

# INTUERI EDUCATION GROUP LIMITED

# INTERIM REPORT



**FOR THE SIX MONTHS ENDED**  
**30<sup>TH</sup> JUNE 2014**

## INTUERI EDUCATION GROUP LIMITED AND ITS CONTROLLED ENTITIES

### Company Directory

Registered Office	100 Symonds Street, Grafton, Auckland 1010, New Zealand
Directors	<p>Christopher Morton Kelly (Appointed: 10 April 2014)</p> <p>Robert Charles Facer (Appointed: 10 April 2014)</p> <p>Craig Douglas McIntosh (Appointed: 10 April 2014)</p> <p>James Alexander Charles Turner (Appointed: 10 April 2014)</p> <p>Russell John Woodard (Appointed: 10 April 2014)</p> <p>Glen William Dobbie (Ceased: 10 April 2014)</p> <p>Kevin Tser Fah Chin (Ceased: 10 April 2014)</p> <p>David Malcolm Keefe (Ceased: 10 April 2014)</p> <p>John Colinton Moore (Ceased: 10 April 2014)</p> <p>Kien Khan Kwan (Ceased: 10 April 2014)</p> <p>Glen Dobbie was appointed alternate director for Craig McIntosh on 1 July 2014, and was appointed to the Board effective 11 September 2014 with Craig McIntosh becoming his alternate.</p>
Company No:	4013538
Auditor	<p>BDO Auckland</p> <p>120 Albert Street, Auckland</p>
Bankers	ANZ
Solicitors	<p>Minter Ellison</p> <p>Chapman Tripp</p>
Date of Formation	17 September 2012
Nature of Business	Investment in private training establishments

# INTUERI EDUCATION GROUP LIMITED AND ITS CONTROLLED ENTITIES

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# Chairman's Interim Results Report

For the six months ended June 2014

I would like to welcome all our new shareholders, and thank you for your investment in Intueri as part of, or since, its public listing on May 23rd.

Intueri has been successfully formed through a series of acquisitions over the past four years and now plays a key role in New Zealand's tertiary education sector. We are the first group of private training establishments (PTEs) to publicly list. Intueri now comprises seven schools with 26 campuses across Australia and New Zealand, teaching approximately 10,000 students each year. All the Intueri schools are well recognised in the sectors they operate in and we acknowledge the high student course completion rates that the organisation has been able to obtain. Our recent expansion into Australia will allow us to continue to grow and leverage our capability across a wider area of the tertiary sector. We will look to build on our quality provision of services through establishment of key relationships with students, regulators, investors and other stakeholders.

The Board includes directors with a breadth of experience in the education sector and across a number of functional areas. The focus to date has been to support Rob Facer and his executive team through the IPO process and business integration, as well as establishing a strategic direction for the Intueri Group moving forward. The Board places a strong emphasis on corporate governance and has been installing group wide policies and procedures to ensure they meet the high standards required for a public company. The business is in an excellent position and we will continue to grow through a combination of strategic acquisition opportunities and organic growth.

We are pleased to welcome the OCA and Quantum management and staff to the Intueri Group, and wish to thank Janet Dalby for her service to Quantum. Together with OCA and Quantum management, we are focused on driving their businesses forward. Quantum is well established as a leading provider of quality outcomes for New Zealand tertiary students, and OCA is a dynamic, fast growing business. We are very happy with how both are tracking. Both businesses complement the existing Intueri schools, and have significant future potential.

We continue to maintain regular ongoing contact with the local regulators in Australia and New Zealand, and welcome recent developments to continue to raise the standards of provision of education in both countries in which we operate.

We are pleased with the shareholder spread Intueri has obtained as part of the public listing and will look to broaden this across both Australia and New Zealand, as well as other offshore locations, as Intueri grows and continues to enhance its awareness and reputation amongst investors.

I wish to acknowledge the support of my fellow directors and management during this start-up phase.

Finally, on behalf of my fellow directors I again thank you for your investment in Intueri and look forward to your continued support.

# CEO's Interim Results Report

For the six months ended June 2014

I am very pleased to report Intueri's first interim results since listing on May 23rd. Intueri has had an excellent start to life as a public company with a supportive shareholder base.

In addition to completing the Initial Public Offering (IPO), we acquired a 50% interest in the Online Courses Australia Group (OCA) and purchased Quantum Education Group (Quantum) in the first half of 2014. Both organisations have added scale and new programmes to Intueri, and they also bring specialist expertise which can be shared across the Intueri Group. I would like to welcome the OCA and Quantum staff, and look forward to helping them grow their organisations further.

Since listing, we have commenced a light touch integration process. The Group Executive team is now in place and Group shared functions are being established including Finance & IT, Human Resources, Marketing, and Academic & Compliance. We have retained the existing schools' names and campus operations, and ensured that the high quality provision of teaching is maintained. We have increased marketing activities in certain areas of the business to fuel delivery of our revenue growth targets, and have also identified new opportunities to attract international students.

In May there was a very tragic incident at the Dive School. We are continuing to engage with WorkSafe and the relevant authorities to help them to complete their investigations, and await the outcome of these reports. We are working with the Australian Diver Accreditation Scheme (ADAS) to review procedures and to ensure we continue to comply with the high safety standards that this international accreditation requires.

