Navitas Limited

ABN 69 109 613 309

Financial Report

30 June 2014

Contents

Chairman's and Group Chief Executive Officer's Report

Following a recent period of recovery we are pleased to report that the year ended 30 June 2014 (FY14) was a period of investment and growth for the business across the entire Group.

This growth can largely be seen in increased student and client volumes across all Divisions resulting in substantial improvement in revenue. However FY14 was also a year of building a platform for growth as the Company invested heavily in systems, people and processes to enhance its capability to achieve future earnings growth.

The Company recorded 20% revenue growth to $878.2m (FY13: $731.7m) and, in line with prior market guidance, underlying EBITDA growth (excluding goodwill impairment) of 11% to $144.9m (FY13: $130.0m).

Underlying NPAT, excluding goodwill impairment, was up 10% to $82.0m (FY13: $74.6m). Underlying Earnings per share, excluding goodwill impairment, also increased 10% to 21.8 cents per Share (FY13: 19.9 cents per Share). NPAT, including goodwill impairment, was down 31% to $51.6m and Earnings per share, including goodwill impairment, was down 31% to 13.7 cents per Share.

The full year dividend remains at 19.5 cents per share fully franked in accordance with the transition arrangements as the Group moves to an 80% payout ratio.

Business Operations

Australian colleges enjoyed solid improvement over the year with a positive impact being felt from the favourable regulatory regime implemented by the federal government in 2012. Much of this growth was driven by the recruitment of international students from their home countries with a number of markets such as Vietnam, Nepal and India showing very strong growth.

The Division's offshore operations also performed well with consistent growth across key regions in the year. The UK reported solid increases in enrolments following the relative stability of the challenging UK regulatory regime and supported by the strong opening of Birmingham City University International College. Canadian colleges continued to perform well and the US colleges produced an almost breakeven result for the year following good enrolment growth in the main September intake in 2013. A new college was also opened in New Zealand in partnership with the University of Canterbury, the first pathway college in that country.

The University Programs Division recorded underlying EBITDA growth (excluding goodwill impairment) of 15% to of $121.8m (FY13: $106.1m) as total enrolments continued to grow during the year across all key regions.

On 9 July 2014 Navitas announced an agreement with Macquarie University for SIBT to continue on-campus for a further 12 months from the expiry date of the existing agreement. Macquarie University has announced that it intends to establish its own on-campus pathway programs. From this time SIBT will only operate from its Sydney CBD location and place students into Macquarie University as a Streamlined Visa Processing (SVP) business partner. The Division incurred a $23.3m goodwill impairment in relation to SIBT and a $7.2m goodwill impairment for EduGlobal and AUSI following declines in performance over the last few years.

SAE recorded an EBITDA result of $24.5m (FY13: $25.1m). This reflects a significant increase in revenue but also a step change in costs as the Division invested in systems, people and processes to improve capability and capacity for future growth. Although a lower earnings result than FY13, this is following a first half EBITDA result of $9.0m and therefore demonstrates a significant improvement in the second half earnings as investment in the business began to generate a return.

In a record year, Professional and English Programs Division delivered EBITDA growth of 31% to $25.2m (FY13: $19.3m) as education based businesses delivered strong returns. ACAP was the standout business unit with a 57% increase in earnings compared to pcp. Government contracts managed by the English and Foundation Skills area also performed well, as did ELICOS colleges.

Group operating cash flows increased by 11% to $140.9m for the year ended 30 June 2014 (FY13: $126.8m) reflecting growth in receipts from customers as a result of emerging new student growth. This increase in cash flows enabled Navitas' cash realisation ratio to remain steady at 1.32x (FY13: 1.39x).

Operating Environment

FY14 was a period of regulatory stability for Australian international education as students and higher education providers continued to benefit from regulatory reforms, introduced in recent years, aimed at promoting the sustainable growth of the sector.

Many University Programs colleges within the Navitas Group already benefit from these reforms through university partnerships. Streamlined Visa Processing (SVP) was also extended to high quality private providers in FY14 with several Navitas businesses, such as ACAP, HSA and SAE, all gaining access to the program. Although the number of international students currently studying across all of these colleges is not large, access to SVP does mean that it will be easier for these students to enrol in the future. SVP access is also a reflection on the quality and integrity of the businesses.

Such measures were significant factors supporting overall growth in student visa issuances across Australia with all Navitas University Programs colleges recording good enrolment growth throughout FY14. Budget reforms to Australia's higher education sector proposed in May 2014 will likely have a positive effect across all Divisions though these are yet to be ratified by Parliament. Proposed reforms which would be positive for students, university partners and Navitas, include access to Commonwealth Supported Places by non-university providers and the cancellation of the 25% FEE-HELP loan levy.

As already highlighted, in July 2014 Navitas announced an agreement with Macquarie University for SIBT to continue on-campus for a further 12 months from the expiry date of the existing agreement. Macquarie University has announced that it intends to establish its own on-campus pathway programs. From this time SIBT will only operate from its Sydney CBD location and place students into Macquarie University as a Streamlined Visa Processing (SVP) business partner.

This is a unique situation and is consistent with the strategic direction as announced by Macquarie University's new leadership team. It was not a reflection on the quality of SIBT, the success of its students or the financial returns delivered to Macquarie University. Subsequent discussions with other university partners, agents and stakeholders have been reassuring and endorse the core University Programs model.

The loss of SIBT's capacity to deliver programs on Macquarie University's North Ryde campus from February 2016 will likely result in a one off decline in growth in University Programs earnings which will impact the second half of FY16 and the first half of FY17. However it is anticipated that this impact will be mitigated by other growth initiatives.

Relationships with key stakeholders are already identified as an important risk for Navitas and the Company will be reviewing existing risk mitigation strategies in relation to this event.

The US policy environment remains stable and Canada continues to be a welcoming environment for international students with Navitas colleges actively working with university partners to support the Canadian Government's strategy to double international student numbers by 2022.

The student visa environment in the UK remains challenging but the relatively stable policy environment has supported good growth across Navitas colleges.

Globally, demand for international education continues to grow with the number of students enrolled outside their country of citizenship rising, from 2.1m worldwide in 2000 to 4.3m in 2011. This is largely due to the growing wealth of the middle class in developing countries and capacity shortfalls in these regions. Demand is projected to keep growing to over 8.0m by 2025. In terms of international student market share the US and UK continue to dominate the rankings while Australia has slipped to sixth place behind China, France and Germany following several years of decline. [1]

Strategic Developments

Navitas continued to progress its strategy utilising a balanced scorecard approach, centred on the three key metrics of:

1. End-to-end student and client experiences;
2. Student and client outcomes; and
3. Strategic relationships.

Navitas progresses target objectives set around these key metrics with the aim of creating value for shareholders.

[1] *Project Atlas*, US Department of State, 2014

Navitas also continued to implement key recommendations of its strategic and structural review in FY14 including:

- Continuation of University Programs expansion in the US market;
- SAE US improvement of internal capability and product expansion;
- Implementing recommendations from the review of Navitas' Sales and Marketing function with an expansion of in-country resources;
- Strengthening senior management capability across Divisions and Corporate; and
- Ongoing rollout of a Balanced Scorecard approach to measuring and communicating strategy.

Navitas and Its Communities

Navitas continued to progress its corporate responsibility strategy in FY14 bringing in new volunteering and donation policies for staff as well as matching donations raised across Navitas to support the victims of Typhoon Haiyan in the Philippines with a donated total of $93,000.

We are also proud to report that Navitas distributed more than 370 scholarships in FY14 worth more than $1.7m and over 3,400 hours of employee and student time was dedicated to volunteering programs around the world.

The Navitas Education Trust, funded by an annual $0.5m contribution from Navitas, awarded two grants in FY14. The first supported the creation of 20 new libraries across Nepal, Sri Lanka and Vietnam which were accessed by over 6,000 children with more than 16,000 books checked out. The second funded six three-year scholarships to students across Australia from high needs schools to help them complete high school and enter tertiary education. Scholarships were awarded in December 2013 and Navitas employees assigned as mentors in March 2014.

In addition the Navitas Education Trust recently announced four education focused charitable partnerships to support education and learning across Australia, Sri Lanka, Nepal, Cambodia and Afghanistan in FY15.

More information about these projects and Navitas' broader corporate responsibility strategy can be found on page 19 of this report.

The Board

The Board was pleased to welcome Tony Cipa as non-executive director in May 2014. Mr Cipa brings a wealth of international business and finance experience to Navitas with his extensive background in a top 10 ASX listed company and his significant international exposure.

Outlook

The business fundamentals of Navitas remain very robust with the negative working capital model, increasing cash flows, low debt, long term debt facilities and a significant base of enrolments carrying it through the medium term.

The University Programs Division is expected to keep increasing student enrolments across all key regions in line with growth trends seen in FY14. Enrolment numbers released today for Australia provide a strong foundation for FY15 and both Australian and UK operations will focus on maximising value from existing colleges throughout the year. US operations will contribute to the Division's earnings as enrolments at existing colleges grow, while also seeking to expand the network with new university partners. Enrolment growth at Canadian colleges continues to be strong.

Globally FY15 should see a solid increase in earnings for SAE as investments made in recent years realise returns. The US region in particular is expected to contribute strongly as investment returns to more normal levels. Revenue will be bolstered by the newly acquired Ex'pression College with earnings traction improving from FY16 onwards.

It is anticipated that the Professional and English Programs Division will improve modestly on its FY14 performance with continued earnings growth from the Division's educational businesses mitigating a slowing in revenue as government contract volumes drop in-line with federally managed humanitarian migrant numbers.

The Group anticipates strong earnings growth in FY15 as all three Divisions are forecast to increase their contributions with similar underlying EBITDA margins to the prior year. Navitas expects to achieve FY15 underlying earnings before interest, tax, depreciation and amortisation of $162m to $172m.

Navitas' broader growth strategies across University Programs, SAE and Professional and English Programs are progressing as planned and will continue to deliver value for students, partners and shareholders well into the future.

Harvey Collins	Rod Jones
Chairman	Group Chief Executive Officer

Chief Financial Officer's Report

We are pleased to provide the following report detailing the 2014 financial year.

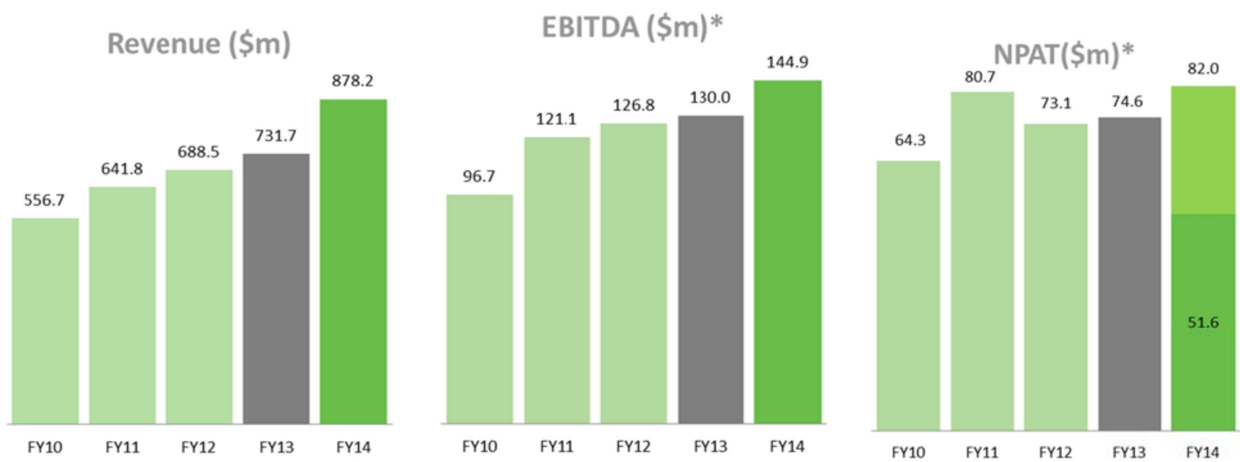
Navitas Financial Performance

Navitas' (the "Group" or "NVT") results for the year ended 30 June 2014 and the prior corresponding period (pcp) are shown below.

	Year ended 30 June 2014	Year ended 30 June 2013	Change %
Total revenue ($m)	878.2	731.7	20
Underlying EBITDA ($m)*	144.9	130.0	11
Underlying NPAT ($m)*	82.0	74.6	10
NPAT ($m)	51.6	74.6	(31)
Underlying EPS (cents)*	21.8	19.9	10
EPS (cents)	13.7	19.9	(31)
Full year dividend (cents per share)	19.5	19.5	-

*excluding goodwill impairment

Navitas has recorded strong revenue growth with earnings being impacted by investment across the business.



*excluding goodwill impairment

The full year fully franked dividend of 19.5 cents per share is unchanged despite goodwill impairment and reflects strong fundamentals such as low debt, strong cash flow and long term facilities. The final dividend for the year is 10.1 cents per share (FY13: 10.2 cents per share).

Total revenue increased by 20% to $878.2m (FY13: $731.7m) with growth recorded across all Divisions following student and client enrolment increases. Excluding currency exchange impacts this was 16% underlying growth.

Chief Financial Officer's Report

In line with market guidance Group underlying EBITDA rose 11% to $144.9m (FY13: $130.0m) with good growth in earnings in University Programs and Professional and English Programs.

The Group underlying EBITDA margin decreased by 1.3% to 16.5% (FY13: 17.8%) due to increased investment across Navitas as the Company expands capacity to maximise future growth opportunities. This included:

- The appointment of key corporate and operational senior staff to support capacity for ongoing growth;
- Transition costs from a strategic shift of college based sales and marketing resource to a more efficient and effective model with greater resources based in source countries; and
- Development and implementation of the new Navigate student management system and commissioning of the global Salesforce CRM.

Other costs which impacted margins in FY14 included:

- An increase in EVA variable incentive payments in-line with improved performance; and
- Increased corporate property costs from vacant space as subleases ended at Wynyard Green.

Divisional underlying EBITDA results are as follows:

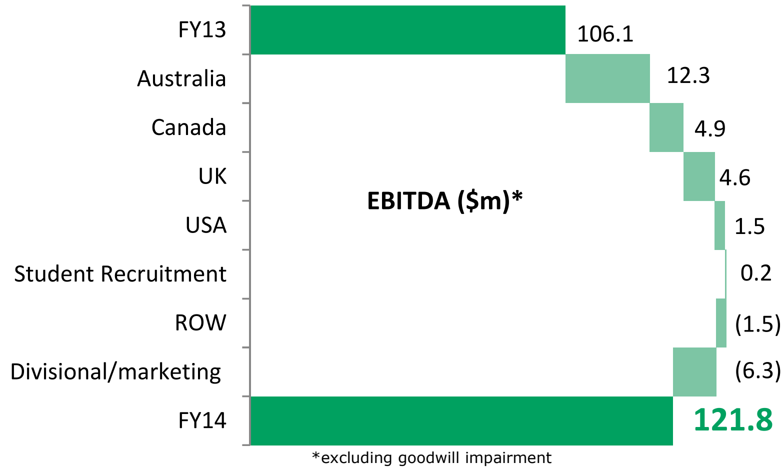
	Year ended 30 June 2014 $m	Year ended 30 June 2013 $m	Change $m	Change %
University Programs	121.8	106.1	15.7	15
SAE	24.5	25.1	(0.6)	(2)
Professional and English Programs	25.2	19.3	5.9	31
Divisional underlying EBITDA	**171.5**	**150.5**	**21.0**	**14**
Corporate costs & consolidation items	(26.6)	(20.5)	(6.1)	30
Group underlying EBITDA	**144.9**	**130.0**	**14.9**	**11**

Navitas' Business Model

Navitas operates three Divisions which are primarily involved in the provision of education services. While each Division is different the following items are evident in each:

- Teachers are employed on either a permanent or casual basis;
- Students requiring face-to-face teaching are accommodated in facilities either leased from third parties or provided by institutions under various partnership agreements;
- Curricula are either developed and submitted for accreditation by Navitas or secured under partnership agreements;
- Commissions are often paid to independent student recruitment agents who provide counselling to students and progress them through the student visa process;
- Fixed costs include salaries and travel, marketing and administration costs; and
- In many cases tuition fees are received in advance which drives Navitas' negative working capital model.

University Programs Division

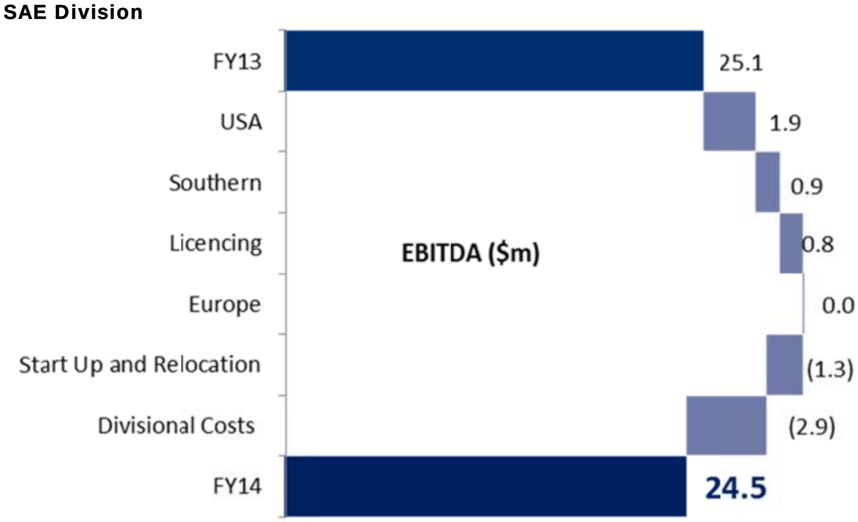


The University Programs Division returned to solid growth in FY14 as total enrolments grew semester on semester throughout the period across all key regions.

The external operating environment in the key market of Australia continued to improve however, despite consistent growth, enrolments in semester one 2014 were still 13% below the peak of semester one 2010.

While the $1.5m improvement in US earnings is welcome the region fell $0.4m short of breakeven. We look forward to positive earnings from the existing five colleges in FY15, however do anticipate increased investment costs incurred in further development of the market as the year progresses.

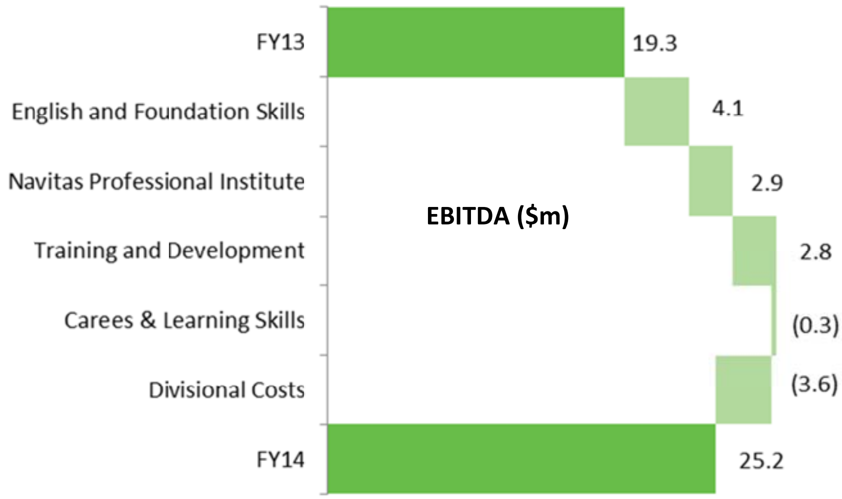
SAE Division



SAE recorded EBITDA of $24.5m (FY13: $25.1m) following a 72% increase in EBITDA from H1 FY14 to H2 FY14. This improvement reflected continued enrolment growth across key regions and a slowing in investment across the Division. Highlights include:

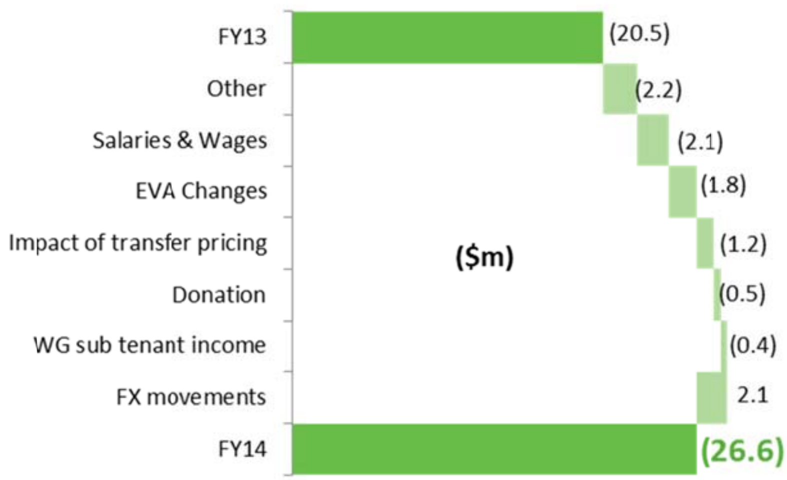
- SAE US reached breakeven from a loss in FY13;
- The key Australian region grew modestly following enrolment improvement and fee growth:
- SAE Licensing contributed $1.0m in one-off earnings from the sale of new licences in non-core regions; and
- Divisional costs have increased by $2.9m reflecting a considerable investment in management capability and process which are expected to underpin future growth.

Professional and English Programs Division



The Professional and English Programs Division delivered significant EBITDA growth of 31% against pcp largely due to the strong performance of Navitas Professional Institute businesses such as ACAP which grew earnings by 57%, the English and Foundation Skills area and a return to growth in ELICOS.

Corporate Costs



Corporate costs were 30% higher than pcp at $26.6m (FY13: $20.5m) due to a series of investments in senior executive capability and an increases in staff incentive payments as Group EVA returns to normal patterns. Corporate costs remain at 3% of Group revenue.

Depreciation

Depreciation for the year was $24.6m, a 59% increase on FY13. This reflected underlying growth in depreciation from recent capex but also the following $4.0m of one-off and non-recurring depreciation write offs:

- SAE USA recognised $2.8m of accelerated depreciation as a result of implementing its new Oracle fixed asset register and conducting a review of fixed asset useful lives; and
- A further $1.2m of depreciation was incurred by SAE Southern following the relocation of SAE Sydney to Wynyard Green, a move which will result in Group lease cost savings moving forward.

Accordingly, it is expected that depreciation will decrease in FY15.

Chief Financial Officer's Report

Interest

Net interest expense of $6.2m was 18% lower than the FY13 charge of $7.6m. This was primarily the result of lower debt volumes although this was weighted towards the second half.

Reported NPAT

The University Programs Division incurred a $23.3m goodwill impairment in relation to SIBT. The Division also incurred a $7.2m goodwill impairment for EduGlobal and AUSI following declines in performance over the last few years. The carrying value of EduGlobal and AUSI has been reduced to nil.

Balance Sheet

Net debt at 30 June 2014 is $54.5m (30 June 2013: $94.9m). The $40.4m decrease is primarily attributable to record operating cash flows arising from growth in University Programs student recruitment. Net debt is now just 0.38x underlying EBITDA which is considered very conservative.

Shareholders' funds at 30 June 2014 were $211.7m (30 June 2013: $235.7m) following impairment of $30.5m. Deferred revenue at 30 June 2014 was $258.4m (30 June 2013: $222.7m) an increase of 16% during the year.

Cash Flows

Operating cash flows increased by 11% to $140.9m for the year ended 30 June 2014 (FY13: $126.8m). This reflects strong growth in receipts from customers as a result of emerging new student growth and the Group's negative working capital model.

Capex for the year was $25.7m (FY13: $20.3m) reflecting SAE's relocated Sydney, Milan and New York campuses and investment in new systems.

Shareholder Value

Navitas utilises the economic value added (EVA®) framework to assess Shareholder value with EVA® being a measure of returns relative to the Group's weighted average cost of capital for funds employed by the business. EVA® for FY14 was $51.8m which represents $5.2m growth in EVA. Further details about the calculation of EVA® can be found on page 26 of this report. In addition Navitas was ranked 23rd in the ASX 100 Total Shareholder Return list for FY14 with a Total Shareholder Return of 30.6%.

Dividend

The Directors have declared a fully franked final dividend of 10.1 cents per share (FY13: 10.2 cents). This takes the full year dividend to 19.5 cents (FY13: 19.5 cents) which is in-line with the Group's commitment to hold dividends steady while transitioning to an 80% payout ratio.

Bryce Houghton
Chief Financial Officer

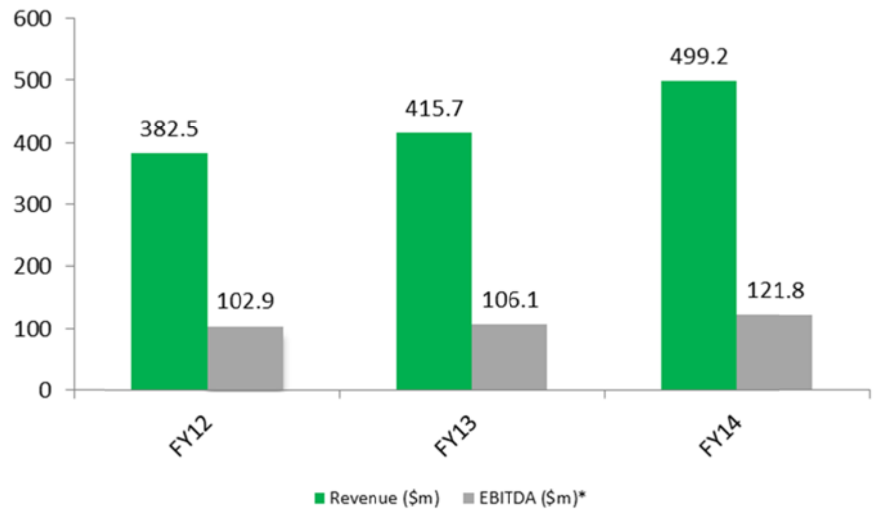
Divisional Review of Operations

University Programs Division

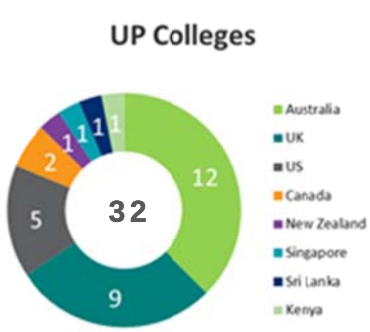
Key Highlights

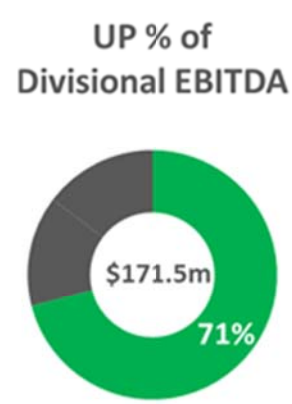
- Sustained growth in student enrolments across all key regions, breaks previous record;
- New colleges opened in New Zealand and the UK;
- La Trobe Sydney contract renewed for 10 years;
- Significantly increased business development activities for new University programs colleges in the US;
- Outstanding academic outcomes with 95% progression rates;
- Expansion of the Sales and Marketing function; and
- Significant event - Agreement with Macquarie University for SIBT to continue on-campus for additional 12 months with the University announcing that it intends to establish its own on-campus pathway programs.

