Navitas Limited

Half Year Financial Report

31 December 2017

Incorporating the requirements of Appendix 4D

Navitas Limited ABN 69 109 613 309

ASX APPENDIX 4D

Results for announcement to the market
Report for the half year ended 31 December 2017

	$m		
Revenues from ordinary activities	456.7	down	4.6%
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	66.7	down	12.9%
Earnings before interest and tax (EBIT)[2]	52.5	down	31.0%
Profit after tax from ordinary activities attributable to members	24.7	down	53.6%

Dividend Information

	Amount per share (cents)	Franked amount per share (cents)
Interim 2018 dividend (to be paid 15 March 2018)	9.4	9.4

Important dates for shareholders

Ex-dividend date	27 February 2018
Record date	1 March 2018
Payment date	15 March 2018

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 2018.

	31 Dec 2017	31 Dec 2016
Net tangible asset backing per ordinary security	(79 cents)	(66 cents)

Additional Appendix 4D disclosure requirements can be found in the directors' report and the 31 December 2017 half year financial statements and accompanying notes.

This report is based on the consolidated half year 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 2017 Annual Report available on Navitas' website, www.navitas.com.

All comparisons are with the reported results for the six months ended 31 December 2016.

Note
1 EBITDA is defined as earnings before interest, taxes, depreciation, amortisation and non-operating gains or losses. EBITDA excludes the share of results of equity accounted investments in joint ventures.
2 EBIT excludes share of Net Profit (Loss) of entities accounted for using the equity method

ASX ANNOUNCEMENT

30 January 2018

REVENUE GROWTH IN ONGOING OPERATIONS OFFSET BY IMPACT OF CLOSED COLLEGES AND REDUCED AUSTRALIAN MIGRANT ENGLISH CONTRACTS

Navitas has reported growth in revenue and EBITDA for continuing operations but the comparison to prior period is affected by the completion of Macquarie contracts, reduced AMEP contract regions and the conversion of Edith Cowan College (ECC) to a joint venture.

Key Highlights

Operational

- Excellent student outcomes across all Divisions including University Partnerships pass rates (84%), retention rates (90%) and progression rates (94%);
- 8% underlying growth in H1 FY18 University Partnerships enrolments;
- Deakin, Anglia Ruskin, Curtin and Brunel university partnership agreements renewed and Swansea converting to a joint venture;
- New college agreement signed with Virginia Commonwealth University;
- Continued solid SAE enrolment growth in Australia; and
- New Group CEO announced and transition well progressed for 1 March 2018 handover.

Financial

- Group revenue decreased 5%, EBITDA decreased 13% - prior period (H1 FY17) included income from closed colleges, more AMEP contract regions and a contribution from ECC before it converted to a joint venture;
- University Partnerships earnings margin increased by 21 bps (excluding closed colleges) and SAE by 29 bps;
- NPAT further impacted by reduction in carrying value of US tax loss assets and one-off gain on conversion of ECC to a joint venture in the pcp;
- Strong operating cash flow held steady despite NPAT decline - fully franked interim dividend maintained at 9.4 cents per share (H1 FY17: 9.4); and
- Share buy back substantially completed and closed after capital management objectives met.

Navitas Group Chief Executive Officer, Rod Jones, said:

“Navitas has continued to deliver on strong academic and experience outcomes to students and partners while delivering growth and improved cash flows from our continuing operations.”

“Key highlights included: a further improvement in academic and student support outcomes across all Divisions; a new agreement with Virginia Commonwealth University and 100% renewal rate in University Partnerships contracts, and the start of our transition to a new Group CEO.”

“Our University Partnerships operations performed strongly as global demand for high quality tertiary education in key destinations continued to grow. The performance of the Careers and Industry Division was impacted by fewer AMEP contract regions and reduced student intakes in ACAP following the reforms of the Vocational Education sector in Australia.”

“Global demand for education and training continues to increase steadily providing Navitas with growth opportunities in traditional and emerging fields.”

“We are pleased to have maintained the fully franked interim dividend following strong cash flows. It is anticipated that we will move to a partially franked dividend sometime in the near future.”

