over the period from the date of grant of the Performance Rights to 30 June 2018 as per the following table:

TSR CAGR	% of Tranche 3 Performance Rights which will vest
Less than 6% per annum	0
At least 6% per annum	50
At least 8% per annum	100

Proportional straight line vesting will be applied between 6% and 8% per annum.

For the purpose of the FY16 Award TSR CAGR Performance Condition, the market capitalisation value at the date of grant of the Performance Rights will be A\$360 million.

Key people, interests and benefits continued

Service Condition	Each tranche of the Performance Rights granted under the FY16 Award is subject to a Service Condition that requires the participant to remain in continuous employment with IDP Education from the date of grant of the Performance Rights until the Vesting Date.
Automatic exercise of Performance Rights	Any Performance Rights which meet the Vesting Conditions will be automatically exercised on the Vesting Date and Shares acquired for the benefit of the participant and held in the IDP ESS Trust.
No forfeiture conditions	There are no additional forfeiture conditions.

CEO sign-on Options –Chief Executive Officer and Managing Director

As part of his sign-on arrangements, Mr Barkla has also been granted options to acquire Shares issued under the IDP (Options) on the following terms:

Number of Options issued	4,150,000 Options, comprising three tranches: <ul style="list-style-type: none"> • Tranche 1 – 1,383,361 Options; • Tranche 2 – 1,383,361 Options; and • Tranche 3 – 1,383,278 Options. 								
Exercise Price	\$1.44 per Option.								
Vesting Date	31 August 2018.								
Expiry or lapse date	Five years from Grant Date.								
Vesting Conditions	The Options granted under the contract of employment grant will only vest if: <ul style="list-style-type: none"> • IDP Education meets the applicable Performance Conditions (see below); • Mr Barkla meets the Service Condition (see below); and • Completion of the Offer occurs before 17 August 2017. 								
Performance Conditions	<p>Each tranche of the Options is subject to its own Performance Conditions, as follows:</p> <p>Tranche 1: NPAT Forecast</p> <p>The Options in Tranche 1 will vest if IDP Education achieves the forecast Earnings for FY16 (as set out in Section 4);</p> <p>Tranche 2: NPAT CAGR</p> <p>The Options in Tranche 2 will vest if IDP Education achieves an NPAT CAGR of at least 5% per annum above the NPAT for FY15 over the period FY16 to FY18 as per the following table:</p> <table border="1"> <thead> <tr> <th>NPAT CAGR</th> <th>% of Tranche 2 Options which will vest</th> </tr> </thead> <tbody> <tr> <td>Less than 5% per annum</td> <td>0</td> </tr> <tr> <td>At least 5% per annum</td> <td>50</td> </tr> <tr> <td>At least 6% per annum</td> <td>100</td> </tr> </tbody> </table> <p>Proportional straight line vesting will be applied between 5% and 6% per annum; and</p> <p>Tranche 3: TSR CAGR</p> <p>The Options in Tranche 3 will vest if IDP Education achieves a TSR CAGR of at least 6% per annum over the period from the date of grant of the Options to 30 June 2018 as per the following table:</p>	NPAT CAGR	% of Tranche 2 Options which will vest	Less than 5% per annum	0	At least 5% per annum	50	At least 6% per annum	100
NPAT CAGR	% of Tranche 2 Options which will vest								
Less than 5% per annum	0								
At least 5% per annum	50								
At least 6% per annum	100								

TSR CAGR	% of Tranche 3 Options which will vest
Less than 6% per annum	0
At least 6% per annum	50
At least 8% per annum	100

Proportional straight line vesting will be applied between 6% and 8% per annum. For the purpose of the Option TSR CAGR Performance Condition, the market capitalisation value at the date of grant of the Performance Rights will be A\$360 million.

Service Condition	Each tranche of the Options is subject to a Service Condition that requires Mr Barkla to remain in continuous employment with IDP Education from the date of grant of the Options until the Vesting Date.
Exercise period and receipt of Shares on exercise	<p>Subject to satisfaction of the applicable Vesting Conditions:</p> <ul style="list-style-type: none"> • each Option will be available for exercise up until the Expiry Date; and • upon exercise and payment of the Exercise Price, each Option entitles Mr Barkla to receive one Share (or, if the Board determines that for a taxation, legal, regulatory or compliance reason it is not appropriate to allocate Shares to Mr Barkla, the Board may elect to pay Mr Barkla a cash amount equal to the value of a Share). <p>On exercise of vested Options, Shares will be held on behalf of Mr Barkla in the IDP ESS Trust.</p>
No forfeiture conditions	There are no additional forfeiture conditions.

6.3.4 Interests of advisers

IDP Education has engaged the following professional advisers:

- Goldman Sachs Australia Pty Ltd has acted as a Lead Manager to the Offer. The Lead Managers will be paid the fees described in Section 9.1.3 for these services;
- Macquarie Capital (Australia) Limited has acted as a Lead Manager to the Offer. The Lead Managers will be paid the fees described in Section 9.1.3 for these services;
- Allens has acted as Australian legal adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately \$740,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Allens in accordance with its normal time based charges;
- Deloitte Corporate Finance Pty Limited has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately \$530,000 in total (excluding disbursements and GST) for the above services up until the Prospectus Date; and
- KPMG has acted as tax adviser and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately \$380,000 in total (excluding disbursements and GST) for the above services up until the Prospectus Date.

The total costs of the Offer are approximately \$11.6 million and will be borne by the Existing Shareholders. This figure does not include any discretionary incentive fee which may be paid to the Lead Managers (described in Section 9.1.3). IDP Education will not bear any of the costs of the Offer.

Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.4 Corporate governance

This Section 6.4 explains how the Board will oversee the management of IDP Education's business. The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of IDP Education and oversees its business strategy, including approving the strategic goals of the Company and considering and approving an annual business plan, including a budget. The Board is

committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of IDP Education. In conducting the business with these objectives, the Board seeks to ensure that IDP Education is properly managed to protect and enhance Shareholder interests, and that IDP Education and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing IDP Education, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for IDP Education's business and which are designed to promote the responsible management and conduct of IDP Education.

IDP Education is seeking a listing on the ASX. The ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (3rd Edition)* (**ASX Recommendations**) contain corporate governance recommendations for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, IDP Education will be required to provide a statement in its annual report or on its website disclosing the extent to which it has followed the ASX Recommendations in the subject reporting period. Where IDP Education does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. Except as set out below, the Board does not anticipate that it will depart from the ASX Recommendations; however, it may do so in the future if it considers that such a departure would be reasonable.

Copies of IDP Education's key policies and practices, and the charters for the Board and each of its committees will be available from listing at www.idp.com.

6.4.1 Board

The Board is comprised of the Chief Executive Officer and Managing Director, and six non-executive directors, of whom two are independent.

The Board comprises:

- Peter Polson – Independent Non-Executive Director and Chairman/A Class Director;
- Andrew Barkla – Chief Executive Officer and Managing Director/B Class Director;
- Ariane Barker – Independent Non-Executive Director/A Class Director;
- David Battersby – Non-Executive Director/A Class Director;
- Belinda Robinson – Non-Executive Director/A Class Director;
- Greg West – Non-Executive Director/A Class Director; and
- Chris Leptos – Non-Executive Director/B Class Director.

Detailed biographies of the Board members are provided in Section 6.1.

Each Director above has confirmed to IDP Education that he or she anticipates being available to perform his or her duties as a non-executive or executive Director (as the case may be) without constraint from other commitments.

Pursuant to the Constitution, a Director is Independent if they are free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its securityholders generally. Under the Constitution, a Director is Independent if they:

- are not, and have not been, employed in an executive capacity by the Company or any of its Child Entities within the last three years, and there has been a period of at least three years between ceasing any such employment and being appointed as a Director;
- are not, and have not been within the last three years, a partner, director or senior employee of a provider of material professional services to the Company or any of its Child Entities;
- are not, and have not been within the last three years, in a material business relationship with the Company or any of its Child Entities, or an officer of, or otherwise associated with, someone with such a relationship;
- are not a substantial holder of the Company or an officer of, or otherwise associated with, a substantial holder of the Company;
- do not have a material contractual relationship with the Company or any of its Child Entities other than as a Director;
- do not have close family ties with any person who falls within any of the categories described above;

- have not been a director of the Company for such a period that their independence may have been compromised; and
- are not, and have not been within the last three years, a “Competitor” or a “Competitor’s Associate” (as defined in Section 7.9.22).

The definition of “Independent”, as set out in the Constitution, is based on the description of “independent” and the factors relevant to assessing “independence” as set out in the ASX Recommendations. That said, the ASX Recommendations do not include the last limb of the definition which refers to a “Competitor” and a “Competitor’s Associate”.

Each of Peter Polson and Ariane Barker are Independent Directors, free of any business or any other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement and each are able to fulfil the role of an Independent Director for the purpose of the Constitution.

As Chief Executive Officer and Managing Director of the Company, Andrew Barkla is not an Independent Director.

Each of David Battersby, Belinda Robinson and Greg West are directors of the Company’s major shareholder, Education Australia. As a result of that relationship, each of these Directors is not an Independent Director.

Chris Leptos retired as a partner of KPMG on 28 February 2014. KPMG has provided and continues to provide taxation advisory services to IDP Education. KPMG is considered to be a material professional adviser to IDP Education and Mr Leptos was a partner of KPMG in the last three years. Accordingly, notwithstanding that Mr Leptos had no involvement with IDP Education prior to being approached to become a Director, he is not an Independent Director for the purpose of the Constitution. The Board expects that Mr Leptos will become an Independent Director for the purpose of the Constitution from 1 March 2017 (being the date that is three years after he ceased to be a partner of KPMG).

As a result of there being more non-Independent Directors than Independent Directors, the Board does not comprise a majority of Independent Directors, contrary to Recommendation 2.4 of the ASX Recommendations (which requires that a majority of the Board should be comprised of Independent Directors, within the meaning of the ASX Recommendations).

Notwithstanding that a majority of the Board is not comprised of Independent Directors, the Board considers that, collectively, the Directors bring an objective and independent judgement to its decision-making processes and that each of the Directors will make a valuable contribution to the Company. Furthermore, the Directors believe that they are able to objectively analyse the issues before them in the best interests of all Shareholders and in accordance with their duties as Directors.

The Board has considered IDP Education’s immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for the Company after listing.

6.4.2 Board Charter

The Board Charter adopted by the Board sets out the responsibilities of the Board in greater detail. It also (among other things):

- recites that the Constitution requires that a majority of the Board is to be comprised of A Class Directors (as defined in Section 7.9.22);
- envisages that the Board should be composed of non-executive directors who, with the executive directors, comprise an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board’s responsibilities and objectives;
- envisages that the Board will be made up of directors with a broad range of skills, expertise and experience, and from a diverse range of backgrounds, including gender;
- provides that the Chair will be an Independent non executive director;
- Allows the Board to delegate powers and responsibilities to management and to committees established by the Board; and
- includes detailed conflict procedures and restrictions on access to information, which require (among other things) that:
 - Directors disclose to the Board any material personal interest that they may have in a matter relating to the affairs of the Company and any other interest or conflict of duty in a matter relating to the affairs of the Company, which may give rise to, or be perceived to give rise to, a real or substantial possibility of conflict;

- where a Director has disclosed a material personal interest, or any other interest or duty which may give rise to, or be perceived to give rise to, a real or substantial possibility of conflict, the conflicted Director will:
 - continue to receive Board papers or other information which relate to the matter or issue which is the subject of the conflict of interest or duty, unless the Director requests, or the Chairman (or an appointed lead Independent (as defined in the Constitution) Director where the conflicted Director is the Chairman) determines, that they not receive any or all of those documents;
 - withdraw from any part of a Board or committee meeting for the duration of any discussion on that matter; and
 - not vote on the matter; and
- if there is any matter which is or is likely to be brought before the Board, and the Chairman, a Director or the Chief Executive Officer has a concern that the disclosure of such matter to a particular Director would:
 - not be in the best interests of the Company; or
 - place that particular Director in a position of conflict,then the matter should be referred to the Chairman. After the Chairman has considered the matter in consultation with the Chief Executive Officer, the Chairman may determine that the particular Director is in a position of conflict, and in such circumstances, the conflicted Director will:
 - not receive Board papers or other information which relates in any way to the issue or matter the subject of the conflict of interest;
 - withdraw from any part of a Board or committee meeting for the duration of any discussion on that matter; and
 - not vote on the matter.

6.4.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee and the Nomination and Remuneration Committee.

Other committees may be established by the Board as and when required.

6.4.3.1 Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- the integrity of the Company's external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of the Company's external auditors;
- the performance of the external audit function and review of their audits;
- the effectiveness of the Company's system of risk management and internal controls; and
- the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

Under its charter:

- the Audit and Risk Committee must have at least three members, a majority of whom must be independent and all of whom must be non-executive Directors, and be chaired by an Independent Director who is not the Chair of the Board;
- all members of the committee should be financially literate;
- at least one member should have financial expertise (i.e. should be an accountant or financial professional with experience of financial and accounting matters); and
- some members should have an understanding of the industry in which the Company operates.

The current members of the Audit and Risk Committee are Ariane Barker (Chair), Peter Polson and Greg West.

The Audit and Risk Committee has adopted a policy that its external auditing firm must be independent of the Company at all times, and its charter requires that the committee review and assess the independence of the external auditors on an annual basis.

The Audit and Risk Committee will meet as often as is required to undertake its role effectively, but not less than quarterly. The Chief Executive Officer and the Chief Financial Officer are expected to attend each scheduled meeting of the committee and a standard invitation will be issued to the external auditors. Otherwise, the chair of the Audit and Risk Committee may invite any person from time to time to attend meetings of the committee, and may

seek advice from external advisers. The chair of the Audit and Risk Committee (or their delegate) will report to the Board after each committee meeting.

