

## Half Yearly Report for the half year ended 31 December 2016

### Results for announcement to the market

(All comparisons to the half year ended 31 December 2015)

	\$m		
Revenues from ordinary activities	479.0	down	7.7%
Profit after tax from ordinary activities	53.3	up	18.3%

### Dividend Information

	Amount per share (cents)	Franked amount per share (cents)
Interim 2017 dividend (to be paid 15 March 2017)	9.4	9.4

### Important dates for shareholders

Record date	1 March 2017
Payment date	15 March 2017

The company's dividend reinvestment plan (DRP) will apply for the interim dividend. The DRP will again be offered at no discount to market. The last date for receipt of an election notice to participate in the DRP is by 5.00pm (Sydney time) on 2 March 2017.

	31 Dec 2016	31 Dec 2015
Net tangible asset backing per ordinary security	(66 cents)	(49 cents)

Additional Appendix 4D disclosure requirements can be found in the directors' report and the 31 December 2016 half yearly financial statements and accompanying notes.

This report is based on the consolidated half yearly financial statements which have been reviewed.

This information, comprising the information required by Listing Rule 4.2A, should be read in conjunction with Navitas Limited's 2016 Annual Report available on Navitas' website, [www.navitas.com](http://www.navitas.com).

**Navitas Limited**

**ABN 69 109 613 309**

**Half Year Financial Report**

**31 December 2016**

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## Navitas Limited

### Directors' Report for the half year ended 31 December 2016

The directors present their report together with the consolidated financial report for the half year ended 31 December 2016 and the review report thereon.

#### Directors

The directors of the Company at any time during or since the end of the half year are:

Name	
Tracey Horton	Chairman
Rodney Jones	Group Chief Executive Officer and Managing Director
Tony Cipa	Director
Harvey Collins	Director
Diana Eilert	Director
James King	Director
Lisa Paul	Director

#### Review of Operations

#### Financial Summary

A summary of consolidated revenue and results is set out below:

\$m	Half year ended 31 December 2016	Half year ended 31 December 2015	Change %
Revenue	479.0	518.7	(8)
EBITDA*	76.6	82.8	(8)
Share of joint ventures profits/(losses) accounted for using the equity method	(0.1)	(0.4)	300
Net profit after tax	53.6	45.5	18
Net profit after tax attributable to owners	53.3	45.1	18
Earnings per share (cents)	14.5	12.0	21
Dividend per share (cents)	9.4	9.6	(2)

\* EBITDA is defined as earnings before impairment, taxes, depreciation, amortisation and non-operating gains or losses. EBITDA excludes the share of results of equity accounted investments in joint ventures.

#### Key Operational Highlights

- Excellent student support and engagement outcomes across all Divisions including University Partnerships pass rates (+80%), retention rates (+85%) and progression to partner university rates (+90%);
- 6% and 2% underlying growth in semester 2 / 3 University Partnerships enrolments (excluding closed colleges);
- New US college agreement signed with University of Idaho;
- Strong SAE growth in Australia and new programs approved in SAE US;
- Vocational funding reforms underway – marginal impact on H1 result but likely to limit future PEP division growth; and
- Ongoing restructuring to maintain global leadership progressing well.

## Navitas Limited

### Directors' Report for the half year ended 31 December 2016

#### Financial

- Group revenue and EBITDA declines driven by two closed colleges, FX translation movements and regulatory change;
- Underlying 8% EBITDA growth and 1.7% margin expansion for University Partnerships Division;
- NPAT up 18% helped by non-recurring, non-cash gain on disposal of PIBT to a Joint Venture (net \$14.3m); and
- Earnings per share up by 21% and strong balance sheet allows continuation of buy-back and strong interim dividend – in line with policy.