I am pleased to report that our 1H 2014 performance has been at the top end of the guidance provided in the IPO prospectus with revenue 2.3% higher than anticipated. This has been driven primarily by the online and international segments, more than offsetting a slightly softer performance in the domestic sector. We have not yet seen the rebound in student numbers in Christchurch that we had expected, and we also suffered a brief drop in enrolments during the extended Easter, Anzac, and school holidays period. Our international and online segments exhibited strong growth in the first half of 2014, and we expect that to continue through into the second half of the year. We are benefitting from the favourable uplift in international students coming to New Zealand, and also from an increased investment in sales resource and course additions in our online segment.

1H 2014 statutory NPAT tracked well ahead of the corresponding period 2013 on the back of the higher revenues. Most operating costs were in line with PFI, although as noted, we have invested additional marketing resources to drive faster growth. Whilst our integration programmes are well underway, there were only five weeks of trading post the Quantum acquisition in 1H, meaning minimal savings were included in the 1H 2014 results. These savings will start to be realised in 2H 2014, with the full benefits to be achieved in 2015.

The company has commenced paying down bank debt in 1H 2014, but has sufficient facilities in place to fund future acquisition opportunities as they arise. The company maintains a strong level of profitability and cash flows. It does not require high levels of working capital or capital expenditure, and we do not have any imminent capital expenditure projects ahead. In 1H 2014 the new expanded kitchen facilities at the NSIA school were completed, and a second dive barge at the dive school was added.

A number of acquisition opportunities are currently being explored and we will provide a further update to the market as appropriate. As stated in the interim results release, the company maintains its FY2014 proforma financial forecasts as outlined in the prospectus.

I would like to thank the Board and my fellow staff for their support and hard work over the first half of 2014, and I look forward to continuing to grow this organisation.

## Directors' Declaration

In the opinion of the Directors of Intueri Education Group Limited (the "Company"), the condensed interim consolidated financial statements and notes, on pages 6 to 20:

- i. Comply with New Zealand generally accepted accounting practice and give a true and fair view of the Condensed Interim Consolidated Financial Position of the Company as at 30 June 2014 and the results of operations for the six months ended on that date;
- ii. Have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the Condensed Interim Consolidated Financial Position of the Company and facilitate compliance of the financial statements with IAS 34 Interim Financial Reporting.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and its controlled entities, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Board of Directors are pleased to present the condensed interim consolidated financial statements of Intueri Education Group Limited and its controlled entities for six months ended 30 June 2014 and the independent review report thereon.

Approved for and on behalf of the Board of Directors.

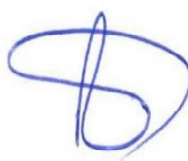


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**Chris Kelly**

Chairman

Date: 22 August 2014



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**Rob Facer**

Director

Date: 22 August 2014



# Independent Review Report



BDO AUCKLAND

## INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF INTUERI EDUCATION GROUP LIMITED

### Report on the Condensed Interim Consolidated Financial Statements

We have reviewed the accompanying condensed interim consolidated financial statements of Intueri Education Group Limited and its controlled entities ("the Group") which comprise the condensed interim consolidated statement of financial position as at 30 June 2014, and the condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

### Directors' Responsibility for the Condensed Interim Consolidated Financial Statements

The directors of the Group are responsible for the preparation and fair presentation of the condensed interim consolidated financial statements in accordance with New Zealand generally accepted accounting practice and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

### Our Responsibility

Our responsibility is to express a conclusion on the condensed interim consolidated financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with New Zealand Generally Accepted Accounting Practice. As the auditor of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed interim consolidated financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on those financial statements.

Our firm also provided other services to the Group in relation to assurance and taxation services and have acted as the investigating accountant in respect of the Company's initial public offer. Other than these matters and the audit, we have no relationship with or interests in the Group.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these condensed interim consolidated financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2014, and of its financial performance and its cash flows for the period ended on that date, in accordance with New Zealand Generally Accepted Accounting Practice.

A handwritten signature in blue ink that reads 'BDO Auckland'.