6.4.3.2 Nomination and Remuneration Committee

Subject to the matters set out in the Constitution and Board Charter regarding the appointment of Directors and the composition of the Board, the role of the Nomination and Remuneration Committee is to assist and advise the Board on:

- director selection and appointment practices;
- director performance evaluation processes and criteria;
- Board composition; and
- succession planning for the Board and senior executives,

to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of the Company as a whole.

The role of the Nomination and Remuneration Committee is also to assist and advise the Board on remuneration policies and practices for the Board, the Chief Executive Officer, the Chief Financial Officer, senior executives and other persons whose activities, individually or collectively, affect the financial soundness of the Company. The policies and practices are designed to:

- enable the Company to attract, retain and motivate Directors, executives and employees who will create value for Shareholders within an appropriate risk management framework, by providing remuneration packages that are equitable and externally competitive;
- be fair and appropriate having regard to the performance of the Company and the relevant Director, executive or employee; and
- comply with relevant legal requirements.

Under its charter:

- the Nomination and Remuneration Committee must have at least three members, a majority of whom must be Independent (as defined in the Constitution);
- two Directors (at least one of whom must be an A Class Director, as defined in the Constitution) constitute a quorum for meetings of the committee; and
- all members of the committee are expected to possess adequate remuneration, regulatory and industry knowledge to carry out their responsibilities as a member of the committee.

The current members of the Nomination and Remuneration Committee are Peter Polson (Chair), Ariane Barker and Chris Leptos.

The Nomination and Remuneration Committee will meet as often as is required to perform its functions, but not less than quarterly. The chair of the Nomination and Remuneration Committee must be Independent (as defined in the Constitution). The committee may invite other persons from time to time, to attend meetings of the committee, and may seek advice from external advisers. The chair of the Nomination and Remuneration Committee (or their delegate) will report to the Board after each committee meeting.

6.4.4 Risk management policy

IDP Education understands that:

- its growth and success depends on its ability to understand and respond to the challenges of an uncertain and changing world;
- this uncertainty generates risk, with the potential to be a source of both opportunities and threats; and
- by understanding and managing risk, it will provide greater certainty and confidence for its shareholders.

IDP Education has adopted a risk management policy, the overriding purpose of which is to ensure that:

- appropriate systems are in place to identify material risks that may impact the Company's business;
- the financial impact of risks is understood, and appropriate internal control systems are in place to limit the Company's exposure to such risks; and
- appropriate responsibility is delegated to control the identified risks effectively.

This risk management policy is supported by a risk management operational policy (which adopts the risk management process described in the Australian/New Zealand Standard (AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*)) and applies in addition to the Company's other policies.

The Board, together with the Audit and Risk Committee, is responsible for overseeing the effectiveness of risk management and compliance in the Company. The Board has delegated to the Chief Executive Officer and senior management, among other things, responsibility for periodically reviewing the Company's risk profile, fostering a risk-aware culture and reporting to the Audit and Risk Committee on the effectiveness of the risk management framework and of the Company's management of its material business risks.

6.4.5 Diversity policy

Diversity refers to characteristics that make individuals different from each other. Diversity encompasses differences in backgrounds and experiences, and also differences in approach and viewpoints. It includes factors such as gender, age, ethnicity, cultural background, language, disability and other areas of potential difference.

IDP Education has adopted a diversity policy which sets out the Company's commitment to diversity and inclusiveness in the workplace and provides a framework to help the Company achieve its diversity goals.

The Board is responsible for overseeing the implementation of the diversity policy.

In its annual report, IDP Education will disclose the measurable objectives for achieving gender diversity and progress towards achieving them.

6.4.6 Securities trading policy

The Company has adopted a written policy for buying, selling or otherwise dealing in securities. The policy is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish the procedures in relation to dealings in Shares by Directors and other IDP Education officers (including the Chief Financial Officer) and any other personnel designated either as member of the Company's "Key Management Personnel" or by the Chief Financial Officer or the Company Secretary (**Designated Officers**).

Subject to certain exceptions (described below), Designated Officers and their "Connected Persons" (which is defined in the policy and includes immediate family members of the Designated Officer and entities controlled by the Designated Officer or their immediate family members) are not permitted to deal in Shares during the following blackout periods:

- from the end of the relevant half year and financial year until the release of the Company's half yearly results and preliminary final results (as applicable) to the ASX;
- in the two weeks prior to the annual general meeting of the Company; or
- for any other period where the Chairman or the Company Secretary has advised that there is a blackout period in place.

It is possible for Designated Officers and their Connected Persons to trade within blackout periods only where they have approval of the Company Secretary, after consultation with the Chairman, and have demonstrated to them that there are "exceptional circumstances" (such as financial hardship).

Outside these periods, Designated Officers and their Connected Persons must receive clearance from a nominated IDP Education officer for any proposed dealing in Shares.

In all instances, buying or selling Shares is not permitted at any time by any person who possesses price-sensitive information.

Company personnel are not permitted to hedge Shares in any circumstances.

6.4.7 Continuous disclosure policy

Once listed, IDP Education will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, once IDP Education is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Shares, IDP Education will be required to immediately disclose that information to the ASX. IDP Education is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

IDP Education has adopted a continuous disclosure policy to take effect from listing which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. Under this policy, the Board will be responsible for managing IDP Education's compliance with its continuous disclosure obligations.

6.4.8 Shareholder communications

The Board wishes to ensure that Shareholders are provided with sufficient information to assess the performance of IDP Education and that Shareholders are informed of all major developments affecting the affairs of IDP Education in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on IDP Education's website, www.idp.com.

IDP Education's website will also contain information about it, including media releases, key policies and the charters of its Board committees.

6.4.9 Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct to be followed by all directors, officers and employees of IDP Education.

The key aspects of this code are to oblige all directors, officers and employees of IDP Education to:

- comply with the code, IDP Education's policies and the law no matter where they are in the world;
- handle all business dealings with honesty and fairness;
- not use IDP Education's resources, assets, relationships or information for personal gain;
- protect IDP Education's private information at all times;
- respect the rights of all employees to fair treatment and equal opportunity and a workplace free from harassment;
- use good judgement and act in a professional and ethical manner at all times; and
- take responsibility for their actions and ask for guidance where needed.

The code of conduct sets out IDP Education's policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information and conflicts of interest.

6.5 Arrangements with Education Australia

Education Australia will retain a 50.0% interest in IDP Education on Completion of the Offer. As at the Prospectus Date, Education Australia is represented by three non-executive Directors on the board of IDP Education (being David Battersby, Belinda Robinson and Greg West).

As at the Prospectus Date, each of the shareholders in Education Australia (being 38 Australian universities) has entered into arrangements with IDP Education under which they pay IDP Education fees in respect of students that are placed with them via IDP Education's Student Placement business (see Section 3.3.3 for further information regarding the general terms of such arrangements). In addition, some of those universities have agreements with IDP Education under which the universities (or related persons) agree to deliver and administer IELTS tests (including making available premises at which candidates sit the IELTS test and ensuring that when needed there are certified examiners and certified clerical markers available) in return for a fee paid by IDP Education. The Board considers that all of these arrangements have been entered into on arms' length terms. No Education Australia representative Director is involved in the negotiation or approval of such arrangements.

Education Australia continues to be supportive of IDP Education and its current intention is to remain a strategic and long term shareholder of IDP Education. Education Australia has entered into voluntary escrow arrangements (see Section 7.5).

In addition to the voluntary escrow arrangements, in connection with the British Council and Cambridge Assessment agreeing to provide the consents and approvals required for IDP Education to pursue and implement the Offer, Education Australia agreed to enter into the Education Australia Consent Deed and the Education Australia Voting Deed. Set out below are summaries of their key terms.

6.5.1 Education Australia Consent Deed

Condition precedent	The deed is conditional and will be of no force or effect unless and until implementation of the Offer occurs.
Education Australia's shareholding in the Company	<p>Education Australia undertakes with the British Council and Cambridge Assessment that it will not, without their prior written consent (not to be unreasonably withheld or delayed), transfer, dispose of, or grant any rights or interest over any of its Shares to (or enter into any agreement to do such things with) any person unless the IELTS Examination Agreement has terminated in respect of IA.</p> <p>It will not be unreasonable for the British Council or Cambridge Assessment to withhold their consent where such disposal:</p> <ul style="list-style-type: none"> • would result in a "Competitor" acquiring or increasing their holding of securities in IDP Education; • is to a person whose reputation or standing is such that the fact of them holding securities in IDP Education would or would be reasonably likely to have a material adverse effect on the reputation or good standing of IELTS or either of the British Council or Cambridge Assessment; or • (taking account of any known issues of securities of IDP Education in the next 12 months) would result in the "voting power" of the British Council or Cambridge Assessment in IDP Education reducing below 25%. <p>Whether it is unreasonable for the British Council and Cambridge Assessment to withhold or delay their consent in any other circumstances (including any facts similar to those set out above) is to be considered on their merits at the relevant time. The fact that the British Council and Cambridge Assessment have provided the consents required for IDP Education to pursue and implement the Offer is not to be considered a precedent for any future request for consent under the terms of the Education Australia Consent Deed.</p>
"Competitor" definition	<ul style="list-style-type: none"> • Educational Testing Service and any person it controls (from time to time) or that controls it (from time to time); • Pearson PLC and any person it controls (from time to time) or that controls it (from time to time); or • any other person who is a competitor to IDP Education, the British Council and/or Cambridge Assessment in connection with the production, distribution or administration of IELTS, from time to time (including any person engaged in the production, distribution or administration of any English language test that competes or may compete with IELTS), <p>but excluding Cambridge Assessment, the British Council and each of their related bodies corporate.</p>
Governing law	English law.

6.5.2 Education Australia Voting Deed

Conditions Precedent	<p>The deed will be of no force or effect unless and until:</p> <ul style="list-style-type: none"> • IDP Education has adopted the Constitution; and • implementation of the Offer has occurred.
Notices of meeting	<ul style="list-style-type: none"> • Education Australia undertakes to provide each of the British Council and Cambridge Assessment with a copy of any notice of meeting relating to a resolution proposed to be considered at a general meeting of IDP Education which would, if passed, amend, or alter the effect or application of, one or more of certain rules and definitions in the Constitution which relate to maintaining the Director Majority Requirement (Relevant Definitions and Rules), or vary or amend the voting rights attached to each Share held by Education Australia (Relevant Resolution).
Agreement to vote against Relevant Resolutions	<ul style="list-style-type: none"> • Education Australia undertakes, in favour of each of the British Council and Cambridge Assessment, to: <ul style="list-style-type: none"> – vote Shares which it or its subsidiaries are the registered holders of or which it or its subsidiaries have the power to vote or control the right to vote (EA IDP Shares) against any Relevant Resolution (unless both the British Council and Cambridge Assessment provide their prior written approval); and – subject to the British Council and Cambridge Assessment being appointed Education Australia’s attorney (as described below), attend any meeting which relates to a Relevant Resolution (Relevant Meeting) and demand a poll in respect of any Relevant Resolution.
Power of attorney	<ul style="list-style-type: none"> • Upon the issue of a notice of meeting relating to a Relevant Resolution, the British Council and Cambridge Assessment may provide notice to Education Australia requiring Education Australia to jointly appoint them as Education Australia’s attorneys in respect of all of the EA IDP Shares. • If the British Council and Cambridge provide such notice, they will be immediately and automatically jointly appointed as Education Australia’s attorneys in respect of the EA IDP Shares to attend any Relevant Meeting and to vote against any such Relevant Resolution at that meeting (and as Education Australia directs in respect of any resolution proposed at the Relevant Meeting that is not a Relevant Resolution). • When acting as Education Australia’s attorney, the British Council and Cambridge Assessment must demand that all resolutions proposed at a Relevant Meeting be determined by poll.
Governing law	Victoria, Australia law.

Given the terms of the Education Australia Consent Deed and the voluntary escrow arrangements (as summarised in Section 7.5), Education Australia will be unable to sell down its interest in IDP Education unless the voluntary escrow arrangements have expired and the British Council and Cambridge Assessment consent to that. Subject to this, any decision by Education Australia to sell down its interest in IDP Education will be a decision made having regard to various factors. These factors may include the market environment at the time and the interests of Education Australia’s shareholders.

As Education Australia will retain a 50.0% interest in IDP Education on Completion of the Offer and will have three of its representatives appointed to the Board as Directors at Completion of the Offer, the Directors consider that 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. Further information regarding the risks associated with Education Australia’s continued interest in IDP Education is set out in Section 5.2.17.

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07.
Details of the Offer



Details of the Offer

7.1 Description of the Offer

This Prospectus relates to an initial public offering of 125.1 million Shares at the Offer Price of \$2.65 per Share. On Completion of the Offer, 125.1 million Shares will be held by Education Australia and subject to the voluntary escrow arrangements described in Section 7.5. The total number of Shares on issue at the Completion of the Offer will be 250.3 million. All Shares will rank equally with each other.

At the Offer Price, the Offer will raise \$331.6 million from the sale of Shares by SaleCo.

The Offer comprises the Broker Firm Offer (see Section 7.3.1), the Priority Offer (see Section 7.3.2) and the Institutional Offer (see Section 7.4). There is no general public offer of Shares.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Purpose of the Offer

The purpose of the Offer is to:

- give SEEK Investments an opportunity to realise its investment in IDP Education;
- provide a liquid market for Shares;
- provide the broader IDP Education business with the benefits of an increased profile that arises from being a listed entity;
- provide IDP Education with access to the capital markets to improve capital management flexibility; and
- assist IDP Education in attracting and retaining quality staff.

7.1.2 Sources and uses of funds

Details regarding the sources and uses of funds are set out in the table below.