#### Segment Summary

Divisional EBITDA results are as follows:

\$m	Half year ended 31 December 2016	Restated Half year ended 31 December 2015 <sup>(1)</sup>	Change %
<b>Wholly owned</b>			
University Partnerships	70.3	74.2	(5)
SAE	13.0	14.5	(10)
Professional and English Programs	11.4	11.8	(3)
Divisional EBITDA	94.7	100.5	(6)
Corporate Costs	(18.1)	(17.7)	2
Group EBITDA	76.6	82.8	(8)
<b>Joint ventures</b>			
Share of EBITDA from joint ventures (see below)	0.3	(0.5)	n/a
	76.9	82.3	(7)

Note 1: Effective 1 July 2016 the Group has amended its management reporting structure to move the English and Careers business (ELICOS) from the Professional and English Programs Division to the University Partnerships Division so that more of its operations can be focused on supporting the University Partnerships business. The 31 December 2015 comparative has been adjusted with revenue of \$33.5m and EBITDA of \$5.0m being reclassified.

The Group has also recorded contributions from its investments in joint ventures as detailed below including the results of the new joint venture with Edith Cowan University from 1 October 2016.

	Joint Venture (JV) results		Navitas share of JV results	
\$m	Half year ended 31 December 2016	Half year ended 31 December 2015	Half year ended 31 December 2016	Half year ended 31 December 2015
<b>Joint ventures</b>				
Operating revenue	13.3	5.6	6.6	2.8
EBITDA	0.7	(0.9)	0.3	(0.5)
Profit after tax	(0.2)	(0.8)	(0.1)	(0.4)

#### University Partnerships

The Division once again delivered pass rates of over 80%, retention rates of over 85% and progression to partner university rates of over 90%. Student experience and satisfaction also remained high with over 95% of students satisfied with teaching and program quality.

Revenue for the Division decreased by 12% to \$290.6m (H1 FY16: \$329.0m) and EBITDA declined by 5% to \$70.3m (H1 FY16: \$74.2m), with the result being impacted by the lower Australian enrolments associated with the closure of two colleges, the continuation of restrictive policy environments in the UK, and adverse FX translation movements in overseas businesses. These results also included the reallocation of ELICOS businesses into the University Partnerships Division from the start of the half.

However, excluding closing colleges, the Division recorded 8% underlying EBITDA growth and increased margin by 170 basis points following improved leverage, the implementation of the optimal college model and other efficiency improvements.

A new agreement was signed with the University of Idaho in the US, a number of university partner contracts were renewed, including Eynesbury College, and the partnership with Edith Cowan University was converted to a joint venture, creating a non-recurring non cash gain on disposal (see note 6 of the accompanying financial statements).

#### SAE

SAE continued to improve its academic and student experience outcomes with over 90% of students surveyed being satisfied with both academic support levels and the relevancy of teaching content to a career in the industry.

Following the first time provision for VAT on teaching programs in the UK, and costs associated with the closure of several sub-scale colleges, SAE recorded a 2% decrease in revenue to \$99.4m (H1 FY16: \$101.5m) and a 10% decrease in EBITDA to \$13.0m (H1 FY16: \$14.5m). Excluding FX translation movements versus pcp, underlying revenue grew by 2%. Navitas' appeal to the UK VAT ruling will be heard in late June 2017, and VAT is being provided for until the outcome of that hearing is determined.

A major focus for the Division has been the accreditation of new programs for delivery in the US. New programs approved for delivery include the Diploma of Audio Technology, a Bachelor in Game Development and a Diploma in Music Business. There remains a significant pipeline of other programs currently undergoing the multi-tiered accreditation process. Unaccredited short courses have also been developed and delivery started in Live Sound, Electronic Music Production, Game Audio, Film Editing and Animation Technology.

#### Professional and English Programs

The Professional and English Programs Division increased Net Promoter Scores across its government contracts as well as achieving excellent student experience survey results compared to the wider higher education sector across ACAP, HSA and NCPS colleges.

The Division delivered revenue of \$85.8m (H1 FY16: \$85.6m) and a 3% decline in EBITDA to \$11.4m (H1 FY16: \$11.8m) with the result being marginally impacted by changes to government funding for vocational programs and by the initial lower arrival rate of humanitarian entrants into Australia. The Adult Migrant English Programs government contract was also re-tendered with the outcome expected in H2 FY17.