Financial Highlights



*excluding goodwill impairment





Divisional Review of Operations

Overview of Operations

The University Programs Division is a global leader in pre-university, managed campus and university pathway programs offering students the support to create opportunities through lifelong learning.

The pathway program model focuses on providing pre and first year university courses to international students who do not qualify for direct entry to partner universities due to either language or academic record.

University Programs courses are delivered via on-campus colleges, through an agreement with a partner university, in a structured environment aimed at maximising student success. This includes additional teaching hours, smaller class sizes and increased levels of learning support and pastoral care. Upon completion students can then qualify to enter the second year program at the partner university and with the final objective to receive a qualification from the university.

In FY14 the Division offered Certificate, Diploma, Associate Degree, Bachelor and Masters programs to more than 23,000 students in 32 colleges and managed campuses across Australia, New Zealand, Singapore, the UK, USA, Canada, Sri Lanka and Kenya.

Progress against strategy
Navitas' strategic objectives are communicated and monitored using a balanced scorecard model which is divided into the four key sections of:

Students
The Division recorded consistent enrolment growth throughout FY14 with equivalent full time student units (EFTSU) growing 5%, 13% and 11% globally for each semester respectively in the year compared to pcp. This growth occurred across all key regions with only Singapore, Kenya and Sri Lanka seeing any decline.

Such continued growth in total enrolments across the last five semesters has built a strong foundation that will contribute strongly to Navitas' financial performance in the coming years.

The Division remains focused on academic quality and student outcomes working with partner universities to enhance academic and support services to students. More than 6,500 students and recent graduates participated in student satisfaction surveys in 2013. The results demonstrate a very high level of satisfaction with Navitas programs. Beyond the survey results, the success of these programs is further evidenced by the academic outcomes achieved, with Navitas students performing as well as international students who had gained direct entry to university.

Highlights include:

- Over 98% of surveyed students were satisfied with their teaching experience; and
- 95% of surveyed students (graduates) were satisfied with the overall quality of their program of study at a Navitas University Programs College.

Financial
The Division recorded a 20% increase in revenue to $499.2m (FY13: $415.7m) following three semesters of solid student growth across all key regions. On a same currency basis this represents 16% growth. Underlying EBITDA grew by 15% to $121.8m (FY13: $106.1m) but was impacted by investment in the Division particularly in new management structures and marketing. The US college network improved significantly but fell short of a break even result during the year.

Internal processes
Navitas continued to meet with potential university partners throughout the year including extensive discussions with a range of possible new partnerships in North America.

Two new colleges were opened in FY14; Birmingham City University International College in Birmingham, UK and UC International College in Christchurch, New Zealand. Both colleges started well with strong interest from students. In addition the agreements with La Trobe University for La Trobe University Sydney Campus was renewed for a 10 year period. In the year the restriction on recruiting undergraduate students from China to the three University of Massachusetts colleges was also lifted.

Six UK colleges underwent a QAA review visit in FY14 and all six were awarded 'commendable' outcomes with additional items of 'good practice' noted across the college network. In addition Curtin Singapore underwent a successful renewal of accreditation for another four years under the EduTrust certification. In Australia five colleges received TESQA re-accreditation renewals for the maximum seven years.

People and culture
Extensive succession planning and personal development plans were completed across key management positions in FY14. The Sales and Marketing review was also progressed significantly with a number of key appointments made throughout FY14.

Outlook
With consistently solid growth in student enrolments across all key regions the Division expects to maintain growth rates in FY15 and beyond. Growth will also be supported by earnings contributions from the US region.

This Division does not expect any material impact in FY15 from the new SIBT agreement with Macquarie University. Navitas has 32 colleges across eight countries. The core University Programs business model is very successful, driven by a significant global agent network, strong university relationships, growing enrolments and a proven track record of providing student success and low risk income to university partners.

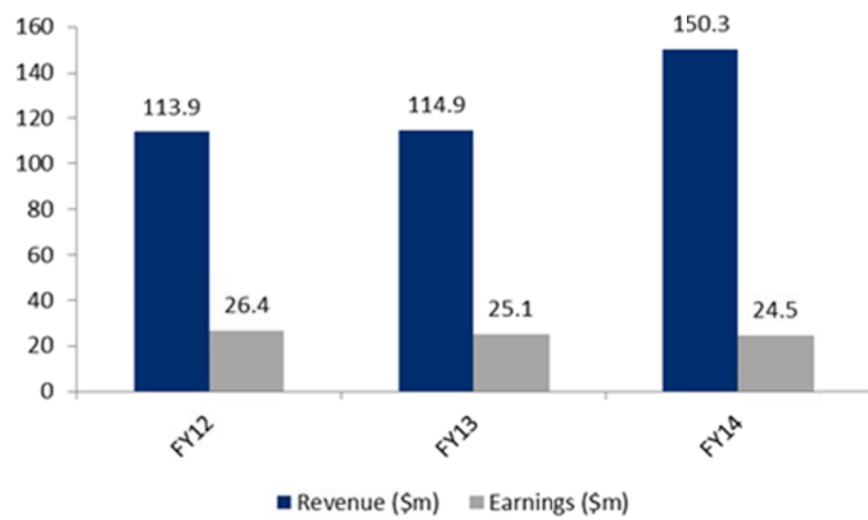
Divisional Review of Operations

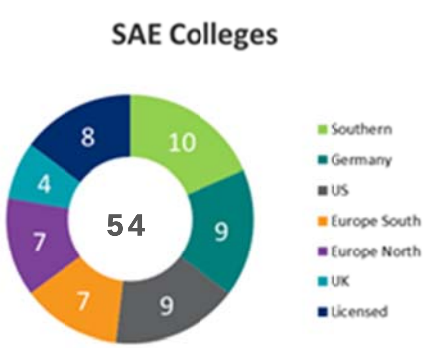
SAE Division

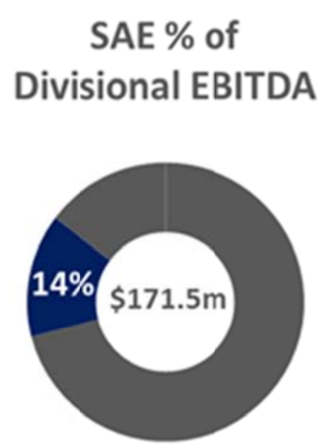
Key Highlights

- Investment in systems, management and sales capacity;
- Re-design of admissions and marketing processes results in solid student growth;
- New USA leadership team and strong student enrolment growth results in breakeven following $2.0m H1 FY14 loss;
- Acquisition of Ex'pression College expands offering in key state of California; and
- Opening of Chicago campus and relocation of Sydney, New York and Milan campuses to improve facilities and enable growth opportunities.

Financial Highlights







Divisional Review of Operations

Overview of Operations

SAE is one of the world's largest creative media education companies, with 54 campuses across 27 countries. The Division offers a range of predominantly Higher Education opportunities including Certificate, Diploma, Degree and Masters programs across several major fields of study: audio, film, animation, gaming, design, and web. SAE also licences its programs to third party providers.

Progress against strategy

Navitas' strategic objectives are communicated and monitored using a balanced scorecard model which is divided into the four key sections of:

Students

Following significant investment and improvement in marketing and lead generation throughout the year SAE recorded solid growth in average student numbers throughout the year.

Financial

The Division increased revenue significantly by 31% to $150.3m (FY13: $114.9m) following good growth in student volumes across Australian, UK, German and US campuses. Student enrolment increases can be largely attributed to a re-design of admissions and marketing processes across SAE with a greater focus on lead generation and conversion.

EBITDA of $24.5m (FY13: $25.1m) was impacted by investment made across much of the Division in systems, people and processes throughout the year. This investment contributed strongly to student enrolment growth but this investment is not anticipated to continue at such significant levels in FY15. Earnings were supported by SAE US reaching breakeven following a $2.0m loss in the first half of the year.

Internal processes

Significant investment was made into both central and regional management teams, improving the knowledge and skill-sets of key employees. In particular, a new Finance structure has been deployed and Group systems, including Oracle and Hyperion, integrated. A number of initiatives have been implemented especially around the areas of Marketing and Student Recruitment.

SAE USA acquired Ex'pression College on 11 July 2014, a California based creative media college, which supports SAE's planned growth in the key United States market, doubling the number of campuses in the state of California to four and potentially expediting accreditation of further higher education programs in California and other states.

The Division also completed a comprehensive overhaul of its sales and admissions processes and organisational structure to refine the investments across all aspects of the conversion funnel, and implemented a fully-integrated comprehensive, end-to-end sales and marketing technology suite that support each specific stage of the conversion process. This overhaul included a significant increase in sales and admissions staffing levels across the SAE USA business.

People and culture

A number of key appointments were made in FY14 across the Division.

Towards the end of FY14 Navitas appointed a new SAE CEO with the remit of overseeing ongoing organisational change and driving improved performance and growth. SAE's first CFO was also appointed and a new finance structure implemented.

Finally, a global Chief Marketing Officer was recruited to define and drive SAE's global branding strategy as well as re-define strategy in product development and the business models for licensed territories, online and international student recruitment.

Extensive succession planning and personal development plans were also completed across key management positions in the year.

Outlook

FY15 should see further strong revenue growth achieved while the investment in systems, people and processes will slow, resulting in increased earnings.

The US will continue to be a key growth market with new enrolments set to follow current trends and the acquisition of Ex'pression College accelerating accreditation of new programs.

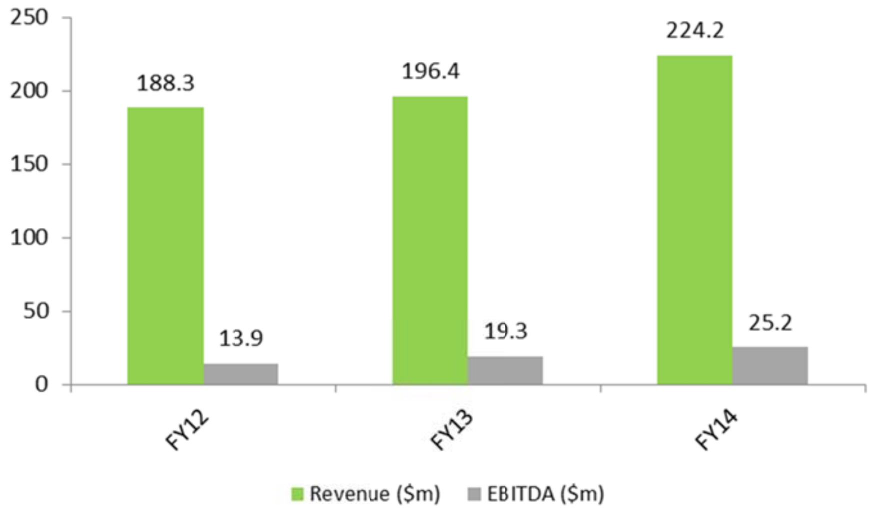
Divisional Review of Operations

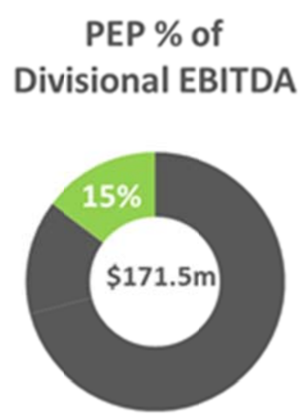
Professional and English Programs Division

Key Highlights

- Adult Migrant English Program contract renewal;
- Record growth from ACAP;
- Navitas English Bondi ranked best in world by students in global survey; and
- Continued high student satisfaction and academic outcomes.

Financial Highlights





Overview of Operations

The Professional and English Programs Division (PEP) completed its first full year of operation in FY14. PEP comprises four business units:

- English and Foundation Skills: focused on the provision of settlement services and English language and literacy programs to mainly migrants and refugees settling in Australia as permanent residents. Programs are funded by the Commonwealth and include the AMEP and SEE program administered by the Department of Industry and the HSS program administered by the Department of Social Services.

- Careers and Learning Skills: prepares students for further learning and enables students and clients to gain work experience, and ultimately employment, through English language courses, work skills and career services. Careers and Learning Skills includes ELICOS, Careers and Internships and the Navitas English Test Centre.

- Navitas Professional Institute: delivers programs to build and enhance careers in the Social, Community, Health and Education sectors. The unit includes ACAP, NCPS, HSA and ATTC.

- Training and Development: is directed at building capacity, core skills and employee effectiveness in the resources sector and related industries. This includes the Navitas Resources Institute and Business Skills.

The Division is supported by specialist marketing and sales, finance and risk personnel, and a Learning, Teaching and Technology Services unit. The latter includes Cadre which provides bespoke online learning content for organisations to internal and external clients.

Progress against strategy
Navitas' strategic objectives are communicated and monitored using a balanced scorecard model which is divided into the four key sections of:

Students and partners
The Division made good progress against its students and partners objectives in the year with key highlights and achievements being:

- The Division secured high student survey results during the year with Net Promoter Scores above 30 in two recent surveys;

- The Divisions ELICOS colleges ranked number one globally for English language delivery in the 2013 i-graduate English Language Barometer survey of 17,000 students and 122 institutions;

- ACAP students rated satisfaction with their studies at 85.6% in the annual student satisfaction survey;

- Training and Development continues to impact skill development with more than 3,700 training days delivered to 2,730 students in the year; and

- In May 2014 the total number of current learners accessing Cadre online content exceeded 100,000 with clients ranging from large mining companies through to every state and territory Health Department.

Financial
The Division achieved a record result increasing revenue by 14% to $224.2m (FY13: $196.4m) compared to pcp principally due to solid improvement in AMEP client numbers and strong growth in ACAP revenue following strong student enrolments. ELICOS revenue increased in-line with broad industry recovery and was further supported by a new partnership with Central Institute of Technology (CIT) in Western Australia and from a successful tender in Oman.

EBITDA increased by 31% to $25.2m (FY13: $19.3m) reflecting volume and price growth in Navitas Professional Institute and in client numbers across English and Foundation Skills.

Internal processes
The Division progressed a number of innovations and growth strategies throughout FY14.

The Australian Government exercised its option to extend the AMEP contracts across NSW for a further three years to 30 June 2017. Navitas English was also successful in winning a three year tender with the Omani Ministry of Defence for the provision of English for students at the Military Technological College, Oman. It also commenced delivery of ELICOS programs on behalf of the CIT in Western Australia following a successful tender.

ACAP and NCPS were awarded Streamlined Visa Processing status which up until recently had only been awarded to universities. This will make it quicker and easier to recruit international students. Both colleges also improved use of technology in the year using capture technology to support on campus, blended and online course delivery.

Navitas Professional Institute launched new degrees in Social Work and an online version of the Bachelor of Criminology and Justice. These follow on the successful launch of the Master of Counselling and Psychotherapy in February 2014.

Over the past year, over 600 staff attended Learning Teaching and Technology training sessions on teaching with technology. In addition over 1,000 hours of bespoke training and consulting was delivered to PEP business units.

People and culture
The Division continues to develop its human capital for the future and during the year enhanced its executive capacity in areas such as Learning Teaching and Technology Services, Training and Development and NRI. This extended to include significant work in succession planning.

Organisational culture and structures are being put in place to support greater collaboration and cooperation across the Division and lay the groundwork to open up more career pathway opportunities for staff.

Outlook
It is anticipated that the Division's performance will improve on the FY14 results due to sound demand for core educational offerings such as counselling, health and psychology. Growth also is expected from new courses including social work as well as on-line offerings. This will be assisted by increased demand for English language tuition from overseas students and a modest recovery in training across the resources' sector.

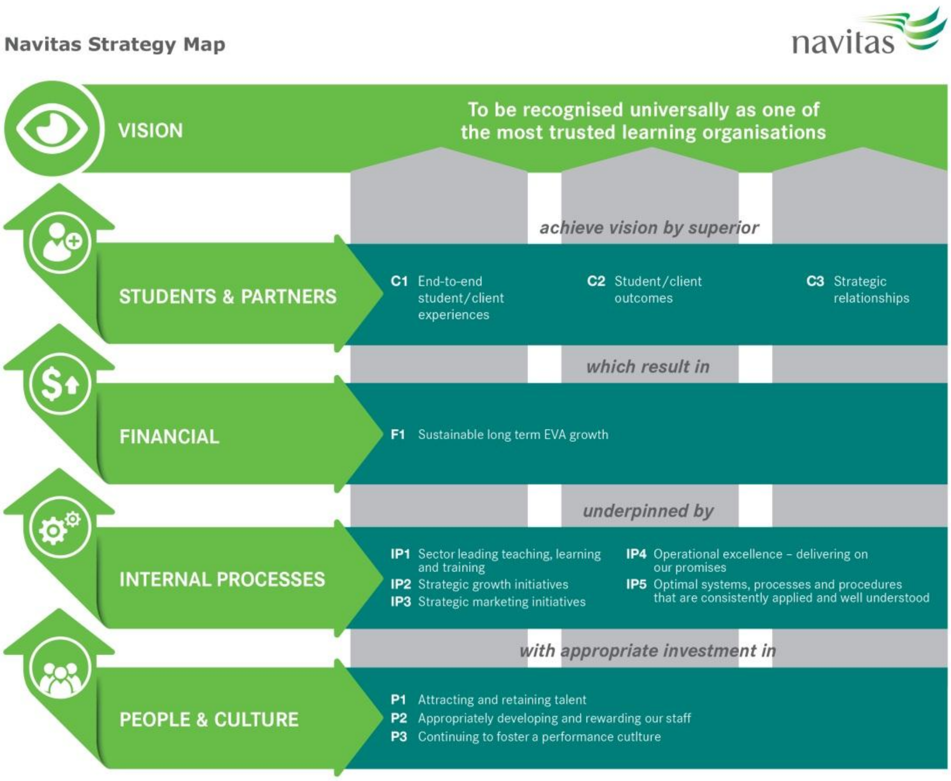
However this growth will be moderated by an anticipated reduction in revenue from government contracts as client numbers decrease following a federally lowered refugee intake.

Strategy and Corporate Responsibility

Strategy

It is Navitas' vision to be recognised universally as one of the most trusted learning organisations in the world.

Our strategic objectives are communicated and monitored using a Balanced Scorecard model which is depicted in the Navitas Strategy Map below:



Students and Partners
In order to achieve our vision we will deliver superior:

- End-to-end student/client experience - we will provide a consistent and quality experience to our students, partners and clients at every touch point.
- Student and client outcomes – we will understand and deliver desired outcomes for our students and clients.
- Strategic relationships - we will add value to key strategic partners by assisting them achieving their desired outcomes.

Financial
By achieving the outcomes under Students and Partners above and rigorously evaluating and prioritising growth opportunities:

- Navitas will deliver sustainable long term EVA® growth for our shareholders and staff. Our shareholders have entrusted their money with Navitas. Therefore we have a responsibility to repay this trust in delivering appropriate returns to them. This includes staff who benefit from the EVA® incentive scheme.

Strategy and Corporate Responsibility

Internal Processes
The 'Students and Partners' and 'Financial' outcomes will be underpinned by:

- Sector leading learning and training - as a learning and teaching organisation, it is critical that we excel at this as this is a key ingredient to providing our students the best learning outcomes and learning experiences.
- Strategic growth initiatives - we will optimise strategic growth opportunities, and continue to grow existing businesses via new product lines and markets.
- Operational excellence – delivering on our promises - we will continue to build on our culture where we deliver on our operational promises.
- Optimal systems, processes and procedures that are consistently applied and well understood - our systems, processes and procedures will consistently support the business units in enhancing the student experience and outcomes.

People and Culture
Our people and culture are our most important assets, we will invest in:

- Attracting and retaining talent - as we continue to grow and become more diverse, our continuing success will rely on attracting and retaining the best people.
- Appropriately developing and rewarding our staff - developing our staff will assist them, and therefore the company, to become more productive.
- Continuing to foster a performance culture - Navitas has had a history of delivering outstanding performance. We will ensure that this culture is maintained and nurtured.

Strategic Highlights

Navitas also implemented key recommendations of its strategic and structural review in FY14 including[2]:

Initiative	**Strategic focus**
Continuation of University Programs expansion in the US market	Internal Processes
SAE US improvement of internal capability and product expansion	Internal Processes, People and Culture
Implementing recommendations from the review of Navitas' Sales and Marketing function with an expansion of in-country resources	Internal Processes, Students and Partners
Strengthening senior management capability across Divisions and Corporate	People and Culture
Ongoing rollout of a Balanced Scorecard approach to measuring and communicating strategy	Internal Processes, Financial

Risks

Material business risks which might impair Navitas' ability to achieve strategic objectives can be summarised as:

1. Ability to optimise performance from growth opportunities;
2. Protecting the Navitas brand and relationships with key stakeholders (including our university partners); and

[2] In reliance on section 299A(3) of the Corporations Act, more specific growth opportunities including, but not limited to, specific potential partner universities in the US market and specific new products to be added to the product range such as new diplomas and associate degrees in both UPD and SAE, have not been disclosed as their disclosure would likely result in unreasonable prejudice against Navitas because disclosure of these would give Navitas' competitors a commercial advantage which would jeopardise Navitas' growth plans and prospects.

3. Ability to predict, influence or manage change (including political, regulatory and technological change).

Navitas manages each of these risks as follows:

- Ability to optimise performance from growth opportunities – All relevant stakeholders and business units within Navitas are working towards implementing the recommendations from the strategic and structural review and Navitas Group Internal Audit will conduct an audit at the appropriate time to ensure that review recommendations are actually implemented by management.
- Protecting the Navitas brand and relationships with key stakeholders – Various policies regarding media and social media as well as multiple systems and processes to manage reputational issues have been embedded into the Group, as well as Navitas' risk management system. Balanced scorecard metrics to measure relationships with key stakeholders such as students, recruitment agents and university partners are being used to enable management to monitor the health of such relationships.
- Ability to predict, influence or manage change (including political, regulatory and technological change) – Navitas progressed its government relations strategy and regularly engages with governments and bureaucrats to manage any changes to policy.

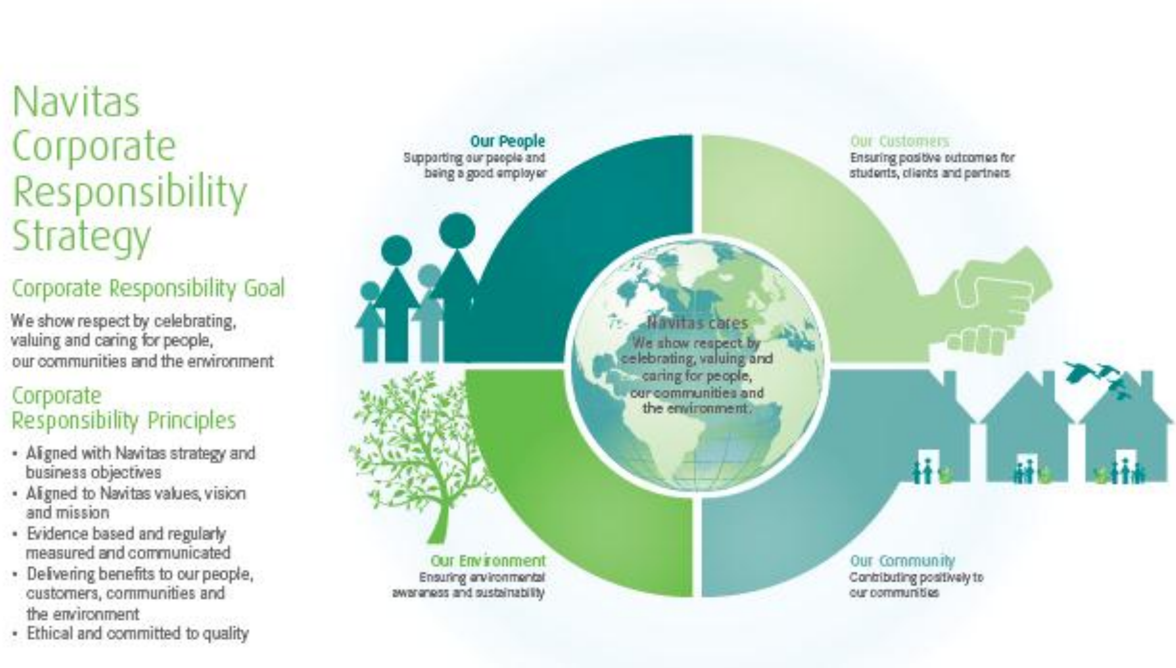
More information about Navitas' risk management framework is available on pages 40 to 42.

Corporate Responsibility

Building on the base established in 2013 Navitas has continued to progress its Corporate Responsibility strategy. This has strengthened Navitas' reputation as a socially responsible organisation alongside its commitment to, and record of, high quality academic outcomes.

Navitas' corporate responsibility strategy covers the wider categories of communities, employees, the environment and our customers. The strategy aligns with current business objectives and is also reflective of the significant interaction and involvement that Navitas and individual business units have had within their communities for many years.

The strategy is mutually beneficial, delivering benefits to global stakeholders and participants while bringing long term benefits to Navitas and shareholders.



Navitas continued to progress its corporate responsibility objectives across all four metrics.

Contributing positively to our community

The Navitas Education Trust (NET) was established in 2013 as a vehicle for Navitas to support charitable organisations and activities. Navitas has committed to provide annual funds to the NET, some of which will be used to support education based programs in partnership with charitable organisations and some of which will be invested to generate funds for future programs.

The NET management committee, comprised of three Board members and chaired by the CEO, funded two initiatives in the 2014 financial year:

1. Partnering with Room to Read to build libraries in Sri Lanka, Nepal and Vietnam; and
2. Developing a scholarship program with the Australian Business and Community Network (ABCN) to support Australian students from disadvantaged backgrounds to enter tertiary education.

Room to Read

In FY14 Navitas partnered with Room to Read to establish 20 libraries in existing schools in developing countries; 10 in Sri Lanka, five in Nepal and five in Vietnam. Throughout the year these libraries were accessed by over 6,000 children with more than 16,000 books checked out.

These libraries utilised an available, designated room in the schools to create a child-friendly environment complete with books, library materials, furniture, and stationery. 60 teachers and school directors were also supported with training to ensure the impact from the investment in libraries and books is sustainable.

ABCN

Navitas partnered with ABCN to provide scholarships to students across Australia from high needs schools to complete high school and enter tertiary education. Each scholarship will be for a three year duration starting in year 11 and continuing until the end of the first year of tertiary education.

Six scholarships were awarded in December 2013 and senior Navitas employees assigned as mentors in March 2014. Under the scholarships the students will also benefit from attending managed workshops and courses designed to support continued education. Scholarship recipients will also receive a small amount of financial support each year.

In the year the NET also announced four new projects to be funded in FY15:

Room to Read
Supporting Room to Read to establish 12 libraries in existing schools; six in Sri Lanka and six in Nepal. In addition Navitas will fund the creation, production and distribution of new local language books in both countries.

ABCN
Continuing to support the ABCN to offer six more three-year scholarships to Australian, high need, low SES, high school students to support them to enter higher education.

Hagar
Working with Hagar to help educate abused and trafficked women and children in Afghanistan via the Empower through Education Program. This three year project aims to help around 300 women and children re-integrate into society through education.