Sources of funds	\$m	%	Uses of funds	\$m	%
Cash proceeds received from sale of Shares by SaleCo ¹	331.6	100.0%	Payment of costs of the Offer ^{1, 2}	11.6 ³	3.5%
			Payment of net proceeds to SEEK Investments ¹	320.1	96.5%
Total sources	331.6	100.0%	Total uses	331.6	100.0%

Notes:

1. Based on the Offer Price.
2. The costs of the Offer will be borne by the Existing Shareholders. IDP Education will not bear any of the costs of the Offer.
3. This figure does not include any discretionary incentive fee which may be paid to the Lead Managers (described in Section 9.1.3).

7.1.3 Shareholders

Details of the ownership of Shares at Completion of the Offer are set out below.

Existing Shareholder	Existing interest (%)	Shares held prior to the Offer	Shares held at Completion of the Offer (%)	Shares held at Completion of the Offer
Education Australia	50.0%	125,147,484	50.0%	125,147,484 ⁴
SEEK Investments	50.0%	125,147,484	–	–
New Shareholders pursuant to the Offer	–	–	50.0%	125,147,484
Total	100.0%	250,294,968	100.0%	250,294,968

Note:

4. These Shares will be subject to voluntary escrow arrangements which are described further in Section 7.5.

7.1.4 Settlement of the Offer

On settlement of the Offer, the following key steps will occur:

- SEEK Investments will transfer, in aggregate, 125,147,484 Shares to SaleCo;
- SaleCo will sell these Shares to investors under the Offer; and
- the proceeds received will be dealt with as described in Section 7.1.2.

SEEK Investments will transfer the Shares, free from encumbrances and third party rights, to SaleCo pursuant to a deed poll entered into by it. The price payable by SaleCo for these Shares is the Offer Price.

The Shares which SaleCo acquires from SEEK Investments will be transferred to successful applicants under the Offer.

SaleCo was incorporated on 22 October 2015 and has no material assets, liabilities or operations other than its interest in the deed poll. The Directors of SaleCo are Peter Polson, Greg West and Andrew Barkla, who are all Directors of IDP Education. The sole shareholder of SaleCo is Andrew Barkla. IDP Education has indemnified SaleCo and the SaleCo Directors for any loss which SaleCo or the SaleCo Directors may incur as a consequence of the Offer.

7.1.5 Other information about IDP Education

IDP Education's pro forma balance sheet following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 4.10.1.

IDP Education's indebtedness before and following Completion of the Offer is set out in Section 4.10.2.

IDP Education was incorporated in Australia and registered in Victoria on 22 December 2005 as a proprietary company limited by shares, and converted to a public company limited by shares on 18 March 2014.

IDP Education is taxed as an Australian tax resident public company for the purpose of Australian income tax law.

As Education Australia will retain a 50.0% interest in IDP Education on Completion of the Offer, the Directors consider that 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 (see Sections 5.2.17 and 6.5 for further information).

The Directors believe that on Completion of the Offer, IDP Education will have sufficient funds available from the Offer and its operations to fulfil the purpose of the Offer and meet its stated business objectives.

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in IDP Education).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.9.
What is the consideration payable for each Share?	The Offer Price payable by successful applicants under the Offer is \$2.65 per Share.
What is the Offer period?	The key dates, including details of the Offer period, are set out in the section titled "Important dates" on page 4. No Shares will be transferred on the basis of this Prospectus later than the Expiry Date.
What are the cash proceeds to be raised?	\$331.6 million will be raised under the Broker Firm Offer, the Priority Offer and the Institutional Offer (based on the Offer Price).

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Topic	Summary
<p>What is the minimum and maximum application size under the Broker Firm Offer and the Priority Offer?</p>	<p>The minimum application under the Broker Firm Offer is 1,000 Shares, and in multiples of 200 Shares thereafter.</p> <p>There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p>The Lead Managers, IDP Education and SaleCo reserve the right to reject or scale back any applications in the Broker Firm Offer which are for more than \$250,000. The Lead Managers, IDP Education and SaleCo also reserve the right to aggregate any applications which they believe may be multiple applications from the same person.</p> <p>The minimum application under the Priority Offer will be specified in an applicant's personalised invitation to apply for Shares in the Priority Offer. Applicants are able to apply for Shares up to the value provided on their personalised invitation.</p>
<p>What is the allocation policy?</p>	<p>The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Lead Managers in consultation with IDP Education having regard to the allocation policy outlined in Sections 7.3.1.5, 7.3.2.4 and 7.4.2.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers as to how they will allocate Shares among their eligible clients.</p> <p>The allocation of Shares under the Priority Offer will be at the absolute discretion of IDP Education, in consultation with the Lead Managers, provided that those allocations (in aggregate) do not exceed \$5 million worth of Shares.</p> <p>The allocation of Shares among applicants in the Institutional Offer was determined by the Lead Managers in consultation with IDP Education.</p> <p>The Broker Firm Offer and the Priority Offer are not, and the Institutional Offer was not, open to investors in the United States.</p> <p>For further information on the Broker Firm Offer, see Section 7.3.1, on the Priority Offer, see Section 7.3.2 and on the Institutional Offer, see Section 7.4.</p>
<p>When will I receive confirmation whether my application has been successful?</p>	<p>It is expected that initial holding statements will be dispatched by standard post on or about 2 December 2015.</p>
<p>Will the Shares be quoted?</p>	<p>IDP Education will apply to the ASX within seven days of the Prospectus Date for its admission to the Official List and quotation of Shares on the ASX under the code IEL. Settlement of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all application monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>Once listed, IDP Education will be required to comply with the ASX Listing Rules, subject to any waivers obtained by IDP Education from time to time.</p> <p>The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit IDP Education to the Official List is not to be taken as an indication of the merits of IDP Education or the Shares offered for sale.</p>
<p>When are the Shares expected to commence trading?</p>	<p>It is expected that trading of the Shares on the ASX will commence on or about 26 November 2015, initially on a conditional and deferred settlement basis.</p> <p>The contracts formed on acceptance of applications and confirmations of allocations will be conditional on transfer of the Shares under the Offer in accordance with the Underwriting Agreement (Settlement) occurring. Trades occurring on the ASX before Settlement will be conditional on Settlement occurring.</p>

Topic	Summary
When are the securities expected to commence trading? <i>continued</i>	<p>Conditional trading will continue until IDP Education has advised the ASX that Settlement has occurred, which is expected to be on or about 30 November 2015. Trading will then be on an unconditional but deferred settlement basis until IDP Education has advised the ASX that holding statements have been dispatched to Shareholders. Normal settlement trading is expected to commence on or about 3 December 2015.</p> <p>If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer and confirmations of allocations will be cancelled and of no further effect, and all application monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.</p> <p>It is the responsibility of each applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>IDP Education, SaleCo and the Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the IDP Education Offer Information Line, by a Broker or otherwise.</p>
Is the Offer underwritten?	Yes. The Offer is underwritten. Details are provided in Section 9.1.3.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.5.
Has any ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 7.7.
Are there any tax considerations?	Refer to Section 9.5.
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by applicants on acquisition of Shares under the Offer.</p> <p>See Sections 6.3.4 and 9.1.3 for details of various fees payable to the Lead Managers and by the Lead Managers to any Co-Manager or Broker.</p>
What should I do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the IDP Education Offer Information Line on 1800 990 363 (within Australia) from 8:30am to 5:30pm (Melbourne time), Monday to Friday (Business Days only).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether IDP Education is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, solicitor or other independent and qualified professional adviser before deciding whether to invest.</p>

7.3 Retail Offer

7.3.1 Broker Firm Offer

7.3.1.1 Who can apply?

The Broker Firm Offer is open to Australian Retail Broker Clients and New Zealand Exempt Broker Clients who have received a firm allocation of Shares from their Broker. If you have been offered a firm allocation by a Broker, you will be treated as an applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.3.1.2 How to apply

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.

By making an application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum application under the Broker Firm Offer is 1,000 Shares, and in multiples of 200 Shares thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, IDP Education, SaleCo and the Lead Managers reserve the right to aggregate any applications which they believe may be multiple applications from the same person or reject or scale back any applications in the Broker Firm Offer which are for more than \$250,000. IDP Education may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and application monies with their Broker in accordance with the Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens on 20 November 2015 and is expected to close on 24 November 2015. IDP Education, SaleCo and the Lead Managers may elect to extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their applications as early as possible. Please contact your Broker for instructions.

7.3.1.3 How to pay

Applicants under the Broker Firm Offer must pay their application monies in accordance with instructions received from their Broker.

7.3.1.4 Application monies

IDP Education and SaleCo each reserve the right to decline any application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their application monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Amount by the Offer Price. Where the Offer Price does not divide evenly into the Application Amount, the number of Shares to be allocated will be determined by the applicant's Broker.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed "Not Negotiable" and must be made payable in accordance with the directions of the Broker from whom the applicant received a firm allocation of Shares.

Applicants should ensure that sufficient funds are held in the relevant accounts to cover the amount of the cheques or bank drafts lodged with their applications. If the amount of your cheques or bank drafts for application monies (or the amount for which those cheques or bank drafts clear in time for allocation) is less than the amount specified on your Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared application monies will pay (and to have specified that amount on your Application Form) or your application may be rejected.

7.3.1.5 Broker Firm Offer allocation policy

The allocation of Shares to Brokers was determined by the Lead Managers in consultation with IDP Education. Shares that have been allocated to Brokers for allocation to their clients will be transferred to the applicants who have received a valid allocation of Shares from those Brokers (subject to the right of IDP Education, SaleCo and the Lead Managers to reject or scale back applications which are for more than \$250,000). It will be a matter for those Brokers as to how they allocate Shares among their clients, and they (and not IDP Education, SaleCo or the Lead Managers) will be responsible for ensuring that clients who have received an allocation from them receive the relevant Shares.

7.3.2 Priority Offer

7.3.2.1 Who can apply?

Under the Priority Offer, eligible investors nominated by IDP Education are able to apply for Shares up to the value provided on their personalised invitation. If you have been invited by the Company to participate in the Priority Offer, you will be treated as an applicant under the Priority Offer in respect of that allocation.

7.3.2.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation to complete and lodge your application.

The minimum application under the Priority Offer will be specified in the applicant's personalised invitation.

Applicants are able to apply for Shares up to the value provided on their personalised invitation.

IDP Education and SaleCo each reserve the right to reject or scale back applications in whole or part, without giving any reason. Applicants under the Priority Offer whose applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their application monies, as applicable. Interest will not be paid on any monies refunded. IDP Education may amend or waive the Priority Offer application procedures or requirements in its discretion in compliance with applicable laws.

IDP Education, SaleCo and the Lead Managers may elect to extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their applications as early as possible.

7.3.2.3 How to pay

Applicants under the Priority Offer must pay their application monies in accordance with instructions set out on their personalised invitation.

7.3.2.4 Priority Offer allocation policy

Allocations under the Priority Offer will be at the absolute discretion of IDP Education, in consultation with the Lead Managers, provided that those allocations (in aggregate) do not exceed \$5 million worth of Shares. An amount applied for in excess of the amount allocated to each applicant, will be refunded in full (without interest).

7.3.3 Acceptance of applications under the Retail Offer

An application in the Retail Offer is an offer by an applicant to SaleCo to purchase Shares in the amount up to that specified in their application or Application Form, as applicable, at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the personalised invitation or Application Form, as applicable. To the extent permitted by law, an application by an applicant under the Offer is irrevocable.

An application may be accepted by SaleCo, IDP Education and the Lead Managers in respect of the full number of Shares specified in the application or Application Form, as applicable, or any of them, without further notice to the applicant. Acceptance of an application will give rise to a binding contract.

The Lead Managers, in consultation with IDP Education and SaleCo, reserve the right to reject any application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the applicant in completing their application.

Successful applicants in the Retail Offer will be allotted Shares at the Offer Price. Successful applicants in the Retail Offer will receive the number of Shares equal to the value of their application accepted by SaleCo, IDP Education and the Lead Managers divided by the Offer Price (rounded down to the nearest whole Share). No refunds pursuant solely to rounding will be provided.

7.4 Institutional Offer

7.4.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares.

The Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer. Shares acquired by Institutional Investors as part of the Institutional Offer will be transferred under this Prospectus.

7.4.2 Institutional Offer allocation policy

The allocation of Shares under the Institutional Offer was determined by the Lead Managers in consultation with IDP Education.

Participants in the Institutional Offer have been advised of their allocation of Shares by the Lead Managers.

The allocation policy under the Institutional Offer was influenced by a range of factors, including:

- the number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- IDP Education's desire for an informed and active trading market following listing on the ASX;
- IDP Education's desire to establish a wide spread of institutional Shareholders;
- the anticipated level of demand under the Retail Offer;
- the size and type of funds under management, and the investment style, of particular bidders;
- the likelihood that particular bidders will be long term Shareholders; and
- any other factors that IDP Education and the Lead Managers considered appropriate.

7.5 Disposal restrictions on shares – escrow arrangements

On Completion of the Offer, Education Australia will hold 50.0% of the Shares on issue. Education Australia has entered into voluntary escrow arrangements over its Shares, which prevent it from dealing with its escrowed Shares prior to the date which is two Business Days after the date on which IDP Education's audited full year accounts for FY16 are released to the ASX by IDP Education. The restriction on dealing is broad and includes, among other things, selling, assigning, transferring or otherwise disposing of, or agreeing or offering to sell, assign, transfer or otherwise dispose of, the relevant Shares, creating or agreeing or offering to create or permitting to be created any encumbrance or security interest over any or all of the relevant Shares or doing or omitting to do any act if the act or omission may have the effect of transferring effective ownership or control of, or economic interest in, any or all of the relevant Shares.