#### **Sector developments and trends**

Globally, macro factors such as lack of local tertiary infrastructure in source countries continued to support growth in international education with approximately 4.5m students studying overseas in 2016.

In Australia, the Government continued to amend international education policy with the introduction of the new Simplified Student Visa Framework (SSVF) in July. This created a temporary backlog of applications with a substantial number of students not able to secure a visa in time for commencement in 2016 in the half.

In the Australian vocational education sector significant changes were made to government funding accessed by students including the introduction of the new VET Student Loans (VSL) scheme which mandates loan caps, limited course eligibility and a strengthened compliance and payment framework. Navitas has some small exposure to VSL via SAE Australia and Professional and English Programs colleges. It is expected that the VSL reforms will restrict enrolments in the short term.

In the UK Navitas continued to work with the wider sector to lobby the Government to remove students from net migration targets. The referendum decision to exit Europe may also limit student recruitment in the coming years, though Navitas recruits only small numbers of European students.

Regulation was tightened in Canada with all educational institutions now required to gain provincial approval to enrol international students. Both Navitas colleges automatically received approval and welcomed the new policy as it supports a higher quality education sector. In the US, new guidelines were issued for the Student and Exchange Visitor Program (SEVP) and Navitas continues to work with its partners to review and manage any changes.

### **Subsequent events**

Subsequent to balance sheet date, the directors of the Company declared an interim dividend on ordinary shares in respect to the December half year. The total amount of dividend is \$33.947 million, which represents a fully franked dividend of 9.4 cents per share. The dividend has not been provided for in the 31 December 2016 half year financial statements.

### **Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2016.

### **Rounding**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the class order applies.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'R Jones', with a stylized, flowing script.

R Jones  
Chief Executive Officer

Perth, Western Australia, 30 January 2017

The Board of Directors  
Navitas Limited  
Level 8  
125 St Georges Terrace,  
PERTH, WA, AUSTRALIA 6000

30 January 2017

Dear Directors

## **Navitas Limited**

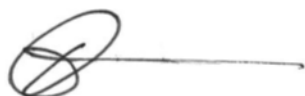
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Navitas Limited.

As lead audit partner for the review of the financial statements of Navitas Limited for the half year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*Deloitte Touche Tohmatsu*  
**DELOITTE TOUCHE TOHMATSU**



**Leanne Karamfiles**  
Partner  
Chartered Accountants



**Navitas Limited**  
**Condensed Consolidated Statement of Profit or Loss and Other**  
**Comprehensive Income**  
**For the half year ended 31 December 2016**

		Consolidated	
		31 Dec 2016	31 Dec 2015
	Note	\$000s	\$000s
Revenue		478,960	518,711
Marketing expenses		(71,779)	(83,609)
Academic expenses		(111,649)	(127,926)
Administration expenses		(232,835)	(238,712)
Net gain on disposal of controlled entities	6	14,263	-
Finance costs		(3,258)	(3,004)
Share of net profit/(loss) of joint ventures accounted for using the equity method		(119)	(388)
<b>Profit before income tax expense</b>		<b>73,583</b>	<b>65,072</b>
Income tax expense		(19,979)	(19,619)
<b>Profit for the half year</b>		<b>53,604</b>	<b>45,453</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net currency translation differences		2,942	6,905
Fair value movement in hedge instruments		1,101	(238)
Income tax relating to other comprehensive income		(1,321)	(640)
Other comprehensive income for the half year		2,722	6,027
<b>Total comprehensive income for the half year</b>		<b>56,326</b>	<b>51,480</b>
<b>Profit attributable to:</b>			
Owners of the parent		53,279	45,058
Non-controlling interest		325	395
		<b>53,604</b>	<b>45,453</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		56,006	50,282
Non-controlling interest		320	1,198
		<b>56,326</b>	<b>51,480</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic		14.5	12.0
Diluted		14.5	12.0