BDO Auckland  
22 August 2014  
Auckland  
New Zealand

INTUERI EDUCATION GROUP LIMITED AND ITS CONTROLLED ENTITIES

# Condensed Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014 (unaudited)

	Note	Group For six months ended 30 June 2014	Group For six months ended 30 June 2013
Domestic revenue		12,590,896	6,790,358
International revenue		8,305,004	5,871,981
Online revenue		2,689,674	-
Other income	5	791,570	1,596,535
<b>Total revenue</b>		<b>24,377,144</b>	<b>14,258,874</b>
Cost of materials and commissions		(4,890,250)	(3,819,161)
Employee expenses		(7,497,607)	(4,298,868)
Rent expenses		(2,724,258)	(1,732,334)
Marketing expenses		(912,090)	(300,362)
Insurance costs		(96,084)	(51,429)
IT and communication costs		(318,620)	(192,341)
Travel costs		(299,118)	(174,612)
Depreciation and amortisation expenses		(3,225,133)	(1,797,898)
Other expenses		(1,024,909)	(1,052,604)
<b>Operating profit before net finance costs</b>		<b>3,389,075</b>	<b>839,265</b>
Finance income		8,345	45,666
Finance expense		(640,232)	(434,421)
<b>Net finance cost</b>		<b>(631,887)</b>	<b>(388,755)</b>
<b>Profit / (loss) before income tax</b>		<b>2,757,188</b>	<b>450,510</b>
Income tax (expense)/benefit		(861,499)	40,975
<b>Profit for the period</b>		<b>1,895,689</b>	<b>491,485</b>
Other comprehensive income:			
Exchange gain arising on translation of foreign operations		77,676	-
Other comprehensive income for the period, net of tax		77,676	-
<b>Total comprehensive income for the period</b>		<b>1,973,365</b>	<b>491,485</b>
<b>Profit / (loss) for the period attributable to:</b>			
Non-controlling interest		289,910	-
Owners of the parent		1,605,779	491,485
		<b>1,895,689</b>	<b>491,485</b>
<b>Total comprehensive income for the period attributable to:</b>			
Non-controlling interest		328,748	-
Owners of the parent		1,644,617	491,485
		<b>1,973,365</b>	<b>491,485</b>
<b>Earnings per share attributable to the ordinary equity holders of the parent</b>			
Basic and diluted (cents)	7	4.21	4.67

The above statements should be read in conjunction with the notes to and forming part of the condensed interim consolidated financial statements.



INTUERI EDUCATION GROUP LIMITED AND ITS CONTROLLED ENTITIES

# Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 (unaudited)

Group	Note	Share capital	Retained earnings	Foreign currency translation reserve	Total equity attributable to owners of parent	Non-controlling interest	Total Equity
<b>Balance as at 1 January 2014</b>		<b>20,601,514</b>	<b>685,761</b>	<b>-</b>	<b>21,287,275</b>	<b>-</b>	<b>21,287,275</b>
<b>Comprehensive income for the period</b>							
Profit for the period		-	1,605,779	-	1,605,779	289,910	1,895,689
Other comprehensive income		-	-	38,838	38,838	38,838	77,676
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>1,605,779</b>	<b>38,838</b>	<b>1,644,617</b>	<b>328,748</b>	<b>1,973,365</b>
<b>Transactions with owners</b>							
Issue of shares		58,177,123	-	-	58,177,123	-	58,177,123
Non-controlling interest arising on business combination		-	-	-	-	3,797,981	3,797,981
<b>Total transactions with owners</b>		<b>58,177,123</b>	<b>-</b>	<b>-</b>	<b>58,177,123</b>	<b>3,797,981</b>	<b>61,975,104</b>
<b>Balance as at 30 June 2014</b>		<b>78,778,637</b>	<b>2,291,540</b>	<b>38,838</b>	<b>81,109,015</b>	<b>4,126,729</b>	<b>85,235,744</b>
<b>Balance as at 1 January 2013</b>		<b>4,002,368</b>	<b>-</b>	<b>-</b>	<b>4,002,368</b>	<b>-</b>	<b>4,002,368</b>
<b>Comprehensive income for the period</b>							
Profit for the period		-	491,485	-	491,485	-	491,485
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>491,485</b>	<b>-</b>	<b>491,485</b>	<b>-</b>	<b>491,485</b>
<b>Transactions with owners</b>							
Issue of shares		16,599,146	-	-	16,599,146	-	16,599,146
<b>Total transactions with owners</b>		<b>16,599,146</b>	<b>-</b>	<b>-</b>	<b>16,599,146</b>	<b>-</b>	<b>16,599,146</b>
<b>Balance as at 30 June 2013</b>		<b>20,601,514</b>	<b>491,485</b>	<b>-</b>	<b>21,092,999</b>	<b>-</b>	<b>21,092,999</b>

The above statements should be read in conjunction with the notes to and forming part of the condensed interim consolidated financial statements.

INTUERI EDUCATION GROUP LIMITED AND ITS CONTROLLED ENTITIES

# Condensed Interim Consolidated Statement of Financial Position

For the six months ended 30 June 2014 (unaudited)