These escrow restrictions will cease to apply in the following circumstances:

- to allow Education Australia to accept an offer under a takeover bid in relation to the Shares and holders of at least half of the Shares which are subject of the bid that are not held by Education Australia have accepted the takeover bid;
- to allow the Shares held by Education Australia to be acquired pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act; or
- to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

For completeness, it is noted that, in connection with the British Council and Cambridge Assessment agreeing to provide the consents and approvals required for IDP Education to pursue and implement the Offer, Education Australia has entered into the Education Australia Consent Deed. Under the Education Australia Consent Deed, Education Australia undertakes with the British Council and Cambridge Assessment that it will not, without their prior written consent (which is not to be unreasonably withheld or delayed), transfer, dispose of, or grant any rights or interest over, any of its Shares to any person unless the IELTS Examination Agreement has been terminated in respect of IA. See Section 6.5.1 for further information.

7.6 Discretion regarding the Offer

IDP Education and SaleCo may withdraw the Offer at any time before the transfer of Shares to successful applicants or bidders under the Offer. If the Offer, or any part of it, does not proceed, all relevant application monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.

IDP Education, SaleCo and the Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late applications or bids either generally or in particular cases, reject any application or bid, or allocate to any applicant or bidder fewer Shares than the amount applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

7.7 ASIC relief and ASX confirmations and waivers

7.7.1 ASIC relief

IDP Education has sought and obtained relief from ASIC so that:

- awards under the IDIP can be offered and satisfied without the need for disclosure in accordance with Chapter 6D of the Corporations Act;
- trading in Shares on the ASX on a conditional and deferred settlement basis will be exempt from the operation of section 1020B of the Corporations Act; and
- IDP Education will not have a relevant interest in Shares the subject of the voluntary escrow arrangements (described in Section 7.5) for the purposes of Chapter 6 of the Corporations Act.

7.7.2 ASX confirmations and waivers

IDP Education has applied to the ASX for the following confirmations that waivers are not required or waivers from those ASX Listing Rules:

- confirmation that the ASX will be prepared to provide a conditional and deferred settlement market for trading of the Shares on the terms described in Section 7.8.3;
- a waiver of ASX Listing Rule 1.1, condition 11 in connection with the issue of Shares under the IDIP upon the vesting of Performance Rights granted under the IDIP (as described in Section 6.3.3.3);
- confirmation that the issue of Shares upon the vesting of Performance Rights granted under the IDIP (as described in Section 6.3.3.3) will fall within Exception 4 in ASX Listing Rule 7.2;
- confirmations in respect of ASX Listing Rules 10.11 and 10.14 that the issue of Shares to certain Directors upon the vesting of Performance Rights granted under the IDIP (as described in Section 6.3.3.3) will not require shareholder approval; and
- confirmation in respect of ASX Listing Rule 1.1, conditions 1 and 2, that the ASX has no objections (subject to the conditions below) to the Constitution, in particular, that the Constitution contains terms that:
 - require 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; and
 - support the operation and enforcement of the Director Majority Requirement (**Ancillary Rules**).

The relevant conditions are that:

- a summary of the Director Majority Requirement; the Ancillary Rules; and the Company's relationship with Education Australia is disclosed to any person who may subscribe for the Company's securities under a prospectus or product disclosure statement; and
- the Company undertakes to include in each annual report a summary of the Director Majority Requirement, the Ancillary Rules and the Company's relationship with Education Australia.

7.8 ASX listing, registers and holding statement, and deferred/conditional settlement trading

7.8.1 Application to ASX for listing of IDP Education and quotation of Shares

IDP Education will apply for admission to the Official List and quotation of Shares on the ASX under the code IEL. Settlement of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all application monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Once listed, IDP Education will be required to comply with the ASX Listing Rules, subject to any waivers obtained by IDP Education from time to time.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit IDP Education to the Official List is not to be taken as an indication of the merits of IDP Education or the Shares offered for sale.

7.8.2 CHESS and issuer sponsored holdings

IDP Education will apply to participate in CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. IDP Education and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.8.3 Conditional and deferred settlement market for Shares

It is expected that trading of the Shares on the ASX will commence on or about 26 November 2015, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of applications and confirmations of allocations will be conditional on Settlement occurring. Trades occurring on the ASX before Settlement will be conditional on Settlement occurring.

Conditional trading will continue until IDP Education has advised the ASX that Settlement has occurred, which is expected to be on or about 30 November 2015. Trading will then be on an unconditional but deferred settlement basis until IDP Education has advised the ASX that holding statements have been dispatched to Shareholders. Normal settlement trading is expected to commence on or about 3 December 2015.

If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer and confirmations of allocations will be cancelled and of no further effect and all application monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.

IDP Education, SaleCo and the Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by IDP Education Offer Information Line, by a Broker or otherwise.

7.9 Description of Shares

7.9.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that IDP Education is admitted to the Official List.

7.9.2 Voting at a general meeting

At a general meeting of IDP Education, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

The Constitution permits the Board to allow for “direct voting” at general meetings (such as electronic or postal voting), in which case every Shareholder has one vote for each Share held.

7.9.3 Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of IDP Education and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

7.9.4 Dividends

The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment (including requiring that dividends will only be paid by direct credit into a nominated bank account). For further information in respect of IDP Education’s proposed dividend policy, see Section 4.14.

7.9.5 Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

7.9.6 Issue of further shares

Subject to the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, IDP Education may issue, or grant options in respect of, or otherwise dispose of further shares on such terms and conditions as the Directors consider appropriate.

7.9.7 Winding up

If IDP Education is wound up, then subject to the Constitution and any special resolution or preferential rights or restrictions attached to a class of shares, any surplus must be divided among IDP Education’s members in the proportions which the amount paid and payable (including amounts credited) on the shares of a member is of the total amount paid and payable (including amounts credited) on the shares of all members of IDP Education.

7.9.8 Unmarketable parcels

Subject to the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules, IDP Education may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

7.9.9 Share buy-backs

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, IDP Education may buy back shares in itself on terms and at times determined by the Board.

7.9.10 Proportional takeover provisions

The Constitution contains provisions for Shareholder approval to be required in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by special resolution of the Shareholders in general meeting by the third anniversary of the date of the Constitution's adoption.

7.9.11 Variation of class rights

At present, IDP Education's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those shares.

In either case, in accordance with the Corporations Act, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

7.9.12 Dividend reinvestment plan

The Constitution authorises the Directors, on any terms and at their discretion, to establish a dividend reinvestment plan (under which any member may elect that the dividends payable by IDP Education be reinvested by a subscription for securities).

7.9.13 Directors – number and composition of the Board

- A majority of the Board is to be comprised of A Class Directors (**Director Majority Requirement**).
- The minimum number of Directors that may comprise the Board is three and the maximum is fixed by the Directors but may not be more than eight unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of IDP Education.
- The Board may send to a Director or a person standing for election as a director a statutory declaration for the person to set out information reasonably required by the Board to enable the Board to determine whether the person is independent (**Required Information**). The person must, within seven days of the statutory declaration being sent to them (or within such other period, not being less than seven days, as the Board may permit), provide to the Company a statutory declaration which sets out the Required Information.

7.9.14 Directors – appointment and removal

Under the Constitution:

- the Company in general meeting may by resolution appoint any person as a Director either to fill a casual vacancy or as an addition to the Board, provided that the number of Directors (not including alternate Directors) does not exceed the maximum number and the composition of the Board immediately after they are elected will be in accordance with the Director Majority Requirement;
- at a general meeting, any person standing for election or re-election as a Director who, if elected, would be an A Class Director must be proposed for election before any person standing for election as a Director who, if elected, would be a B Class Director;
- no person other than a retiring Director or a Director vacating office (where they were appointed by the Board to fill a casual vacancy or as an addition to the Board) is eligible to be elected a Director at any general meeting unless a notice of the person's candidature (signed by the person), and a pro forma statutory declaration which sets out the Required Information (if required by the Company), is given to the Company at its registered office at least 45 Business Days before the meeting (or, in the case of a meeting that Shareholders have requested the Board to call, 30 Business Days);
- the Board may at any time appoint a person as a Director to fill a casual vacancy or as an addition to the Board, provided that the number of Directors (not including alternate Directors) does not exceed the maximum number and the composition of the Board once the appointment takes effect will be in accordance with the Director Majority Requirement. Any Director appointed under this rule (other than any Managing Director) may hold office only until the end of the next annual general meeting of the Company and is then eligible for election at that meeting without needing to give any prior notice of an intention to submit for election; and
- the Board must, if an Independent Director ceases to be independent and that results in the composition of the Board not being in accordance with the Director Majority Requirement, appoint a person who, if appointed, would be an A Class Director to remedy this within 28 days of the Board becoming aware of the Director ceasing to be

independent, provided that the number of Directors (not including alternate Directors) does not exceed the maximum number permitted under the Constitution. Any Director appointed under this rule (other than any Managing Director) may hold office only until the end of the next annual general meeting of the Company and is then eligible for election at that meeting without needing to give any prior notice of an intention to submit for election.

7.9.15 Retirement of Directors

Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any Managing Director) retires at the next annual general meeting of IDP Education.

7.9.16 Vacation of office of Director

- The office of a Director becomes vacant (in the following circumstances, among others):
 - for the non-executive Director (excluding any Managing Director) who has been shortest in office since last being elected and who is a B Class Director, in circumstances where the office of a Director is vacated by another Director that results in the composition of the Board not being in accordance with the Director Majority Requirement and the Directors have not appointed another Director within 28 days of such vacation; and
 - for the non-executive Director (excluding any Managing Director) who has been shortest in office since last being elected and who is a B Class Director, in circumstances where an Independent Director ceases to be independent that results in the composition of the Board not being in accordance with the Director Majority Requirement and the Directors have not appointed another Director within 28 days of the Board becoming aware of the Director ceasing to be independent so as to remedy this breach.
- Where the office of a Director is vacated and that results in the composition of the Board not being in accordance with the Director Majority Requirement, the Directors must appoint a Director who, if appointed, would be an A Class Director, to remedy this within 28 days of such vacation.

7.9.17 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote.

7.9.18 Directors – remuneration

The Directors (other than executive Directors) will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by IDP Education in general meeting. The current maximum aggregate sum per annum is \$1,500,000, with the initial remuneration of the Directors set out in Section 6.3.1. Any change to that maximum aggregate sum needs to be approved by Shareholders. The Constitution also makes provision for IDP Education to pay all reasonable expenses of Directors in attending meetings and carrying on their duties.

7.9.19 Indemnities

IDP Education, to the extent permitted by law, indemnifies each director, secretary and other officer of IDP Education and any subsidiary of IDP Education against any liability incurred by that person as an officer of IDP Education or its subsidiaries (which includes legal costs incurred by that person in defending an action for a liability of that person).

IDP Education, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring any director, secretary and other officer of IDP Education and any subsidiary of IDP Education against any liability incurred by that person as an officer of IDP Education or its subsidiaries (which includes legal costs incurred by that person in defending an action for a liability of that person).

IDP Education may give a former Director access to certain papers, including documents provided or available to the Directors and other papers referred to in those documents.

IDP Education, to the extent permitted by law, may enter into an agreement or deed with any director, secretary and other officer of IDP Education and any subsidiary of IDP Education under which it agrees to indemnify that person, maintain insurance or provide access to documents in a manner consistent with the above provisions (see Section 6.3.1.3 for further details on such deeds).

7.9.20 Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of IDP Education.

IDP Education must give at least 28 days' written notice of a general meeting of IDP Education.

7.9.21 Miscellaneous

The following rules, which relate to the maintenance of the Director Majority Requirement, are noted:

- an A Class Director may only appoint a person to act as an alternate Director where that person, if they were appointed as a Director, would be an A Class Director;
- until otherwise determined by the Board, in respect of Board meetings, two Directors (at least one of whom must be an A Class Director) form a quorum;
- the Board may elect one of the Independent Directors as the chair of the Board and another as deputy chair and may decide the period for which that chair and that deputy chair are to hold office as chair and deputy chair respectively; and
- the Board may delegate any of its powers to committees consisting of any one or more Directors or any other person or persons as the Board thinks fit (provided that at least one member of any committee must be an A Class Director).

7.9.22 Definitions

For the purpose of this Section 7.9:

- **A Class Director** means:
 - until such time as Education Australia ceases to have “voting power” in the Company of at least 10% – a Director who is:
 - Independent; or
 - a representative of Education Australia; and
 - thereafter – a Director who is Independent;
- **B Class Director** means a Director who is not an A Class Director;
- **Child Entities** has the meaning given in the ASX Listing Rules;
- **Competitor** means:
 - (a) Educational Testing Service and any person it controls (from time to time) or that controls it (from time to time);
 - (b) Pearson PLC and any person it controls (from time to time) or that controls it (from time to time);
 - (c) any other person who is a competitor to the Company in connection with the Company's interest in IELTS, or otherwise in connection with the production, distribution or administration of IELTS, from time to time (including any person engaged in the production, distribution or administration of any English language test that competes or may compete with IELTS); or
 - (d) any person with whom a person referred to in paragraph (a), (b) or (c) above is acting, or proposing to act, in concert in relation to:
 - the Company;
 - the Company's affairs; or
 - the production, distribution or administration of any English language test that competes or may compete with IELTS.