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

**Navitas Limited**  
**Condensed Consolidated Statement of Financial Position**  
**As at 31 December 2016**

		31 Dec 2016 \$000s	Consolidated 30 June 2016 \$000s	31 Dec 2015 \$000s
	Note			
<b>Current Assets</b>				
Cash and cash equivalents	3	71,436	78,919	74,588
Trade and other receivables		102,714	121,925	87,845
Current tax receivable		5,209	-	4,979
Prepayments and other assets		26,804	25,267	24,265
<b>Total Current Assets</b>		<b>206,163</b>	<b>226,111</b>	<b>191,677</b>
<b>Non Current Assets</b>				
Property, plant and equipment		177,161	131,551	99,286
Deferred tax assets		38,775	47,549	40,793
Investments accounted for using the equity method		24,979	4,216	4,803
Intangible assets		407,510	411,443	410,298
<b>Total Non Current Assets</b>		<b>648,425</b>	<b>594,759</b>	<b>555,180</b>
<b>Total Assets</b>		<b>854,588</b>	<b>820,870</b>	<b>746,857</b>
<b>Current Liabilities</b>				
Trade and other payables		121,711	139,640	106,620
Deferred revenue		232,685	272,707	259,854
Current tax payable		-	4,057	-
Provisions		6,914	16,339	14,206
<b>Total Current Liabilities</b>		<b>361,310</b>	<b>432,743</b>	<b>380,680</b>
<b>Non Current Liabilities</b>				
Trade and other payables		48,360	23,555	9,875
Bank borrowings		255,476	135,093	121,397
Provisions		18,669	19,680	9,461
<b>Total Non Current Liabilities</b>		<b>322,505</b>	<b>178,328</b>	<b>140,733</b>
<b>Total Liabilities</b>		<b>683,815</b>	<b>611,071</b>	<b>521,413</b>
<b>Net Assets</b>		<b>170,773</b>	<b>209,799</b>	<b>225,444</b>
<b>Equity</b>				
Issued capital	5	118,715	177,095	202,475
Foreign currency translation reserve		3,372	1,416	616
Cash flow hedge reserve		(1,242)	(2,013)	(2,086)
Retained earnings		49,153	32,467	23,538
<b>Equity attributable to owners of the parent</b>		<b>169,998</b>	<b>208,965</b>	<b>224,543</b>
Non-controlling interests		775	834	901
<b>Total Equity</b>		<b>170,773</b>	<b>209,799</b>	<b>225,444</b>

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

**Navitas Limited**  
**Condensed Consolidated Statement of Changes in Equity**  
**For the half year ended 31 December 2016**

	Issued capital \$000s	Foreign currency translation reserve \$000s	Cash flow hedge reserve \$000s	Retained earnings \$000s	Non-controlling interests \$000s	Total equity \$000s
Balance at 1 July 2015	200,974	(4,774)	(1,920)	16,489	(4,102)	206,667
Profit for the half year	-	-	-	45,058	395	45,453
Fair value movements in hedging instruments (after tax)	-	-	(166)	-	-	(166)
Net currency translation differences (after tax)	-	5,390	-	-	803	6,193
<b>Total comprehensive income for the half year</b>	<b>-</b>	<b>5,390</b>	<b>(166)</b>	<b>45,058</b>	<b>1,198</b>	<b>51,480</b>
Dividend reinvestment plan	1,083	-	-	-	-	1,083
Employee share plan purchase	418	-	-	-	-	418
Disposal of controlled entities	-	-	-	-	4,234	4,234
Dividends paid	-	-	-	(38,009)	(429)	(38,438)
<b>Balance at 31 December 2015</b>	<b>202,475</b>	<b>616</b>	<b>(2,086)</b>	<b>23,538</b>	<b>901</b>	<b>225,444</b>
Balance at 1 July 2016	177,095	1,416	(2,013)	32,467	834	209,799
Profit for the half year	-	-	-	53,279	325	53,604
Fair value movements in hedging instruments (after tax)	-	-	771	-	-	771
Net currency translation differences (after tax)	-	1,956	-	-	(5)	1,951
<b>Total comprehensive income for the half year</b>	<b>-</b>	<b>1,956</b>	<b>771</b>	<b>53,279</b>	<b>320</b>	<b>56,326</b>
Dividend reinvestment plan	437	-	-	-	-	437
Employee share plan purchase	275	-	-	-	-	275
Share buy back	(59,092)	-	-	-	-	(59,092)
Dividends paid	-	-	-	(36,593)	(379)	(36,972)
<b>Balance at 31 December 2016</b>	<b>118,715</b>	<b>3,372</b>	<b>(1,242)</b>	<b>49,153</b>	<b>775</b>	<b>170,773</b>
Total attributable to						
Non-controlling interests – 31 December 2015	-	-	-	-	901	901
<b>Non-controlling interests – 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>775</b>	<b>775</b>
Owners of the parent entity – 31 December 2015	202,475	616	(2,086)	23,538	-	224,543
<b>Owners of the parent entity - 31 December 2016</b>	<b>118,715</b>	<b>3,372</b>	<b>(1,242)</b>	<b>49,153</b>	<b>-</b>	<b>169,988</b>