Classroom of Hope
Funding Classroom of Hope to improve the skills and resources of teachers, school leaders and the community based around seven schools in Battambang province, Cambodia. This three year project will support Classroom of Hope to collaborate with local and international not-for-profit organisations to create child friendly school environments that are consistent with government policy and which address factors that depress educational access and quality.

Navitas also supported a number of other activities in the year including:

- Across more than 130 colleges and campuses Navitas supported 377 academic scholarships worth more than $1.7m. In addition Navitas students and staff raised more than $46,000 to support the victims of Typhoon Haiyan in the Philippines, Navitas then matched the donation resulting in a donated total of more than $93,000;

- 95 employees volunteered 832 hours across Australia participating in primary and high school mentor programs in partnership with ABCN. An additional 2,600 staff and student hours were volunteered across a variety of other community based projects in FY14;

- More than 740 management hours were committed to support corporate responsibility activity in FY14; and

- Navitas sponsored Yearn to Learn (Y2L), an established charity in Beijing, China which develops fully functional classrooms and therapeutic facilities for children in orphanages who do not have access to educational programs due to their disability, age, gender or circumstance. With Navitas' support Y2L has established two programs in orphanages in Beijing.

Supporting our people and being a good employer

Navitas is committed to providing a safe and productive workplace for its more than 5,800 employees around the world and this year has reported on gender representation via its diversity section on pages 36 to 39. Further data will be provided in future reports.

In addition for many years Navitas has worked to provide a flexible and supportive workplace introducing a number of policies such as flexible working arrangements, flexible leave arrangements, study assistance and a diversity policy.

Navitas staff once again participated in the Global Corporate Challenge (GCC), a 16 week long global corporate wellness initiative aimed at improving employee wellbeing via the promotion of daily activity and a healthy lifestyle. Outcomes included:

- 69% of employees meeting or exceeding the 10,000 step recommended daily activity level, prior to the GCC it was 20%;

- 85% said the GCC has had a positive impact on their relationship with exercise; and

- 64% of employees reported a decrease in their stress levels at either home or work.

588 employees took part in the initiative in 2014

Ensuring environmental awareness and sustainability

Although Navitas has a network of more than 130 campuses and colleges around the world the majority of these are leased or owned by partners. Within this constraint Navitas aims to:

- Ensure sustainability is included in design and construction guidelines, and where possible, all design materials will come from sustainable, low energy use resources;

- Ensure that contractors used in construction and maintenance demonstrate sustainability credentials as part of tender or contract establishment; and

- Introduce energy savings through the introduction of energy efficient equipment and education.

As a part of this sustainability strategy Navitas has:

- commenced measurement of key environmental outputs such as energy usage and will report on these in future reports;
- is supporting its staff at a college level by providing information about ways to reduce energy consumption; and
- has commenced monitoring the generation of general waste at a college level, with the view of finding ways to improve waste management.

Ensuring positive outcomes for students, clients and partners

Student experience and outcomes

Navitas utilises a range of annual surveys and studies to monitor and ensure key academic performance indicators are met. External benchmarking involves comparing key academic performance indicators across Navitas colleges while internal benchmarking takes place between the individual colleges and their Partner Universities.

Within University Programs, pass rates and retention target rates (the rate of students moving from semester to semester) are set at >75%. In the 2013 calendar year both of these targets were exceeded.

Navitas routinely participates in global student surveys as a way of benchmarking our performance against the sector in all key countries. In the 2014 financial year i-graduate survey of more than 1.5 million students and 1,200 institutions globally Navitas scored well above the sector average in many areas including quality of teachers, course content, learning support and work experience. Results also indicate that student satisfaction with academic outcomes and support services has also been improving steadily for many years.

Additionally a Professional and English Programs English college was ranked number one globally for English language delivery in the 2013 i-graduate English Language Barometer survey of 17,000 students. Navitas English received the number one overall ranking, the highest ranking achievable, against 122 other institutions.

Navitas wealth distribution

Since 1995 total royalties paid to university partners have exceeded $900m.

As a leading global provider of education services Navitas plays a vital economic role in its communities. Annually wealth generated by Navitas is distributed as follows:

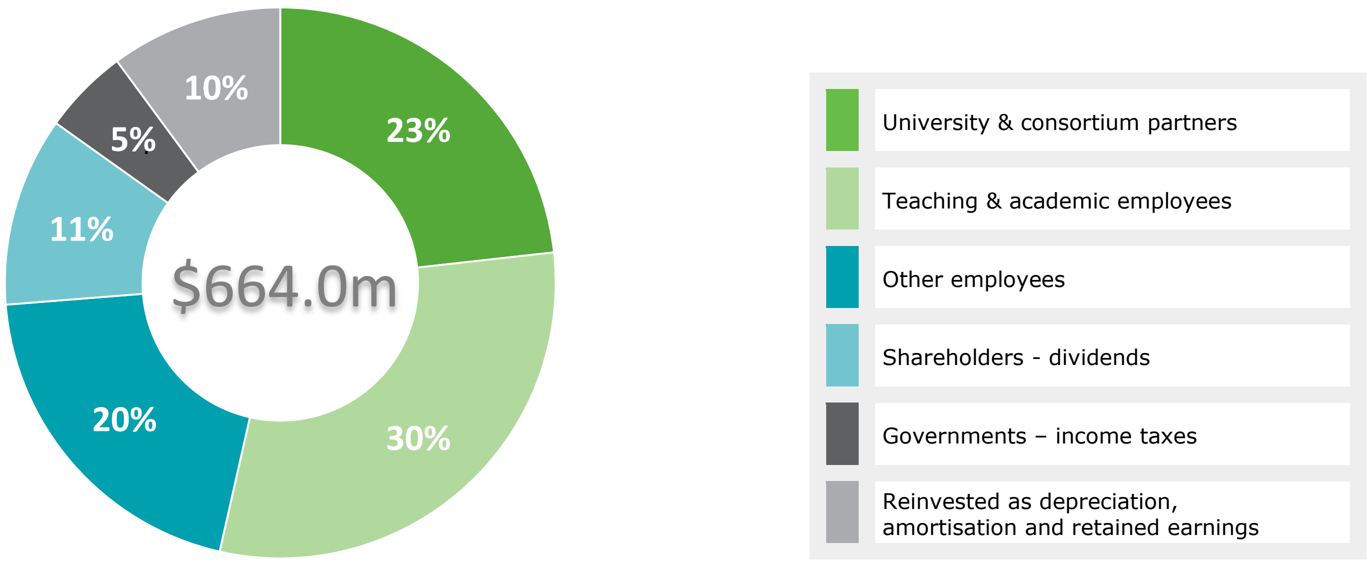
	FY14 $m	**FY13 $m**	**Change %**
Operating revenue	878.2	731.7	20
External and services costs	(214.2)	(202.2)	6
Total wealth created	**664.0**	**529.5**	**25**
Payments to university and consortia partners	159.0	135.2	18
Payments to teaching and academic staff	201.0	156.8	28
Payments to other employees	133.5	115.6	15
Payments to shareholders – dividends	73.2	73.2	-
Payments to governments – income taxes	32.1	31.0	4
Reinvested as depreciation, amortisation and retained earnings	65.2	17.7	368
Total wealth distributed	**664.0**	**529.5**	**25**

Affirming Navitas' commitment to its partners, 23% of generated wealth is channelled to university and consortia partners under royalty and contract agreements. Following these payments university partners stand to generate substantial further income as approximately 90% of students graduating from Navitas colleges enter partner university programs.

Highlighting Navitas' focus on academic outcomes and commitment to quality, 30% of wealth is paid to academic and teaching staff, a further 20% of wealth created is paid to other employees.

Payments to shareholders via dividends relating to FY14 equates to 11% of wealth distribution.

Payments to governments via income tax represent 5% of wealth distribution and depreciation and amortisation costs equal 10%. This breakdown is illustrated in the following chart:

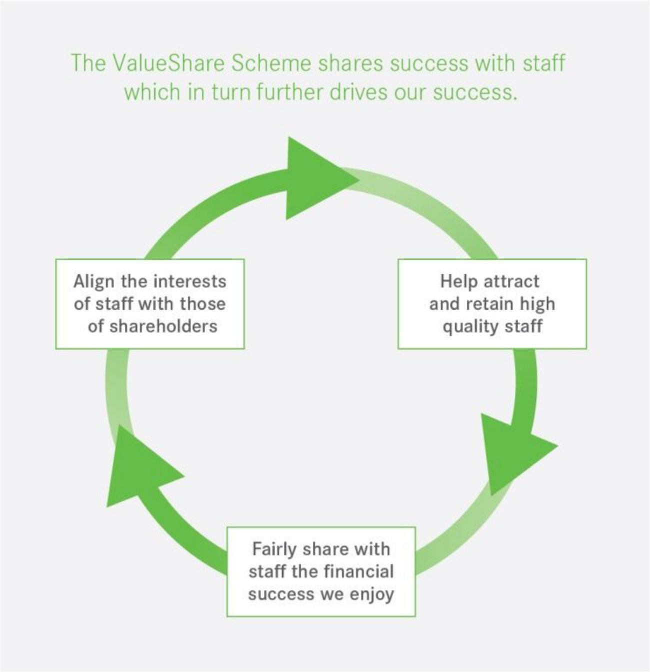

10%
5%
23%
11%
$664.0m
20%
30%
University & consortium partners
Teaching & academic employees
Other employees
Shareholders - dividends
Governments – income taxes
Reinvested as depreciation, amortisation and retained earnings

ValueShare Incentive Scheme

An important part of the spirit of Navitas has always been sharing the success that the business enjoys, with the staff that make that success possible. Over the past eight years, the primary way that we have shared our success with staff is through the Navitas ValueShare Incentive Scheme.

The ValueShare Incentive Scheme helps drive the success of the Company at three important levels. It:

- helps attract and retain high quality staff;
- supports a merit-based culture by fairly sharing with staff the financial success we enjoy; and
- rewards sustained gains and so aligns the interests of staff with those of shareholders.



Helps Attract and Retain High Quality Staff

The success of our business ultimately rests with the quality and the dedication of the people who work at Navitas.

To attract the best people, we need to offer an engaging and enjoyable workplace where the best in the education industry can pursue their careers. But we also need to offer a competitive level of remuneration.

Many of the educational institutions that we compete with for staff offer high levels of fixed remuneration (eg salary plus superannuation). We try to match that by offering the opportunity to share in the financial success of our business, via the ValueShare Incentive Scheme.

For most participants in the Scheme, if performance targets are met, an incentive of 10% of their salary will be earned. But for senior managers, the on-target reward can be 20% or higher, reflecting their higher level of responsibility within the Group.
As a result, in good years, our staff may earn more than what is on offer elsewhere in the sector. But in disappointing years, they may earn less. This performance based approach to remuneration helps us attract a more entrepreneurial workforce which has been one of the key drivers of our success.

It also means that one of our largest expenses — employment costs — rises and falls with the performance of each of our business units. If performance is good, we share with our staff that success, but if our profitability falls, then our employment costs fall with it. This variability in our cost base has helped us successfully negotiate some of the strong headwinds that the Group has faced in recent years.

Navitas Limited

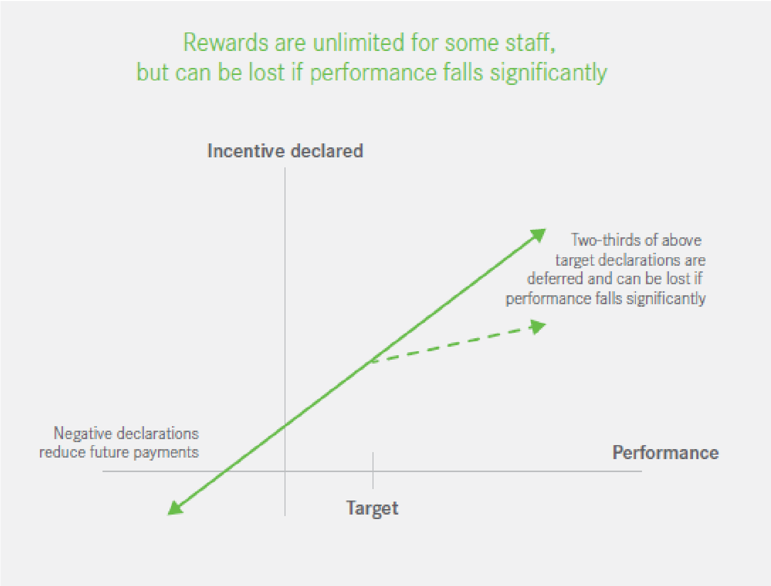
ValueShare Incentive Scheme

Fairly Shares with Staff the Financial Success we Enjoy

We believe that high quality staff are attracted to a transparent, objective process for sharing the success that the business enjoys, one that reflects the merit based culture that Navitas has encouraged since its inception.

To that end, rewards under the ValueShare Scheme are determined by a formula set for each business unit by the Board, once every three years. This incentive formula clearly sets out the rewards that will be earned by participants at each level of performance.

For most staff, rewards are limited at twice the amount that they would receive for on-target performance. But for a small group of senior managers, rewards are uncapped and any amount, positive or negative, may be declared. For these staff, amounts between $0 and the amount they would receive for on-target performance are paid in the months following year end. Any amount outside this range is settled in three equal parts, the first in the current year and the remainder in the two years that follow. Deferred amounts are added to or offset against future declarations and are forfeited if the staff member leaves the Scheme.



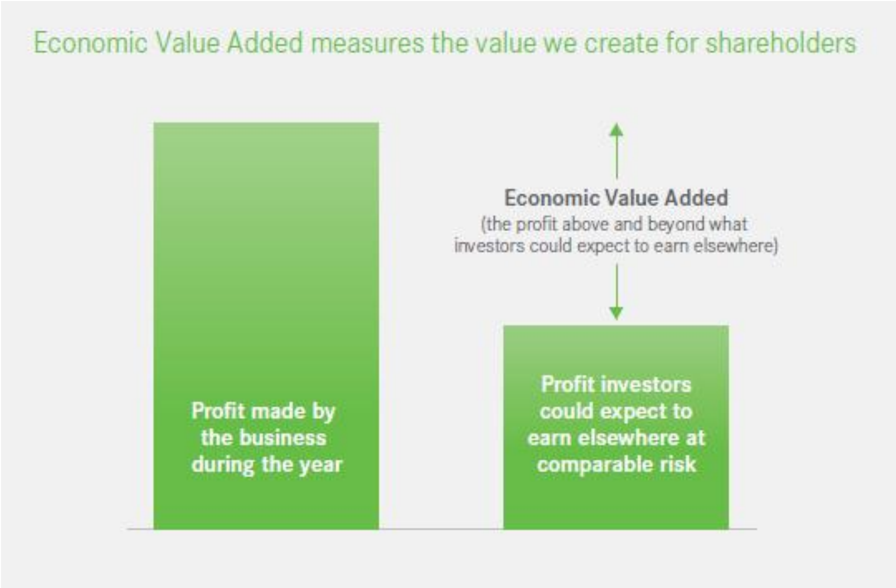
The formulaic nature of the Scheme helps support the merit based culture that Navitas has encouraged and once again, tends to attract and support a more entrepreneurial workforce.

Aligns the Interests of Staff with those of Shareholders

While it is important to offer competitive, performance-based pay to attract and retain the best quality staff, we also understand that the ongoing success and sustainability of the business is dependent on providing good returns to our shareholders.

If the business is unable to generate an attractive return on the capital entrusted to it, shareholders will look to place their money elsewhere, starving the business of the capital it may need to grow.
As a result, when we measure our performance for the purposes of the ValueShare Scheme, we take into account not just the profits of the business, but what investors could expect to earn elsewhere on the capital entrusted to us, at comparable levels of risk.

ValueShare Incentive Scheme



We call the profit above and beyond what investors could expect to earn elsewhere our 'Economic Value Added' or EVA for short and rewards under the ValueShare Scheme are linked to year on year growth in EVA.

Navitas' Executive Key Management Personnel are required to use 50% of any rewards under the plan to purchase shares in Navitas until they hold a beneficial interest equivalent to one year's fixed remuneration (eg salary plus superannuation).

Outcomes for the 2014 Financial Year

Full details of the outcomes of the ValueShare Scheme in 2014 are included in the Remuneration Report, as part of the Directors Report.

Corporate Governance Statement

Introduction

The Board of Navitas Limited is responsible for the corporate governance of Navitas and its subsidiary companies. The Board determines all matters relating to the strategic direction, academic quality and governance, policies, practices, management and operations of Navitas with the aim of protecting the interests of its Shareholders and other stakeholders, including employees, students and partners, and creating value for them.

The ASX Corporate Governance Council's (Council) "Corporate Governance Principles and Recommendations (2nd edition)" (Principles and Recommendations) articulate eight core corporate governance Principles, with commentary about implementation of those Principles in the form of Recommendations. Recently, the Council published a new edition of the Principles and Recommendations (being the 3rd edition) and certain ASX Listing Rules were also amended to coincide with this 3rd edition. However, the 3rd edition of the Principles and Recommendations and these amendments to the ASX Listing Rules will only take effect for Navitas' full year financial reports commencing on or after 1 July 2014. Accordingly, this corporate governance statement is prepared in accordance with the 2nd edition of the Principles and Recommendations and previous ASX Listing Rules affecting the 2nd edition of the Principles and Recommendations. Navitas will report in accordance with the 3rd edition of the Principles and Recommendations and the amended ASX Listing Rules for the financial year ending 30 June 2015.

Under ASX Listing Rule 4.10.3, Navitas is required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations in the reporting period. Where a Recommendation has not been followed, the fact must be disclosed, together with reasons for departure from the Recommendation. In addition, a number of the Recommendations require the disclosure of specific information in the corporate governance statement of the annual report.

Navitas' corporate governance statement is structured with reference to the Council's Principles and Recommendations, which Principles are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the Board to add value
Principle 3	Promote ethical and responsible decision-making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of Shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

Details of Navitas' compliance with the Recommendations for the year ended 30 June 2014 are disclosed in this statement.

For further information on the corporate governance policies adopted by Navitas, please refer to the Company's website: www.navitas.com/investor_centre.html.

The Role of the Board

The Company has established the functions reserved to the Board pursuant to the Board Charter approved on 6 December 2005 and the Delegation of Authority Policy and associated Procedures Manual adopted on 31 July 2007.

Under the Board Charter, the Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. Without limiting this general role, the specific functions and responsibilities of the Board include:

- oversight of the Company, including its control and accountability systems;
- input into the final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;

- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

Under the Delegation of Authority Policy and Procedures Manual, authority has been reserved to the Board with respect to various matters, including:

- activities relating to strategic planning for the Group as a whole;
- activities relating to governance;
- joint venture or partnering agreements;
- Group-wide policies related to treasury, corporate governance, risk and compliance;
- purchase of businesses outside the Navitas Group;
- annual report; and
- forecasts and rolling plans for the Navitas Group.

Certain functions have been delegated to the Group CEO under the Board Charter and the Delegation of Authority Policy and Procedures Manual. The Group CEO is responsible for the ongoing management of the Company in accordance with the strategy, policies and programs approved by the Board. The Group CEO's responsibilities include:

- developing with the Board, a consensus for the Company's vision and direction;
- constructing, with the Company's management team, programs to implement this vision;
- appointing the senior management team;
- providing strong leadership to, and effective management of, the Company in order to:
  - encourage co-operation and teamwork;
  - build and maintain staff morale at a high level; and
  - build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company;
- ensuring a safe workplace for all personnel;
- ensuring a culture of compliance generally, and specifically in relation to environmental matters;
- carrying out the day-to-day management of the Company;
- keeping the Board informed, at an appropriate level, of all the activities of the Company;
- ensuring that all personnel act with the highest degree of ethics and probity; and
- reporting performance and profit figures, and undertaking all other public relations activities.

The Board has also formally delegated the power to the Group CEO to authorise all expenditures as approved in the budget, subject to certain exceptions. Under the Delegation of Authority Policy and Procedures Manual, authority has been delegated to the Group CEO with respect to various matters, including:

- activities relating to strategic planning for the Group's individual Divisions;
- significant administrative changes affecting more than one entity within the Navitas Group;
- Group-wide policies related to ASX/ASIC governance;
- risk management plans across the Navitas Group;
- official Navitas publications for external use specific to the Navitas Group;
- forecasts and rolling plans for Navitas' Divisions;
- operating expenditure in relation to more than one entity within the Navitas Group;
- capital expenditure up to a maximum of $1m or where such expenditure is in relation to more than one entity within the Navitas Group;
- media contact and media releases; and
- marketing and advertising material at the Navitas Group level.

The Company has also established those functions delegated to senior executives pursuant to the Delegation of Authority Policy and associated Procedures Manual, including:

- activities relating to strategic planning for individual business units;
- Navitas Group policies other than those requiring Board or Group CEO approval;
- establishment and/or amendment of any rules and/or regulations specifying the governance of specific Navitas entities, as well as facilities;

- appointment of new staff, promotions, remuneration adjustments and redundancies not detailed in the entity's rolling plan;
- industrial relations matters including appointment of mediators and resolution of equal opportunities or industrial disputes;
- entity risk management plans;
- new occupational health and safety policies and amendments;
- forecasts and rolling plans for Navitas business units;
- media releases, editorials and articles with respect to positive media coverage;
- marketing and advertising material at the Divisional level; and
- entity specific governance arrangements, quality assurance processes and staffing profile.

The Board Charter, the Delegation of Authority Policy and Delegation of Authority Procedures Manual are all publicly available on the Company's website: www.navitas.com/investor_centre.html.

Structure, Composition and Operation of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of this report are included in the Directors' Report on pages 94 to 96.

Independence of Directors

A Director is considered to be independent where he or she is a non-executive Director, is not a member of management and is free of any relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgment. The existence of the following relationships may affect independent status, if the Director:

- is a substantial Shareholder of Navitas or an officer of, or otherwise associated directly with a substantial Shareholder of Navitas (as defined in section 9 of the Corporations Act);
- is employed, or has previously been employed in an executive capacity by the Navitas Group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Navitas Group, or an employee materially associated with the services provided;
- is a material supplier or customer of the Navitas Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Navitas Group other than as a Director.

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board Charter requires that at least one half of the Directors of Navitas will be non-executive (preferably independent) Directors and that the Chair will be an independent, non-executive Director.

In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount, being the monetary value of the transaction or item in question. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with the definition of independence above, and the materiality thresholds set, the Board reviewed the positions and associations of each of the seven Directors in office at the date of this statement and considers that five of the Directors are independent as follows:

Name	Position
Harvey Collins	Non-Executive Chairman
Tony Cipa	Non-Executive Director
Ted Evans	Non-Executive Director
Tracey Horton	Non-Executive Director
James King	Non-Executive Director

The Board will assess the independence of new Directors upon appointment, and the independence of other Directors, as appropriate. As at 30 June 2014, the majority of Board is independent. To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice at Navitas' expense. However, prior approval from the Chair is required, which may not be unreasonably withheld.

The term in office held by each Director in office at the date of this statement is as follows:

Name	Term in office
Harvey Collins	9 years
Tony Cipa*	2 months
Ted Evans	9 years
Rod Jones	10 years
Tracey Horton	2 years
James King	9 years
Peter Larsen	10 years

* Appointed on 1 May 2014

Retirement and Re-election of Directors

Rule 5.1 of the Constitution requires that at each annual general meeting of the Company, one third (or the number nearest to but not exceeding one third) of the Directors and any Director who has held office for 3 years or more must retire from office and no Director may retain office for more than 3 years without submitting himself or herself for re-election. Rule 5.4 of the Constitution provides that a retiring director is eligible for re-election without the necessity of giving any previous notice of his or her intention to submit him or herself for re-election. The Managing Director is not subject to retirement by rotation. The resolution for re-election of a Director is included in the Company's notice of annual general meeting and voted upon by Shareholders at that meeting.

The relevant Board policy, entitled "Procedures governing the Selection and Appointment of Directors" is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Performance Evaluation

The performance of the Board and its individual Directors is reviewed regularly.

The Chairman of the Board conducts individual performance evaluations of the Directors, involving an assessment of each Board member's performance. During the reporting period, performance evaluations of each Board member were conducted in accordance with this process.

As disclosed in the Company’s 2013 annual report, last year the Board conducted a formal review of itself through an independent specialist. A report was prepared on improving Board effectiveness, particularly relating to areas of composition, process and focus. The Board review process for the financial year ending 30 June 2014 consisted of an internal review of the Board’s and each individual Director’s performance against the recommendations contained in that report. The outcome of the review was then discussed by the People and Remuneration Committee with appropriate feedback given.

The process for evaluating the performance of the People and Remuneration Committee (formerly the Nomination and Remuneration Committee) and the Audit and Risk Committee involved an internal review by the relevant committee of its performance against its objectives and responsibilities as set out in the relevant committee charter. The People and Remuneration Committee conducted an internal review evaluating its performance against its objectives and responsibilities as set out in the Charter of the People and Remuneration Committee. Following that review, the People and Remuneration Committee is of the view that its composition, operations and discharge of its responsibilities are consistent with Principles 2 and 8.

The Audit and Risk Committee conducted an internal review evaluating its performance against its objectives and responsibilities as set out in the Charter of the Audit and Risk Committee. Following that review, the Audit and Risk Committee is of the view that its composition, operations and discharge of its responsibilities are consistent with Principle 4.

The performance of key executives is reviewed internally on an annual basis pursuant to a Navitas-wide performance planning and review process. Key performance indicators are agreed on an individual basis for such executives and performance against these indicators is then reviewed by the Group Chief Executive Officer. The performance review also takes into account the extent to which the executive's behaviour is aligned with Navitas' values. The outcome of the review then provides the basis for a professional development plan for the key executive.

As noted above, performance evaluations for individual Directors and key executives were conducted during the reporting period in accordance with the above processes.

Remuneration

It is Navitas' objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant market conditions.

For a full discussion of Navitas' remuneration philosophy and framework and the remuneration received by Directors in the current period please refer to the remuneration report, which is contained at pages 100 to 115 of the Director's Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

People and Remuneration Committee (formerly the Nomination and Remuneration Committee)*

Role of the People and Remuneration Committee

The Board established a People and Remuneration Committee on 18 February 2005 that operates under a charter approved by the Board. At the People and Remuneration Committee meeting held on 27 September 2013, the charter was amended to reflect the People and Remuneration Committee's broader human resources role. The purpose of the People and Remuneration Committee is to review and approve the strategies and practices for people management within Navitas. Specifically, to provide advice, recommendations and assistance to the Board with respect to people and remuneration matters.

The People and Remuneration Committee is responsible for:

- identifying specific individuals for nomination for directorship, the CEO and key executive roles and providing advice and recommendations to the Board with respect to the appointment and removal of Directors and key executives;
- providing the Board with advice and recommendations regarding identifying, assessing and enhancing Director competencies and a succession plan;
- approving and monitoring succession planning policies and processes for the CEO and executive team;
- ensuring that the Board is of a size and composition that allows for decisions to be made expediently, a range of different skills and perspectives are brought to Board deliberations and Board decisions are made in the best interests of Navitas;
- monitoring, on an ongoing basis, the time required for non-executive Directors to adequately fulfil their duties and the extent to which non-executive Directors are meeting these time requirements;

- implementing an effective induction process for new Board appointees and key executives;
- evaluating and reviewing the performance of the Board as a whole and individual Directors against both measurable and qualitative indicators;
- providing the Board with advice and recommendations regarding an executive remuneration policy, incentive schemes, non-executive remuneration and termination and redundancy policies;
- reviewing and providing recommendations to the Board with respect to the remuneration packages of senior management and executive directors;
- maintaining a framework to ensure that employees of Navitas do not unduly influence any remuneration recommendation a remuneration consultant may provide;
- reviewing the relative proportion of women and men in Navitas' workforce on an annual basis; and
- providing the Board with advice and recommendations regarding remuneration by gender.