For the purpose of this definition of “Competitor”:

- **control** has the meaning given in section 50AA of the Corporations Act as though references to the word “entity” in that section were references to the word “person”; and
- for the avoidance of doubt, the Company and each of its subsidiaries cannot be a “Competitor”;
- **Competitor's Associate** means:
 - (a) a person who holds a relevant financial interest, or is entitled to exercise a relevant power, in a Competitor, and by virtue of that interest or power, is able to exercise a significant influence over or with respect to the management or operation of the Competitor;

- (b) a person who is an executive officer of a Competitor; or
- (c) any person with whom a person referred to in paragraph (a) or (b) above is acting or proposing to act in concert in relation to:
 - the Company;
 - the Company's affairs; or
 - the production, distribution or administration of any English language test that competes or may compete with IELTS;
- **Independent** means a person who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its securityholders generally. A person is **Independent**, without limitation, if they:
 - are not, and have not been, employed in an executive capacity by the Company or any of its Child Entities within the last three years, and there has been a period of at least three years between ceasing any such employment and being appointed as a Director;
 - are not, and have not been within the last three years, a partner, director or senior employee of a provider of material professional services to the Company or any of its Child Entities;
 - are not, and have not been within the last three years, in a material business relationship with the Company or any of its Child Entities, or an officer of, or otherwise associated with, someone with such a relationship;
 - are not a substantial holder of the Company or an officer of, or otherwise associated with, a substantial holder of the Company;
 - do not have a material contractual relationship with the Company or any of its Child Entities other than as a Director;
 - do not have close family ties with any person who falls within any of the categories described above;
 - have not been a director of the Company for such a period that their independence may have been compromised; and
 - are not, and have not been within the last three years, a Competitor or a Competitor's Associate;
- **relevant financial interest** means:
 - 15% or more of the issued share capital of a Competitor;
 - any entitlement to receive 15% or more (on a recurring basis) of any income derived from the business of a Competitor; or
 - any entitlement to receive any payment (in excess of A\$1 million for any individual payment or in excess of A\$10 million in aggregate in any period of 12 consecutive calendar months) as a result of money advanced to a Competitor; and
- **relevant power** means any power, whether exercisable by voting or otherwise and whether exercisable alone or in association with others, to:
 - participate in any directorial, managerial or executive decision; or
 - elect or appoint any person as an executive officer.

7.10 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

This Prospectus does not constitute an offer of Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

European Economic Area – Belgium, Denmark, Germany, Luxembourg and the Netherlands

The information in this Prospectus has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to publish a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000; and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC (**MiFID**)); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

France

This Prospectus is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (**AMF**). The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This Prospectus and any other offering material relating to the Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

Ireland

The information in this Prospectus does not constitute a prospectus under any Irish laws or regulations and this Prospectus has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (**Prospectus Regulations**). The Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to “qualified investors” as defined in Regulation 2(l) of the Prospectus Regulations.

New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013 (FMC Act)*. The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Norway

This Prospectus has not been approved by, or registered with, any Norwegian securities regulator under the *Norwegian Securities Trading Act of 29 June 2007*. Accordingly, this Prospectus shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the *Securities and Futures Act*, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this Prospectus nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This Prospectus is personal to the recipient only and not for general circulation in Switzerland.

United Kingdom

Neither the information in this Prospectus nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This Prospectus is issued on a confidential basis to “qualified investors” (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together, **relevant persons**). The investments to which this Prospectus relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

United States

This Prospectus may not be released or distributed in the United States.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

Each applicant in the Broker Firm Offer and Priority Offer, and each person to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

08.
**Investigating Accountant's
Report**



Investigating Accountant's Report



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AFSL 241457

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

The Directors
IDP Vendor Limited
Level 8, 535 Bourke Street
Melbourne VIC 3000

12 November 2015

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors of IDP Education Limited (the Company or IDP Education) and of IDP Vendor Limited (SaleCo) (together, the Directors) for inclusion in a prospectus to be issued by the Company and SaleCo (the Prospectus) in respect of the offer of fully paid ordinary shares in the Company (Shares) (the Offer).

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 (Cth) (Corporations Act) for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review:

- the statutory historical consolidated income statements of IDP Education for the years ended 30 June 2013 (FY13), 30 June 2014 (FY14) and 30 June 2015 (FY15);
- the statutory historical consolidated net cash flow before financing of IDP Education for FY13, FY14 and FY15; and
- the statutory historical consolidated balance sheet of IDP Education as at 30 June 2015,

as set out in Section 4 of the Prospectus (together the Statutory Historical Financial Information).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial reports of the Company for the years ended 30 June 2013, 30 June 2014 and 30 June 2015, which were audited by

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Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unqualified audit opinion on each of those financial reports.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001 (Cth)*.

Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review:

- the pro forma historical consolidated income statements of IDP Education for FY13, FY14 and FY15;
- the pro forma historical consolidated net cash flow before financing of IDP Education for FY13, FY14 and FY15; and
- the pro forma historical consolidated balance sheet of IDP Education as at 30 June 2015,

as set out in Section 4 of the Prospectus (together, the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Section 4.5 and Section 4.10.1 of the Prospectus.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information, the Company's accounting policies and the events or transactions to which the pro forma adjustments relate, as described in Section 4.2 of the Prospectus, as if those events or transactions had occurred as at or prior to 30 June 2012 (with respect to the pro forma historical consolidated income statements and the pro forma historical consolidated net cash flow before financing) and as at 30 June 2015 (with respect to the pro forma historical consolidated balance sheet). Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review:

- the statutory forecast consolidated income statement, and the statutory forecast consolidated net cash flow of the Company for the year ending 30 June 2016 as set out in Section 4 of the Prospectus (the Statutory Forecast Financial Information). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.11 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the pro forma forecast consolidated income statement, and the pro forma forecast consolidated net cash flow before financing of the Company for the year ending 30 June 2016 as set out in Section 4 of the Prospectus (the Pro forma Forecast Financial Information). The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Section 4.5 of the Prospectus (the Pro forma Adjustments). The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at or prior to 30 June 2015. Due to its nature the Pro forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/or cash flows for the year ending 30 June 2016,

(together, the Forecast Financial Information).

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance and cash flows of the Company for the year ending 30 June 2016. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance (audit) conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. The limited assurance (review) conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in Section 5 of the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 4.12 of the Prospectus. The sensitivity analysis demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro forma Historical Information, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information (together, the Financial Information) based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

In connection with the review, we made such enquiries and performed such proceedings as we, in our professional judgement, considered reasonable in the circumstances.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;
- (ii) in all material respects, the Statutory Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.2 of the Prospectus; or
 - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; or
- (iii) the Statutory Forecast Financial Information itself is unreasonable.

Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;
- (ii) in all material respects, the Pro forma Forecast Financial Information:
 - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.2 of the Prospectus; or
 - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those events or transactions had occurred as at or prior to 30 June 2015; or
- (iii) the Pro forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.2 and the 'Important notices' pages of the Prospectus, which describe the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of the Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED



Ashley Miller
Authorised Representative of
Deloitte Corporate Finance Pty Limited (AFSL Number 241457)
AR Number 461007



Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their

directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

July 2014

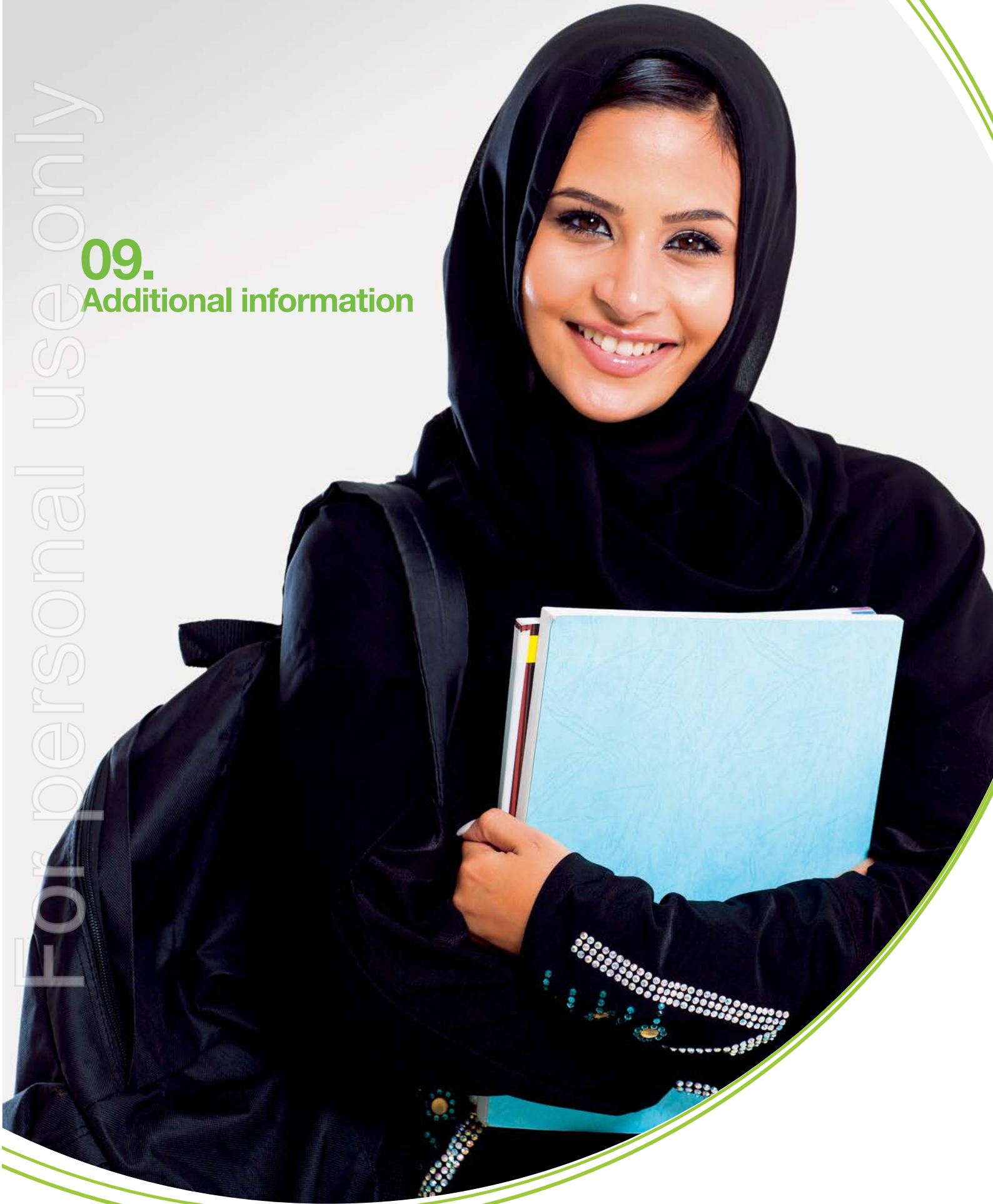
Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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09.
Additional information



Additional information

9.1 Material contracts

Along with the Education Australia Consent Deed (as described in Section 6.5.1) and the Education Australia Voting Deed (as described in Section 6.5.2) and the voluntary escrow arrangements entered into by Education Australia (as described in Section 7.5), the IELTS Examination Agreement, the IELTS Deed, the IELTS – Consent and Approval Deed and the Underwriting Agreement (which are summarised below) are significant or material to IDP Education or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. Summaries of those contracts are set out below.

Summaries of material contracts set out in this Prospectus (including the summaries of the Education Australia Consent Deed, the Education Australia Voting Deed, the IELTS Examination Agreement, the IELTS Deed, the IELTS – Consents and Approvals Deed and the Underwriting Agreement) do not purport to be complete and are qualified by the text of the contracts themselves.

9.1.1 Key IELTS agreements

Set out below is a summary of the key terms of the IELTS Examination Agreement (based on those terms as they appear on the face of the agreement) and where applicable an overview of the current practice of the parties.

When reading the summary set out below, readers should bear in mind that: (i) more than 14 years have passed since the IELTS Examination Agreement was signed and the parties have worked together on the delivery of IELTS for over 25 years, (ii) the IELTS Examination Agreement includes various clauses which are drafted in a general and broad manner, and (iii) the conduct of the parties to the IELTS Examination Agreement has evolved since the agreement was signed in 1999, such that certain terms may not reflect the current practice of the parties.

9.1.1.1 IELTS Examination Agreement

Set out below is a summary of the key terms of the IELTS Examination Agreement:

Term	<p>The IELTS Examination Agreement continues unless terminated in accordance with its terms or by a party giving not less than 12 months' notice.</p> <p>In addition, each “non-defaulting” party has the right to terminate the IELTS Examination Agreement if a party:</p> <ul style="list-style-type: none"> • commits a material breach of the agreement and fails to remedy it (where possible) within 30 days or such longer period as the “non-defaulting” parties may agree; or • becomes the subject of certain insolvency-related events. <p>If the “non defaulting” parties wish to exclude a party rather than terminate the agreement, the “non-defaulting” parties can remove the “defaulting” party upon seven days' notice to that effect and on expiry of that notice the “defaulting” party will be deemed to have been removed from the agreement without any claim against the other parties (other than in respect of rights accrued to that date).</p> <p>See Section 5.2.1 for further information regarding the consequences of, and risks associated with, the termination of the IELTS Examination Agreement.</p>
The test	<p>The parties have joint responsibility for the management and marketing of the IELTS test.</p> <p>IDP Education and the British Council have responsibility for local administration of IELTS and supervision of their respective IELTS test centres (other than in respect of the United States, which is covered by the United States Joint Venture Agreement).</p> <p>In relation to Cambridge Assessment, the IELTS Examination Agreement provides that:</p> <ul style="list-style-type: none"> • Cambridge Assessment agrees to prepare the test and to ensure that there are sufficient versions of it available to maintain its integrity; • Cambridge Assessment has the sole right to determine the content and format of the test unless it wishes to make a material change to the content or format in which case the consent of the other parties is required (which is not to be unreasonably withheld or delayed); and • each party agrees to ensure that the IELTS test is held in accordance with the guidelines, code of practice and/or handbook which has been written by the parties and issued by Cambridge Assessment.