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

**Navitas Limited**  
**Condensed Consolidated Statement of Cash Flows**  
**For the half year ended 31 December 2016**

		<b>Consolidated</b>	
		<b>31 Dec</b>	<b>31 Dec</b>
		<b>2016</b>	<b>2015</b>
	Note	<b>\$000s</b>	<b>\$000s</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		470,285	530,650
Payments to suppliers and employees		(438,725)	(452,897)
Lease incentive contributions received		34,567	-
Interest received		759	1,116
Interest paid		(3,055)	(3,006)
Income tax paid		(20,434)	(30,688)
Net cash inflow from operating activities		43,397	45,175
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(67,313)	(13,239)
Net cash paid on disposal of controlled entities	6	(8,226)	(1,181)
Net cash paid for other financial assets		-	(775)
Net cash outflow from investing activities		(75,539)	(15,195)
<b>Cash flows from financing activities</b>			
Payments for share buy back		(59,092)	-
Proceeds from borrowings		218,500	106,000
Repayment of borrowings		(98,000)	(110,998)
Payment of dividends	7	(36,156)	(36,926)
Payment of dividends to non-controlling interests		(379)	(429)
Net cash inflow/(outflow) from financing activities		24,873	(42,353)
<b>Net decrease in cash and cash equivalents</b>		<b>(7,269)</b>	<b>(12,373)</b>
Cash and cash equivalents at beginning of the half year		78,919	87,188
Net foreign exchanges differences		(214)	(227)
<b>Cash and cash equivalents at end of the half year</b>		<b>71,436</b>	<b>74,588</b>

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

**Navitas Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the half year ended 31 December 2016**

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**1. Corporate Information**

The condensed consolidated financial statements of Navitas Limited and its subsidiaries (collectively, the Group) for the half year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors as of the date of the directors' report.

Navitas Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activities are the provision of education services as described in note 4.

**2. Summary of Significant Accounting Policies**

**(a) Basis of preparation**

The condensed consolidated financial statements for the half year ended 31 December 2016 have been prepared in accordance with AASB 134 Interim Financial Reporting.

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of Navitas Limited as at 30 June 2016.

It is also recommended that the half year financial report is considered together with any public announcements made by Navitas Limited and its controlled entities during the half year ended 31 December 2016.

**(b) Significant accounting policies**

The half year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2016, other than for the impact of the adoption of new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the consolidated entity and effective for annual reporting periods beginning on or after 1 July 2016.

There have been no new and revised standards that have had a significant impact on the measurement or disclosure requirements of the Group.

### **3. Cash and Cash Equivalents**

The Group is required to maintain, in Australia, separate bank accounts for funds received from international students prior to commencement of their course (prepaid fees). As at 31 December 2016, the Group Australian operations held \$48.1 million (2015: \$55.3 million) in prepaid fees for students who had not commenced studies with the Group, 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 Group. At all times, the Group 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.

### **4. Segment Information**

#### **Reportable Segments**

##### University Partnerships

The University Partnerships division delivers education programmes, via pathway colleges and managed campuses, to students requiring a university education.