Segment Summary

Divisional EBITDA results are as follows:

Period ended 31 December $m	2017	2016	% growth (actual FX)	% growth (constant FX)	EBITDA margin (%)
University Partnerships	66.2	70.3	(6)	(6)	**22.3**
Careers & Industry	19.8	24.4	(19)	(21)	**12.6**
- Professional and English Programs (PEP)	6.7	11.4	(41)	-	**11.5**
- SAE	13.1	13.0	1	(4)	**13.4**
Divisional EBITDA	86.0	94.7	(9)	-	**-**
Corporate costs	(19.3)	(18.1)	7	4	**-**
Group EBITDA	66.7	76.6	(13)	(14)	**14.6**
Share of EBITDA from joint ventures	0.6	0.3	100		
Foreign exchange movements	(0.6)	-			
Pro-forma EBITDA[1]	**66.7**	**76.9**	**(13)**		

Note 1. Pro-forma EBITDA includes share of EBITDA from joint ventures and excludes foreign currency translation movements.

<u>University Partnerships Division</u>

The Division delivered high academic outcomes while for continuing University Partnerships colleges revenue increased by 11%, EBITDA increased by 12% and EBITDA margin improved 21bps following solid growth in enrolments across several regions. Reported EBITDA declined 6% mainly due to the contribution from closed colleges in the comparative prior period.

One new agreement was signed with Virginia Commonwealth University in the period. Agreements with partners including Deakin, Anglia Ruskin, Curtin and Brunel were renewed with the Swansea University agreement converting to a joint venture model in H2 FY18. Following a review of its longer term growth potential, management progressed plans to close Edinburgh International College in 2018.

<u>Careers and Industry Division</u>

The Division continued to focus on academic outcomes and student experience with students reporting high levels of satisfaction with program and teaching quality. The Division was impacted by a reduced contribution from Adult Migrant English Programs (AMEP) following the loss of several contract regions in a re-tender process in FY17. Enrolments at ACAP were affected by the flow on of reforms to Vocational Education funding in Australia which came into effect in 2017.

The Division continued to focus on the transition of SAE colleges to a new accrediting body in the US following the closure of the regulator ACICS. This approval is expected to be completed by mid-2018 and new course approval is delayed until the process is complete. SAE's UK business has also been granted permission to appeal the UK VAT ruling and has instructed its counsel to file a notice of intention to proceed with the appeal.

<u>Navitas Ventures</u>

Navitas Ventures continued to map the education technology sector and invested in a small number of emerging education technology (EdTech) businesses. During the period Navitas increased its ownership of the Australian School of Applied Management to 80%.

Summary
These results demonstrate strong underlying growth in continuing University Partnerships colleges. Six university partnerships agreements were renewed leaving only three contracts due for renewal in the next two years.

Navitas' operating businesses are performing in-line with the previously released 2020 strategic KPI's and the transition of the Group CEO is well progressed and on-track for the 1 March 2018 handover.

Demand for high quality education services continues to grow globally despite uncertainty in some markets. Navitas is well positioned for future growth with a track record of delivering quality outcomes, a leading global network and a strong innovation pipeline.

------ENDS------

For further information contact:
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About Navitas
Navitas is a leading global education provider that offers an extensive range of educational services through two major Divisions to students and professionals including university programs, creative media education, professional education, English language training and settlement services. Navitas is a S&P/ASX200 company. Further details about Navitas are available at navitas.com

navitas

Transforming Lives Through Education

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DIRECTORS' REPORT

DIRECTORS

The directors present their report together with the consolidated financial report for the half year ended 31 December 2017 and the review report thereon.