*At the meeting of the then People and Remuneration Committeeheld on 20 March 2014, a resolution was passed to change its name to the People and Remuneration Committee

The People and Remuneration Committee comprised the following members:

Name
Ted Evans (Chair)
Harvey Collins
Tracey Horton

For details of Directors' attendance at meetings of the People and Remuneration Committee, please refer to page 97 of the Directors' Report.

The Charter of the People and Remuneration Committee is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Selection and Appointment of New Directors

A description of the procedure for the selection and appointment of new Directors and of the Board's policy for the nomination and appointment of Directors is set out below.

The People and Remuneration Committee, at least twice each year, reviews:

- the composition of the Board taking into account the number of appointed Directors;
- the performance of the Board and individual Directors of the Company;
- the business and strategic objectives and needs of the Company;
- the skills, experience, knowledge and diversity required on the Board and the extent to which each competency is represented, maintained and developed by the Board;
- the opportunities to appoint non-executive Directors and obtain the services of particular persons with desirable skills, experience and knowledge at the time of their availability;
- the need to cater for the replacement or scheduled retirement of Directors ahead of each annual general meeting; and
- succession planning for the Board,

to enable it to determine whether it is necessary to recruit any additional Directors to the Board or desirable to reduce the number of existing Directors. The Committee reports to the Board setting out the results of these reviews.

If the People and Remuneration Committee determines that it is necessary to recruit an additional Director to the Board, or the Board so determines, the Committee:

- will determine the particular skills, experience, expertise and personal qualities required to best complement the Board's effectiveness;
- will determine the most appropriate formal and transparent procedure to identify candidates with the skills and experience required by the Board; and
- may engage the services of an independent consultant to perform an advisory role in relation to its review considerations and the required Director competencies.

The Committee seeks to achieve a balance between long serving directors with an extensive understanding of Navitas' businesses and corporate history, and new directors who bring fresh perspectives to the role. The Board values diversity, including gender and differences in background and life experience, education, communication styles, and problem-solving skills.

Following receipt of nominations for Directorship from candidates, the People and Remuneration Committee may prepare a short list of candidates to determine the candidates in their opinion who best fulfil the Director competencies. The Committee will interview each of the short listed candidates and require each candidate to disclose the nature and extent of their other appointments, commitments and activities.

When considering candidates for appointment as a Director, the Committee values candidates who contribute to the diversity of the Board and demonstrate skills, experience and knowledge of the industry, market and regulatory environment in which the Company operates. The Board considers that skills, experience and knowledge in education, finance, governance, management or marketing are relevant.

The People and Remuneration Committee will provide an update to the Board at all appropriate times during the selection process and provide the Board with an opportunity to meet with the preferred candidate(s). The Committee shall make a formal recommendation to the Board concerning appropriate candidates to fill any vacancy for consideration by the Board.

Each candidate for election as a Director must:

- be proposed by a person entered in the register of members as a member for the time being of the Company, or its nominated representative in the case of a corporate member; and
- be seconded by another member or the nominated representative of another corporate member.

A nomination of a candidate for election by a member must be in writing; be signed by the candidate; and be signed by the proposer and seconder. A nomination of a candidate for election must be received at the registered office of the Company not later than 5pm on the day which is 35 business days prior to the annual general meeting at which the candidate seeks election.

The Board may also appoint a Director to fill a casual vacancy, or as an addition to the existing Directors at any time, provided that any such Director holds office only until the next annual general meeting and is eligible for re-election at the meeting.

Each candidate must also deliver to the Company a consent to act as Director of the Company. The Company must receive this no later than (if applicable) the date of appointment of the candidate as a Director. The consent to act as a Director must include all details required by the Corporations Act and Listing Rules.

Diversity

On 20 March 2012, Navitas adopted a Diversity Policy and set measurable objectives for achieving gender diversity.

The People and Remuneration Committee is accountable to the Board for ensuring the Diversity Policy is implemented in respect of the Board and the process for identifying and selecting new Directors. The Managing Director is accountable to the Board for ensuring the Diversity Policy is implemented throughout the Navitas' workforce. Senior executives and all personnel involved in recruitment are expected to ensure this Policy is implemented and integrated into all of Navitas' activities.

Navitas recognises that a talented and diverse workforce is a key competitive advantage and the Navitas' success is a reflection of the quality and skills of its people. Navitas is committed to promoting a workplace that recognises and embraces the skills, characteristics and experiences that people bring to the Group. Accordingly, Navitas has adopted a diversity strategy document for the purposes of implementing initiatives to achieve greater diversity.

The diversity strategy document outlines measurable objectives to achieve gender diversity. During the year, Navitas developed and adopted the Diversity Policy, assigned responsibility for the Diversity Policy and its administration, monitoring and review, reviewed and amended the Charter of the People and Remuneration Committee to reflect its obligations in relation to gender diversity, and investigated the reporting capacity of business units for the purposes of determining diversity targets.

The Board has set specific gender diversity targets as follows:

Target	Date for completion
At least one of the next 2 Board appointments desirably should be female with appropriate skills and attributes	When it is appropriate to expand or refresh the Board
At least 50% of the next senior executive* appointments desirably should be female with appropriate skills and attributes	When it is appropriate to expand or refresh the senior executive team
At least 33% of employees should be female with appropriate skills and attributes.	Annually by 30 June each year

*Senior executives are defined as members of the Navitas Leadership Team, the Senior Management Team, the Executive General Management ("EGM") and the senior direct reports to the EGM of the operating Divisions.

Navitas has achieved its targets in relation to Board appointments, and full-time and part-time employees during the year. There were no vacancies for senior executive appointments during the year.

Of seven Board positions, six (85.7%) were held by men, and one (14.3%) was held by a woman. These figures include Tony Cipa who was appointed as a Director on 1 May 2014.

Of 123 senior manager and above positions, 72 (58.5%) were held by men and 51 (41.5%) were held by women.

Of 958 full-time permanent employees, 616 (64.3%) were women and 342 (35.7%) were men. Of 345 full-time contract employees, 176 (51%) were women and 169 (49%) were men. Of 318 part-time permanent employees, 263 (82.7%) were women and 55 (17.3%) were men. Of 334 part-time contract employees, 226 (67.7%) were women and 108 (32.3%) were men.

As at 30 March 2014, the proportion of women employed by the Navitas Group is set out in the table below:

	Percentage of Employees					
	Full time Permanent	**Full time Contracts**	**Part time Permanent**	**Part time Contracts**	**Casual**	**Total**
Female	64.3%	51.0%	82.7%	67.7%	61.7%	63.6%
Male	35.7%	49.0%	17.3%	32.3%	38.3%	36.4%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Navitas Limited

Corporate Governance Statement

In accordance with the requirements of the Workplace Gender Equality Act 2012, the Navitas Group workplace profile for Australia only is set out in the table below:

Workplace profile - Navitas Group		**Women**					**Men**							
	Reporting level to CEO (for managers only)	**Full-time permanent**	**Full-time contract**	**Part-time permanent**	**Part-time contract**	**Casual**	**Full-time permanent**	**Full-time contract**	**Part-time permanent**	**Part-time contract**	**Casual**	**Total**	**Women %**	**Men %**
														1
CEO/Head of Business in Australia	0	-	-	-	-	-	1	-	-	-	-	**1**	0.0%	100.0%
													1	**5**
Key management personnel (KMP)	-1	1	-	-	-	-	4	1	-	-	-	**6**	16.7%	83.3%
	-2	-	-	-	-	-	-	-	-	-	-	-	-	-
													4	**20**
Other executives/ General managers	-2	1	-	-	-	-	12	1	-	1	-	**15**	6.7%	93.3%
	-3	3	-	-	-	-	6	-	-	-	-	**9**	33.3%	66.7%
													46	**47**
Senior managers	-2	6	-	-	-	-	2	-	1	-	-	**9**	66.7%	33.3%
	-3	11	4	2	-	-	19	3	-	-	-	**39**	43.6%	56.4%
	-4	20	-	3	-	-	17	5	-	-	-	**45**	51.1%	48.9%
													156	**68**
Other managers	-4	46	4	4	2	-	23	5	1	-	-	**85**	65.9%	34.1%
	-5	67	4	10	-	-	29	2	1	-	-	**113**	71.7%	28.3%
	-6	12	1	6	-	-	7	-	-	-	-	**26**	73.1%	26.9%
													1785	**1118**
Professionals		234	102	183	207	1,059	161	127	45	104	681	**2,903**	61.5%	38.5%
													-	**-**
Technicians and trade		-	-	-	-	-	-	-	-	-	-	**-**	-	-

Workplace profile - Navitas Group		Women					Men							
	Reporting level to CEO (for managers only)	Full-time permanent	Full-time contract	Part-time permanent	Part-time contract	Casual	Full-time permanent	Full-time contract	Part-time permanent	Part-time contract	Casual	Total	Women %	Men %
														1
													108	**52**
Community and personal service		10	3	7	2	86	6	3	1	-	42	**160**	67.5%	32.5%
													379	**105**
Clerical and administrative		203	58	48	14	56	54	22	5	3	21	**484**	78.3%	21.7%
													4	**1**
Sales		2	-	-	1	1	1	-	-	-	-	**5**	80.0%	20.0%
													-	**2**
Machinery operators and drivers		-	-	-	-	-	-	-	1	-	1	**2**	0.0%	100.0%
													-	**-**
Labourers		-	-	-	-	-	-	-	-	-	-	**-**	-	-
													-	**1**
Other		-	-	-	-	-	-	-	-	-	1	**1**	0.0%	100.0%
													2,483	**1,420**
Total		616	176	263	226	1,202	342	169	55	108	746	**3,903**	63.6%	36.4%

Following the adoption of the Diversity Policy, regular updates on the progress of achieving various strategies, initiatives and targets are to be provided to the Board and People and Remuneration Committee.

The Diversity Policy is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Audit and Risk Committee

Role of the Audit and Risk Committee

The Board established an Audit and Risk Committee on 28 January 2005 that operates under a charter approved by the Board. The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by:

- monitoring and reviewing the:
  - integrity of the financial statements;
  - effectiveness of internal financial controls;
  - independence, objectivity and competency of internal and external auditors;
  - policies on risk oversight and management;
  - execution of the treasury and insurance functions; and
- making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and their terms of engagement.

The Audit and Risk Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of risk oversight and management policies that set out the roles and respective accountabilities of the Board, the Audit and Risk Committee and the internal audit function.

The Audit and Risk Committee comprised the following members:

Name
James King (Chair)
Ted Evans
Harvey Collins
Tony Cipa *

* Appointed as a member of the Audit and Risk Committee on 11 June 2014

James King BComm, FAICD, has over 30 years of board and management experience with major multi-national companies in Australia and internationally. He is the Chairman of the Audit and Risk Committee.

Ted Evans AC, BEcon (Hons), D.Uni (Grif), D.Econ h.c., FAICD, has significant experience in the financial sector, having joined the Australian Treasury in 1969. He was a director of the Reserve Bank of Australia from 1993 to 2001 and the Commonwealth Bank of Australia from 1993 to 1996. He was a former director and Chairman of Westpac Banking Corporation. He is a member of the Audit and Risk Committee.

Harvey Collins BBus, FCPA, SFFin, FAICD, has extensive executive and board experience in a range of industries including financial services, health insurance, telecommunications, equipment hire, mining services franchising and electricity. He is a member of the Audit and Risk Committee.

Tony Cipa, BBus, Grad Dip Accounting, CPA, has extensive international business and finance experience including his roles as CFO and Executive Finance Director for CSL, the ASX listed international biopharmaceutical company. Mr Cipa is currently the Chairman of the Audit and Risk Committee and a Non-Executive Director of ASX listed Skilled Group. He is a member of the Audit and Risk Committee.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, please refer to page 97 of the Directors' Report.

The Charter of the Audit and Risk Committee is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Selection, Appointment and Rotation of External Auditor

The procedures for the selection, appointment and rotation of external audit engagement partners are as follows.

The Audit and Risk Committee re-evaluates the appointment of its external auditors on a regular basis, and considers whether it is appropriate to tender the audit as it deems necessary. Such re-evaluations are performed no less than once every five years, and may be considered annually post the completion of the audit process (as part of the audit debrief process). As a minimum, the re-evaluations and decisions to put the audit to tender (if any) will take into account such factors as:

- service delivery;
- quality of service;
- independence of the external auditor and whether the independence of the audit function has been maintained having regard to the provision of non-audit services;
- effectiveness of the audit/client relationship; and
- fees/value.

In tender situations the Audit and Risk Committee will nominate an Audit Tender Evaluation Committee to undertake the task of selecting a new auditor. The Audit Tender Evaluation Committee will be comprised of the Chairman of the Audit and Risk Committee, the Group Chief Executive Officer, the Chief Financial Officer and other representatives of the Audit and Risk Committee and management as deemed appropriate. Auditor selection will be based on the satisfactory demonstration of the factors listed above. Removal of the auditor may result if the auditor fails to demonstrate satisfactory outcomes in relation to the above factors.

Auditor appointment will be made by the Board at the Audit and Risk Committee's recommendation after the successful completion of the selection process, and in conjunction with statutory guidelines.

In respect of the rotation of external audit engagement partners, it is the Company's policy that a partner should not serve the Company in the position of audit client service partner for more than five successive years. A partner should not be re-assigned to the Company in the role of audit partner for at least two years after reaching the maximum period of continuous service. Further, a partner should not be re-assigned to the Company in the role of audit client service partner if this would equate to the partner serving in this role for more than five out of seven successive years. As part of the audit plan presented to the Audit and Risk Committee, the audit partner considers the need for rotation in accordance with these policies.

The relevant policies, entitled "Selection and Appointment of External Auditor Policy" and "Rotation of External Audit Engagement Partners" are available on the Company's website: www.navitas.com/investor_centre.html.

Risk Management

Navitas recognises the importance of risk management and has a formal risk management framework, including policies for the oversight and management of material business risks.

The Navitas Board is ultimately responsible for risk management in Navitas and must satisfy itself that significant risks faced by the Navitas Group are being managed appropriately and that the system of risk management within the Navitas Group is robust enough to respond to changes in Navitas' business environment.

The Audit and Risk Committee has the following responsibilities in regard to risk management:

- assessing the internal process for determining and managing key risk areas;
- confirming management's risk appetite and tolerance;
- ensuring that the Navitas Group has an effective risk management system and that macro risks to the Navitas Group are reported at least twice a year to the Board;
- evaluating the process Navitas has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk;
- assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk; and
- ensuring the continuous development of risk management in the Navitas Group and for supervising the implementation of risk management in compliance with the risk management policy and guidelines.

Each business unit is responsible for the identification, assessment, control, reporting and on-going monitoring of risks within its own responsibility. Business units are responsible for implanting the requirements of this policy and for providing assurance to the Board of Directors that it has done so. The business unit, where deemed appropriate, may enhance its own organisational structure provided that such enhancements further assist the achievement of the objectives of this policy.

Management is responsible for identifying and evaluating risks within their area of responsibility, implementing agreed actions to manage risk and for reporting as well as monitoring any activity or circumstance that may give risk to new or changed risks.

Internal audit is responsible for managing the risk management system and collating the business units' risk assessments and tolerance for periodic reports to the Audit and Risk Committee. Internal audit also facilitates twice-yearly assessments by senior management of strategic risks.

The Board has required management to design and implement a risk management and internal control system to manage Navitas' material business risks, and to report to it on whether those risks are being managed effectively.

In summary, the Navitas risk management and internal control system comprises:

- A Group Risk Management Policy Statement and methodology based on the International Standard for Risk Management ISO 31000. This Policy has been placed on the Navitas website and is therefore accessible by all Navitas staff. The Policy outlines Navitas' approach to managing risk including a description of responsibilities;
- The Audit and Risk Committee has endorsed the risk management methodology which includes an integrated risk management, control self-assessment and internal audit process managed by Group Internal Audit and Risk Management;
- The risk management system includes a Group-wide risk register of all key material inherent risks, an assessment of control effectiveness, comparison of residual risks to target risks and a data base of actions to reduce any residual risks to the desired level;
- This information underpins senior management's control self-assessment certificates, which are used to provide assurance to the Board that they are managing risks appropriately, and enables Group Internal Audit to concentrate its activities on material risks and adapt its approach accordingly. The Audit and Risk Committee approves the annual audit plan, as amended from time to time to reflect the dynamic nature of the business, and receives all audit reports;
- Senior management and the Audit and Risk Committee regularly review the risk register to ensure that material risks are correctly identified, that the target risks are acceptable and any remedial action is in progress. The Audit and Risk Committee reports every six months to the Board on the management of the risks contained in the risk register;
- Management understanding and acceptance of its responsibility to implement appropriate systems of internal control to effectively manage potential risks;
- Ongoing management oversight of strategic matters by management and of operational matters by business unit management;
- Various policies and procedures covering areas such as Share Dealing, Human Resources, Information Technology, Critical Incidents and Delegations of Authority, such policies are centrally located via an intranet;
- Monthly reporting and review of financial and budgetary information;
- External auditors independently evaluating Navitas' compliance with the International Financial Reporting Standards on an annual basis;
- An internal audit function, which is designed to provide assurance to the Audit and Risk Committee on the effectiveness of the risk management and internal control procedures and mechanisms in place to mitigate risks across the Navitas Group, that risks are being adequately and appropriately identified and that the principles and requirements of managing

risk are consistently adopted throughout the Navitas Group. Internal audit also recommends improvements to the system of risk management; and
- Independent and regular external reviews by various industry accreditation bodies to ensure compliance with relevant legislation, regulation and state and national codes of practice.

The Company has identified a series of material business risks which the Company believes to be inherent in the industry in which the Company operates, and being the categories of risk reported on or referred to in this financial report. In 2014, these were (unchanged from 2013):

- ability to optimise performance from growth opportunities;
- protecting the Navitas brand and relationships with key stakeholders; and
- ability to predict, influence or manage change (including political, regulatory and technological change).

The Board has received a formal report from management under Recommendation 7.2 as to the effectiveness of Navitas' management of its material business risks with respect to the reporting period. Upon due consideration of Navitas' risk management and internal control system, management formally reported that, with respect to the financial year ending 30 June 2014, Navitas is, in its assessment, effectively managing its material business risks through its risk management and internal control system.

In addition, the Board has received a written assurance from the Group Chief Executive Officer and the Chief Financial Officer that, to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board understands that these assurances regarding the internal control systems provide a reasonable level of assurance only and do not imply a guarantee against adverse events, or losses, or more volatile outcomes arising in the future and that the design and operation of the internal control systems relating to financial reporting has been assessed primarily through the use of declarations by process owners who are responsible for those systems. Internal audit activity has also assisted with this assessment.

The Group Risk Management Policy is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Other Policies

Continuous Disclosure

Navitas has established written policies designed to ensure:

- compliance with ASX Listing Rule disclosure; and
- accountability at a senior executive level for that compliance.

The relevant policy, entitled "Corporate Governance Policy - Continuous Disclosure" is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Securities Trading Policies

The Company has established policies concerning trading in its securities by Directors, senior executives and employees.

These policies, entitled "Directors and Senior Executives Dealing In Securities Policy" and "Employees Dealing In Securities Policy" are publicly available on the Company's website: www.navitas.com/investor_centre.html.

A summary of the Company's policy on prohibiting transactions in associated products which limit risk of participating in unvested entitlement under any equity based remuneration schemes is set out in these securities trading policies.

Ethical and Responsible Decision-Making

Navitas has established codes of conduct as to the:

- practices necessary to maintain confidence in the Company's integrity;
- practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

These codes of conduct, entitled "Code of Conduct for Directors and Key Officers" and "Code of Conduct - The Company's Obligations to Stakeholders" are publicly available on the Company's website: www.navitas.com/investor_centre.html.

Communications with Shareholders

The Company has designed a communications policy:

- for promoting effective communication with Shareholders; and
- encouraging Shareholder participation at AGMs.

The Company has a platform by which senior managers who are authorised to speak to analysts (the Group CEO, the CFO and in some circumstances the General Manager Public Relations) are able to record details of the meeting including time and place, attendees and file notes of what was discussed.

The policy, entitled "Corporate Governance Policy - Communications Strategy", is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Summary

In summary, Navitas concludes that it substantially complied with all of the Recommendations.

Navitas Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

	Note	2014 $000s	2013 $000s
Revenue	5	878,219	731,734
Marketing expenses		(130,970)	(102,369)
Academic expenses		(201,020)	(156,773)
Administration expenses		(424,396)	(356,772)
Impairment of goodwill	14	(30,448)	-
Finance costs	6	(8,484)	(9,763)
Profit before income tax expense		**82,901**	**106,057**
Income tax expense	7	(32,099)	(31,006)
Profit for the year		**50,802**	**75,051**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Net currency translation differences		(1,185)	(3,229)
Fair value movement in hedge instruments		(2,307)	1,198
Income tax relating to other comprehensive income		561	2,522
Other comprehensive income for the year		(2,931)	491
Total comprehensive income for the year		**47,871**	**75,542**
Profit attributable to:			
Owners of the parent	19	51,584	74,575
Non controlling interest		(782)	476
		50,802	**75,051**
Total comprehensive income attributable to:			
Owners of the parent		48,559	75,287
Non controlling interest		(688)	255
		47,871	**75,542**
		Cents	**Cents**
Earnings per share	9		
Basic		13.7	19.9
Diluted		13.7	19.9

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Navitas Limited
Consolidated Statement of Financial Position
As at 30 June 2014

	Note	2014 $000s	2013 $000s
ASSETS			
Current Assets			
Cash and cash equivalents		71,886	56,332
Trade and other receivables	11	111,836	96,230
Other	12	18,516	18,310
Total Current Assets		**202,238**	**170,872**
Non Current Assets			
Property, plant and equipment	13	74,368	73,724
Deferred tax assets	7	34,556	28,275
Intangible assets	14	420,169	449,199
Total Non Current Assets		**529,093**	**551,198**
TOTAL ASSETS		**731,331**	**722,070**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	102,622	81,895
Deferred revenue		258,401	222,700
Current tax payable	7	12,648	14,134
Borrowings	16	2,852	2,979
Provisions	17	5,635	4,355
Total Current Liabilities		**382,158**	**326,063**
Non Current Liabilities			
Trade and other payables	15	4,693	4,971
Borrowings	16	123,530	148,226
Provisions	17	9,241	7,063
Total Non Current Liabilities		**137,464**	**160,260**
TOTAL LIABILITIES		**519,622**	**486,323**
NET ASSETS		**211,709**	**235,747**
EQUITY			
Issued capital	18	197,868	195,375
Foreign currency translation Reserve	19	380	1,790
Cash flow hedge reserve	19	(1,615)	-
Retained earnings	19	17,973	39,966
Equity attributable to owners of the parent		**214,606**	**237,131**
Non controlling interests	20	(2,897)	(1,384)
TOTAL EQUITY		**211,709**	**235,747**

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Navitas Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Issued Capital $000s	Foreign Currency Translation Reserve $000s	Cash Flow Hedge Reserve $000s	General Reserve	Retained earnings $000s	Non controlling interests $000s	Total equity $000s
Balance at 1 July 2012	195,175	1,917	(839)	221	37,986	(900)	233,560
Profit for the year	-	-	-	-	74,575	476	75,051
Fair value movement in hedge instruments (after tax)	-	-	839	-	-	-	839
Net currency translation differences	-	(127)	-	-	-	(221)	(348)
Total comprehensive income for the year	**-**	**(127)**	**839**	**-**	**74,575**	**255**	**75,542**
Transfer from general reserve		-	-	(221)	221	-	-
Employee share plan purchase	200	-	-	-	-	-	200
Dividends paid	-	-	-	-	(72,816)	(739)	(73,555)
Balance at 30 June 2013	**195,375**	**1,790**	**-**	**-**	**39,966**	**(1,384)**	**235,747**
Profit for the year	-	-	-	-	51,584	(782)	50,802
Fair value movement in hedge instruments (after tax)	-	-	(1,615)	-	-	-	(1,615)
Net currency translation differences	-	(1,410)	-	-	-	94	(1,316)
Total comprehensive income for the year	**-**	**(1,410)**	**(1,615)**	**-**	**51,584**	**(688)**	**47,871**
Dividend reinvestment plan	2,195	-	-	-	-	-	2,195
Employee share plan purchase	298	-	-	-	-	-	298
Dividends paid	-	-	-	-	(73,577)	(825)	(74,402)
Balance at 30 June 2014	**197,868**	**380**	**(1,615)**	**-**	**17,973**	**(2,897)**	**211,709**
Total attributable to:							
Non controlling interests – 30 June 2013	-	-	-	-	-	(1,384)	(1,384)
Non controlling interests – 30 June 2014	-	-	-	-	-	(2,897)	(2,897)
Owners of the parent entity– 30 June 2013	195,375	1,790	-	-	39,966	-	237,131
Owners of the parent entity– 30 June 2014	197,868	380	(1,615)	-	17,973	-	214,606

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Navitas Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 $000s	2013 $000s
Cash flows from operating activities			
Receipts from customers		898,562	763,045
Payments to suppliers and employees		(712,154)	(596,403)
Interest received		2,241	2,138
Interest paid		(8,259)	(9,763)
Income tax paid		(39,451)	(32,198)
Net cash flows from operating activities	10	**140,939**	**126,819**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(25,348)	(20,004)
Purchase of other investments		(240)	-
Net cash flows used in investing activities		**(25,588)**	**(20,004)**
Cash flows from financing activities			
Proceeds from borrowings		591,066	441,567
Repayment of borrowings		(618,664)	(440,156)
Payments to non controlling interests		(37)	(226)
Payment of dividends	8	(71,382)	(72,816)
Payment of dividends to non controlling interests		(825)	(739)
Net cash flows used in financing activities		**(99,842)**	**(72,370)**
Net increase in cash and cash equivalents		15,509	34,445
Net foreign exchange differences		45	2,725
Cash and cash equivalents at beginning of the financial year		56,332	19,162
Cash and cash equivalents at the end of the financial year		**71,886**	**56,332**

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Corporate information

The financial report of Navitas Limited (the "Company") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of directors dated 25 July 2014.

Navitas Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

Navitas Limited is the ultimate Australian parent company and ultimate parent of the Group.

The nature of the operations and principal activities of the Group are described in note 4.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general-purpose financial report, for a 'for-profit' entity, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except where noted.

The financial statements comprise the consolidated financial statements of the Navitas Group of companies.

Certain comparative information within the statement of financial position has been reclassified to be comparable to current year presentation.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000s) unless otherwise stated.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

(i) Adoption of new and revised Accounting Standards

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

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12, AASB 13, AASB 119 and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the transitional guidance.