<p>Intellectual property rights</p>	<p>All intellectual property rights in the name “IELTS”, the name “International English Language Testing System”, the test materials produced according to certain specifications (Bank of Materials) (excluding all intellectual property rights in the computer programs hosting the soft copy version of the Bank of Materials used for the production of test papers, which is owned by Cambridge Assessment), materials used for training persons to administer IELTS, promotional and publicity materials for the test, research and development reports and publications in respect of IELTS jointly commissioned by IA, the British Council and Cambridge Assessment and the test itself (IELTS IP) are jointly owned by the parties in equal shares.</p> <p>See Section 5.2.1 for further information regarding the consequences of, and risks associated with, the parties jointly owning the intellectual property rights referred to above.</p>
<p>Fees</p>	<p>IA and the British Council agree to pay Cambridge Assessment a unit fee per student assessed by them using IELTS. Cambridge Assessment has the right to amend the fees annually as agreed with the other parties at the parties’ annual policy meeting.</p> <p>See Section 5.2.1 for further information regarding the consequences of, and risks associated with, the parties being required to agree fees and other commercial matters.</p>
<p>Policy committee/ dispute resolution</p>	<p>The IELTS Examination Agreement provides that:</p> <ul style="list-style-type: none"> • the “ambition of the parties” (as set out in the IELTS Examination Agreement) is to be “enacted” through a policy committee; • the policy committee is to consist of one representative of each party and is to meet at least one time per year to consider matters referred to it, certain matters reserved for its consideration and matters which the parties agree are to be considered by it; and • agreement of the committee is through consensus rather than majority voting. <p>Currently, the policy committee is known as the “Global Strategy Group”, consists of a number of representatives from each party and generally meets at multiple times during the year.</p> <p>The IELTS Examination Agreement also provides that:</p> <ul style="list-style-type: none"> • the parties are to attempt to resolve disputes in respect of the IELTS Examination Agreement by mediation (in such manner as they may agree); and • if mediation fails, or the parties fail to agree on the terms of the mediation, within 21 days of the dispute or claim arising, then the claim or dispute may then be referred to the High Court of Justice in England and Wales. <p>See Section 5.2.1 for further information regarding certain risks and issues associated with the parties being required to agree certain commercial matters and the dispute resolution clause set out in the IELTS Examination Agreement.</p>
<p>Governing law</p>	<p>English law.</p>

9.1.1.2 IELTS Deed

Set out below is a summary of the key terms of the IELTS Deed:

Termination undertakings	<ul style="list-style-type: none"> • IA agrees that: <ul style="list-style-type: none"> – if it gives notice in writing to the British Council and/or Cambridge Assessment to terminate the IELTS Examination Agreement on 12 months’ notice, in respect of a material breach or in exercise of its rights generally or under common law (except where the notice to terminate is as a result of a Significant Breach, certain insolvency-related events or certain acts of fraud or wilful concealment by the British Council or Cambridge Assessment); and – at that time or on the effective date of such termination, a “Competitor” has “voting power” in IDP Education of at least 15% or a “Competitor” “controls” IDP Education, <p>all IELTS-related intellectual property rights owned by IA (or its related bodies corporate) shall with effect from termination be transferred by IA to the British Council and Cambridge Assessment. This means that the British Council and Cambridge Assessment would be able to continue to exploit those intellectual property rights and continue to operate their IELTS-related businesses.</p> <ul style="list-style-type: none"> • Neither IA nor any of its related bodies corporate shall have any right to use, receive any royalty in respect of, or restrict the British Council’s and/or Cambridge Assessment’s right to use any of the transferred intellectual property rights. • In the event that the IELTS Examination Agreement is terminated by IA (as referred to above, other than where the exceptions referred to above apply): <ul style="list-style-type: none"> – the China Agreement shall be deemed terminated; and – IA is to procure that IDP Education surrenders its membership interest in IELTS Inc.
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“Competitor” definition	<p>The following persons constitute a “Competitor” for the purpose of the IELTS Deed:</p> <ul style="list-style-type: none"> • Educational Testing Service and any person it controls (from time to time) or that controls it (from time to time); • Pearson PLC and any person it controls (from time to time) or that controls it (from time to time); or • any other person who is a competitor to IDP Education, the British Council and/or Cambridge Assessment in connection with the production, distribution or administration of IELTS (including any person engaged in the production, distribution or administration of any English language test that competes or may compete with IELTS), <p>but excluding the British Council, Cambridge Assessment and each of their related bodies corporate and associates of any of them.</p>
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Governing law	English law.
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9.1.2 IELTS – Consent and Approval Deed

In order for IDP Education to pursue the Offer, IDP Education requires that the British Council and Cambridge Assessment provide it with certain consents and approvals. In connection with this, IDP Education, IA, the British Council and Cambridge Assessment, among others, have entered into the IELTS – Consent and Approval Deed.

Under the IELTS – Consent and Approval Deed:

- IDP Education undertakes to:
 - adopt the Constitution (described in Section 7.9), the Board Charter (described in Section 6.4.2) and the Nomination and Remuneration Committee Charter (described in Section 6.4.3.2); and
 - enter into the IELTS Deed;
- Education Australia undertakes to enter into the Education Australia Consent Deed and the Education Australia Voting Deed; and

- The British Council and Cambridge Assessment (among others):
 - consent to any change in control of IDP Education that will result from the Offer;
 - consent to the transfer and issue of Shares that is to occur in connection with the Offer;
 - consent to IDP Education and IA disclosing certain confidential information in this Prospectus and related documents; and
 - agree to procure that none of their related bodies corporate claims that IDP Education or any of its subsidiaries is in breach of any relevant IELTS-related agreement in connection with the consents and approvals referred to above.

9.1.3 Underwriting Agreement

The Company, SaleCo and the Lead Managers have entered into an underwriting agreement dated 12 November 2015 (**Underwriting Agreement**) pursuant to which the Lead Managers have agreed to underwrite the Broker Firm Offer, the Priority Offer and the Institutional Offer for which valid applications for Shares are not received at the Offer Price.

Pursuant to the Underwriting Agreement, the Company has also appointed the Lead Managers to arrange and manage the Offer.

Fees, costs and expenses

Under the Underwriting Agreement, the Lead Managers:

- will be paid (in equal proportions) on Completion of the Offer:
 - an underwriting fee equal to 1.8% of the total proceeds of the Offer; and
 - a selling and management fee equal to 0.45% of the total proceeds of the Offer; and
- may be paid (in such proportions as SaleCo may determine) a discretionary incentive fee of up to 0.75% of the total proceeds of the Offer.

Goldman Sachs Australia Pty Ltd will be paid an advisory fee of \$1.25 million on Completion of the Offer.

The Lead Managers must pay any fees or commissions due to any co-lead managers, co-managers or brokers appointed by the Lead Managers under the Underwriting Agreement.

In addition to the fees described above, the Company and SaleCo will pay or reimburse the Lead Managers for certain other agreed costs, charges and expenses of and incidental to the Offer incurred by the Lead Managers.

Conditions, representations, warranties, undertakings and other terms

The Underwriting Agreement contains certain customary representations, warranties and undertakings by the Company and SaleCo (as applicable) to the Lead Managers. It also contains customary conditions precedent, including the entry into certain material contracts, delivery of certain due diligence items, lodgement of this Prospectus with ASIC, the entry into voluntary escrow arrangements by Education Australia, and ASIC and ASX granting the necessary waivers and modifications.

The representations and warranties given by the Company and/or SaleCo (as applicable) include matters such as the conduct of the Company and SaleCo, power and authorisations, information provided by the Company and SaleCo, the offer documents issued by the Company and SaleCo in connection with the Offer (the **Offer Documents**) and other public information, the business and financial position of the Group, the conduct of the Offer, due diligence, closing certificates, the Shares, future matters, compliance with ASX Listing Rules and other applicable laws.

The Company's undertakings include that it will not, in the period from 12 November 2015 until 180 days after Completion of the Offer, issue, or agree to issue, or indicate in any way that it may or will issue, or agree to issue, any shares or other securities of the Company or any Group member without the prior written consent of the Lead Managers (which is not to be unreasonably withheld) subject to certain limited exceptions, including an issue of securities pursuant to an employee share or option plan described in the pathfinder prospectus used in connection with the Institutional Offer (the **Pathfinder**) and this Prospectus.

Indemnity

Subject to certain exclusions relating to, among other things, fraud, recklessness, wilful misconduct or gross negligence of an indemnified party, the Company and SaleCo agree to keep the Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

Termination events

If any of the following termination events occurs before 2:00pm on the date of Settlement or at any other earlier time as specified below, any Lead Manager may terminate the Underwriting Agreement so that it is relieved of all its obligations under the Underwriting Agreement:

- in the relevant Lead Manager's reasonable opinion, a statement in any of the Offer Documents or other public information released by or on behalf of the Group or SaleCo in relation to the business or affairs of the Group or SaleCo or the Offer is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required by Part 6D.2 of the Corporations Act to be included in an Offer Document (including the Pathfinder (on the basis it was a prospectus)) is omitted from an Offer Document;
- in the relevant Lead Manager's reasonable opinion, there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement;
- the Company and SaleCo issue or, in the reasonable opinion of the relevant Lead Manager, is required to issue, a supplementary Prospectus to comply with section 719 of the Corporations Act;
- at any time the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the date of close of the Bookbuild and is at or below that level at the close of trading:
 - for at least 2 consecutive Business Days during any time after the date of the Underwriting Agreement; or
 - on the Business Day immediately prior to either the date of settlement of the Offer or the date of allotment;
- the voluntary escrow deed entered into by Education Australia is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- the deed poll pursuant to which SaleCo acquires the Shares for sale under the Offer is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- any financial forecast that appears in the Offer Documents is, or becomes (in the reasonable opinion of the relevant Lead Manager) incapable of being met within the relevant forecast period;
- the Company, SaleCo or any of their respective directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
 - the Company's admission to the official list of ASX on or before 25 November 2015; or
 - the quotation of all of the Shares on ASX or for the Shares to be traded through CHESSE on or before the date of quotation of the Shares on ASX,or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- any of the following notifications are made in respect of the Offer (other than a notification that is not made public and that is withdrawn by the earlier of 5:00pm on the Business Day after it is made or prior to 9:00am on the date of settlement of the Offer):
 - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
 - ASIC holds a hearing under section 739(2) of the Corporations Act;
 - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer Document;
 - any person (other than the Lead Managers) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
 - any person (other than the Lead Managers) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- the Company or SaleCo does not provide a closing certificate by the time required by the Underwriting Agreement;
- if any of the obligations of the relevant parties under any of certain material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the relevant Lead Manager) or if all or any part of any such contracts:
 - is amended or varied outside of the ordinary course of business without the consent of the Lead Managers;
 - ceases to have effect, otherwise than in accordance with its terms; or

- is or becomes void, voidable, illegal or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- the Company or SaleCo withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- any Group member becomes insolvent, or there is an act or omission which is likely to result in a Group member becoming insolvent;
- an event specified in the timetable for the Offer up to and including the date of Settlement is delayed by more than 2 Business Days (other than any delay agreed between the Company, SaleCo and the Lead Managers);
- SaleCo is prevented from transferring the Shares within the time required by the timetable for the Offer, the Offer Documents, the ASX Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- the Company:
 - alters the issued capital of the Company or a Group member; or
 - disposes or attempts to dispose of a substantial part of the business or property of the Company or a Group member,
 without the prior written consent of the Lead Managers;
- if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform their obligations under this agreement or to carry out the transactions contemplated by the Offer Documents;
- there is an event or occurrence after execution of this agreement, including the introduction or amendment of any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Lead Managers to satisfy an obligation under this document, or to market, promote or settle the Offer;
- a change in the Chief Executive Officer or Chief Financial Officer of the Group, or the Head of Strategy and MD of IELTS, Head of Australasia or Head of South Asia named in the Pathfinder and the Prospectus occurs, or there is a change in or the board of directors of the Company or SaleCo;
- any of the following occur:
 - a director or proposed director of the Company or SaleCo named in the Pathfinder or Prospectus is charged with an indictable offence;
 - any governmental agency commences any public action against the Company or SaleCo or any of their respective directors in their capacity as a director of the Company or SaleCo (as applicable), or announces that it intends to take action; or
 - any director or proposed director of the Company or SaleCo named in the Pathfinder or Prospectus is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- the Company varies any term of its constitution without the prior written consent of the Lead Managers; or
- any of the following occurs:
 - the commencement of legal proceedings against any director of the Company in that capacity; or
 - any regulatory body commences any enquiry or public action against a Group member.

Termination subject to materiality

If any of the following termination events occurs before 2:00pm on the date of Settlement or at any other earlier time as specified below, any Lead Manager may terminate the Underwriting Agreement so that it is relieved of all its obligations under the Underwriting Agreement, so long as the Lead Manager has reasonable grounds to believe that the termination event:

- has or is likely to have a material adverse effect on:
 - the success, settlement or marketing of the Offer or on the ability of the Lead Manager to market or promote or settle the Offer or on the likely price at which the Shares will trade on ASX; or
 - the willingness of investors to subscribe for the Shares; or
- will, or is likely to, give rise to a liability of the Lead Manager under, or give rise to, or result in, a contravention by the Lead Manager or its affiliates of, or the Lead Manager or its affiliates being involved in a contravention of, any applicable law.