	Note	Group 30 June 2014	Group 31 Dec 2013	Group 30 June 2013
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		3,540,740	2,515,980	4,495,411
Inventories		111,546	-	-
Trade and other receivables	8	24,421,264	11,741,407	12,077,619
Other current assets	9	2,704,838	3,284,643	3,067,673
<b>Total current assets</b>		<b>30,778,388</b>	<b>17,542,030</b>	<b>19,640,703</b>
<b>Non-current assets</b>				
Property, plant & equipment	10	11,351,315	7,963,667	6,934,604
Intangible assets	11	105,833,741	38,308,985	40,346,704
Deferred tax asset		-	22,196	149,868
<b>Total non-current assets</b>		<b>117,185,056</b>	<b>46,294,848</b>	<b>47,431,176</b>
<b>Total assets</b>		<b>147,963,444</b>	<b>63,836,878</b>	<b>67,071,879</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Trade and other payables	12	27,783,428	17,092,130	18,636,186
Income tax payable		687,177	(62,783)	641,557
Interest bearing loans	13	3,896,851	3,150,000	2,362,500
Employee benefits		608,321	513,884	336,704
<b>Total current liabilities</b>		<b>32,975,777</b>	<b>20,693,231</b>	<b>21,976,947</b>
<b>Non-current liabilities</b>				
Interest bearing loans	13	15,050,369	17,102,500	18,677,500
Employee benefits		41,309	-	-
Deferred tax liability	14	14,660,245	4,753,872	5,324,433
<b>Total non-current liabilities</b>		<b>29,751,923</b>	<b>21,856,372</b>	<b>24,001,933</b>
<b>Total liabilities</b>		<b>62,727,700</b>	<b>42,549,603</b>	<b>45,978,880</b>
<b>Equity</b>				
Share capital	15	78,778,637	20,601,514	20,601,514
Translation reserve		38,838	-	-
Retained earnings		2,291,540	685,761	491,485
<b>Equity attributable to owners of the parent</b>		<b>81,109,015</b>	<b>21,287,275</b>	<b>21,092,999</b>
Non-controlling interest		4,126,729	-	-
<b>Total equity</b>		<b>85,235,744</b>	<b>21,287,275</b>	<b>21,092,999</b>
<b>Total equity and liabilities</b>		<b>147,963,444</b>	<b>63,836,878</b>	<b>67,071,879</b>

Approved for and on behalf of the board of directors.



Chairman

Date: 22 August 2014



Director

The above statements should be read in conjunction with the notes to and forming part of the condensed interim consolidated financial statements.

# INTUERI EDUCATION GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Condensed Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2014 (unaudited)

	Note	Group For six months ended 30 June 2014	Group For six months ended 30 June 2013
<b>Cash flows from operating activities</b>			
Receipts from customers		18,804,394	16,217,868
Payments to suppliers		(14,944,996)	(13,853,058)
Income tax paid		(666,221)	(531,736)
Interest received		8,345	45,666
<b>Net cash inflow / (outflow) from operating activities</b>		<b>3,201,522</b>	<b>1,878,740</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment and intangibles		(2,029,926)	(83,276)
Sale of property, plant and equipment		-	67,568
Purchase of subsidiaries/businesses (net of cash acquired)		(56,311,454)	(38,574,714)
<b>Net cash outflow from investing activities</b>		<b>(58,341,380)</b>	<b>(38,590,422)</b>
<b>Cash flows from financing activities</b>			
Issue of shares		58,177,123	16,599,146
(Repayment)/proceeds of borrowings		(1,305,280)	21,040,000
Interest paid		(707,225)	(434,421)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>56,164,618</b>	<b>37,204,725</b>
<b>Cash increase / (decrease) in cash and cash equivalents</b>		<b>1,024,760</b>	<b>493,043</b>
Cash and cash equivalents at the beginning of the period		2,515,980	4,002,368
<b>Cash and cash equivalents at the end of the period</b>		<b>3,540,740</b>	<b>4,495,411</b>

The above statements should be read in conjunction with the notes to and forming part of the condensed interim consolidated financial statements.

# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 1. Reporting entity

Intueri Education Group Ltd (the “Company”) is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993, and a reporting entity for the purposes of the Financial Reporting Act 1993.

The Company and its controlled entities comprise the Intueri Education Group (the “Group”). The condensed interim consolidated financial statements have been presented for the Group, in accordance with the Financial Reporting Act 1993.

The condensed interim consolidated financial statements for the Group are presented for the six months ended 30 June 2014.

The Company’s principal activity is investment in private training establishments and the Group’s principal activity is the provision of private training tuition.

## 2. Basis of preparation

The preparation of condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Statements, and requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group’s accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

The Group has applied the same accounting policies and methods of computation in its condensed interim financial statements as in its financial statements for period ended 31 December 2013.

These financial statements do not include all the information and disclosures required for a complete set of NZ IFRS financial statements, and should be read in conjunction with the Group’s annual financial statements as at 30 June 2013. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements as at and for the year ended 30 June 2013.

During the period the Group changed its balance date from 30 June to 31 December. The new balance date aligns with the sector, and with government funding periods, and is therefore considered to be more appropriate.

## 3. Use of estimates and judgements

The preparation of condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation of uncertainty were the same as those applied to the annual financial statements as at and for the year ended 30 June 2013.

## 4. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. As part of its growth strategy and in line with investment criteria the Company has acquired control of the following entities:

Online Courses Australia Group Pty Limited and its controlled entities based in Australia. 50% ownership was acquired on 31 March 2014, however the Company is deemed to exercise control through a casting vote mechanism.