##### SAE

The SAE division delivers education programmes in the area of creative media including courses in audio, film and multimedia.

##### Professional and English Programs (PEP)

The division delivers English language tuition and higher and vocational education in health, security and psychology.

##### Corporate

Corporate is the aggregation of the Group's corporate functions.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

**Navitas Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the half year ended 31 December 2016**

**4. Segment Information (continued)**

The following is an analysis of the revenue and results for the half year by reportable segment.

	University Partnerships		SAE		PEP		Corporate		Total	
\$000s	2016	2015 <sup>1</sup>	2016	2015	2016	2015 <sup>1</sup>	2016	2015	2016	2015
<b>Revenue</b>										
Sales to external customers	290,595	329,001	99,359	101,472	85,804	85,635	2,310	1,360	478,068	517,468
Interest									892	1,243
Total consolidated revenue									478,960	518,711
<b>Result</b>										
EBITDA*	70,263	74,177	12,979	14,535	11,418	11,791	(18,083)	(17,692)	76,577	82,811
Net gain on disposal of controlled entities	-	-	-	-	-	-	14,263	-	14,263	-
Depreciation	(2,388)	(2,982)	(6,812)	(6,836)	(1,353)	(1,367)	(3,917)	(4,030)	(14,470)	(15,215)
Amortisation	(105)	(105)	-	-	(197)	(270)	-	-	(302)	(375)
Profit before tax and net finance expense	67,770	71,090	6,167	7,699	9,868	10,154	(7,737)	(21,722)	76,068	67,221
Net finance expense									(2,366)	(1,761)
Share of net profit/(loss) of joint ventures									(119)	(388)
Profit before income tax									73,583	65,072
Income tax expense									(19,979)	(19,619)
Profit for the half year									53,604	45,453

\* EBITDA = Earnings before impairment, taxes, depreciation, amortisation and non-operating gains or losses. EBITDA excludes the share of results of equity accounted investments in joint ventures.

<sup>1</sup> Effective 1 July 2016 the Group has amended its management reporting structures to move the English and Careers business from Professional and English Programs to University Partnerships. The 31 December 2015 comparative has been adjusted accordingly where total revenue of \$33.5m and EBITDA of \$5.0m was reclassified.

**Navitas Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the half year ended 31 December 2016**

**5. Issued capital**

	31 Dec 2016 \$000's	Consolidated 30 Jun 2016 \$000's	31 Dec 2015 \$000's
<b>Issued capital</b>			
Ordinary shares fully paid	118,715	177,095	202,475

During the half year, the Company issued shares to executive employees (under terms of the executive share plan) 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 2016 financial year. In addition, the Company issued shares to eligible employees in lieu of salaries and wages as part of the Company's Employee Share Ownership Plan.

	2016 No of shares	2016 \$000s	2015 No of shares	2015 \$000s
Executive share plan	21,744	114	47,265	192
Employee share plan	30,590	161	55,596	226
	52,334	275	102,861	418

During the half year, the Company issued 85,552 shares to a value of \$0.437 million in lieu of cash dividends (December 15: 267,317 shares valued at \$1.083 million).

(i) Share buy-back

On 2 February 2016, the Company announced an on-market buy-back of up to 7.5% of its ordinary shares currently on issue as part of a capital management initiative.

During the half year, the Company has purchased a total of 11,564,000 ordinary shares and cancelled 10,564,000 of these ordinary shares by 31 December 2016. The shares were acquired at an average price of \$5.11 per share, with prices ranging from \$4.77 to \$5.35. The total cost of \$59.092 million was deducted from issued capital.



**6. Changes in the Group's Structure during the half year**

**(a) Conversion of Perth Institute of Business and Technology Pty Ltd into a joint venture**

**(i) Overview**

In accordance with an agreement between Edith Cowan University ('University') and Perth Institute of Business and Technology Pty Ltd ('PIBT'), the University agreed to subscribe for shares in PIBT in consideration for the University entering into a continuing IP Licence and Services Agreement with PIBT.