The adoption of these amendments has not resulted in any significant changes to the Group's accounting policies nor any significant affect on the measurement or disclosure of the amounts reported for the current or prior periods.

(ii) Accounting Standards and Interpretations issued but not yet effective

Accounting Standards and Interpretations, including those issued by the IASB/IFRIC where an Australian equivalent has not yet been made by the AASB, that have recently been issued or amended but are not yet effective that have not been adopted for the annual reporting period ended 30 June 2014, but would be relevant to its operations, are:

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group
AASB 9 'Financial Instruments', and the relevant amending standards[1]	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015

2 Summary of significant accounting policies (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' - Part C: 'Materiality'	1 July 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016

[1] The AASB has issued the following versions of AASB 9 and the relevant amending standards;
- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.
- In December 2013 the AASB issued AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments. This amending standard has amended the mandatory effective date of AASB 9 to 1 January 2017. For annual reporting periods beginning before 1 January 2017, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

A project team exists to assess the impact of new standards and interpretations. Assessment of the expected impacts of these standards and interpretations is ongoing, however, it is expected that that there will be no significant changes in the Group's accounting policies.

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	30 June 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

2 Summary of significant accounting policies (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Navitas Limited and its subsidiaries (as outlined in note 24) as at and for the period ended 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has control. Control is achieved when the Group has power over an entity and is exposed to, or has rights over, the variable returns of the entity, as well as the ability to use this power to affect the variable returns of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as Navitas, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies to profit or loss or transfers directly to retained earnings, as appropriate, the parent's share of components previously recognised in other comprehensive income.

Interests in associates are equity accounted and are not part of the consolidated Group (see note 2(i) below).

Transactions and balances between the company and its associates were eliminated in the preparation of consolidated financial statements of the Group to the extent of the Group's share in profits and losses of the associate resulting from these transactions.

2 Summary of significant accounting policies (continued)

(d) Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, less the amount of any non-controlling interest in the acquiree.

The difference between the above items is goodwill or a discount on acquisition.

Transaction costs directly attributable to the acquisition are expensed under the acquisition method.

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 conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with AASB 139 in profit or loss. If the contingent consideration is classified as equity, it is not remeasured.

(e) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments for Navitas are:

University Programs:	The University Programs business delivers education programmes, via pathway colleges and managed campuses, to students requiring an university education.
SAE:	The SAE business delivers education programmes in the area of creative Media including courses in audio, film and media.
Professional and English Programs (PEP):	The Division delivers English language tuition, jobs skills training and higher and vocational education in health, security and psychology.
Corporate:	Corporate is the aggregation of the Group's corporate functions.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. Segment revenues are attributed to geographic areas based on the location of the customers providing the revenues.

Segment accounting policies are the same as the Group's policies.

2 Summary of significant accounting policies (continued)

(f) Foreign currency translation

(i) Functional and presentation currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Both the functional and presentation currency of Navitas Limited and its Australian subsidiaries is Australian dollars ($).

The functional and presentation currency of the non Australian Group companies is the national currency of the country of operation.

(ii) Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign currency differences arising on retranslation are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group companies' functional currency to presentation currency

As at the reporting date the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and the statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity, the foreign currency translation reserve.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(h) Trade and other receivables

Trade receivables, which generally have 30 to 60 day terms, are recognised at fair value less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

(i) Allowance for doubtful debts

An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance is measured as the difference between the carrying amount of the trade receivables and the present value of the estimated future cash flows expected to be recovered from the relevant debtors.

2 Summary of significant accounting policies (continued)

(i) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets at initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

All purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Group commits to purchase the asset).

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or are not classified as any of the three preceding categories. After initial recognition available-for-sale assets are measured at fair value with gains or losses being recognised as a separate component of equity until the asset is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

(j) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2 to 10 years
Leasehold improvements – the shorter of the lease term or the estimated useful life

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

2 Summary of significant accounting policies (continued)

(k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

<u>Lease incentives</u>

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(ii) Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

(l) Impairment of assets other than goodwill and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

(i) Financial assets

Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 Summary of significant accounting policies (continued)

(l) Impairment of assets other than goodwill and intangible assets

(ii) Non Financial assets

When the carrying amount of a non financial asset or cash-generating unit to which it belongs exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

A non financial asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value less costs to sell. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at fair value (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

(m) Goodwill and intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

1) represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
2) is not larger than an operating segment determined in accordance with AASB8 Operating Segments.

2 Summary of significant accounting policies (continued)

(m) Goodwill and intangible assets (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful 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 is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

	Brand Names	**Copyrights**	**Licences**
Useful lives	Indefinite	Finite	Finite
Method used	Not applicable	25 years – straight line	Contract life (no longer than 10 years)
Internally generated/acquired	Acquired	Acquired	Acquired
Recoverable amount testing	Annually and where an indicator of impairment exists.	Where an indicator of impairment exists. Amortisation method reviewed at each financial year end.	

(a) Brand Names

Brand names include intangible assets acquired in the SAE business combination. This intangible asset has been assessed as having an indefinite life on the basis of brand strength, ongoing expected profitability and the expectation of minimal ongoing expenditure.

(b) Copyrights

Copyrights include intangible assets acquired through business combinations, principally the acquisition of businesses within the PEP division. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 25 years.

2 Summary of significant accounting policies (continued)

(m) Goodwill and intangible assets (continued)

(c) Licences

Licences include intangible assets acquired through business combinations, principally the acquisition of businesses within the PEP division. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over a period of up to 10 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(n) Trade and other payables

Trade payables and other payables have 30-60 day terms and are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(p) Provisions and employee leave benefits

(i) 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Employee leave benefits

<u>Wages, salaries, annual leave</u>

Liabilities for wages and salaries, including non monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

<u>Long service and annual leave</u>

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

2 Summary of significant accounting policies (continued)

(p) Provisions and employee leave benefits (continued)

Annual leave expected to be settled more than 12 months after the reporting date is measured as the present value of the expected future payments, adjusted for future wage and salary levels, and are recognised in other payables.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The Group does not provide cash settled share based payments.

The cost of equity settled transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the market price of the company's shares on the Australian Stock Exchange.

The cost of equity settled transactions are recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised for the period.

(r) Issued Capital

Ordinary shares are classified as equity, and are recognised at the fair value of the consideration received by the company.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured at the fair value of the consideration. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of education services

Where the contract outcome can be reliably measured, the Group has control of the right to be compensated for the education services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the number of contact days held as a percentage of the total number of contact days in the course.

2 Summary of significant accounting policies (continued)

(t) Income tax and other taxes

(i) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is generally provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2 Summary of significant accounting policies (continued)

(t) Income tax and other taxes (continued)

(ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3 Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(a) Significant accounting judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amount recognised in the financial statements:

(i) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the intangibles and the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount of goodwill and intangibles with indefinite useful lives are discussed in note 14.

4 Segment information

(a) Reportable Segments

The following tables present revenue and profit information by reportable segment (note 2(e)) for the years ended 30 June 2014 and 2013.

4 Segment information (continued)

(a) Reportable segments (continued)

	University Programs		SAE		Professional and English Programs		Corporate		Total	
	2014 $000s	2013 $000s	2014 $000s	2013 $000s	2014 $000s	2013 $000s	2014 $000s	2013 $000s	2014 $000s	2013 $000s
Revenue										
Sales to external customers	499,186	415,713	150,319	114,934	224,213	196,377	2,255	2,537	875,973	729,561
Total segment revenue	499,186	415,713	150,319	114,934	224,213	196,377	2,255	2,537	875,973	729,561
Interest (Other Corporations)									2,246	2,173
Total consolidated revenue									878,219	731,734
Result										
EBITDA*	121,807	106,123	24,500	25,102	25,263	19,311	(26,641)	(20,534)	144,929	130,002
Depreciation	(5,071)	(3,527)	(13,412)	(6,640)	(3,091)	(2,840)	(3,019)	(2,485)	(24,593)	(15,492)
Amortisation	-	-	-	-	(749)	(863)	-	-	(749)	(863)
Goodwill impairment	(30,448)	-	-	-	-	-	-	-	(30,448)	-
Profit before tax and net finance income	86,288	102,596	11,088	18,462	21,423	15,608	(29,660)	(23,019)	89,139	113,647
Net finance expense									(6,238)	(7,590)
Profit before income tax									82,901	106,057
Income tax expense									(32,099)	(31,006)
Profit for the year									50,802	75,051

* EBITDA = earnings before net interest, taxes, depreciation, amortisation and impairment

4 Segment information (continued)

(b) Geographical areas

The Group operates in the following Geographical areas.

	External Operating Revenue		Non Current Assets	
	2014 $000s	2013 $000s	2014 $000s	2013 $000s
Australia	590,129	518,472	365,418	386,836
United Kingdom	74,060	48,166	14,123	12,679
Europe	58,508	44,729	93,564	90,749
Asia	48,471	43,981	12,289	20,374
Canada	52,713	42,708	222	249
United States	46,461	27,394	8,468	10,706
Rest of World	5,631	4,111	453	1,331
Total	875,973	729,561	494,537	522,924

5 Revenue

	2014 $000s	2013 $000s
Tuition services	797,557	666,817
Other services	78,416	62,744
Interest - Other corporations	2,246	2,173
	878,219	731,734

6 Expenses

	Note	2014 $000s	2013 $000s
(a) Finance costs			
Bank loans and overdrafts		8,484	9,763
(b) Depreciation and amortisation			
Depreciation	13	24,593	15,492
Amortisation			
Licences		144	258
Copyrights		605	605
Total amortisation	14	749	863
		25,342	16,355
(c) Lease payments			
Minimum lease payments – operating lease		43,912	42,987
(d) Employee benefits expense			
Employee benefits		303,455	247,725
Post employment benefits		19,230	16,579
		322,685	264,304

6 Expenses (continued)

	Note	2014 $000s	2013 $000s
(e) Losses and gains			
Impairment of goodwill	14	30,448	-
Net (gain)/loss on disposal of property, plant and equipment		(45)	(176)
Foreign exchange (gain)/loss		(1,015)	1,143
		29,388	967

7 Income tax

(a) Income tax expense

The major components of income tax expense are:

	2014 $000s	2013 $000s
Income tax recognised in profit or loss		
Current income Tax		
Current income tax charge	(37,360)	(41,745)
Adjustments in respect of current income tax of previous years	(705)	(955)
Deferred income tax		
Relating to the origination and reversal of temporary differences	5,966	11,694
Income Tax reported in the statement of comprehensive income	(32,099)	(31,006)

7 Income tax (continued)

(b) Numerical reconciliation between aggregate tax expenses recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

	Note	2014 $000s	2013 $000s
Accounting profit before tax		82,901	106,057
At the Group's statutory income tax rate of 30%		(24,870)	(31,817)
Adjustments in respect of current income tax of previous years		(705)	(955)
Non tax deductible goodwill impairment		(9,135)	-
Effect of local tax rates not at 30%		2,611	1,766
Income Tax reported in the statement of comprehensive income		(32,099)	(31,006)

(c) Recognised tax assets and liabilities

	2014 $000s	2013 $000s
Current income tax		
Opening Balance	14,134	4,119
Charged to income	38,065	42,700
Foreign exchange movements	(100)	(487)
Payments	(39,451)	(32,198)
Closing Balance	12,648	14,134
Deferred income Tax		
Opening balance	28,275	16,856
Charged to income	5,966	11,694
Foreign exchange movements	(254)	206
Charged to equity	569	(481)
Closing balance	34,556	28,275

Deferred income tax relates to the following:

	2014 $000s	2013 $000s
Deferred tax assets		
Employee provisions	10,291	6,684
Other provisions	1,774	1,128
Lease incentives	1,485	1,855
Equity raising costs	173	294
Interest Rate Swaps	692	-
Unrealised FX losses/(gains)	2,582	2,856
Carry forward tax losses	17,271	13,923
Other temporary differences	374	1,665
	34,642	28,405
Deferred tax liabilities		
Intangible assets acquired	(86)	(130)
	34,556	28,275

7 Income tax (continued)

(d) Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the Australian wholly owned subsidiaries on a pro rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Navitas Limited.

(ii) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their "tax effected" accounting profit for the period. Allocations under the tax funding agreement are recognised on a monthly basis.

The allocation of taxes under the tax funding agreement is recognised as a change in the subsidiaries' intercompany accounts with the tax consolidated group head entity, Navitas Limited. The group has applied the separate taxpayer within group approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

8 Dividends paid and proposed

	2014 $000s	2013 $000s
(a) Recognised amounts		
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividends for 2013: 10.2 cents (2012: 10.1 cents)	38,288	37,907
Interim franked dividend for 2014: 9.4 cents (2013: 9.3 cents)	35,289	34,909
	73,577	72,816
(b) Unrecognised amounts		
Dividends proposed and not recognised as a liability		
Dividends on ordinary shares:		
Final franked dividends for 2014: 10.1 cents (2013:10.2 cents)	37,947	38,288
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30%	5,039	8,933
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	9,263	10,278
Impact on the franking account of dividends proposed before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period.	(16,263)	(16,409)
	(1,961)	2,802

(d) Tax rates

The tax rate at which dividends have been franked is 30%. Dividends proposed will be 100% franked at the rate of 30%.

9 Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2014	2013
(a) Earnings used in calculating earnings per share		
Earnings per share		
Net profit attributable to equity holders of the parent ($000s)	42,537	74,575
(b) Weighted average number of shares		
Weighted average number of ordinary shares for earnings per share (Number of shares)	375,490,701	375,355,764

10 Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(a) Reconciliation of profit for the period to net cash flows from operating activities

	2014	2013
Net profit for the period	50,802	75,051
Non cash items		
Depreciation	24,593	15,492
Amortisation	749	863
Impairment of goodwill	30,448	-
Lease incentives	133	(912)
Net (gain)/loss on disposal of property, plant and equipment	(45)	(176)
Net exchange loss/(gains)	208	(826)
Other non cash items	3	3,625
Decrease/(increase) in assets		
Trade and other receivables	(15,383)	(13,283)
Prepayments and other assets	(50)	(2,529)
Deferred tax assets	(5,837)	(11,213)
Increase/(decrease) in liabilities		
Trade and other payables	18,594	7,477
Deferred revenues	35,475	41,804
Current tax liabilities	(2,196)	10,502
Provisions	3,445	944
Net cash flows from operating activities	140,939	126,819

(b) Tuition Fees held in Tuition Protection Service Account in Australia

During 2012 the Education Services for Overseas Student Act 2000 ("ESOS Act") was amended to provide additional protection for international students studying in Australia. With effect from 1 July 2013, the Consolidated Entity is now required to maintain, in Australia, separate bank accounts for funds received from international students prior to commencement of their course (prepaid fees). As at 30 June 2014, the Consolidated Entity's Australian operations held $47.8m (FY13: $38.5m) in prepaid fees for students who had not commenced studies with the Consolidated Entity, with a corresponding amount included in deferred revenue.

These funds are held in separate bank accounts until the student commences their course, at which point the funds may be used to settle normal obligations of the Consolidated Entity. At all times, the Consolidated Entity must ensure that there are sufficient funds in these separate bank accounts to repay prepaid tuition fees to all international students, in respect of whom tuition fees have been paid and who have not yet commenced their course.

(c) Financing and investing activities

Refer to notes 16 and 22 for disclosures of financing and investing activities.

11 Trade and other receivables

	Note	2014 $000s	2013 $000s
Trade receivables		91,179	76,828
Allowance for doubtful debts		(4,571)	(3,474)
		86,608	73,354
Accrued Income		17,605	16,006
Other receivables		7,623	6,870
		111,836	96,230

(a) Allowance for doubtful debts

Movements in the allowance for doubtful debts were as follows:

	Note	2014 $000s	2013 $000s
Opening balance		3,474	2,923
Exchange differences		34	198
Charge for the year		1,063	353
Closing balance		4,571	3,474

As at 30 June, the ageing of trade receivables is as follows:

	Total	0-30 days	31-60 days	+60 days PDNI*	+60 days CI*
2014	91,179	54,909	15,319	16,380	4,571
2013	76,828	51,127	8,928	13,544	3,229

* Past due not impaired (PDNI)
Considered impaired (CI)

Receivables past due but not considered impaired are disclosed above. Each business unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Receivables considered impaired are disclosed above. Each business unit has provided for these receivables whilst actively managing their recovery.

(b) Related party receivables

Refer to note 24 for terms and conditions of related party receivables.

(c) Fair value

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

(d) Financial risks

Refer to note 22 for further disclosures on credit risk, foreign exchange and interest rate risk.

12 Other assets

	Note	2014 $000s	2013 $000s
Current			
Prepayments		15,335	13,110
Other		3,181	5,200
		18,516	18,310

13 Property, plant and equipment

(a) Reconciliation of carrying amounts at the beginning and end of period

$000s	Plant and equipment	Leasehold Improvements	Total
Gross carrying amount			
Balance at 1 July 2012	78,085	31,232	109,317
Additions	19,817	477	20,294
Disposals	(1,167)	(72)	(1,239)
Transfers	4,483	(4,483)	-
Exchange differences	1,394	3,317	4,711
Balance at 1 July 2013	102,612	30,471	133,083
Additions	25,165	183	25,348
Disposals	(7,617)	(634)	(8,251)
Transfers	(9)	9	-
Exchange differences	(405)	(173)	(578)
Closing balance at 30 June 2014	119,746	29,856	149,602
Accumulated depreciation			
Balance at 1 July 2012	(31,801)	(11,454)	(43,255)
Depreciation expense	(13,704)	(1,788)	(15,492)
Disposals	1,056	68	1,124
Transfers	(1,460)	1,460	-
Exchange differences	(393)	(1,343)	(1,736)
Balance at 1 July 2013	(46,302)	(13,057)	(59,359)
Depreciation expense	(23,186)	(1,407)	(24,593)
Disposals	7,617	634	8,251
Transfers	697	(697)	-
Exchange differences	314	153	467
Closing balance at 30 June 2014	(60,860)	(14,374)	(75,234)
Net book value			
At 1 July 2012	46,284	19,778	66,062
At 1 July 2013	56,310	17,414	73,724
At 30 June 2014	58,886	15,482	74,368

14 Intangible assets

(a) Reconciliation of carrying amounts at the beginning and end of period

$000s	Goodwill	Brand Names	Copyrights	Licences	Total
Gross Carrying amount					
Balance at 1 July 2012	294,271	136,000	15,113	2,581	447,965
Impact of foreign currency conversion (i)	11,788	-	-	-	11,788
Balance at 30 June 2013	306,059	136,000	15,113	2,581	459,753
Impact of foreign currency conversion (i)	2,167	-	-	-	2,167
Balance at 30 June 2014	308,226	136,000	15,113	2,581	461,920
Accumulated amortisation and impairment losses					
Balance at 1 July 2012	(3,733)	-	(4,067)	(1,891)	(9,691)
Amortisation expense	-	-	(605)	(258)	(863)
Balance at 30 June 2013	(3,733)	-	(4,672)	(2,149)	(10,554)
Impairment of goodwill	(30,448)	-	-	-	(30,448)
Amortisation expense	-	-	(605)	(144)	(749)
Balance at 30 June 2014	(34,181)	-	(5,277)	(2,293)	(41,751)
Net book value					
At 1 July 2012	290,538	136,000	11,046	690	438,274
At 1 July 2013	302,326	136,000	10,441	432	449,199
At 30 June 2014	274,045	136,000	9,836	288	420,169

(i) Foreign currency conversion of goodwill

Some goodwill balances are denominated in currencies other than Australian Dollars. In particular a substantial portion of goodwill associated with the purchase of the SAE Group is denominated in Euro's. These non-Australian Dollar balances are translated into Australian Dollars and fluctuate in line with foreign exchange movements.

(b) Impairment losses recognised

Subsequent to balance date Navitas announced that its wholly owned subsidiary, Sydney Institute of Business and Technology (SIBT), had reached agreement with its partner, Macquarie University (Macquarie), that from February 2016 SIBT's on campus pathway programs to students would cease. From this point on Macquarie would offer its own pathway program to students.

Accordingly, Navitas has performed a value in use calculation, using a pre tax discount rate of 11.4%, for the SIBT cash generating unit and has determined that the recoverable value is $9.0m (FY13: $32.3m). Therefore, $23.3m of goodwill recognised on the acquisition of SIBT is not recoverable, and a goodwill impairment charge of $23.3m has been recognised as at 30 June 2014.

Further impairment losses of $7.2m were recorded during the year in relation to EduGlobal China and Ausedken (AUSI) reducing the intangible balances associated with these cash generating units to nil.

14 Intangible assets (continued)

(c) Impairment testing of goodwill and indefinite life intangible assets

(i) Carrying amount of goodwill allocated to each of the cash generating units

The carrying amounts of acquired goodwill have been allocated to the following individual cash generating units, that have significant amounts of intangibles, for impairment testing as follows:

Cash generating unit (or group of units)	Carrying amount of Goodwill	
$000s	**2014**	**2013**
SAE	141,598	139,935
PEP, English and Foundation Skills	31,944	31,944
PEP, ELICOS	13,689	13,689
Sydney Institute of Business & Technology	9,047	32,332
Melbourne Institute of Business & Technology	11,738	11,738
Colleges of Business & Technology (WA)	13,089	13,089
Australian College of Applied Psychology	10,804	10,804
Queensland Institute of Business & Technology	9,980	9,980
Multiple units without significant intangibles	32,156	38,815
	274,045	302,326

(ii) Value in use calculations for SAE

The recoverable amount of SAE has been determined based on a value in use calculation using cash flow projections covering a five year period, based on bottom up financial forecasts prepared by local management and approved by SAE and Navitas Senior Executives.

The following describes each key assumption on which management has based its value in use calculation for SAE.

- The discount rate applied to pre tax cash flow projections is 12.3% (2013: 11.4%).
- Cash flows beyond the five year period are estimated using a terminal value calculated under standard valuation principles incorporating a long term growth rate of 3.5% (2013: 3.5%).
- Revenue from operations is forecast to increase as a result of increased volumes of students. This has been estimated as 8% on average over the five year forecast period. Weighted average forecast course fees have not been assumed to increase due to conservative estimates and changed country mix. Wage inflation is assumed to be in line with the long run historical average for Australia, and forecast EBITDA margins are assumed to be stable, and in line with the long run average achieved by established SAE schools.
- The impact of working capital has been assumed to increase in line with revenue growth.
- Capital investment required to run the business has been assumed based on detailed estimates for three years then at 5.5% of forecast revenues.

In addition, the cash flow projections for SAE also assumes the continued ability of existing and future students to access government funding (loans) for the purpose of obtaining a qualification from a SAE school. This includes access to Title IV funding in the USA and Fee-Help in Australia.

The implications of the key assumptions for the recoverable amount are:

- Discount rate - Management has considered the possibility that the discount rate used could increase. The recoverable amount of SAE intangible assets would only be impacted if the discount rate increased by 20% or more.
- Long term growth rate - the recoverable amount of SAE intangible assets would only be impacted if the growth rate used was lower than 1.5%.
- Forecast EBITDA for SAE would need to be 15% lower than used in the value in use model, over the five year forecast period, either due to slower than forecast revenue growth or lower EBITDA margin, to result in a recoverable amount lower than the carrying amount of SAE intangible assets.

14 Intangible assets (continued)

(c) Impairment testing of goodwill and indefinite life intangible assets

(iii) Value in use calculations for other cash generating units

The recoverable amount of these cash-generating units has been determined based on a value in use calculation using cash flow projections covering a five year period, based on financial forecasts approved by senior management.

The following describes each key assumption on which management has based its value in use calculation for the remaining cash generating units.

- The discount rate applied to pre tax cash flow projections is 11.4% (2013: 11.4%) and cash flows beyond the five year period are estimated using a terminal value calculated under standard valuation principles incorporating a growth rate of 3.5% (2013: 3.5%).

- Revenue from operations is forecast to increase due to increased volumes of students and fee growth in line with historical performance. Wage inflation is assumed to be in line with the long run historical average, and forecast EBITDA margins are assumed to be stable, and in line with the long run average achieved by the established cash generating units.

In addition, the cash flow projections for the following cash generating units, also assume that significant partnership or service delivery contracts are renewed at the end of the current fixed contract period. If the contracts are not renewed on substantially the same or similar terms and conditions then goodwill may be impaired.

Cash generating units subject to partnership or service delivery contracts with fixed term, subject to renewal	***Carrying amount of goodwill associated with each cash generating unit ($000s)***
PEP, English and Foundation Skills	31,944
Colleges of Business & Technology (WA)	13,089
Melbourne Institute of Business & Technology	11,738
Queensland Institute of Business & Technology	9,980
Multiple units without significant intangibles	13,559
	80,310

Except for loss of material contracts, there are no reasonably possible changes in key assumptions that would result in a material impairment of intangible assets for these cash generating units.

(iv) Indefinite life intangible assets

The recoverable value of the SAE Brand Name of $136m has been assessed using the same methods and assumptions as the related goodwill.

15 Trade and other payables

	Note	2014 $000s	2013 $000s
Current			
Trade payables		16,097	10,289
Other payables		84,417	69,501
Lease incentives		2,108	2,105
		102,622	81,895
Non Current			
Lease incentives		4,693	4,971

(a) Fair value

Due to the short term nature of these payables (excluding lease incentives), their carrying value is assumed to approximate their fair value.

(b) Financial Risks

Refer to note 22 for disclosures on interest rate, foreign exchange and liquidity risk.

16 Borrowings

	Note	2014 $000s	2013 $000s
At amortised cost			
Current			
Loans from other related parties		2,852	2,979
Non Current			
Bank facility		123,530	148,226

(a) Fair value

Due to the nature of these borrowings, the carrying amount of the Group's borrowings approximate their fair value.

(b) Financial Risks

Refer to note 22 for disclosures on interest rate, foreign exchange and liquidity risk.

(c) Summary of borrowing arrangements

At reporting date, the following financing facilities had been executed and were available.

	Note	2014 $000s	2013 $000s
Total facilities			
Credit facility	16	275,000	275,000
Facilities utilised at balance date			
Credit facility	16	123,530	148,226
Facilities unutilised at balance date			
Credit facility		151,470	126,774

The total utilised at 30 June was $123.530m (2013: $148.226m) drawn in Euros and Australian Dollars.

The facilities are unsecured. The weighted average effective interest rate on the facilities was 4.15% (2013: 4.22%). Further details are provided in note 22.

16 Borrowings (continued)

(e) Loans from other related parties

Refer to note 24 for terms and conditions of loans from other related parties.

17 Provisions

	Note	2014 $000s	2013 $000s
Current			
Make good		660	365
Employee benefits		4,975	3,990
		5,635	4,355
Non Current			
Make good		3,398	2,514
Employee benefits		5,843	4,549
		9,241	7,063

(a) Nature and timing of provisions

(i) Employee benefits

Refer to note 2 for the relevant accounting policy and significant estimates and assumptions applied in the measurement of this provision.

(ii) Make good

Under the terms of its lease agreements the Group must restore certain leased premises to their condition as at the commencement of the lease.

(b) Movements in make good provisions

	Note	2014 $000s	2013 $000s
At 1 July		2,879	2,502
Additions		1,179	377
At 30 June		4,058	2,879
Current		660	365
Non current		3,398	2,514

18 Issued Capital

(a) Terms and conditions of ordinary shares

Ordinary shares have no par value and have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts of paid shares held.