Quantum Education comprising Quantum Education Group Limited and its controlled entities, Quantum Corporate

# INTUERI EDUCATION GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

Training Limited, and the business assets of Learntree Limited, all based in New Zealand. 100% ownership was acquired on 22 May 2014. The business assets of Learntree were acquired by Intueri Materials Limited which was incorporated on 13 February 2014, a company wholly owned by Intueri Education Group Limited. Intueri Materials Limited has subsequently changed its name to Intueri Services Limited.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed for all the acquisitions at their respective acquisition dates:

	<b>OCA Group</b>	<b>Quantum Education Group</b>	<b>Quantum Corporate Training</b>	<b>Intueri Services</b>	<b>Total</b>
Total Consideration Payable	4,264,400	35,751,275	2,000	18,690,208	58,707,883
Cash and cash equivalents	241,604	2,109,016	45,808	-	2,396,428
Inventories	-	-	-	101,616	101,616
Other current assets	816,647	7,587,427	674	-	8,404,748
Goodwill acquired	5,538,512	-	-	-	5,538,512
Identifiable intangible assets	2,575,169	18,872,640	-	17,547,347	38,995,156
Property, plant and equipment	174,302	1,513,496	-	544,083	2,231,881
Trade creditors	(223,337)	(7,867,147)	-	-	(8,090,484)
Other creditors	(1,184,442)	(687,244)	(35,686)	(14,636)	(1,922,008)
Deferred tax liability	(342,493)	(5,227,501)	-	(4,913,257)	(10,483,251)
Net Assets Acquired	7,595,962	16,300,687	10,796	13,265,153	37,172,598
Non-Controlling Interest	(3,797,981)	-	-	-	(3,797,981)
Goodwill/(bargain purchase) arising on acquisition	466,419	19,450,588	(8,796)	5,425,055	25,333,266
Total goodwill	6,004,931	19,450,588	-	5,425,055	30,880,574
Total intangibles	8,580,100	38,323,228	-	22,972,402	69,875,730

### 5. Other income

	<b>Group For six months ended 30 June 2014</b>	<b>Group For six months ended 30 June 2013</b>
Insurance claim	-	798,013
Ancillary goods and services to course delivery	791,570	798,522
	<b>791,570</b>	<b>1,596,535</b>

# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 6. Segment Information

In accordance with NZ IFRS 8 Operating Segments, the Company has determined that it satisfies the criteria to allow the reporting of one operating segment at 30 June 2014. This is based on the information received by the Board of Directors to make resource allocation decisions, and on the basis that each of Intueri's business channels has significantly similar economic characteristics and similar services are provided. Intueri's sole operating segment is education services in New Zealand and Australia.

## 7. Earnings per share

	Group 2014	Group 2013
Basic earnings per share attributable to the ordinary equity holders of the Company (cents)	4.21	4.67
Diluted earnings per share attributable to the ordinary equity holders of the Company (cents)	4.21	4.67
<i>Numerator</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	1,607,870	491,485
<i>Denominator</i>		
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share (numbers)	38,148,141	10,528,445
Weighted average number of ordinary shares used as a denominator in calculating diluted earnings per share (numbers)	38,148,141	10,528,445

## 8. Trade and other receivables

	Group 30 June 2014	Group 31 Dec 2013	Group 30 June 2013
Trade receivables	2,700,825	51,969	48,416
Funds held in Public Trust	21,720,439	11,689,438	12,029,203
	<b>24,421,264</b>	<b>11,741,407</b>	<b>12,077,619</b>

Funds held in Public Trust represent the unexpired portion of fees paid in advance by students that the Group will receive over the duration of the course.

## 9. Other current assets

	Group 30 June 2014	Group 31 Dec 2013	Group 30 June 2013
Prepayments	452,644	277,323	134,003
Interest receivable	77,183	-	63,183
Retention in trust (a)	598,000	2,800,000	2,800,000
Receivable from vendor(b)	977,142	-	-
Other receivables	599,869	207,320	70,487
	<b>2,704,838</b>	<b>3,284,643</b>	<b>3,067,673</b>

- Retention in trust relates to amounts held in trust by vendors' solicitors towards the acquisition of The Global Education Group Limited and New Zealand School of Outdoor Studies Limited.
- Receivable from vendor represents an adjustment to the consideration paid for Quantum Education Group Limited.



INTUERI EDUCATION GROUP LIMITED AND ITS CONTROLLED ENTITIES

# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 10. Property, plant & equipment

Cost	Group	Land	Buildings	Leasehold improvements	Plant & equipment	Computer equipment	Office equipment	Furniture & fixtures	Motor vehicles	Total
Opening balance	-	-	-	-	-	-	-	-	-	-
Acquired through business combinations	-	-	-	8,890,981	2,937,568	464,050	828,767	1,252,480	246,630	14,620,476
Additions	-	-	-	19,650	33,918	10,010	1,507	7,329	-	72,414
Disposals	-	-	-	-	-	-	-	-	(58,755)	(58,755)
<b>As at 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,910,631</b>	<b>2,971,486</b>	<b>474,060</b>	<b>830,274</b>	<b>1,259,809</b>	<b>187,875</b>	<b>14,634,135</b>
As at 1 July 2013	-	-	-	8,910,631	2,971,486	474,060	830,274	1,259,809	187,875	14,634,135
Additions	-	-	-	117,389	1,023,171	220,898	13,521	38,356	4,778	1,418,113
Disposals	-	-	-	-	-	-	-	-	(104,152)	(104,152)
<b>As at 31 Dec 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,028,020</b>	<b>3,994,657</b>	<b>694,958</b>	<b>843,795</b>	<b>1,298,165</b>	<b>88,501</b>	<b>15,948,096</b>
As at 1 January 2014	-	-	-	9,028,020	3,994,657	694,958	843,795	1,298,165	88,501	15,948,096
Acquired through business combinations	175,000	455,454	-	1,152,241	637,215	2,031,254	356,051	555,285	901,845	6,264,345
Exchange differences	-	-	-	-	1,103	-	37	-	1,210	2,350
Additions	-	-	-	171,338	1,221,905	284,489	6,094	39,692	70,703	1,794,221
Disposals	-	-	-	-	-	(136,713)	(2,782)	-	(2,850)	(142,345)
<b>As at 30 June 2014</b>	<b>175,000</b>	<b>455,454</b>	<b>-</b>	<b>10,351,599</b>	<b>5,854,880</b>	<b>2,873,988</b>	<b>1,203,195</b>	<b>1,893,142</b>	<b>1,059,409</b>	<b>23,866,667</b>

# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 10. Property, plant & equipment (continued)

Group	Land	Buildings	Leasehold improvements	Plant & equipment	Computer equipment	Office equipment	Furniture & fixture	Motor vehicles	Total
<b>Accumulated depreciation</b>									
Opening balance	-	-	-	-	-	-	-	-	-
Acquired through business combinations	-	-	4,364,034	1,048,700	437,291	541,959	787,211	194,951	7,374,146
Depreciation for the period	-	-	245,526	79,461	5,260	18,199	31,808	3,886	384,140
Depreciation reversal for the period	-	-	-	-	-	-	-	(58,755)	(58,755)
<b>As at 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>4,609,560</b>	<b>1,128,161</b>	<b>442,551</b>	<b>560,158</b>	<b>819,019</b>	<b>140,082</b>	<b>7,699,531</b>
As at 1 July 2013	-	-	4,609,560	1,128,161	442,551	560,158	819,019	140,082	7,699,531
Depreciation for the period	-	-	199,793	87,708	26,840	17,053	27,653	2,135	361,182
Depreciation reversal for the period	-	-	-	-	-	-	-	(76,285)	(76,285)
<b>As at 31 Dec 2013</b>	<b>-</b>	<b>-</b>	<b>4,809,353</b>	<b>1,215,869</b>	<b>469,391</b>	<b>577,211</b>	<b>846,672</b>	<b>65,932</b>	<b>7,984,428</b>
As at 1 January 2014	-	-	4,809,353	1,215,869	469,391	577,211	846,672	65,932	7,984,428
Acquired through business combinations	-	44,636	658,482	465,946	1,704,929	251,421	354,866	552,186	4,032,466
Exchange differences	-	-	-	121	-	12	-	445	578
Depreciation for the period	-	-	222,947	150,526	69,087	25,607	42,916	20,713	531,796
Depreciation reversal for the period	-	-	-	-	(30,957)	(2,484)	-	(475)	(33,916)
<b>As at 30 June 2014</b>	<b>-</b>	<b>44,636</b>	<b>5,690,782</b>	<b>1,832,462</b>	<b>2,212,450</b>	<b>851,767</b>	<b>1,244,454</b>	<b>638,801</b>	<b>12,515,352</b>
Net book value									
As at 30 June 2013	-	-	4,301,071	1,843,325	31,509	270,116	440,790	47,793	6,934,604
As at 31 Dec 2013	-	-	4,218,667	2,778,787	225,567	266,583	451,493	22,569	7,963,667
As at 30 June 2014	<b>175,000</b>	<b>410,819</b>	<b>4,660,817</b>	<b>4,022,418</b>	<b>661,538</b>	<b>351,428</b>	<b>648,688</b>	<b>420,608</b>	<b>11,351,315</b>
<b>Security</b>									

As at 30 June 2014 property, plant and equipment are subject to a first mortgage to secure the ANZ term debt.

# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 11. Intangible assets

Group	Goodwill	Agents relationships	Course materials	Brand names	Non-compete	Customer contract	Intellectual property	Course development	Software development and licences	Other intangibles	Total
<b>Cost</b>											
Opening balance	-	-	-	-	-	-	-	-	-	-	-
Acquired through business combinations	21,230,873	5,208,103	7,217,197	4,651,880	3,511,164	-	-	-	-	-	41,819,217
<b>As at 30 June 2013</b>	<b>21,230,873</b>	<b>5,208,103</b>	<b>7,217,197</b>	<b>4,651,880</b>	<b>3,511,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,819,217</b>
As at 1 July 2013	21,230,873	5,208,103	7,217,197	4,651,880	3,511,164	-	-	-	-	-	41,819,217
Additions	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31 Dec 2013</b>	<b>21,230,873</b>	<b>5,208,103</b>	<b>7,217,197</b>	<b>4,651,880</b>	<b>3,511,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,819,217</b>
As at 1 January 2014	21,230,873	5,208,103	7,217,197	4,651,880	3,511,164	-	-	-	-	-	41,819,217
Acquired through business combinations	30,880,574	371,408	12,532,955	3,947,970	5,544,887	6,769,284	3,180,000	484,092	6,362,480	-	70,073,650
Exchange difference	55,791	3,799	2,927	3,127	5,670	-	-	4,953	7,892	-	84,159
Additions	-	-	-	-	-	-	-	111,635	73,844	74,107	259,586
<b>As at 30 June 2014</b>	<b>52,167,238</b>	<b>5,583,310</b>	<b>19,753,079</b>	<b>8,602,977</b>	<b>9,061,721</b>	<b>6,769,284</b>	<b>3,180,000</b>	<b>600,680</b>	<b>6,444,216</b>	<b>74,107</b>	<b>112,236,612</b>

# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 11. Intangible assets (continued)

Group	Goodwill	Agents relationships	Course materials	Brand names	Non-compete	Customer contract	Intellectual property	Course development	Software development and licences	Other intangibles	Total
<b>Accumulated amortisation and impairment</b>											
Opening balance	-	-	-	-	-	-	-	-	-	-	-
Amortisation for the period	-	576,781	516,559	-	379,173	-	-	-	-	-	1,472,513
<b>As at 30 June 2013</b>	<b>-</b>	<b>576,781</b>	<b>516,559</b>	<b>-</b>	<b>379,173</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,472,513</b>
As at 1 July 2013	-	576,781	516,559	-	379,173	-	-	-	-	-	1,472,513
Amortisation for the period	-	780,468	717,569	-	539,682	-	-	-	-	-	2,037,719
Impairment	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31 Dec 2013</b>	<b>-</b>	<b>1,357,249</b>	<b>1,234,128</b>	<b>-</b>	<b>918,855</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,510,232</b>
As at 1 January 2014	-	1,357,249	1,234,128	-	918,855	-	-	-	-	-	3,510,232
Acquired through business combinations	-	-	-	-	-	-	-	183,710	14,209	-	197,919
Exchange difference	-	(99)	(77)	-	(247)	-	-	1,865	(59)	-	1,383
Amortisation for the period	-	792,829	906,672	-	688,500	72,329	67,956	34,673	128,337	2,041	2,693,337
Impairment	-	-	-	-	-	-	-	-	-	-	-
<b>As at 30 Jun 2014</b>	<b>-</b>	<b>2,149,979</b>	<b>2,140,723</b>	<b>-</b>	<b>1,607,108</b>	<b>72,329</b>	<b>67,956</b>	<b>220,248</b>	<b>142,487</b>	<b>2,041</b>	<b>6,402,871</b>
<b>Net book value</b>											
As at 30 June 2013	21,230,873	4,631,322	6,700,638	4,651,880	3,131,991	-	-	-	-	-	40,346,704
As at 31 Dec 2013	21,230,873	3,850,854	5,983,069	4,651,880	2,592,309	-	-	-	-	-	38,308,985
As at 30 June 2014	<b>52,167,238</b>	<b>3,433,331</b>	<b>17,612,356</b>	<b>8,602,977</b>	<b>7,454,613</b>	<b>6,696,955</b>	<b>3,112,044</b>	<b>380,432</b>	<b>6,301,729</b>	<b>72,066</b>	<b>105,833,741</b>

# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

The goodwill has been stated at gross carrying value. Goodwill represents the consideration paid for acquisition of various entities in excess of the fair value of their respective net assets and identified intangible assets. There was no impairment of goodwill during the 6 months ended 30 June 2014.

Brand names have been estimated to have an infinite life due to the following:

The colleges acquired have been in existence for a period ranging from 12 years to 21 years and have historically displayed a strong brand name and presence in the market; and

Intueri intends to continue using individual brand names for the purpose of marketing

The fair value of agent relationships and non-compete agreements were calculated using the excess earnings method. Whereas the relief from royalty method was utilised in calculating the fair value of course materials and brand names.

The following were the key assumptions in estimating the fair value of intangible assets:

- Discount rate in the range of 9% to 10%
- Contributory asset charges (after tax) in the range of 0.5% to 2.0%
- Royalty stream in the range of 5% to 7%
- Non-compete period based on the relevant agreements
- EBITDA growth rate in the range of 3% to 5% in the next 5 years
- Terminal EBITDA growth rate of 3%

## 12. Trade and other payables

	<b>Group 30 June 2014</b>	<b>Group 31 Dec 2013</b>	<b>Group 30 June 2013</b>
Trade creditors	4,837,653	1,473,362	1,085,780
Other payables	1,881,858	1,317,032	1,790,631
Income received in advance (a)	20,465,917	11,262,606	11,940,782
Retention payable (b)	598,000	2,800,000	2,800,000
TEC clawback (c)	-	239,130	239,130
Due to vendors of subsidiaries	-	-	779,863
	<b>27,783,428</b>	<b>17,092,130</b>	<b>18,636,186</b>

- Income received in advance relates to amounts in Public Trust account (refer note 8). These amounts will be recognised as revenue over the duration of the courses.
- Retention payable relates to amounts held in trust by vendors solicitors towards the acquisition of The Global Education Group Limited and New Zealand School of Outdoor Studies Limited (refer note 9). Retention amount (subject to any claims) is payable to the vendors at the end of the retention period.
- Relates to a probable TEC clawback liability for Elite International for the year ending 31 December 2012.

# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 13. Interest bearing loans

	<b>Group 30 June 2014</b>	<b>Group 31 Dec 2013</b>	<b>Group 30 June 2013</b>
Current - bank	3,734,131	3,150,000	2,362,500
Current – finance leases	162,720	-	-
Non-current – bank	15,000,000	17,102,500	18,677,500
Non-current – finance leases	50,369	-	-
	<b>18,947,220</b>	<b>20,252,500</b>	<b>21,040,000</b>

On 6 June 2014 a new facility agreement was signed with ANZ. The facility consists of two elements, a short term advances facility of \$20m (reviewed annually on 30 June) to assist with working capital and acquisitions, and a \$20m 3 year term debt facility to refinance existing loans. Both facilities are interest only, and the amounts above represent the drawdown on each at the reporting date. The loans are secured by a fixed and floating charge over the assets of Intueri Education Group Limited and its subsidiaries. The term debt has a floating interest rate of 5.11% as at 30 June 2014, and the short term facility has a floating interest rate of 4.76% at the same date.

## 14. Deferred tax liability

	<b>Group 30 June 2014</b>	<b>Group 31 Dec 2013</b>	<b>Group 30 June 2013</b>
Opening balance	4,753,872	5,324,433	-
Current period movement	9,906,373	(570,561)	5,324,433
	<b>14,660,245</b>	<b>4,753,872</b>	<b>5,324,433</b>

Deferred tax liabilities are mainly attributable to identified intangible assets. The increase in deferred tax liability of \$9,906,373 substantially relates to tax recognised on identified intangible assets acquired in business combinations.



# Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 15. Share capital

	<b>Group 30 June 2014</b>	<b>Group 31 Dec 2013</b>	<b>Group 30 June 2013</b>
Ordinary shares	78,778,637	20,601,514	20,601,514

At 30 June 2014, share capital comprised 100,000,000 authorised and issued ordinary shares. All issued shares are fully paid and have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regard to the Company's residual assets on winding up.

## 16. Contingent liabilities

Investigations are on-going by WorkSafe New Zealand and the Coroner in relation to a student fatality on 28 April 2014 at Intueri's NZSCDT school. Potential outcomes of these investigations are detailed in the Company's Prospectus dated 6 May 2014 and no liability is currently provided for.

There are no other significant contingent liabilities.

## 17. Related parties

- a. Parent and ultimate controlling entity  
Up until 23 May 2014 the immediate parent of Intueri Education Group Limited was Intueri Education Group Pty Limited, an Australian privately owned entity. The ultimate controlling party up to 23 May 2014 was Arowana International Limited, an Australian domiciled entity listed on the Australian Securities Exchange. Subsequent to 23 May 2014, Arowana International Limited retained 24.9% of the shares issued by the Company, and is therefore considered a related party.
- b. Intueri Materials Limited was incorporated on 13 February 2014. It has changed its name subsequent to the reporting date to Intueri Services Limited.
- c. Identity of related parties with whom material transactions have occurred:

# INTUERI EDUCATION GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

Related party name	Country of incorporation /residence	Relationship	Activities	Amount charged from entity in period	Amount charged to entity in period	Amount owing to entity at period end	Amount owing from entity at period end	Terms
Arowana International Limited	Australia	Previous Ultimate Holding Company	Expense reimbursement; funds received and advanced provided prior to IPO	\$2,704,278	\$1,409,874	\$1,392,518	\$1,828,535	Commercial terms administered through Accounts Receivable and Payable
Edintel Pty Limited	Australia	Company owned by Russell Woodard	Directors fees and expenses	\$76,545	-	-	-	Commercial terms administered through Accounts Receivable and Payable
Inisfree Holdings Pty Limited	Australia	Company owned by Malcolm Keefe	Consultancy services provided prior to IPO	\$40,496	-	-	-	Commercial terms administered through Accounts Receivable and Payable
JT Associates Limited	NZ	Company owned by James Turner	Consultancy services and director fees	\$45,250	-	-	-	Commercial terms administered through Accounts Receivable and Payable
Chris Kelly	NZ	Chairman	Directors fees and expenses	\$130,000	-	-	-	Commercial terms administered through Accounts Receivable and Payroll
Hyams Beach Real Estate Pty Limited	Australia	Company owned by Craig McIntosh	Directors fees and expenses	\$26,507	-	-	-	Commercial terms administered through Accounts Receivable and Payable

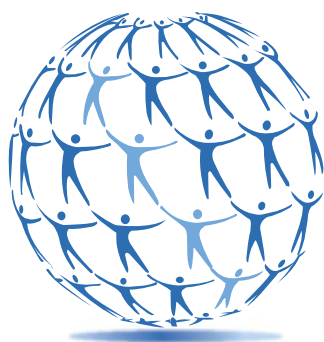
The amounts outstanding are unsecured, and repayable on demand. No guarantees have been given or received. Amounts owing between the NZ Group and its former Australian parent and fellow company are commercial transactions administered through Accounts Receivable and Payable sub-ledgers

### 18. Events post reporting date

There are no events post reporting date.

## NZX Rule 5.2.3 Waiver Extension

On September 23 2014, NZX granted a further extension of the NZX Main Board listing rule 5.2.3 for a period of 8 months to May 23 2015. This allows Intueri to remain listed on the NZX main board whilst retaining less than 500 shareholders of the public, subject to certain requirements. Please refer to the investor section of [Intueri.co.nz](http://Intueri.co.nz) or [NZX.com](http://NZX.com) (code IQE) for these requirements and full details for the waiver.



**INTUERI**  
EDUCATION GROUP

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