The agreement has resulted in the conversion of PIBT from being a wholly owned subsidiary of Navitas Limited into a joint venture, jointly controlled and owned by Navitas Limited and the University, with effect from 1 October 2016.

As a result of this transaction, Navitas Limited has deconsolidated PIBT and subsequently recognised an investment in 50% of PIBT at fair value at the date of disposal. This investment will subsequently be accounted for using the equity method. Navitas Limited has recognised a gain of \$17.263 million on this transaction as detailed below.

On 4 October 2016, PIBT changed its name to Edith Cowan College Pty Ltd.

**(ii) Gain on conversion of PIBT into a joint venture**

	<u>\$000s</u>
Fair value of investment retained in PIBT	20,883
Less: Carrying amount of net assets disposed	<u>(3,620)</u>
<b>Net gain on disposal before income tax</b>	<b><u>17,263</u></b>

The fair value of the investment retained in PIBT has been determined based on a valuation of PIBT performed as at 30 September 2016.

**Navitas Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the half year ended 31 December 2016**

**6. Changes in the Group's Structure during the half year (continued)**

**(iii) Carrying amount of PIBT's assets and liabilities disposed**

The carrying amounts of PIBT's assets and liabilities disposed during the half year:

	<b>\$000s</b>
<b>Assets</b>	
Cash and cash equivalents	8,226
Trade and other receivables	2,182
Other assets	291
Deferred tax assets	356
Intangible assets	2,086
<b>Total Assets</b>	<b>13,141</b>
<b>Liabilities</b>	
Trade and other payables	1,729
Deferred revenue	7,107
Other liabilities	685
<b>Total Liabilities</b>	<b>9,521</b>
<b>Net Assets</b>	<b>3,620</b>

**(iv) Cash flow impact**

As a result of the transaction, Navitas Limited has effectively disposed of cash and cash equivalents of \$8.226 million as detailed above to cover the opening deferred revenue balance of the new joint venture.

**(b) Disposal of Indian Student recruitment business and related legal entities**

In December 2016, the Group agreed to dispose of its Indian student recruitment business (referred to as Study Overseas Global) and related legal entities for consideration of \$0.2 million. The Group has recorded a loss on disposal of \$3.0 million.

**7. Dividend paid and proposed**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Equity dividends on ordinary shares</b>		
(a) Dividends paid during the half year		
Final franked dividend for financial year 30 June 2016: 9.9 cents (2015: 10.1 cents)	36,593	38,009
(b) Dividends proposed and not recognised as a liability		
Interim franked dividend on ordinary shares for financial year at 9.4 cents (2015: 9.6 cents)	33,947	36,163

The non-cash gain on the creation of Edith Cowan College Joint Venture of \$17.262 million (see note 6) has been excluded from profits for the purpose of calculating the Group's profit available for distribution.

**8. Events after balance sheet date**

Subsequent to balance sheet date, the directors of the Company declared an interim dividend on ordinary shares in respect to the December half year. The total amount of dividend is \$33.947 million, which represents a fully franked dividend of 9.4 cents per share. The dividend has not been provided for in the 31 December 2016 half year financial statements.

## Navitas Limited Directors' Declaration

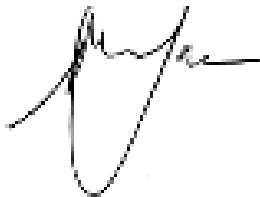
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In accordance with a resolution of the directors of Navitas Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standards including Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'R Jones', with a large loop and a horizontal stroke extending to the right.

R Jones  
Chief Executive Officer

Perth, Western Australia, 30 January 2017

## Independent Auditor's Review Report to the members of Navitas Limited

We have reviewed the accompanying half-year financial report of Navitas Limited, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit and loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year or from time to time during the half-year as set out on pages 7 to 18.

### *Directors' Responsibility for the Half-year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Navitas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## *Auditor's Independence Declaration*

In conducting our review, 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 review report.

## *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**



**Leanne Karamfiles**

Partner

Chartered Accountants

Perth, 30 January 2017