The company does not have a limited amount of authorised capital.

Ordinary shares entitle their holders to one vote, in person or by proxy, at a meeting of the company.

18 Issued Capital (continued)

(b) Movements in shares on issue

	Note	2014 Shares Number	2014 $000s	2013 Shares Number	2013 $000s
Movements in shares on issue					
At 1 July		375,367,918	195,375	375,318,628	195,175
Dividend reinvestment plan (i)		295,671	2,195	-	-
Employee share schemes (ii)		48,992	298	49,290	200
At 30 June		375,712,581	197,868	375,367,918	195,375

(i) Dividend reinvestment plan

During the year the Company issued 295,671 shares to a value of $2.195m in lieu of cash dividends.

(ii) Employee share schemes

During the year the Company issued 15,987 (2013: 14,503) shares to executive employees (under the terms of the executive share plan) to a value of $0.097m (2013: $0.060m) in settlement of obligations arising from the Company's ValueShare incentive scheme. These obligations were previously recognised in the Company's results for the 30 June 2013 financial year. In addition, the Company issued 33,005 (2013: 34,787) shares valued at $0.201m (2013: $0.14m) to eligible employees in lieu of salaries and wages as part of the Company's Employee Share Ownership Plan.

(c) Capital management

Refer to note 21 for further disclosures in relation to the Group's capital management activity.

19 Reserves and retained earnings

(a) Movements in retained earnings

	Note	2014 $000s	2013 $000s
Retained earnings			
At 1 July		39,966	37,986
Transfer from general reserve (i)		-	221
Profit attributable to members of the parent entity		51,584	74,575
Dividends	8	(73,577)	(72,816)
At 30 June		17,793	39,966

(i) General reserve

The general reserve was used to record amounts retained in equity as required by local laws relevant to subsidiary operations. This reserve ceased to be required in 2013.

(b) Nature and purpose of reserves

(i) Foreign Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

It is also used to record gains and losses on hedges of the net investments in foreign operations.

(ii) Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

20 Non controlling interest

Non controlling interest comprises:

	Note	2014 $000s	2013 $000s
Ordinary share capital		1,349	1,349
Foreign Currency Translation Reserves		16	(78)
Accumulated losses		(4,262)	(2,655)
		(2,897)	(1,384)

21 Capital risk management objectives and policies

When managing capital it is management's objective to maximize the returns to shareholders as measured by Economic Value Added (EVA®), whilst also ensuring that the entity continues to operate as a going concern.

EVA measures the profits earned by the business after charging for the funds invested by both lenders and shareholders. Accordingly management aims to maintain a capital structure that ensures the lowest cost of capital for the Group, and maximizes returns to shareholders from their capital investment.

Management are regularly reviewing capital structure to ensure that the Group takes advantage of favourable costs of capital. As the market is constantly changing, management will: actively review the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, and initiate on market share buy backs, and drawdown on/repay bank borrowings to ensure that capital is managed appropriately.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents, and equity attributable to equity holders of the parent (comprising issued capital, reserves and retained earnings as disclosed in note 18 and 19). The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Group's operations as well as make routine outflows of tax, dividends and repayment of maturing debt.

The group's policy is to borrow centrally, using a variety of currencies, to meet anticipated funding requirements.

Management monitors capital through the combination of leverage ratio (market value of net debt/total market value of capital) and return on capital employed. The Group's target leverage ratio is 10%. Under certain circumstances the actual ratio will be higher or lower than the target, in which case, capital will be managed towards the target.

The Group's leverage ratios at 30 June 2014 and 2013 were as follows:

	Note	2014 $000s	2013 $000s
Total borrowings		126,382	151,205
Less cash and cash equivalents		(71,886)	(56,332)
Net debt		54,496	94,873
Market Capitalisation		2,678,830	2,165,873
Market value of capital		2,733,326	2,260,746
Leverage ratio		2.0%	4.2%

The leverage ratio at balance date is lower than the average over the financial year as this is the annual low for net debt. Seasonality is driven by the timing of key student enrolment periods.

Management's target for return on capital employed is a minimum return in excess of the Group's weighted average cost of capital (WACC). For 2014, the Group's WACC was approximately 8% (2013: 8%). Returns on capital employed were 19.9% (2013: 19.0%) from continuing operations; well above the Group's WACC.

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22 Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans, cash and cash equivalents and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's Treasury policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group may enter into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the potential interest rate and currency risks arising from the Group's operations and its sources of finance. Trading in derivatives may also be undertaken, specifically in forward currency contracts. These derivatives provide economic hedges, but do not qualify for hedge accounting and are based on limits approved by the Audit and Risk Committee.

The main risks that may arise from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of potential exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange rates. Where material, ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts and maintenance of appropriate credit facilities.

The Audit and Risk Committee periodically reviews and approves the policies for managing each of these risks as summarised below.

Risk exposures and responses

(a) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long term borrowing obligations with a floating interest rate. The level of debt is disclosed in note 16. The Groups debt facilities allow borrowings in multiple foreign currencies, accordingly, interest-bearing loans of the Group currently range from 1.6% to 4.9%.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt, and that between 25% and 75% of core borrowings must be at fixed rates of interest. Core borrowings is defined as the lowest level of borrowings forecast in the Group's forward projections.

In the absence of fixed rate debt the Group's policy allows for the use of interest rate swaps, collars and caps. Where the Group enters into fixed rate debt it is understood that this creates a fair value exposure as a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes.

The Group has entered into interest rate swap contracts, in order to protect against rising interest rates, under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 104% (2013: 85%) of the principal outstanding at reporting date and are timed to expire at the renewal dates of each loan.

For the 2013 and 2014 financial years the Group had Euro interest swaps at 2.08% maturing in February 2014 outstanding.

During the 2014 year the Group entered into the following new swaps:

- Euro interest swaps at 0.71% maturing in February 2018.
- AUD interest swaps at 3.49% maturing in February 2018.

22 Financial risk management objectives and policies (continued)

The interest rate swaps require settlement of net interest receivable or payable each month. The settlement dates coincide with the dates on which interest is payable on the underlying debt. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit or loss when the interest expense is recognised.

In addition, for the floating portion of the Group's EUR loan, representing 25% of the total EUR borrowing, the Group entered into a Cross Currency Basis Swap. A Cross Currency Basis Swap is essentially a funding instrument that can be used to achieve a lower floating rate of fixed rate funding cost and it is not a trading instrument. The Cross Currency Basis Swap reduced the margin that the Group pays on its floating Euro exposure.

Similarly to an interest rate swap, there is a net interest receivable or payable each month. The settlement dates coincide with the dates on which interest is payable on the underlying debt. This instrument does not satisfy the requirements for hedge accounting. All movements in fair value are recognised in profit or loss in the period they occur. This matured in February 2014.

The fair value of interest rate swap contracts – cash flow hedges, is as follows

	Note	2014 $000s	2013 $000s
Current Liabilities - payables			
Interest rate swap contracts - cash flow hedges		2,307	-

Interest rate swap contracts are exposed to fair value movements if interest rates change. Under these contracts the group is committed to $1.467m (2013: $1.630m) interest expense within 12 months, $1.467m (2013: $0.768m) interest expense between 1 year and 2 years, and $2.335m (2013: $2.018m) interest expense between 2 years and 5 years, on $129.0m (2013: $126.7m) of notional debt (at rates as per above).

At reporting date the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	Note	2014 $000s	2013 $000s
Financial Assets			
Cash and cash equivalents		71,886	56,332
Financial Liabilities			
Bank borrowings		-	(21,500)
Net exposure		71,886	34,832

At the 30 June 2014 the Group had bank debt of $nil (2013:$ 21.5m) at floating rates, and $123.530m (2013:$ 126.726m) at fixed rates (via swap).

At 30 June 2014 the face value of interest rate swaps, collars and caps held was $129.030m (2013: $126.726m).

22 Financial risk management objectives and policies (continued)

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

(i) Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	2014 $000s	2013 $000s
Judgments of reasonably possible movements		
Post tax profit and equity higher/(lower)		
+1% (100 basis points)	503	244

The movements in profit and equity are due to higher interest revenues from variable rate cash balances, and lower interest expenses on variable rate borrowings. The sensitivity is changed compared to 2013 because of an increase in cash balances due to increasing amounts held under the Australian Tuition Protection Service and no variable rate borrowings at 30 June 2014.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in different currency from the Group's presentation currency) "Transactional risk", and the Group's net investments in foreign subsidiaries "Translational risk".

(i) Transactional risk

The Group's policy is to use forward currency contracts to reduce currency exposures over a rolling 24 month horizon. Contracts are taken out where exposures are in excess of $1.25m in any single rolling 12 month period.

It is Group's policy not to enter into forward contracts until the forecast transactional exposure is considered a committed exposure, and will only enter into forward contracts within the following bands.

Current exposure (1-12 months)	between 25% and 75% of forecast transactional exposure
Non current exposure (13 - 24 months)	between 0% and 50% of forecast transactional exposure

22 Financial risk management objectives and policies (continued)

Accordingly, the Group has entered into the following forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

	2014 Maturity		2013 Maturity	
	<1 year $000s	1 - 2 years $000s	<1 year $000s	1 - 2 years $000s
Sell GBP - Buy AUD				
Notional Amounts	8,078	3,934	4,164	2,682
Average exchange rate	0.5570	0.5339	0.6245	0.5965
Sell CAD - Buy AUD				
Notional Amounts	5,372	2,186	6,182	3,390
Average exchange rate	0.968	0.9148	0.9706	0.9439
Sell SGD – Buy AUD				
Notional Amounts	5,720	2,331	4,571	2,533
Average exchange rate	1.1363	1.0727	1.2031	1.1844
Sell CHF – Buy AUD				
Notional Amounts	653	268	702	-
Average exchange rate	0.7655	0.7451	0.8547	-
Sell EUR – Buy AUD				
Notional Amounts	6,208	3,561	6,012	2,728
Average exchange rate	0.6847	0.6318	0.7485	0.7332
Sell USD – Buy AUD				
Notional Amounts	-	-	409	-
Average exchange rate	-	-	0.9780	-
Buy CNY - Sell AUD				
Notional Amounts	-	-	(1,283)	-
Average exchange rate	-	-	6.2346	-
Buy INR - Sell AUD				
Notional Amounts	-	(346)	(1,120)	(346)
Average exchange rate	-	57.82	55.80	57.82

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value gain on foreign currency derivatives during the year was $0.764m (2013: loss $1.531m) for the Group.

The Group's has forward currency contracts held for trading that are subject to fair value movements through profit and loss as foreign exchange rates move and are fair valued as below at year end.

	Note	2014 $000s	2013 $000s
Current Assets - receivables			
Forward currency contracts – held for trading		747	172
Current Liabilities - payables			
Forward currency contracts – held for trading		201	1,610

(ii) *Translational risk*

The Group's policy is to hedge its exposure to fluctuations on the translational of its foreign operations by holding net borrowings in foreign currencies, where the unhedged exposure exceeds $10.0m. This is currently limited to the Group's Euro and USD exposures.

22 Financial risk management objectives and policies (continued)

(b) Foreign currency risk

(iii) Sensitivity analysis

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 30 June 2014, if exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	2014		2013	
	+5%	-10%	+5%	-10%
	$000s	$000s	$000s	$000s
Judgments of reasonably possible movements				
Post tax profit and equityhigher/(lower)				
AUD/CNY	(125)	250	20	275
AUD/INR	(17)	37	(71)	157
AUD/EUR	432	(982)	(43)	(1,376)
AUD/USD	(280)	561	(163)	255
AUD/CAD	679	(1,437)	623	(1,585)
AUD/GBP	481	(1,095)	45	(703)
AUD/SGD	442	(1,129)	184	(1,255)

The movements in profit and equity in 2014 compared to 2013 have not been significant as net foreign currency earnings, after hedging, have not changed significantly.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, other financial assets and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group is not exposed to significant credit risk due to the nature of revenue which is generally received in advance of the service being provided. The maximum exposure to credit risk is the net carrying amount of receivables.

In situations where revenues are not provided in advance of service, the Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

For derivative financial instruments with unrealised gains, credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. Management have established a policy that ensures that the Group only deals with counterparties that have a published credit rating and that exposure to individual counterparties is weighted based on the level of rating achieved.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

22 Financial risk management objectives and policies (continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of operating cash flows and committed available credit facilities.

During the 2014 financial year, the group renegotiated its banking facilities as follows:

- One facility, for $25m ending June 2014 was extended until June 2015
- One facility, for $15m ending June 2014 was extended until June 2015
- Two facilities, for $7.5m ending June 2014 were extended until June 2015.

The current maturity profile is as follows:

	<1 year $000s	1-3 years $000s	3-5 years $000s	Total $000s
Facility 1	25,000	-	-	25,000
Facility 2	15,000	55,000	55,000	125,000
Facility 3	7,500	27,500	27,500	62,500
Facility 4	7,500	27,500	27,500	62,500
	55,000	110,000	110,000	275,000

At 30 June 2014 $123.530m of the facility had been utilised (2013: $148.226m). Cash flows from operations for 2014 were $140.9m (2013: $126.8m).

The Group's policy is that no more than 50% of credit facilities should mature within the following 12 months. At 30 June 2014, 20% (2013: 20%) of the Group's credit facilities will mature within the following 12 months.

(i) Contractual maturities

2014	<3 months $000s	3 months to a year $000s	1 – 5 years $000s	Total $000s
Financial assets				
Cash and cash equivalents	71,886	-	-	71,886
Trade and other receivables	104,213	7,623	-	111,836
Foreign exchange derivatives	63	243	441	747
	176,162	7,866	441	184,469
Financial liabilities				
Trade and other payables	16,097	84,417	-	100,514
Borrowings	-	2,852	123,530	126,382
Interest rate derivatives	368	1,104	4,222	5,694
Foreign exchange derivatives	132	69	-	201
	16,597	88,442	127,752	232,791
Net maturity	159,565	(80,576)	(127,311)	(48,322)

22 Financial risk management objectives and policies (continued)

(d) Liquidity risk

(i) Contractual maturities (continued)

2013	<3 months $000s	3 months to a year $000s	1 – 5 years $000s	Total $000s
Financial assets				
Cash and cash equivalents	56,332	-	-	56,332
Trade and other receivables	89,360	6,870	-	96,230
Foreign exchange derivatives	43	123	6	172
	145,735	6,993	6	152,734
Financial liabilities				
Trade and other payables	10,289	69,501	-	79,790
Borrowings	-	2,979	148,226	151,205
Interest rate derivatives	1,561	4,683	15,836	22,080
Foreign exchange derivatives	244	881	485	1,610
	12,094	78,044	164,547	254,685
Net maturity	133,641	(71,051)	(164,541)	(101,951)

The Group has entered into financial guarantee contracts as disclosed in note 23b. In the event of default these are at call. Default is considered remote and the Group expect that no payment will be required in the foreseeable future.

The tables above reflect all contractually fixed settlement, repayments, receivables and interest resulting from recognised financial liabilities and assets, including derivative financial instruments, as of 30 June 2014. For derivative financial instruments the gross cash settlement is presented where gross settlement occurs and the net cash settlement is presented where net settlement occurs. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities are based on the earliest possible date for on which the Group can be required to pay. Cash flows for financial assets are based on the terms and conditions existing at the balance sheet date.

Management manages this liquidity risk by the maintenance of appropriate unutilised credit facilities and continued operation of the business as a going concern generating operating cash flows. Whilst operating as a going concern, the material business units of the Group receive operating cash flows prior to the provision of the service. At 30 June 2014, the Group had recognised deferred revenue of $258.401m (2013: $222.700m), representing cash receipted by the Group for which tuition services had yet to be provided. Management have utilised these cash receipts to reduce debt, return capital to shareholders, and to purchase investments. At 30 June 2014, the Group had $123.530m bank debt (2013: $148.226m) and had unutilised credit facilities of $151.470m available (2013: $126.774m). Management is confident this is sufficient to cover any liquidity risk exposure at 30 June.

22 Financial risk management objectives and policies (continued)

(e) Fair value

The fair value of the Group's financial assets and liabilities are determined on the following basis.

Financial Assets and Financial Liabilities that are measured at fair value on a recurring basis

Subsequent to initial recognition, at fair value financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets of liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has derivative financial assets and liabilities which are classified as level 2 fair value measurements. There were no transfers between level 1 and 2 in the current or prior period.

These level 2 financial assets and liabilities include:

- foreign exchange derivative assets of $0.546m (Jun 13: liabilities of $1.438m) that are valued using discounted cash flow techniques. Under this technique future cash flows are estimated based on forward exchange contract rates (from observable forward exchange contract rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the counterparties
- interest rate swap liabilities of $2.307m (Jun 13: $0.001m) that are valued using discounted cash flow techniques. Under this technique future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparties

In neither case are there significant unobservable inputs.

The Group has no significant financial assets and liabilities grouped as level 1 or level 3 fair value measurements.

Financial Assets and Financial Liabilities that are not measured at fair value on a recurring basis (but wherefair value disclosures are required)

At balance date, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

23 Commitments and contingencies

(a) Leasing

(i) Operating leases- Group as lessee

The Group has entered into commercial leases on certain premises. These leases have an average life of between 3 and 10 years with options to renew in some cases. There are no restrictions placed upon the lessee by entering into these leases.

	2014 $000s	2013 $000s
Future minimum rentals payable		
Within one year	48,396	46,622
After one year but not more than five years	113,556	121,385
More than five years	36,606	44,690
	198,558	212,697

In respect of non-cancellable operating leases the following liabilities have been recognised:

	2014 $000s	2013 $000s
Lease incentives		
Current	2,108	2,105
Non Current	4,693	4,971
	6,801	7,076

(b) Guarantees

The Group has entered into lease rental guarantees with a face value of $20.658m (2013: $19.373m) and performance guarantees with a face value of $65.052m (2013: $55.714m). The fair value of the guarantees has been assessed as nil based on underlying performance of the entities subject to the guarantees.

(c) Contingent Liabilities

A UK subsidiary of Navitas is currently in dispute with HM Revenue & Customs in the UK as to whether the subsidiary provides exempt education for the purposes of UK VAT. The matter has been heard by the First-Tier Tribunal (Tax and Chancery Chamber) and the Tribunal ruled in Navitas' favour.

HM Revenue & Customs subsequently sought leave from the First-Tier Tribunal to appeal this decision. This initial request to the First-Tier Tribunal was rejected, although HM Revenue & Customs was granted specific leave to seek permission to appeal to the Upper Tribunal (Tax and Chancery Chamber). HM Revenue & Customs applied for permission to appeal to the Upper Tribunal on 30 June 2014 and on 23 July 2014 this was refused. HM Revenue & Customs may now apply, by 6 August 2014, for this decision to be reconsidered at an oral hearing in September or October 2014.

The directors believe that there are good prospects that the appeal will be rejected. Should the appeal not be rejected and the ruling overturned in favour of HM Revenue & Customs the Group faces a potential VAT liability. As at 30 June 2014 the best estimate of such a liability is $2.5m, with a total potential reduction in profits after tax of $2.0m.

24 Related party disclosures

(a) Equity interests in related parties

The consolidated financial statements include the financial statements of Navitas Limited and the controlled entities listed in the following table. All are owned 100% except as indicated.

Country of incorporation
Name

Australia

ACL Pty Ltd*
Australian Campus Network Pty Limited*
Australian College of Applied Psychology Pty. Limited*
Australian College of English Pty Ltd*
Cadre Design Pty. Limited
Colleges of Business & Technology (NSW) Pty Ltd*
Colleges of Business and Technology (WA) Pty Ltd*
Cytech Intersearch Pty Limited*
Educational Enterprises Australia Pty. Ltd.*
Educational Services Pty Ltd*
EduGlobal Australia Pty Ltd (55%)
EduGlobal Pty Ltd*
Hawthorn Learning Pty Limited*
Health Skills Australia Pty Ltd*
IBT (Canada) Pty Limited*
IBT (Sydney) Pty Limited*
IBT Education Pty Ltd*
IBT Finance Pty Limited*
Institutes of Business and Technology (UK) Pty Ltd*
Learning Information Systems Pty Limited (85%)
LM Training Specialists Pty. Ltd.*
Melbourne Institute of Business and Technology Pty Ltd*
Navitas America Pty Ltd*
Navitas Bundoora Pty Ltd*
Navitas College of Health Pty Ltd*
Navitas College of Public Safety Pty Ltd
Navitas English Pty Limited*
Navitas English Services Pty Limited*
Navitas Professional Pty Ltd*
Navitas Professional Training Pty Ltd*
Navitas SAE Holdings Pty Ltd*
Navitas USA Pty Ltd*
Newcastle International College Pty Ltd*
Perth Institute of Business and Technology Pty Ltd*
Queensland Institute of Business & Technology Pty Ltd*
SAE Institute Pty Limited
South Australian Institute of Business and Technology Pty Ltd*
Sydney Institute of Business and Technology Pty Ltd*
The Australian Centre for Languages Pty Ltd*
The Learning Space Pty Ltd

* indicates member of the closed group

Canada

Fraser International College Limited
International College of Manitoba Limited

Germany

SAE Alumni GmbH
SAE Germany Holdings GmbH
SAE-Institute GmbH

India

Study Overseas Global Private Limited
Study Overseas India Private Limited

Netherlands

SAE Coöperatief U.A.
SAE Technology Group Holdings B.V.
SAE Netherlands B.V.

Singapore

Curtin Education Centre Pte. Ltd. (90%)
Navitas Education Centre Pte. Ltd.
Navitas Asia Holdings Pte. Ltd.
SAE Institute Pte. Ltd.

United Kingdom

Cambridge Ruskin International College Limited
Edinburgh International College Ltd
Employment Overseas Ltd.
HIBT Limited
International College Portsmouth Ltd.
International College Wales Limited
London IBT Limited
Navitas UK Holdings Limited
Plymouth Devon International College Ltd
SAE Education Limited
Study Overseas Ltd.
The International College at Robert Gordon University Ltd

24 Related party disclosures (continued)

(a) Equity interests in related parties (continued)

Country of incorporation
Name

United States

Navitas Boston LLC
Navitas Bowling Green LLC
Navitas Dartmouth LLC
Navitas Lowell LLC
Navitas USA General Partnership
Navitas USA Holdings LLC
SAE Institute Group, Inc.
SAE Institute of Technology (Atlanta) Corp.
SAE Institute of Technology (Chicago) Corp.
SAE Institute of Technology (Los Angeles) Corp.
SAE Institute of Technology (Miami) Corp.
SAE Institute of Technology (Nashville) Corp.
SAE Institute of Technology (New York) Corp.
SAE Institute of Technology (San Francisco) Corp.

Rest of World

Ausedken Limited (Kenya)
Australian College of Business and Technology (Private) Limited (Sri Lanka) (75%)
EduGlobal China Limited (Hong Kong) (55%)
Navitas SAE FZ-LLC (UAE)
PT SAE Kreatif Media (Indonesia)
SAE Eğitim Enstitüsü Limited Şirketi (Turkey)
SAE Gesellschaft für Ausbildung von Tontechnikern Gesellschaft m.b.H. (Austria)
SAE Hellados Sole Partner Ltd - Laboratory of Liberal Studies (Greece)
SAE Institute Belgium SPRL (Belgium)
SAE Institute Izobraževanje Na Področju Audio, Video In Filmske Tehnike, D.O.O., Ljubljana (Slovenia)
SAE Institute South Africa Pty Ltd (South Africa)
SAE Italia Srl. (Italy)
SAE School of Audio Engineering AG (Switzerland)
SAE Technology Group, S.L. (Spain)
School of Audio Engineering (N.Z.) Limited (New Zealand)
School of Audio Engineering France SARL (France)
School of Audio Engineering Sweden Aktiebolag (Sweden)
Study Overseas (Mauritius) Holdings Ltd (Mauritius)

(i) Entities subject to class order relief

Pursuant to ASIC Class Order 98/1418, relief has been granted to certain of the entities which are indicated above as members of the closed group ("closed group entities") from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Navitas Limited and the closed group entities entered into a Deed of Cross Guarantee on 15 June 2006, as varied from time to time. The effect of the deed is that Navitas Limited has guaranteed to pay any deficiency in the event of winding up of any closed group entity. The closed group entities have also given a similar guarantee in the event that Navitas Limited is wound up.

During the period, no entity has been:

- removed by a revocation deed contemplated by the Deed of Cross Guarantee; or
- the subject of a notice of disposal contemplated by the Deed of Cross Guarantee.

During the period, no entity obtained relief under the Class Order or a previous order at the end of the immediately preceding financial year but which was ineligible for relief in respect of the relevant financial period.

24 Related party disclosures (continued)

(b) Closed Group Disclosures

The consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of the entities which are members of the "closed group" are as follows:

(i) Consolidated statement of financial position

	Closed Group 2014 $000s	Closed Group 2013 $000s
Current Assets		
Cash	45,345	36,764
Trade and other receivables	70,590	73,933
Other	11,412	10,885
Total Current Assets	127,347	121,582
Non Current Assets		
Plant & equipment	43,110	40,301
Deferred tax assets	16,678	14,340
Intangible assets	340,206	365,048
Other financial assets	299,576	283,980
Total Non Current Assets	699,570	703,669
Total Assets	826,917	825,251
Current Liabilities		
Trade and other payables	57,816	52,555
Deferred revenue	167,221	142,651
Current tax payables	9,263	9,967
Borrowings	140,601	136,535
Provisions	4,672	4,262
Total Current Liabilities	379,573	345,970
Total Non Current Liabilities		
Trade and other payables	3,232	4,819
Borrowings	123,529	148,226
Provisions	9,521	6,691
Total Non Current Liabilities	136,282	159,736
Total Liabilities	515,855	505,706
Net Assets	311,062	319,545
Equity		
Issued capital	197,868	195,375
Reserves	(1,614)	-
Retained earnings	114,808	124,170
Total Equity	311,062	319,545

(ii) Consolidated Retained Earnings

	2014	2013
At 1 July	124,170	28,134
Profit attributable to members of the closed group	64,215	168,852
Dividends	(73,577)	(72,816)
At 30 June	114,808	124,170

24 Related party disclosures (continued)

(b) Closed Group Disclosures (continued)

(iii) Consolidated statement of profit or loss and other comprehensive income

	Closed Group 2014 $000s	Closed Group 2013 $000s
Revenue	608,074	620,591
Marketing expenses	(83,310)	(69,020)
Academic expenses	(154,450)	(123,085)
Administration expenses	(270,186)	(228,742)
Finance costs	(9,319)	(10,212)
Profit before income tax expense	**90,809**	**189,532**
Income tax expense	(26,594)	(20,680)
Profit for the year	**64,215**	**168,852**
Other comprehensive income		
Items that may be subsequently classified to profit or loss		
Fair value movements in hedge reserves	(2,307)	1,198
Income tax relating to currency translation difference	692	(359)
Other comprehensive income for the year	(1,615)	839
Total comprehensive income for the year	**62,600**	**169,691**

(c) Transactions with other related parties

(i) Transactions between the Group and its related parties

During the financial year, the following transactions occurred between the Group and its other related parties:

- Minority shareholders were repaid $227,425 (2013: $226,639).
- During the 2014 financial year, Hoperidge Advisors Pty Ltd, an entity associated with Mr Rod Jones, has entered into a contract for a sub tenancy in one of the Group's rented properties. Navitas has recorded income of $37,475 (2013: $nil) in relation to this contract. This contract is on normal terms and conditions.