The events are:

- if any of the obligations of the relevant parties under any of certain material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the relevant Lead Manager) or if all or any part of any such contracts:
 - is terminated; or
 - is breached;
- a change in the senior management team of the Group named in the Pathfinder and the Prospectus (other than the Chief Executive Officer or the Chief Financial Officer or the other senior managers referred to in the relevant paragraph above) occurs;
- the commencement of legal proceedings against SaleCo, any Group member, any director of SaleCo in that capacity or any director of a Group member (other than the Company) in that capacity;
- the due diligence report or verification material or any other information supplied by or on behalf of the Company or SaleCo to the Lead Managers in relation to the Group or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group from those respectively disclosed in any Offer Document or the public information;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand, the United States, Canada, the United Kingdom, Japan, Hong Kong, Singapore, India, the People's Republic of China or any Member State of the European Union or any State or Territory of Australia a new law, or the Reserve Bank of Australia or New Zealand or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act (and all regulations under that Act), the constitutions of the Company and SaleCo, the ASX Listing Rules or any other applicable law or regulation;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Company or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- the Company or SaleCo defaults on 1 or more of its obligations under the Underwriting Agreement;
- any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a Group member to the Lead Managers in respect of the Offer or the Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including by omission);
- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Canada, Japan, India, the United Kingdom, the People's Republic of China, Singapore, Russia, or any member state of the European Union, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect; or
- any of the following occurs:
 - a general moratorium on commercial banking activities in Australia, New Zealand, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - any adverse effect on the financial markets in Australia, New Zealand, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or the European Union, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
 - trading in all securities quoted or listed on the ASX, the New Zealand Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange or Hong Kong Stock Exchange is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading.

9.2 Litigation and claims

As at the Prospectus Date, so far as the Directors are aware, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which IDP Education is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of IDP Education.

9.3 Consents to be named and disclaimers of responsibility

Each of the following parties (each a **Consenting Party**) has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

- Goldman Sachs Australia Pty Ltd;
- Macquarie Capital (Australia) Limited;
- JBWere Ltd;
- Macquarie Equities Limited;
- Allens;
- Deloitte Corporate Finance Pty Ltd;
- Deloitte Touche Tohmatsu;
- KPMG;
- Link Market Services Limited;
- Times Higher Education;
- Strategy Policy and Research;
- the British Council; and
- Cambridge Assessment.

Each of the Consenting Parties, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has not authorised or caused the issue of this Prospectus, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this Prospectus. Each Consenting Party excludes and disclaims all liability or any damage, loss (whether direct, indirect or consequential), cost or expense that may be incurred by you as a result of this Prospectus being inaccurate or incomplete in any way for any reason.

None of the Consenting Parties has made, or purported to make, any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below:

- Deloitte Corporate Finance Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which they are included in Section 8;
- Deloitte Touche Tohmatsu has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus as auditor to IDP Education in the form and context in which it is named;
- Times Higher Education has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in relation to the inclusion of statements made by it or based on statements made by it specifically in Section 2.1 in the form and context in which it is named and those statements included;
- Strategy Policy and Research has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in relation to the inclusion of statements made by it or based on statements made by it specifically in Section 2.5.2 in the form and context in which it is named and those statements included; and
- the British Council has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in relation to the inclusion of statements made by it or based on statements made by it specifically in Sections 2.5.2 and 2.7 in the form and context in which it is named and those statements included.

9.4 Description of the syndicate

The Lead Managers to the Offer are Goldman Sachs Australia Pty Ltd and Macquarie Capital (Australia) Limited. The Co-Managers to the Offer are JBWere Ltd and Macquarie Equities Limited.

9.5 Taxation considerations

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. During the period of ownership of the Shares by investors, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, corporate investors, partnerships and trusts. These comments do not apply to investors that hold Shares on revenue account or as trading stock, non-Australian tax resident investors or investors who are banks, insurance companies or taxpayers that carry on a business of trading in shares. These comments do not apply to investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements (TOFA) regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth). Investors who are subject to the TOFA regime should obtain their own tax advice as to the implications under the TOFA regime (if any).

IDP Education, SaleCo and their advisers disclaim all liability to any investor or other party for all costs, losses, damages and liabilities that the investor or other party may suffer or incur arising from, relating to, or in any way connected with, the contents of this summary, or the provision of this summary to the investor or other party, or the reliance on this summary by the investor or other party.

9.5.1 Dividends paid on Shares

9.5.1.1 Australian resident individuals and complying superannuation entities

Dividends paid by IDP Education on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt in relation to income derived from shares which directly or indirectly support current pension liabilities) in the year in which the dividend is paid, together with any franking credit attached to that dividend.

Such investors should be entitled to a tax offset equal to the franking credit included in assessable income. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, such investors should be entitled to a tax refund. To be eligible for the franking credit and tax offset, the investor must satisfy the "holding period" rule and "related payments" rule, discussed in further detail in Section 9.5.1.4.

To the extent that the dividend is unfranked, the investor will generally be taxed at their prevailing marginal rate on the dividend received, with no tax offset.

9.5.1.2 Corporate investors

Corporate investors are also required to include both the dividend and associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund of tax for a corporate investor but may be able to be converted into carry forward tax losses.

9.5.1.3 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include both the dividend and the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

Special rules relevant to the receipt of franked dividends apply to investors that are trustees (other than trustees of complying superannuation entities) or partnerships. These investors should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

9.5.1.4 Shares held “at risk”

The benefit of franking credits can be denied where an investor is not a “qualified person” in relation to the shares from which the dividend entitlement has arisen. In this case, the investor is not required to include the amount of the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a “qualified person”, two tests must be satisfied, namely the “holding period” rule and the “related payments” rule.

Under the “holding period” rule, an investor is required to hold shares “at risk” for more than 45 days continuously (which is measured during the period commencing the day after the shares were acquired and ending on the 45th day after the shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This “holding period” rule is subject to certain exceptions, including the “small shareholder” exception where the total franking offsets of an individual in a year of income do not exceed \$5,000. The “holding period” rule must be satisfied once for each purchase of shares.

Under the “related payments” rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. A related payment is broadly a payment which passes on the benefit of a franked dividend to another person. The “related payments” rule requires the investor to have held the shares “at risk” for the continuous 45 day period as above but within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the shares become ex-dividend. The “related payments” rule must be satisfied for each dividend payment and distribution.

The Australian Government introduced a specific integrity rule in the *Income Tax Assessment Act 1997* (Cth) which addresses “dividend washing” arrangements and relates to the 45 day “holding period” rule. Broadly, dividend washing is the process by which a taxpayer seeks to claim franking credits twice by selling and then effectively repurchasing the same shares, after the taxpayer has become entitled to the dividend but prior to the official record date for dividend entitlement. An investor that receives a dividend as a result of dividend washing will not be entitled to a tax offset for the franking credits on the effectively repurchased shares.

The integrity rule applies to distributions received directly or indirectly, on or after 1 July 2013 but in certain circumstances does not apply to individuals who meet the requirements of the “small shareholder” exception.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

9.5.2 Disposal of Shares

Australian tax resident investors will be subject to Australian Capital Gains Tax (CGT) on the disposal of the Shares. Investors that hold Shares on revenue account, as trading stock or under the TOFA regime will be subject to additional tax considerations in relation to the proceeds of the disposal of their Shares. These investors should seek their own professional advice.

An investor will derive a capital gain on the disposal of a particular Share where the capital proceeds received on disposal of the Share exceed the cost base of the Share. An investor will incur a capital loss on the disposal of a particular Share to the extent that the capital proceeds on disposal are less than the reduced cost base of the Share. Broadly, the cost base and reduced cost base of a Share are the amount paid to acquire the Share plus certain transaction/incidental costs. The cost base and reduced cost base of a Share may be different if a CGT roll-over applied to the acquisition of the Share.

Generally, all capital gains and losses made by an investor for an income year, plus any net capital losses carried forward from an earlier income year will need to be aggregated to determine whether the investor has made a net capital gain or net capital loss during the income year. If an investor derives a net capital gain in an income year, this amount is, subject to the comments below, included in the investor’s assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

The CGT discount concession may be available in relation to a net capital gain derived by an individual investor, an investor that is a complying superannuation entity and a trustee investor provided the particular Shares have been held for at least 12 months prior to sale.

The CGT discount concession for individuals and trusts is 50% and for complying superannuation entities is 33 $\frac{1}{3}$ %. Investors that are companies are not entitled to a CGT discount.

Where the investor is a trustee of a trust that has held the Shares for at least 12 months or more before the disposal, the CGT discount should flow through to the beneficiaries of that trust if those beneficiaries are not companies. Investors that are trustees should seek specific advice in relation to the tax consequences of distributions to beneficiaries which may qualify as discounted capital gains.

If the Share is a segregated current pension asset of a complying superannuation fund, then any capital gain or capital loss from a CGT event happening to the Share should not be taxable under the current law.

Where a complying superannuation fund holds shares within its unsegregated assets being used to meet current pension liabilities, then a portion of any net capital gain (including any capital gain or loss referable to the Shares) should not be taxable under the current law.

9.5.3 Tax file numbers

An investor is not required to quote their tax file number (TFN) to IDP Education. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by IDP Education from certain distributions (other than fully franked dividends) at the maximum marginal tax rate plus the Medicare levy.

An investor that holds shares as part of an enterprise may quote its Australian Business Number instead of its TFN. Non-residents are exempt from this requirement.

9.5.4 Stamp duty

No stamp duty should be payable by investors on the acquisition or disposal of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.5.5 Australian GST

The acquisition, redemption or disposal of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST. No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

9.6 Privacy

IDP Education and the Share Registry on its behalf, will collect, hold and use personal information to process your application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Once you have become a Shareholder, the Corporations Act requires that information about you (including your name, address and details of the Shares you hold) are included in IDP Education's share register. The information must continue to be included in IDP Education's share register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed.

IDP Education and the Share Registry may disclose your personal information for purposes of matter related to your investment to their agents and service providers including the following or as otherwise authorised under the *Privacy Act 1988* (Cth): (i) the Share Registry for ongoing administration of the share register, (ii) the Lead Managers in order to assess your application, (iii) printers and other companies for the purpose of preparation and administration of documents and for handling mail, (iv) market research companies for the purpose of analysing the Shareholder base and for product development and planning, and (v) legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of IDP Education. You can request access to your personal information or obtain further information about IDP Education's privacy practices by contacting the Share Registry. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. IDP Education aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Share Registry if any of the details you have provided change. In accordance with the requirements of the Corporations Act, information on the share register will be accessible by members of the public.

9.7 Contract summaries

Summaries of contracts set out in this Prospectus (including the summary of the IELTS Examination Agreement (in Section 9.1.1.1), the IELTS Deed (in Section 9.1.1.2), the Education Australia Consent Deed (in Section 6.5.1), the Education Australia Voting Deed (in Section 6.5.2), the IELTS – Consent and Approval Deed (in Section 9.1.2) and the Underwriting Agreement (in Section 9.1.3) and the summary of the deed polls executed to effect settlement of the Offer (in Section 7.1.4)) are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

9.8 Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by IDP Education. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

9.9 Governing law

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in Victoria and each applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria.

9.10 Statement of Directors

The issue of this Prospectus has been authorised by each Director and the SaleCo Directors. Each Director and the SaleCo Directors have consented to lodgement of the Prospectus and issue of the Prospectus and has not withdrawn that consent.

A.1 Significant accounting policies



Significant accounting policies

The following significant accounting policies have been adopted in the preparation of the Financial Information included in Section 4.

Basis of preparation

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Financial Information has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Corporations Act). Compliance with Australian Accounting Standards ensures that the Financial Information complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Financial Information has been prepared on an accruals basis and is based on historical cost, except for derivative financial instruments and certain financial liabilities that have been measured at fair value.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. 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 reassesses 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.

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.

Foreign currency conversion

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. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to the income statements reflects the amount that arises from using this method.

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:

- 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 income statements with exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation;
- non-monetary items which are measured at historical cost are not retranslated; and
- non-monetary items carried at fair value are retranslated at the rates prevailing at the date when the fair value was determined with the exchange difference recognised in the income statements and other comprehensive income (OCI).

Group companies

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 income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are

Significant accounting policies continued

recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the income statements.

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.

Business combination

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

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

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

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

Revenue

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

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

(i) Student Placement revenue

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

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

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

(ii) English Language Testing revenue

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

(iii) English Language Teaching revenue

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

(iv) Event revenue

Event revenue is recognised once an exhibition has been held.

(v) Contract revenue

Contract revenue is recognised when the revenue is received.

Property, plant and equipment

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

Class of fixed asset	Annual depreciation rate
Leasehold improvements	10-50%
Plant and equipment	5-50%

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.

Work in progress

Work in progress represents intangible assets of capitalised project cost not yet put into use. These assets are amortised from the date of completion over their estimated useful life.

Intangible assets

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 acquisition date. 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 the income statements 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 income statements as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Software

Software is amortised over the useful life with an amortisation rate of 20-33% per annum.

Student placement licence

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

Trade name

Trade name is a separately identifiable intangible asset arising from business combination and is recognised at fair value at the acquisition date. Trade name is amortised on a straight line basis over 15 years.

University relationship

University relationship is a separately identifiable intangible asset arising from business combination and is recognised at fair value at the acquisition date. University relationship is amortised on a straight line basis over 15 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 the acquisition date. These contracts are considered to have an indefinite useful life and as such are not amortised. Goodwill was generated on 9 April 2008 when the Group acquired the remaining interests in IELTS Australia Pty Ltd from the external shareholders. Contracts for English language testing and goodwill are tested annually for impairment.

Joint ventures and joint operations

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and OCI income of the joint venture.

The Group's investments in joint operations are accounted for using proportionate consolidation method. The investment interest held is used to consolidate the Group's share of the operations assets, liabilities, revenue and expenses.

Income tax

The Company 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 Company 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 income statements except to the extent it relates to items recognised directly in equity in which case it is recognised in equity.

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

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

- the initial recognition of assets or liabilities in a transaction that is not a business combination; and
- the initial recognition of goodwill.

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 by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognised to the extent that it is probable that future tax profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Provisions

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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statements net of any reimbursement.

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

Provision for make good

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

Provision for 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.

Dividends

Provision for dividends to be paid by the Company is recognised on the balance sheet as a liability and a reduction in retained earnings when the dividend has been declared.

Financial assets

Initial recognition and measurement

Financial assets are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the income statements.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate.