The following balances arising from transactions between the Group and its other related parties are outstanding at reporting date:

- Current loans totaling $2,851,553 (2013: $2,978,954) are repayable to Mr David Shi and his related entities. Mr Shi is the Managing Director of EduGlobal China Ltd (EGC) and owns the minority shareholding of EGC not owned by Navitas Limited. Interest on the loan is charged at nil%. Repayments of $36,802 (FY13: $226,639) were made during the period.

All amounts advanced to or repayable to related parties are unsecured and are subordinate to other liabilities. The amounts outstanding will be settled in cash.

25 Key management personnel

(a) Details of key management personnel

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

(i) Directors

Harvey Collins	Non-Executive Chairman
Rod Jones	Group Chief Executive Officer and Managing Director
Peter Campbell	Non-Executive Director (resigned 15 November 2012)
Tony Cipa	Non-Executive Director (appointed 1 May 2014)
Ted Evans	Non-Executive Director
Tracey Horton	Non-Executive Director
James King	Non-Executive Director
Peter Larsen	Non-Executive Director

(ii) Executives

Members of the Navitas Leadership Team,

Lyndell Fraser	Chief Executive Officer – Professional and English Programs
Romy Hawatt	Chief Executive Officer – SAE (resigned 31 March 2014)
Neil Hitchcock	Group General Manager – IT (appointed 1 September 2013)
Bryce Houghton	Chief Financial Officer
Rob Lourey	Group General Manager - Human Resources (appointed 1 September 2013)
John Wood	Chief Executive Officer – University Programs

In the prior year key management personnel also included the following executives, from 1 July 2012 to 31 December 2012:

Tony Cullen	Group General Manager – Marketing and Sales
Hugh Hangchi	Company Secretary and Group General Counsel
Neil Hitchcock	Group General Manager – IT and Facilities
Scott Jones	Executive General Manager – Student Recruitment, Manager – SAE Integration and Liaison
Jenny Michel	Group General Manager – Human Resources (resigned 28 September 2012)
Helen Zimmerman	Executive General Manager – English

(b) Key management personnel compensation

The aggregate compensation made to key management personnel of the company and the Group is set out below:

	2014 $000s	2013 $000s
Short term benefits	5,885	4,151
Post employment benefits	204	267
Other long term benefits	154	162
	6,243	4,580

25 Key management personnel (continued)

(c) Shareholdings of key management personnel

The movement during the reporting period in the number of ordinary shares in Navitas Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

(i) Directors

	Balance at 1 July 2013	Additions	Disposals	Balance at 30 June 2013	Additions	Disposals	Balance at 30 June 2014
Harvey Collins	43,948	-	-	43,948	-	-	43,948
Rod Jones	53,582,995	-	(8,565,000)	45,017,995	-	-	45,017,995
Peter Campbell (1)	19,053,512	-	-	-	-	-	-
Tony Cipa (2)	-	-	-	-	-	-	-
Ted Evans	60,000	-	-	60,000	-	-	60,000
Tracey Horton	-	-	-	-	-	-	-
James King	50,000	-	-	50,000	-	-	50,000
Peter Larsen	28,727,357	-	-	28,727,357	-	(5,293,747)	23,433,610
	101,517,812	-	(8,565,000)	73,899,300	-	(5,293,747)	68,605,553

(1) Resigned 15 November 2012. Disclosed shareholding is nil as Mr Campbell is not a Director at the end of the financial year
(2) Appointed 1 May 2014.

(ii) Executives

	Balance at 1 July 2013	Additions	Disposals	Balance at 30 June 2013	Additions	Disposals	Balance at 30 June 2014
Lyndell Fraser	48,083	4,393	-	52,476	161		52,637
Romy Hawatt (3)	-	-	-	-	-	-	-
Neil Hitchcock (4), (5)	144,475	-	-	-	161	-	103,161
Bryce Houghton	127,553	-	(30,544)	97,009	-	(10,000)	87,009
Rob Lourey (5)	-	-	-	-	1,334	-	1,334
John Wood	112,915	9,245	-	122,160	161	-	122,321
Tony Cullen (4)	95,911	-	-	-	-	-	-
Hugh Hangchi (4)	85,962	-	-	-	-	-	-
Scott Jones (4)	2,609,976	-	-	-	-	-	-
Jenny Michel (6)	40,724	-	-	-	-	-	-
Helen Zimmerman (4)	30,758	-	-	-	-	-	-
	3,296,357	13,638	(30,544)	271,645	1,817	(10,000)	366,462

(3) Resigned 31 March 2014
(4) Ceased to be a key management person in the 2013 financial year, effective 31 December 2013. Disclosed shareholdings are nil as the executives are not key management person at the end of the 2013 financial year
(5) Appointed to the Navitas Leadership Team effective 1 September 2013. Mr Hitchcock's balance at appointment was 103,000.
(6) Resigned 28 September 2012. Disclosed shareholdings are nil as the executives are not key management person at the end of the 2013 financial year

26 Parent Entity Disclosures

a) Financial Information

	Parent 2014 $	2013 $
Current Assets	66,001	37,788
Total Assets	641,630	540,481
Current Liabilities	238,152	210,119
Total Liabilities	362,268	340,953
Share holders Equity		
Issued capital	197,868	195,375
Reserves	(1,614)	-
Retained earnings	83,108	4,153
Total Equity	279,362	199,528
Profit for the year	152,531	65,645
Total comprehensive income	150,916	66,484

b) Guarantees

Cross guarantees have been provided by Navitas Limited and its controlled entities as listed in note 23. The fair value of the cross guarantee has been assessed as $nil based on the underlying performance of the entities in the closed group.

27 Auditor's remuneration

The auditor of Navitas Limited is Deloitte Touche Tohmatsu.

	2014 $	2013 $
Audit services		
Auditor of the Company		
Deloitte Touche Tohmatsu (Australia)		
Audit and review of financial reports	298,000	289,000
Other regulatory audit services	7,400	7,150
Overseas Deloitte Touche Tohmatsu firms		
Audit and review of financial reports	459,000	453,000
Other regulatory audit services	11,400	
	775,800	749,150
Other Auditor		
Audit and review of financial reports	-	-
Other services		
Auditor of the Company		
Deloitte Touche Tohmatsu (Australia)		
Other – consulting services	-	54,500
Other – tax services	12,500	-
	788,300	803,650

28 Events after balance sheet date

On 9 July 2014 Navitas announced that its wholly owned subsidiary, Sydney Institute of Business and Technology (SIBT), had reached agreement with its partner, Macquarie University (Macquarie), that from February 2016 SIBT's on campus pathway programs to students would cease. From this point on Macquarie would offer its own pathway program to students.

Accordingly, Navitas considers that $23.3m of goodwill recognised on the acquisition of SIBT is not recoverable, and therefore there has been a goodwill impairment charge of $23.3m recognised at 30 June 2014. The carrying value of SIBT goodwill is now $9.0m.

On 14 July 2014, Navitas' wholly owned USA subsidiary SAE Institute Group Inc completed the acquisition of Ex'Pression College, a California based creative media college, for US$13m.

In addition, subsequent to balance sheet date, the directors of the Company declared a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of dividend is $37.947m, which represents a fully franked dividend of 10.1 cents per share. The dividend has not been provided for in the 30 June 2014 financial statements.

Directors' Report

Your Directors submit their report for the year ended 30 June 2014.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Harvey Collins BBus, FCPA, SFFin, FAICD
Non-Executive Chairman
Appointed 9 November 2004

Mr Collins has extensive executive and board experience in a range of industries. From 1986 to 1996 he held senior management roles in Western Australian regional bank, Challenge Bank Limited, including five years as Chief Financial Officer. From 1997 to 2002, he was an executive director of listed investment company, Chieftain Securities Limited. From May 2009 to September 2012, he was the non-executive Chairman of Bank of Western Australia Limited (Bankwest). From February 2004 to 30 June 2013, he was a non-executive director (Deputy Chairman) of Verve Energy (Electricity Generation Corporation). Mr Collins has held board appointments in industries as diverse as financial services, health insurance, telecommunications, equipment hire, mining services, franchising and electricity. He is a past member of the WA State Council of the Australian Institute of Company Directors and has recently been appointed to the ASIC Directors Advisory Panel.

During the past three years, Mr Collins has not served as a director of any other listed companies.

Rod Jones BComm, DEd (Hon) ECowan, MAICD
Group Chief Executive Officer and Managing Director
Appointed 18 June 2004

Mr Jones has 30 years experience in educational administration and has held a number of senior administrative positions within the Government and the private education sectors. His background covers both secondary and university education including being Deputy Director of the Tertiary Institutions Service Centre and the Secondary Education Authority in Western Australia.

Mr Jones has been involved in international education since 1987 and is recognised as one of the leaders in the successful establishment of the sector in Australia. He is one of the co-founders of Navitas and has been instrumental in the expansion and development of the Navitas model into the various markets which it now operates.

In April 2007, Mr Jones received an honorary Doctor of Education from Edith Cowan University in recognition of his outstanding contribution to the development of the international education sector both in Australia and overseas, and in 2008 was awarded Australian Ernst and Young Entrepreneur of the Year. In 2010, Mr Jones was recognised by his colleagues with an International Education Excellence Award from the International Education Association of Australia for his leadership in the field of international education.

Mr Jones is a councillor for the Australian Business Arts Foundation and is a member of the Business Council of Australia. Mr Jones is also a supporter of the West Australian Ballet and the Art Gallery of WA.

During the past three years, Mr Jones has not served as a director of any other listed companies.

Tony Cipa BBus, Grad Dip Accounting, CPA
Non-Executive Director
Appointed 1 May 2014

Mr Cipa has extensive international business and finance experience including his roles as CFO and Executive Finance Director for CSL, the ASX listed international biopharmaceutical company.

During his time leading the finance function of CSL the company grew from a previously government owned business to a global market leader with over 20 international locations including the USA, UK, Canada and Germany. Mr Cipa was CFO from 1994 to 2000 then served as Executive Finance Director on CSL’s Board of Directors from 2000 to 2010.

Mr Cipa is currently the Chairman of the Audit and Risk Committee and a Non-Executive Director of ASX listed Skilled Group. He is also a Non-Executive Director at Mansfield District Hospital.

During the past three years Mr Cipa has served as a director of the following other listed companies:

- Skilled Group* (from 4 April 2011)
- CSL Limited (from 24 August 2000 to 13 October 2010)

*Denotes current directorship

Ted Evans AC, BEcon (Hons), D.Uni (Grif.), D.Econ (h.c.), FAICD
Non-Executive Director
Appointed 9 November 2004

Mr Evans has extensive experience in the financial sector, having worked with the Australian Treasury from 1969 to 2001, including as Secretary to the Treasury from 1993 to 2001. From 1976 to 1979 he was a member of the Australian Permanent Delegation to the OECD in Paris and, from 1989 to 1993, executive director on the board of the International Monetary Fund, representing Australia and a number of other countries, mainly in the Asia Pacific region. He was a director of the Reserve Bank of Australia from 1993 to 2001 and the Commonwealth Bank of Australia from 1993 to 1996.

During the past three years, Mr Evans has also served as a director of the following other listed companies:

- Westpac Banking Corporation (from 5 November 2001 to 15 December 2011) and as Chairman from April 2007 to December 2011.

Tracey Horton BEcon (Hons) UWA, MBA Stan, Prof Emer, AICD
Non-Executive Director
Appointed 13 June 2012

Ms Horton has extensive international business and education experience most recently as Winthrop Professor and Dean of the University of Western Australia’s Business School where she was responsible for leading more than 200 faculty and staff and around 5,000 students.

Prior to this role she completed executive or senior management roles in North America with Bain & Company and across Australia with Poynton and Partners and the Reserve Bank of Australia.

Ms Horton has significant governance experience currently serving on a number of Boards including ASX listed Skilled Group and Automotive Holdings Group. Ms Horton is the Chairman of Presbyterian Ladies College and Perth Fashion Concepts Incorporated and President of the Chamber of Commerce and Industry (WA). Ms Horton is also a member of the Australian Treasury Advisory Council and the Bain & Company Advisory Board.

During the past three years Ms Horton has served as a director of the following other listed companies:

- Skilled Group* (from 10 February 2011)
- Automotive Holdings Group Limited* (from 3 May 2012)

*Denotes current directorship

James King BComm, FAICD
Non-Executive Director
Appointed 9 November 2004

Mr King brings to the Board of Navitas over thirty years of management and board experience with major multinational corporations in Australia and internationally.

Until 2003, Mr King was with Foster's Group Limited and was Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Foster's in 1997, Mr King was President of Kraft Foods (Asia Pacific) and resided in Hong Kong for six years from 1991.

Mr King is currently a non-executive director of JB Hi-Fi Limited and Pacific Brands Limited. He was previously on the board of The Trust Company Limited, the Council of Xavier College Melbourne and was also Chairman of the Juvenile Diabetes Research Foundation (Vic).

Mr King is a Fellow of the Australian Institute of Company Directors, and is the current Captain of Royal Melbourne Golf Club.

During the past three years, Mr King has served as a director of the following other listed companies:

- JB Hi-Fi Limited* (from 10 May 2004)
- Pacific Brands Limited* (from 4 September 2009)
- The Trust Company Limited (from 1 February 2007 to 18 December 2013)

*Denotes current directorship

Dr Peter Larsen AAP, B AppSc, BEd, MEd, PhD, DEd (Hon)
Non-Executive Director
Appointed 18 June 2004

Dr Larsen has been a professional educator for in excess of thirty-five years. He has been a teacher, head of department, Principal and Executive Director. He has worked in both the government and private education sectors. His fields of academic expertise are mathematics, mathematics education and educational measurement. He is one of the co-founders of the Navitas group of colleges. Dr Larsen developed the original academic framework within which Navitas pathway colleges now operate.

In March 2008 Dr Larsen was awarded an honorary Doctor of Education from Edith Cowan University for his founding role in increasing participation rates in higher education for national and international students.

During the past three years, Dr Larsen has not served as a director of any other listed companies.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of Navitas Limited were:

Directors	Ordinary shares held
Harvey Collins	43,948
Rod Jones	45,017,995
Tony Cipa*	-
Ted Evans	60,000
Tracey Horton	-
Jim King	50,000
Peter Larsen	23,433,610

* Appointed 1 May 2014

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year, and the number of meetings attended by each Director, were as follows:

	Directors' meetings		Meetings of Committees: Audit and Risk		Meetings of Committees: People and Remuneration	
	Number of meetings held while a director	attended	Number of meetings held while a committee member	attended	Number of meetings held while a committee member	attended
Harvey Collins	8	8	5	4	3	3
Rod Jones	8	8	-	-	-	-
Tony Cipa *	2	2	1	1	-	-
Ted Evans	8	8	5	5	3	3
Tracey Horton	8	8	-	-	3	3
James King	8	8	5	5	-	-
Peter Larsen	8	8	-	-	-	-

* Appointed to the Board on 1 May 2014 and to the Audit and Risk Committee on 11 June 2014

All Directors were eligible to attend all meetings held, unless specified.

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee and a People and Remuneration Committee.

Members acting on the committees of the board during the year were:

Audit and Risk		People and Remuneration	
James King	(Chairman)	Ted Evans	(Chairman)
Harvey Collins		Harvey Collins	
Ted Evans		Tracey Horton	
Tony Cipa*			

* appointed to the Audit and Risk Committee on 11 June 2014

Indemnification and insurance of directors and officers

The Company has made an agreement to indemnify all the Directors against any liability incurred by that Director in his capacity as a director of the Company or a subsidiary of the Company. The agreement provides for the Company to pay an amount to indemnify directors only to the extent:

a) the Company is not precluded by law from indemnifying the Directors; and
b) for the amount that the Director is not otherwise entitled to be indemnified and is not actually indemnified by another person (including a related body corporate or an insurer).

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Navitas Limited against any of the following liabilities incurred by the Director as a director, namely:

a) any liability which does not arise out of conduct involving:
   (i) a wilful breach of duty in relation to the Company; and
   (ii) a contravention of section 182 or section 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001; and
b) any liability for costs and expenses incurred by the Director in defending proceedings, whether civil or criminal, whatever their outcome, and without the qualifications set out in clause (a) above.

The total amount of insurance contract premiums paid is $148,542.

Company secretary

Hugh Hangchi, LLB, BComm, GAICD
Appointed 27 April 2005

Mr Hangchi is a practising lawyer and has experience in providing advice to directors of listed and unlisted public companies in relation to directors' duties, the Corporations Act, the Listing Rules and corporate governance.

Prior to joining the company, Mr Hangchi was a senior associate at a national law firm where he specialised in capital raisings, mergers and acquisitions and regulated takeovers. He has also worked as a solicitor with the Australian Securities and Investments Commission.

Corporate information

Corporate structure

Navitas Limited is a company limited by shares that is registered and domiciled in Australia. Navitas Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as listed in note 24 of the financial statements.

Nature of operations and principal activities

The principal activities during the financial year of the Group were of the provision of educational services to domestic and overseas students. There have been no significant changes in the nature of those activities during the year.

Operating and financial review

A review of the consolidated entities' operations and financial performance has been provided for on pages 2 to 18.

Dividends

	Cents	$000s
Final dividends recommended		
- on ordinary shares	10.1	37,947
Interim dividends paid during the year		
- on ordinary shares	9.4	35,289
Final for 2013 shown as recommended in the 2013 report		
- on ordinary shares	10.2	38,288

Significant changes in the state of affairs

There has been no significant change in the state of affairs of the Company.

Significant events after the balance sheet date

On 9 July 2014 Navitas announced that its wholly owned subsidiary, Sydney Institute of Business and Technology Pty Ltd (SIBT), had reached agreement with its partner, Macquarie University (Macquarie), that from February 2016 SIBT's on campus pathway programs to students would cease. From this point on Macquarie would offer its own pathway program to students.

Accordingly, Navitas considers that $23.3m of goodwill recognised on the acquisition of SIBT is not recoverable, and therefore there has been a goodwill impairment charge of $23.3m recognised at 30 June 2014. The carrying value of SIBT goodwill is now $9.0m.

On 14 July 2014, Navitas' wholly owned USA subsidiary SAE Institute Group Inc completed the acquisition of Ex'Pression College, a California based creative media college, for US$13m.

In addition, subsequent to balance sheet date, the directors of the Company declared a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of dividend is $37.947m, which represents a fully franked dividend of 10.1 cents per share. The dividend has not been provided for in the 30 June 2014 financial statements.

Future developments

Likely developments in, and expected results of the operations of the Group in subsequent years are referred to elsewhere in this report, particularly on pages 2 to 18. In the opinion of the directors, further information on those matters could prejudice the interests of the company and the Group and has therefore not been included in this report.

Environmental regulation and performance

The Group's operations are not subject to any significant environmental regulations under the government legislation of the countries it operates in. The board believes that the consolidated entity has adequate systems in place for the monitoring of environmental regulations and is not aware of any such regulations that apply to the consolidated entity.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Non audit services

Details of the amounts paid to the auditor of the Company, Deloitte Touche Tohmatsu, and its related practices for audit and non audit services provided during the year are set out in note 27.

Auditor's independence declaration

The auditor's independence declaration is set on page 116 and forms part of the directors' report for the financial year ended 30 June 2014.

Remuneration report

This report outlines the remuneration arrangements in place for the key management personnel (directors and executives) of Navitas Limited (the company).

The following were key management personnel at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Harvey Collins	Non-Executive Chairman
Rod Jones	Group Chief Executive Officer and Managing Director
Peter Campbell	Non-Executive Director (retired 15 November 2012)
Tony Cipa	Non-Executive Director (appointed 1 May 2014)
Ted Evans	Non-Executive Director
Tracey Horton	Non-Executive Director
James King	Non-Executive Director
Peter Larsen	Non-Executive Director

(ii) Executives

Members of the Navitas Leadership Team,

Lyndell Fraser	Chief Executive Officer – Professional and English Programs
Romy Hawatt	Chief Executive Officer – SAE (resigned 31 March 2014)
Neil Hitchcock	Group General Manager – IT (appointed 1 September 2013)
Bryce Houghton	Chief Financial Officer
Rob Lourey	Group General Manager - Human Resources (appointed 1 September 2013)
John Wood	Chief Executive Officer – University Programs

In the prior year key management personnel also included the following executives, from 1 July 2012 to 31 December 2012.

Tony Cullen	Group General Manager – Marketing and Sales
Hugh Hangchi	Company Secretary and Group General Counsel
Neil Hitchcock	Group General Manager – IT and Facilities
Scott Jones	Executive General Manager – Student Recruitment, Manager – SAE Integration and Liaison
Jenny Michel	Group General Manager – Human Resources (resigned 28 September 2012)
Helen Zimmerman	Executive General Manager – English

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to Shareholder value;
- Have a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks;
- Mandatory requirement for senior executives of the Company to take at least 50% of all incentive payments in the form of ordinary shares in the Company (until such executives hold a beneficial interest in shares in the Company equal to the value of their fixed remuneration); and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

People and Remuneration Committee

The People and Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the Group Chief Executive Officer (Group CEO) and the senior management team

People and Remuneration Committee (continued)

The People and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Use of remuneration consultants

During the year ended 30 June 2014, the Board engaged Juno Partners to review the incentive program used throughout the Group and to make recommendations as to the incentive formula to be used to determine rewards at the Group and Divisional level for the 2015 – 2017 financial years.

This engagement involved making a remuneration recommendation to the People and Remuneration Committee that affected Key Management Personnel (KMP). The consideration payable for this engagement was $82,025, excluding GST.

During the financial year, Juno Partners also provided other services to the Navitas Group including education and advice regarding incentive structures for staff other than KMP. The total consideration payable for these other services was $41,400 excluding GST.

The Board has put in place procedures to ensure remuneration recommendations made by remuneration consultants are free from undue influence by those KMP to whom the recommendation relates. These procedures include:

- instructions for preparing remuneration recommendations are only issued to remuneration consultants by the Chairman of the People and Remuneration Committee or another non-executive director;
- the role of employees in any engagement regarding a remuneration recommendation is limited to the provision of information and opinions on current and past practices and does not include any participation in the development of recommendations;
- remuneration recommendations by remuneration consultants are made directly to the People and Remuneration Committee; and
- all remuneration recommendations made by remuneration consultants are required to include a declaration about whether the remuneration recommendation is free from undue influence by the members of the KMP to whom it relates.

With respect to remuneration recommendations made during the year and disclosed above, the procedures outlined above were adhered to and hence the Board is satisfied that the remuneration recommendations made were free of undue influence by the KMP to whom the recommendations related.

Non-executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors should be determined from time to time by a general meeting. The latest determination was made at the company's annual general meeting on 23 November 2013 where shareholders approved an aggregate remuneration of $1,100,000. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The Board considers advice from external consultants as well as fees paid to non-executive directors of comparable companies when determining the remuneration. The amount of aggregate remuneration and the manner of apportionment will be reviewed periodically, and the quantum will be subject to approval by Shareholders.

Each Director receives a fee for being a director of the Company. An additional fee is also paid for each board committee on which a Director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by Directors which serve on one or more committees.

The remuneration of key management personnel, including non-executive Directors, for the year ending 30 June 2014 is detailed on page 113.

Senior manager and executive Director remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of Shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure remuneration is competitive by market standards.

Structure

In determining the level and make up of executive remuneration, the People and Remuneration Committee considers the market levels of remuneration paid to executives of comparable companies.

Remuneration consists of the following key elements:
- Fixed Remuneration
- Variable Remuneration (ValueShare Incentive Scheme)

The proportion of fixed remuneration and variable remuneration is established for each senior manager by the People and Remuneration Committee or the Group Chief Executive Officer (as the case may be). The fixed and variable components of the remuneration of the key management personnel are detailed on page 113.

Fixed Remuneration

Objective

The level of fixed remuneration will be reviewed annually accordingly to ensure it is commensurate with Company and individual performance, as well as consistent with market rates for comparable executive roles.

Structure

Fixed remuneration can be received in a variety of forms, including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration

Summary of outcomes for 2014

While final incentive payments are subject to Board determination in September each year, at a Group level, performance during 2014 was below target. As a consequence, below target incentives are expected to be declared for corporate staff in relation to the 2014 year.

Further, in 2012 the Company's results were well below target which resulted in a negative incentive declaration for senior staff. One third of the 2012 negative amount will be offset against the 2014 declaration in determining the final payment for corporate staff in 2014, including the Managing Director and Group CEO.

Some business units within the Group fared better and these incentive plan participants are likely to receive amounts at or above their Target Variable Pay.

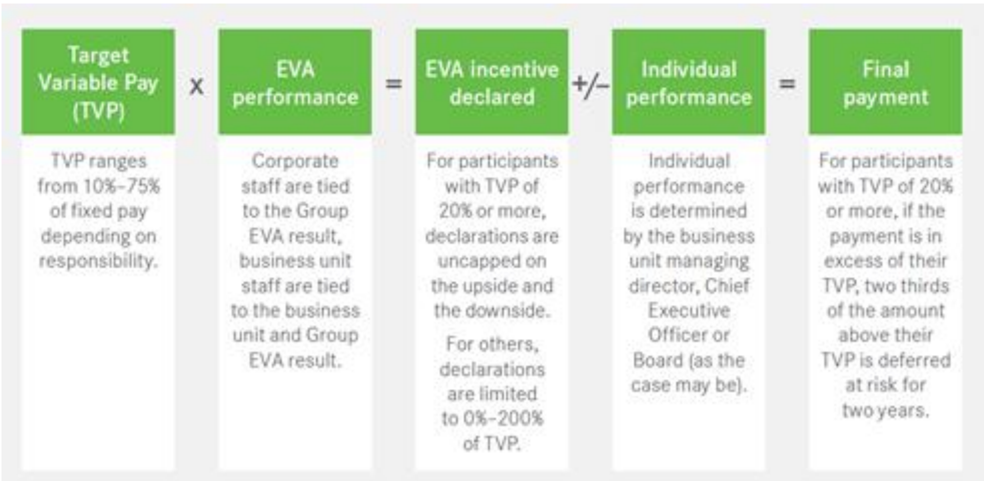
Objective

The ValueShare Incentive Scheme aims to share with participants the financial success enjoyed by the Group and in so doing, align their interests with those of shareholders. It also allows one of the largest costs – staff remuneration – to rise and fall with the performance of the business.

An important part of the Company's ongoing success is its ability to attract and retain the best talent in the education industry and in the nine years since its inception, the ValueShare Incentive Scheme has helped Navitas achieve that goal. For many of our staff, the opportunity to share in the financial success enjoyed by the business makes working at Navitas attractively different from other positions in the education sector.

Structure

The diagram below illustrates the structure of the ValueShare Incentive Scheme. Further detail is provided in the text that follows.



Captures all at-risk pay

Each participant in the ValueShare Incentive Scheme is assigned a level of Target Variable Pay (TVP) which is based on a percentage of their fixed remuneration. The Group's TVP percentages range from 5% to 75% of fixed remuneration, depending on the level of responsibility held by the participant.

It is important to note that the ValueShare Incentive Scheme comprises the entire at-risk opportunity offered to staff; Navitas does not offer any form of equity based remuneration in addition to the ValueShare Scheme, for example.

Based on shareholder value

The ValueShare Incentive Scheme is based on sustained improvements in the financial performance of the Group and its Business Units, as measured by Economic Value Added (EVA®).

EVA measures the profit the business makes above and beyond what investors could expect to earn, had their funds been invested elsewhere at similar risk. As such, it is the value created by the business for shareholders.

EVA is more demanding than other profit measures such as EPS or EBITDA as it requires a reasonable return on equity to be achieved before it becomes positive. Research by independent consultancy Juno Partners shows that only about 50% of the top 300 Australian listed businesses generate positive EVA in any one year.

The Board sets the required return for investors used to calculate EVA annually and may, at its discretion, make amendments to the statutory profit to calculate EVA.

Varies with each business' financial performance

Every three years, the Board sets growth targets for the Group and each business unit. For the 2013-2014 period, the Group's growth target, if achieved, would represent top 30% performance compared to the actual EVA growth achieved by the top 300 Australian listed companies over 2005 – 2011[1]. The three year target is then broken down into annual growth targets.

At the end of each year, after consideration of the EVA growth achieved by an individual business unit and the Group against their targets, an incentive declaration for each participant is determined.

Allows for individual recognition

30% of each participant's incentive declaration is placed in a pool and reallocated amongst business unit colleagues based on individual performance, at the discretion of the business unit managing director, Group Chief Executive Officer or Board (as the case may be).

For participants with a TVP less than 20% of fixed remuneration, payment is then made, limited to between 0% and 200% of TVP.

For senior staff, above TVP payments are deferred and can be forfeited if not sustained

For participants with a TVP of 20% or more, rewards are uncapped and any amount, positive or negative, may be declared. For these staff, amounts between $0 and their TVP are settled in the current year. Any amount outside this range is settled in three equal parts, the first in the current year and the remainder in the two that follow. Deferred amounts are added to or offset against future declarations and can be lost if the employee's participation in the scheme ends for whatever reason, or if future EVA growth falls substantially below target.

Any deferred amounts do not vest in the employee and are not paid on the termination of their employment.

For senior staff, incentive declarations can be negative

If EVA growth falls substantially below target, participants with a TVP of 20% or more can suffer a negative incentive declaration. In this instance, prior year deferred amounts can be reduced or lost altogether.

EVA® Is a registered trademark of Stern Stewart & Co.
[1] as determined by Juno Partners, an independent consultancy appointed by the Board.

Additional requirements for Executive Key Management Personnel

The aggregate of annual ValueShare Incentive Scheme payments to Executive Key Management Personnel is subject to the approval of the Board.

An additional step is taken with the aim of further strengthening the alignment of Executive Key Management Personnel and shareholders in the medium to long term.

For those executives, at least 50% of the incentive payment is used to pay for ordinary shares in the Company (at an issue price calculated as a volume weighted average market price for the 5 trading days immediately before the date of issue) until such executives hold a beneficial interest in shares in the Company equal to the value of their fixed remuneration. This ensures all Executive Key Management Personnel have a meaningful exposure to the performance of Navitas shares, funded out of the proceeds of their incentive payments.

Not a short-term incentive scheme

While payments under the ValueShare Incentive Scheme are made in cash and classified under the accounting standards as 'short-term benefits' (due to the fact that they will be paid within 12 months of year end), there are a number of elements in the Scheme that ensure rewards reflect sustained, multi-year performance. These include:

- payments reflect performance against a set of three year targets;
- two thirds of payments for above target performance are deferred;
- deferred payments are subject to loss if performance deteriorates significantly or the employee ceases to be a participant in the plan for whatever reason;
- for Executive Key Management Personnel, at least 50% of any payment must be used to purchase shares until the executive has established a holding in Navitas equal to the value of their fixed remuneration.

Incentive outcomes in 2014

While Navitas enjoyed a rise in EBITDA during the year, the growth in EVA by the Group fell short of the target set by the Board.

Final incentive outcomes are subject to review and confirmation by the Board in September of this year, but for staff working in a corporate position this will likely mean below target incentive payments will be declared paid for the year ended 30 June 2014.

Further, in 2012 the Company's results were well below target which resulted in a negative incentive declaration for senior staff. One third of the 2012 negative amount will be offset against the 2014 declaration in determining the final payment for corporate staff in 2014, including the Managing Director and Group CEO.

Economic Value Added (EVA) calculation

		2014 $000s	**2013 $000s**
	EBITDA	144,929	130,002
+	Interest	2,246	2,173
-	Depreciation	(24,593)	(15,492)
=	Net Operating Profit Before Tax	122,582	116,683
-	Taxes at 30%	(36,775)	(35,005)
=	Net Operating Profit After Tax (A)	85,807	81,678
	Capital Employed*	425,350	438,450
x	Cost of Capital	8%	8%
=	Capital charge (B)	34,028	35,076
A-B	**Economic Value Added (EVA)**	**51,779**	**46,602**
	Opening EVA	46,602	38,524
	Impact of change in cost of capital	-	8,153
	EVA increase/(decrease)	**5,177**	**(75)**

* based on the average of month end net debt and equity balances throughout the year, after adjustments

Some business units within the Group achieved or exceeded their EVA growth targets during the year and, as a result, participants working within these business units are likely to enjoy rewards significantly different from that of corporate staff.

Cash bonuses for participants have been provided for in the financial statements for 30 June 2014, but as noted above, are subject to review and confirmation by the Board in September prior to payment in October.

Relationship of rewards to performance

In the opinion of the directors the Company's remuneration policies have contributed to the Company's success in creating shareholder value since listing, as demonstrated by the following table which has key measures of the Group's earnings and shareholder returns.

	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Economic Value Added (EVA) ($m)	$49.46	$46.10	$38.12	$57.88	$54.53	$40.64	$27.29	$20.59	$18.34
Dividends per share - paid and proposed (cents)	19.5	19.5	19.5	20.7	18.8	14.3	10.9	9.3	9.5
Dividends paid ($m)	$72.8	$72.8	$80.3	$68.7	$57.8	$40.1	$33.7	$31.5	$39.5
Closing share price (at 30 June)	$7.13	$5.77	$4.34	$4.03	$4.66	$2.73	$2.09	$1.89	$1.88
Earnings per share (cents)	13.7	19.9	19.5	21.7	18.8	14.3	10.8	9.3	9.1
Earnings per share before amortisation and impairment (cents)	22.1	20.0	19.8	22.9	19.4	14.6	12.2	10.6	10.2
Net profit after tax attributable to members of the Company ($m)	$51.58	$74.58	$73.15	$77.30	$64.20	$49.20	$37.43	$32.25	$31.49
Return on capital employed	20%	19%	19%	50%	59%	47%	34%	27%	40%

Employment Contracts

A summary of the key employment contract terms for the executive key management personnel is provided below. None of the non-executive Directors have an employment contract with the Company.

Key Management Personnel

Executive	**Lyndell Fraser, Neil Hitchcock** (appointed 1 September 2013), **John Wood***
Term	No term is specified
Notice Period	Either party may terminate by providing 3 months' written notice. The employee may terminate by giving 2 months' written notice if there is a material diminution in the employee's responsibilities, or the employee is required to relocate outside their home state ("Material Change"). The Company may terminate within 6 months of a Material Change occurring. The Company may terminate without notice if the employee is guilty of any criminal or indictable offence, breaches any law in relation to the performance of the employee's duties, commits any serious breach of faith, or act of serious neglect or gross misconduct. The Company may also terminate without notice if the employee is unable to perform duties due to illness, injury or incapacity. * For this executive, a Material Change also includes where a third party acquires a controlling interest in the Company.
Termination Provisions	If the employee or the Company terminates due to a Material Change, a final termination payment equivalent to 3 months' remuneration is payable. If the Company terminates for illness, injury or incapacity, the employee is entitled to any amounts owing as compensation under the employment agreement to the extent earned on a pro-rata basis together with compensation (without loading, bonuses or profit share) that would otherwise have been paid to the end of the then current term of employment, plus reimbursement for any properly incurred (and fully documented) costs.
Executive	**Rob Lourey** (appointed 1 September 2013)
Term	No term specified
Notice Period	Either party may terminate by providing 3 months' written notice, or such shorter notice as agreed by the parties, or such longer notice as required by law ("Termination with Notice"). The Company may terminate without notice if the employee is guilty of serious, wilful or persistent misconduct, including, but not limited to: wilful or gross neglect or gross negligence in the performance of the employee's responsibilities; serious incompetence or inefficiency in the performance of the employee's duties; breaches any law in relation to the performance of the employee's duties; serious or repeated breaches of the employment agreement or repudiation of any term or it; disobedience or neglect of any lawful order or direction given by or on behalf of the Company; habitual use of alcohol or narcotics while engaged in the performance of duties; misappropriation of any property of the Company; engaging in physical violence, abuse or bad language towards any other employee, customer, member of the public or other person having business dealings with the Company; conviction of a criminal offence or engages in conduct, that in the reasonable opinion of the Company may affect it; or commits any act of dishonesty or fraud in the course or in connection with the employee's duties.
Termination Provisions	If the employee or the Company terminates by giving Termination with Notice, the Company in its discretion may pay the employee the equivalent amount of remuneration in lieu of notice of such termination. If the employee's employment is terminated, the employee has no other claim against the Company for compensation or damages in respect of the termination other than the amounts prescribed by the Termination with Notice.

Executive	**Romy Hawatt** (resigned 31 March 2014) #
	#This executive is engaged by the Company pursuant to a consultancy agreement.
Term	No term specified.
Notice Period	Either party may terminate by providing 3 months' written notice.
	If the consultant materially breaches the consultancy agreement or breaches a material term of the consultancy agreement, the Company may give a default notice to the consultant specifying the nature of the breach and requiring the consultant to remedy the breach within 10 business days of receipt of the default notice. If the consultant fails to rectify the breach within this time period, the Company may terminate the consultant's engagement by giving the consultant 10 business days written notice.
	The Company may terminate without notice if the consultant engages in any fraud, material misconduct, willfully fails to discharge his obligations under the consultancy agreement, engages in any other conduct which is likely, in the reasonable opinion of the Company, to adversely affect the reputation of the Company or the Group, or the consultant becomes bankrupt or makes an arrangement or composition with creditors.
Termination Provisions	Termination of the consultancy agreement does not entitle the consultant to any form of payment or compensation by the Company, except for payment for services provided under the consultancy agreement up to the date of the termination and subsequently invoiced.

Employment Contracts (Continued)

Executive	**Bryce Houghton**
Term	3 years, from 19 July 2013 (being the "Commencement Date"). A review will be held on or before 18 months after the Commencement Date of the employment where the parties may extend the term for a further three year period. Unless otherwise agreed by the Company and the employee, if the Company does not extend the employment for a further term of three years on terms and conditions at least equivalent to those in place at the review date, or the employee is not willing to accept an offer to extend the employment on revised terms and conditions, then the Company not extending the employment on equivalent terms and conditions will be deemed to constitute giving notice on the date 18 months after the Commencement Date to terminate the employment in accordance with the Employer Termination outlined below.
Notice Period and Termination Provisions	The employee may terminate at any time by giving one month's notice in writing, or such shorter notice as may be agreed by the parties. The Company may terminate the employee's employment by giving one month's notice in writing. In the event of termination by the Company the employee will be entitled to a final termination payment equivalent to the fixed remuneration of the employee for a maximum of 12 months or the balance of the employment agreement, whichever is greater ("Employer Termination"). Unless otherwise agreed by the parties, the employee may terminate this employment in the event of a Material Change* by giving one month's notice in writing or such shorter notice as may be agreed by the parties ("Employee Notice Period"). Where the employee's employment is terminated by the employee in the event of a Material Change*, at the conclusion of the Employee Notice Period, the Company will pay the employee a final termination payment equivalent to the fixed remuneration of the employee for the balance of the employment agreement. * For this executive, a Material Change means where there is a material diminution in the remuneration of the employee, or the responsibilities and powers assigned to the employee. The Company may terminate without notice and without payment in lieu of notice if the employee: is guilty of any criminal or indictable offence; is guilty of an offence under the Corporations Act 2001 (Cth); breaches any law in relation to the performance of the employee's duties; commits any serious breach of faith, or act of serious neglect or gross misconduct; is in serious and fundamental breach of the employment agreement and such breach cannot be remedied or it can be remedied but, after being directed in writing by the Company to remedy the breach, the employee fails to do so within two days after the giving of the direction; or performs any act or is guilty of any omission, whether or not in the course of performing the employee's duties, the likely result of which is the Company, a related body corporate of the Company's business or a material part of the Company's business will be brought into disrepute. The Company may also terminate without notice if the employee is unable to perform the full range of his duties due to illness, injury or incapacity: i) for a continuous period of three months; ii) for a 3 month period aggregated in any 12 month period; and iii) at least three months has elapsed since the employee first became unable to perform the full range of those duties. If the employee's employment is terminated in this manner, then the employee is entitled to any amounts due and owing as compensation under the employment agreement, on a pro rata basis including compensation (without loading, bonuses, or profit share) that would otherwise have been paid to the end of the then current term of employment, plus reimbursement for any property incurred (and fully documented) costs.
Annual Leave	The employee is entitled to five weeks' paid annual leave per year accruing pro rata.

Employment Contracts (Continued)

Executive	**Rod Jones**
Term	No term specified.
Notice Period	The Company may terminate at any time by giving the employee 6 months written notice. The employee may terminate his employment at any time by giving the company 6 months written notice. The Company may terminate the employee's employment immediately without notice, and without payment in lieu of notice, if the employee is guilty of, charged with, or under investigation for, any criminal or indictable offence, is disqualified from holding office under the Corporations Act, has breached any law in relation to the performance of the employee's duties, commits any serious breach of faith, or act of serious neglect or default, or performs any act, or is guilty of any omission, the likely result of which is that the company or the business will be brought into disrepute. The Company may also terminate immediately without notice and without payment in lieu of notice if the employee is unable to perform duties due to illness, injury or incapacity.
Termination Provisions	If the Company terminates by giving 6 months written notice, the employee has no claim against the company for compensation or damage in respect of the termination other than payment of 6 months of his remuneration.

Employment Contracts (Continued)

Key Management Personnel from 1 July 2012 to 31 December 2012

Executive	**Tony Cullen^, Hugh Hangchi, Neil Hitchcock^, Scott Jones**
Term	No term specified
Notice Period	Either party may terminate by providing 3 months' written notice. The employee may terminate by giving 2 months' written notice if there is a material diminution in the employee's responsibilities, or the employee is required to relocate outside their home state ("Material Change"). The Company may terminate within 6 months of a Material Change occurring. The Company may terminate without notice if the employee is guilty of any criminal or indictable offence, breaches any law in relation to the performance of the employee's duties, commits any serious breach of faith, or act of serious neglect or gross misconduct. The Company may also terminate without notice if the employee is unable to perform duties due to illness, injury or incapacity. ^ For these executives, a Material Change also includes where a third party acquires a controlling interest in the Company.
Termination Provisions	If the employee or the Company terminates due to a Material Change, a final termination payment equivalent to 3 months' remuneration is payable. If the Company terminates for illness, injury or incapacity, the employee is entitled to any amounts owing as compensation under the employment agreement to the extent earned on a pro-rata basis together with compensation (without loading, bonuses or profit share) that would otherwise have been paid to the end of the then current term of employment, plus reimbursement for any properly incurred (and fully documented) costs.
Executive	**Helen Zimmerman and Jenny Michel** *(resigned 28 September 2013)*
Term	No term specified.
Notice Period	Either party may terminate by providing 1 month's written notice in the case of Ms Michel and 6 months written notice in the case of Ms Zimmerman. The company may terminate without notice if the employee commits misconduct, is convicted of any criminal offence which brings the company into disrepute or is continually or significantly neglectful of the employee's duties.
Termination Provisions	None

Remuneration of directors and other key management personnel

The compensation of each member of key management personnel of the Group is set out on the following page:

(a) Directors' and Executives' Remuneration

2014 $	Short term benefits Salary & Fees	Cash bonus *(i)*	Non monetary benefits	Post-employment Super-annuation	Other long term benefit *(ii)*	Total	Performance related %	Balance of Deferred Cash Balances *(iii)*
Non-executive Directors								
Harvey Collins	211,960	-	-	25,037	-	236,997	-	-
Tony Cipa (1)	15,613	-	-	1,444	-	17,057	-	-
Ted Evans	123,886	-	-	-	-	123,886	-	-
Tracey Horton	93,675	-	-	8,665	-	102,340	-	-
James King	129,272	-	-	-	-	129,272	-	-
Peter Larsen	67,340	-	-	35,000	-	102,340	-	-
	641,746	-	-	70,146	-	711,892	-	-
Executive Director *(iv)*								
Rod Jones	1,025,973	591,845	-	37,960	108,047	1,763,825	34%	153,478
Other Key Management Personnel *(iv)*								
Lyndell Fraser	388,730	217,709	995	19,256	2,781	629,471	35%	78,070
Romy Hawatt (2)	295,660	-	-	-	-	295,660	-	-
Neil Hitchcock (3)	385,100	147,551	3,768	14,812	3,760	554,991	27%	20,049
Bryce Houghton	476,764	259,075	46,243	23,900	21,245	827,227	31%	38,831
Rob Lourey (3)	397,037	130,738	-	20,000	8,553	556,328	24%	-
John Wood	524,973	347,857	2,975	17,775	9,849	903,429	39%	102,463
	3,494,237	1,694,775	53,981	133,703	154,235	5,530,931	31%	392,891
	4,135,983	1,694,775	53,981	203,849	154,235	6,242,823	27%	392,891

For notes (*i*) through (*iv*) see page 115.

(1) Appointed 1 May 2014
(2) Resigned 31 March 2014
(3) Appointed 1 September 2013

(a) Directors' and Executives' Remuneration (continued)

2013 $	Short term benefits Salary & Fees	Cash bonus *(i)*	Non monetary benefits	Post-employment Super-annuation	Other long term benefit *(ii)*	Total	Performance related %	Balance of Deferred Cash Balances *(iii)*
Non-executive Directors								
Harvey Collins	211,610	-	-	19,045	-	230,655	-	-
Peter Campbell (4)	49,295	-	-	4,437	-	53,732	-	-
Ted Evans	120,570	-	-	-	-	120,570	-	-
Tracey Horton	98,992	-	-	8,909	-	107,901	-	-
James King	120,618	-	-	5,194	-	125,812	-	-
Peter Larsen	78,260	-	-	21,341	-	99,601	-	-
	679,345	-	-	58,926	-	738,271	-	-
Executive Director (*iv*)								
Rod Jones	758,628	247,653	13,246	19,067	1,090	1,039,684	23.8	239,524
Other Key Management Personnel (*iv*)								
Lyndell Fraser	298,027	(10,743)	-	32,835	10,323	330,442	(3.3)	(173,034)
Romy Hawatt	276,934	-	-	-	-	276,934	-	(270,905)
Bryce Houghton	386,983	94,999	43,980	25,037	8,226	559,225	17.0	90,470
John Wood	388,799	165,882	1,980	48,990	9,603	615,254	27.0	115,049
Tony Cullen (5)	132,835	-	11,444	12,985	-	157,264	-	-
Hugh Hangchi (5)	134,365	-	990	13,536	-	148,891	-	-
Neil Hitchcock (5)	138,480	-	990	12,552	-	152,022	-	-
Scott Jones (5)	125,992	37,763	990	18,667	-	183,412	20.6	-
Jenny Michel (6)	53,463	-	-	9,623	133,022	196,108	-	-
Helen Zimmerman (5)	167,961	-	-	15,117	-	183,078	-	-
	2,862,467	535,554	73,620	208,409	162,264	3,842,314	13.9	1,104
	3,541,812	535,554	73,620	267,335	162,264	4,580,585	11.7	1,104

For notes (*i*) through (*iv*) see page 115.

(4) Retired 15 November 2012
(5) Ceased to be Key Management Personnel on 31 December 2012
(6) Resigned 28 September 2012

Remuneration of directors and other key management personnel (continued)

(i) Cash bonus comprises the annual incentive (ValueShare Incentive Plan) payments payable in September of each financial year after review and confirmation by the Board. Under the terms of the plan payments will only be made if the participant is an employee at the date of payment. The cash bonus includes the amount provided as payable in relation to the 2014 financial year, adjusted for the difference between the amount provided for the in the 2013 financial year and the actual amount paid in September 2013.

(*ii*) Other long term benefits include movements in Long Service Leave.

(*iii*) Deferred Cash balances are the balances for key management persons (KMP) who hold a position as KMP at 30 June, and who are participants in the incentive scheme. As noted on page 104 of the Directors’ Report, for some participants in the ValueShare Incentive Scheme, rewards outside of the range of $0 to the participant’s Target Variable Pay are settled in three equal parts, the first in the current year and the remainder in the two that follow. The Balance of Deferred Cash Bonuses is the total of these deferred amounts. It does not vest with the executive. The executive is not entitled to any portion of the Balance of Deferred Cash Bonuses upon termination. For the purposes of the remuneration report the Balance of Deferred Cash Bonuses does not form part of compensation for the year.

(*iv*) For these executives, at least 50% of the incentive payment will be used to pay for ordinary shares in the Company (at an issue price calculated as a volume weighted average market price for the 5 trading days immediately before the date of issue) until such executives hold a beneficial interest in shares in the Company equal to the value of their fixed remuneration. This requirement will be determined based on shareholdings in the Company as disclosed by these executives in August of each financial year. It is therefore not currently possible to quantify the component of the cash bonus that will be used to buy ordinary shares in the Company.

Independent Audit and Remuneration Report

The required disclosures as included on pages 100 to 115 of this remuneration report have been audited by Deloitte Touche Tohmatsu.

The directors’ report, including the remuneration report, is signed in accordance with a resolution of the Directors.

R Jones
Group Chief Executive Officer and Managing Director

Perth, Western Australia, 28 July 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Navitas Limited
Level 2, Kirin Centre
15 Ogilvie Road
Mt Pleasant WA 6153

28 July 2014

Dear Directors

Navitas Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Navitas Limited.

As lead audit partner for the audit of the financial statements of Navitas Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants

Navitas Limited

Directors' Declaration

In accordance with a resolution of the directors of Navitas Limited, I state that:

1. In the opinion of the Directors:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position as at 30 June 2014 and the performance for the year ended on that date of the consolidated entity; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements; and

(c) there are reasonable grounds to believe that the Company will be able to pays its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 24 will, as a group, be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

R Jones
Group Chief Executive Officer and Managing Director

Perth, Western Australia, 28 July 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of Navitas Limited

Report on the Financial Report

We have audited the accompanying financial report of Navitas Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 44 to 93 and 117.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Navitas Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Navitas Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 100 to 115 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Navitas Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants
Perth, 28 July 2014

Navitas Limited

Glossary

ACAP	Australian College of Applied Psychology Pty Limited
ACBT	Australian College of Business and Technology Pvt Ltd
AMEP	Adult Migrant English Program
AQTF	Australian Quality Training Framework
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
ASX Listing Rules	The official listing rules of the ASX
ATTC	Australian TESOL Training Centre
BAC	British Accreditation Council
BCUIC	Birmingham City University International College
Board	The board of directors of Navitas
CELUSA	Centre for English Language at the University of South Australia
Constitution	The constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
CRIC	Cambridge Ruskin International College Limited
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
Curtin College	Colleges of Business and Technology Pty Ltd trading as Curtin College
Curtin Singapore or Curtin Singapore Campus	Curtin University of Technology Singapore Campus
Curtin Sydney or CUS	Curtin University of Technology Sydney Campus
DIBP	Department of Immigration and Border Protection
Directors	Directors of Navitas
DoE	Department of Education
EBITDA	Earnings before interest, taxation, depreciation, amortisation and goodwill impairment
EduGlobal	EduGlobal China Limited
ELICOS	English Language Intensive Courses for Overseas Students
EOL	Employment Overseas Limited
EPS	Earnings per share
ESOS Act	Education Services for Overseas Students Act 2000 (Cth)
EVA®	Economic Value Added®
Eynesbury	Educational Enterprises Australia Pty Ltd trading as Eynesbury International
FEE-HELP	A government loan scheme to help eligible non-Commonwealth supported (fee paying) students pay their tuition fees
FIC	Fraser International College
Group or Navitas Group	Navitas and its subsidiary companies

Glossary

GMAT	Graduate Management Admission Test
GRE	Graduate Record Examination
Hawthorn-Melbourne	Hawthorn Learning Pty Ltd trading as Hawthorn-Melbourne
HIC	HIBT Limited trading as Hertfordshire International College
HSA	Health Skills Australia Pty Ltd
HSS	Humanitarian Settlement Services
HTS	Highly Trusted Sponsor
ICM	International College of Manitoba
ICP	International College Portsmouth Limited
ICRGU	International College Robert Gordon University
ICWS	International College Wales Limited
KPI	Key Performance Indicator
LIBT	London IBT Limited
LLNP	Language, Literacy and Numeracy Program
LTM	La Trobe Melbourne
LTUSC	La Trobe University Sydney Campus
MIBT	Melbourne Institute of Business and Technology Pty Ltd
MOOC	Massive Open Online Courses
MQC	Macquarie City Campus
Navitas or Company	Navitas Limited ABN 69 109 613 309
Navitas at UNH	Navitas at the University of New Hampshire
NRI	Navitas Resources Institute
NCPS	Navitas College of Public Safety Pty Ltd
NPAT	Net profit after tax
NQF	National Qualifications Framework
pcp	prior comparative period
PDIC	Plymouth Devon International College Limited
PEP	Professional and English Programs
PIBT	Perth Institute of Business and Technology Pty Ltd
PIBT IEC	PIBT International English Centre
PY	Professional Year
QAA	Quality Assurance Agency for higher education
QIBT	Queensland Institute of Business & Technology Pty Ltd
RTO	Registered training organisation
SAE	SAE Institute
SEE	Skills for Education and Employment
Shareholder	A holder of a Share

Glossary

Shares	Fully paid ordinary shares in the capital of the Company
SIBT	Sydney Institute of Business and Technology Pty Ltd
SOL	Study Overseas Limited
SPP	Special Preparatory Program
StudyLink	Learning Information Systems Pty Ltd trading as StudyLink
TEQSA	Tertiary Education Quality and Standards Agency
TESOL	Teachers of English to Speakers of Other Languages
TVP	Target variable pay
UCIC	UC International College
UMass Boston	Navitas at University of Massachusetts Boston
UMass Dartmouth	Navitas at University of Massachusetts Dartmouth
UMass Lowell	Navitas at University of Massachusetts Lowell
UPD	University Programs Division
UKBA	UK Border Agency
VET	Vocational education and training
WACC	Weighted average cost of capital
WKU	Navitas at Western Kentucky University

Navitas Limited

Corporate Information

Directors

Executive Directors

Mr Rod Jones

Non-Executive Directors

Mr Harvey Collins

Mr Tony Cipa

Mr Ted Evans

Ms Tracey Horton

Mr James King

Dr Peter Larsen

Company Secretary

Mr Hugh Hangchi

Registered Office

Navitas Limited
Level 2, Kirin Centre
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Share Registrar

Computershare Investor Services Pty Limited
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Auditor

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