Subsequent measurement

For purpose of subsequent measurement, financial assets are classified in four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available for sale financial assets.

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statements. The losses arising from impairment are recognised in the income statements in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated balance sheet) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in the income statements.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, other liabilities, payables, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of other liabilities and payables, net of directly attributable transaction costs.

Subsequent measurement

Other liabilities

This category is the most relevant to the Group. After initial recognition, the other liabilities are subsequently measured at amortised cost using the EIR method (as determined under financial assets – loans and receivables).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the income statements.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 Financial Instruments: Recognition and Measurement are satisfied.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statements.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts 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 the income statements, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to the income statements when the hedge item affects the income statements.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges: when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- 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; and
- hedges of a net investment in a foreign operation.

Cash flow hedges

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 income statements as other operating expenses.

The Group uses forward currency contracts 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 the income statements.

Amounts recognised as OCI are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

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.

Operating segments

AASB 8 Operating Segments requires a 'management approach' to identifying and presenting segment information i.e. segment information is presented on the same basis as that used for internal reporting purposes. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Maker in assessing performance and in determining the allocation of resources.

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

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

These geographic segments are based on the Group's management reporting system and the way management views the business. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(i) Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions in relation to these factors could affect the reported fair value of financial instruments.

(ii) Contingent consideration, resulting from business combinations

This is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

(iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with its accounting policy. The recoverable amounts of the cash-generating units have been determined based on the value in use valuation model. These calculations require the use of assumptions.

A.2 Glossary



Glossary

Term	Meaning
A Class Director	Has the meaning given in Section 7.9.22
AASB	Australian Accounting Standards Board
AAUCS	Has the meaning given in Section 3.2
AMF	Has the meaning given in Section 7.10
Ancillary Rules	Has the meaning given in Section 7.7.2
APF	Application processing fee, being the fee IDP Education receives from its client education institutions for placing students into a course
Appendix	An Appendix to this Prospectus
Application Amount	The amount of money accompanying an Application Form submitted by an applicant
Application Form	The application form attached to or accompanying this Prospectus.
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or, as the case requires, the Australian Securities Exchange (being the financial market operated by it)
ASX Listing Rules	The official listing rules of the ASX
ASX Recommendations	Has the meaning given in Section 6.4
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	The operating rules of ASX Settlement and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited (ABN 48 001 314 503)
AUD, A\$, \$ or Australian dollar	Australian dollar, the official currency of Australia
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Company Interpretations
Australian Retail Broker Clients	An Australian resident client of a Broker
Average Fee	Has the meaning given in Section 4.2.4
Award	An award of employee share scheme interests under the IDIP (see Section 6.3.2.1 for further information)
B Class Director	Has the meaning given in Section 7.9.22
Bank of Materials	Has the meaning given in Section 9.1.1.1
BBSY	Bank Bill Swap Rate
Board	The board of directors of IDP Education
British Council	British Council established by Royal Charter dated 7 October 1940
Broker	Any ASX participating organisation selected by the Lead Managers to participate in the Broker Firm Offer

Term	Meaning
Broker Firm Offer	The offer of Shares under this Prospectus to Australian Retail Broker Clients and New Zealand Exempt Broker Clients who are not Institutional Investors and who have received a firm allocation of Shares from their Broker as described in Section 7.3.1
Business Day	Has the meaning given in the ASX Listing Rules
CAD	Canadian dollar, the official currency of Canada
CAE	Certificate in Advanced English
CAGR	Compound annual growth rate
Cambridge Assessment	The Chancellor Masters and Scholars of the University of Cambridge acting by the University of Cambridge Local Examinations Syndicate (now known as Cambridge Assessment)
CELPIP	Canadian English Language Proficiency Index Program
CGT	Has the meaning given in Section 9.5.2
CHESS	Clearing House Electronic Subregister System operated in accordance with the ASX Settlement Operating Rules
Child Entity	Has the meaning given in Section 7.9.22
China Agreement	Has the meaning given in Section 3.4.5
CNY	Chinese yuan, the official currency of China
Co-Managers	JBWere Ltd (ABN 68 137 978 360) and Macquarie Equities Limited (ABN 41 002 574 923)
Completion	Completion in respect of the allotment and transfer of Shares of the Offer in accordance with the Underwriting Agreement
Consenting Party	Has the meaning given in Section 9.3
Constitution	The constitution of IDP Education
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Designated Officers	Has the meaning given in Section 6.4.6
DIBP	Australian Department of Immigration and Border Protection
Director	Each of the directors of IDP Education from time to time
Director Majority Requirement	Has the meaning given in Section 7.9.13
EBIT	Earnings before interest and income tax
EBITDA	Earnings before interest, income tax, depreciation and amortisation
Education Australia	Education Australia Limited (ABN 63 008 597 831)
Education Australia Consent Deed	Has the meaning given in Section 6.5.1
Education Australia Voting Deed	Has the meaning given in Section 6.5.2
EIR	Has the meaning given in Appendix A.1

Term	Meaning
EPS	Earnings per Share
ESOL	English Speakers of Other Languages
ETS	Education Testing Service
EU	European Union
EUR or €	Euro, the official currency of European Union
Existing Shareholders	The Shareholders as at the Prospectus Date
Expiry Date	The date which is 13 months after the Prospectus Date
Exposure Period	The seven day period after the Prospectus Date
Financial Information	Means the Statutory Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information
FMC Act	Has the meaning given in Section 7.10
Forecast Financial Information	Means the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information
FPO	Has the meaning given in Section 7.10
FSMA	Has the meaning given in Section 7.10
FX	Foreign currency exchange rate
FY13	Financial year ended 30 June 2013
FY14	Financial year ended 30 June 2014
FY15	Financial year ended 30 June 2015
FY16	Financial year ending 30 June 2016
FY17	Financial year ending 30 June 2017
FY18	Financial year ending 30 June 2018
GBP	Great British pound, the official currency of the United Kingdom
Gross Profit	Calculated by deducting direct costs from revenue
Group	Has the meaning given in Section 6.3.1.3
GST	Goods and services tax or similar tax imposed in Australia
HIN	Has the meaning given in Section 7.8.2
Historical Financial Information	Has the meaning given in Section 4.1
HKD	Hong Kong dollar, the official currency of Hong Kong
IA	IELTS Australia Pty Ltd (ABN 84 008 664 766)
IASB	International Accounting Standards Board
IDIP	IDP Education Employee Incentive Plan (see Section 6.3.2.1 for further information)

Term	Meaning
IDP Education or Company	IDP Education Limited (ABN 59 117 676 463) and, as the context requires, its subsidiaries
IDP ESS Trust	IDP Education Employee Share Scheme Trust established in connection with the operation and administration of the IDIP
IELTS	International English Language Testing System
IELTS – Consent and Approval Deed	Means the deed described in Section 9.1.2
IELTS Deed	Has the meaning given in Section 3.4.5
IELTS Examination Agreement	Has the meaning given in Section 3.4.5
IELTS IP	Has the meaning given in Section 9.1.1.1
IFRS	International Financial Reporting Standards
Independent Director	Has the meaning given in the Constitution
IT	Information technology
INR	Indian rupee, the official currency of India
INSEARCH	INSEARCH Limited (ABN 39 001 425 065)
Institutional Investor	<p>An investor who is:</p> <ul style="list-style-type: none"> • a person in Australia who is a wholesale client under section 761G of the Corporations Act and either a “professional investor” or “sophisticated investor” under sections 708(11) and 708(8) of the Corporations Act; or • an institutional investor in certain other jurisdictions, as agreed between IDP Education and the Lead Managers, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which IDP Education and SaleCo are willing, in their absolute discretion, to comply), provided that, in each case, such person is not in the United States
Institutional Offer	The invitation to Institutional Investors to acquire Shares under this Prospectus as described in Section 7.4
Investigating Accountant	Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127)
Investigating Accountant’s Report	The Investigating Accountant’s Report set out in Section 8
KPI	Key performance indicator
Lead Managers	Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897) and Macquarie Capital (Australia) Limited (ABN 79 123 199 548)
Lender	Has the meaning given in Section 4.10.2.1
LTI	Long term incentive
Measurement Period	Has the meaning given in Section 6.3.3.3
Melbourne time	The official time in Melbourne, Australia

Term	Meaning
MiFID	Has the meaning given in Section 7.10
New Zealand Exempt Broker Client	A New Zealand resident client of a Broker who (i) is an investment business within the meaning of clause 37 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand); (ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of that Act; (iii) is large within the meaning of clause 39 of Schedule 1 of that Act; or (iv) is an eligible investor within the meaning of clause 41 of Schedule 1 of that Act
NPAT	Net profit after tax
NZD	New Zealand dollar, the official currency of New Zealand
OCI	Has the meaning given in Appendix A.1
OECD	Organisation for Economic Co-operation and Development
OET	Occupational English Test, an international English language test that assesses the language and communication skills of healthcare professionals and which is owned by a joint venture between Cambridge Assessment and the Box Hill Institute
Offer	The offer of Shares made under this Prospectus, comprising the offer of 125.1 million Shares to be sold by SaleCo
Offer Price	\$2.65 per Share
Official List	Official list of entities that the ASX has admitted to and not removed from listing
Option	An option to acquire a Share issued under the IDIP
OSCAR	Has the meaning given in Section 3.3.5
Pathfinder	Has the meaning given in Section 9.1.3
Performance Right	Has the meaning given in Section 6.3.3.3
Priority Offer	The offer of Shares under this Prospectus to eligible investors nominated by IDP Education as described in Section 7.3.2
Pro Forma Forecast Financial Information	Has the meaning given in Section 4.1
Pro Forma Historical Consolidated Balance Sheet	IDP Education's statutory historical consolidated balance sheet as at 30 June 2015, adjusted for certain pro forma adjustments to reflect the impact of the Offer and the change in capital structure that will take place as part of the Offer, as if it was in place at 30 June 2015
Pro Forma Historical Financial Information	Has the meaning given in Section 4.1
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 12 November 2015
Prospectus Directive	Has the meaning given in Section 7.10
PTE	Pearson Tests of English
Relevant Definitions and Rules	Has the meaning given in Section 6.5.2

Term	Meaning
Relevant Member State	Has the meaning given in Section 7.10
Relevant Resolution	Has the meaning given in Section 6.5.2
Required Information	Has the meaning given in Section 7.9.13
Retail Offer	The Broker Firm Offer and the Priority Offer
SaleCo	IDP Vendor Limited (ACN 608 900 161)
SaleCo Directors	The directors of SaleCo from time to time, currently Peter Polson, Greg West and Andrew Barkla
SEEK	SEEK Limited (ABN 46 080 075 314)
SEEK Investments	SEEK Investments Pty Ltd (ABN 52 121 263 894), a wholly owned subsidiary of SEEK
Securities	Has the meaning given in Section 7.7.2
Settlement	Has the meaning given in Section 7.2
SFO	Has the meaning given in Section 7.10
SFA	Has the meaning given in Section 7.10
SGD	Singapore dollar, the official currency of Singapore
Share	A fully paid ordinary share in IDP Education
Share Registry	Link Market Services Limited (ABN 54 083 214 537) or any other registry that IDP Education appoints to maintain the register of members of IDP Education
Shareholder	The registered holder of a Share
Significant Breach	A deliberate, reckless or negligent breach of the IELTS Examination Agreement by either the British Council or Cambridge Assessment which has a material adverse effect on the ability of IA to derive benefit from the commercial exploitation of the IELTS IP
SRN	Has the meaning given in Section 7.8.2
Statutory Forecast Financial Information	Has the meaning given in Section 4.1
Statutory Historical Financial Information	Has the meaning given in Section 4.1
STI	Short term incentive
TFN	Has the meaning given in Section 9.5.3
TOEFL®	Test of English as a Foreign Language
TOFA	Has the meaning given in Section 9.5
TSR	Total Shareholder Return, being over a period the increase in the Company's market capitalisation plus aggregate dividends paid to Shareholders in respect of the period
UKVI	UK Visas and Immigration
Underwriting Agreement	The underwriting agreement between IDP Education, SaleCo and the Lead Managers as described in Section 9.1.3

Term	Meaning
UNESCO	United Nations Educational, Scientific and Cultural Organization
United Kingdom or UK	The United Kingdom of Great Britain and Northern Ireland
United States	United States of America, its territories and provinces, any state of the United States of America and the District of Columbia
United States Joint Venture Agreement	Has the meaning given in Section 3.4.5
US Person	Has the meaning given in Rule 902(k) of Regulation S promulgated under the US Securities Act
US Securities Act	<i>United States Securities Act of 1933</i>
USD or US\$	United States dollar, the official currency of the United States of America
Vesting Conditions	Has the meaning given in Section 6.3.2.1
VIE	Has the meaning given in Section 3.6
VND	Vietnamese dong, the official currency of Vietnam

Corporate directory

IDP Education registered office

Level 8
535 Bourke Street
Melbourne VIC 3000
Australia

Lead Managers

Goldman Sachs Australia Pty Ltd
Level 46, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

Macquarie Capital (Australia) Limited
Level 4
50 Martin Place
Sydney NSW 2000
Australia

Co-Managers

JBWere Ltd
Level 16
101 Collins Street
Melbourne VIC 3000
Australia

Macquarie Equities Limited
1 Shelley Street
Sydney NSW 2000
Australia

Australian legal adviser

Allens
Level 37
101 Collins Street
Melbourne VIC 3000
Australia

Investigating Accountant

Deloitte Corporate Finance Pty Limited
550 Bourke Street
Melbourne VIC 3000
Australia

Tax adviser

KPMG
147 Collins Street
Melbourne VIC 3000
Australia

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000
Australia

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Australia

IDP Education Offer Information Line

Number: 1800 990 363 (within Australia)
Hours of operation: 8:30am to 5:30pm (Melbourne time),
Monday to Friday (Business Days only)

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