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

Name	Role
Tracey Horton	Chairman
Rodney Jones	Group Chief Executive Officer and Managing Director
Tony Cipa	Director
Harvey Collins	Director
Diana Eilert	Director
James King	Director (retired 15 November 2017)
Lisa Paul	Director
David Robb	Director

REVIEW OF OPERATIONS

Financial Summary

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

Period ended 31 December $m	2017	2016	% growth (actual FX)	% growth (constant FX)
Group revenue	456.7	479.0	(5)	(5)
Group EBITDA*	66.7	76.6	(13)	(14)
EBIT	52.5	76.1	(31)	
Group NPAT	25.0	53.6	(53)	
Earnings per share (cents)	6.9	14.5	(52)	
Operating cash flow per share (cents)	11.5	12	(4)	
Interim dividend (cents fully franked)	9.4	9.4	-	

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

Segment Summary

Divisional EBITDA results are as follows:

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- Professional and English Programs (PEP)	6.7	11.4	(41)	-	**11.5**
- SAE	13.1	13.0	1	(4)	**13.4**
Divisional EBITDA	86.0	94.7	(9)	-	**-**
Corporate costs	(19.3)	(18.1)	7	4	**-**
Group EBITDA	66.7	76.6	(13)	(14)	**14.6**
Share of EBITDA from joint ventures	0.6	0.3	100		
Foreign exchange movements	(0.6)	-			
Pro-forma EBITDA[1]	**66.7**	**76.9**	**(13)**		

Note 1. Pro-forma EBITDA includes share of EBITDA from joint ventures and excludes foreign currency translation movements.

The Group has also recorded contributions from its investments in joint ventures as detailed below.

	Joint Venture (JV) Results		Navitas share of JV results	
Period ended 31 December **$m**	**2017**	**2016**	**2017**	**2016**
Joint Ventures				
Operating revenue	19.1	13.3	9.6	6.6
EBITDA	1.2	0.7	0.6	0.3
Profit after tax	**1.0**	**(0.2)**	**0.5**	(0.1)

University Partnerships Division

The Division continued to deliver key quality metrics including pass rates of 84%, retention rates of 90% and progression to partner university rates of 94% for the 2017 calendar year. All these metrics were improvements on the prior period. Results from student and graduate surveys also indicate continued high levels of satisfaction with teaching and program quality.

Continuing University Partnerships colleges increased revenue 11%, EBITDA increased by 12% and EBITDA margin improved by 21 bps following 8% enrolment growth across the period from ongoing strong demand in several regions. Reported revenue and EBITDA growth for the Division were impacted by the contribution of closed colleges in the prior period. There was also no EBITDA contribution from Edith Cowan College in H1 FY18 following its conversion to a joint venture in the prior period.

One new agreement was signed with Virginia Commonwealth University in the period. Agreements with several partners including Deakin, Anglia Ruskin, Curtin and Brunel were renewed with the Swansea University agreement in the process of being converted to a joint venture model. Following a review of its longer term growth potential, management progressed plans to close Edinburgh International College in 2018.

Careers and Industry Division

SAE continued to focus on academic outcomes and student experience with students reporting high levels of satisfaction with program and teaching quality. Both SAE Australia and ACAP continued to participate in the national Quality Indicators for Learning and Teaching (QILT) surveys and exceeded the national average in four of the six metrics including teaching quality, engagement and student support.

The Careers and Industry Division was impacted by reduced enrolments at ACAP and HSA following reforms to Vocational Education funding in Australia which came into effect in 2017. Adult Migrant English Programs (AMEP) clients also decreased following the loss of several contract regions in a re-tender process, though at a lower rate than anticipated.

The Division continued to focus on the transition of SAE colleges to a new accrediting body in the US following the closure of the regulator ACICS. This approval is expected to be completed by mid-2018 and new course approval will be delayed until the process is complete. SAE's UK business has also been granted permission to appeal the UK VAT ruling and has instructed its counsel to file a notice of intention to proceed with the appeal.

Navitas Ventures

Navitas Ventures continued to explore and map the education technology sector and recently released research that found the sector was now attracting $50b worth of investment across 15,000 education innovation and technology start-ups. Navitas Ventures invested in a small number of emerging online education businesses in the period and Navitas' ownership of the Australian School of Applied Management was increased to 80%.

Sector Developments and Trends

Globally, demand for high quality tertiary education continued to grow in the period though growth in student recruitment in some destination countries was affected by regulation and government policy.

Australia's international education sector reached record highs in 2017 with over 350,000 international students studying across Australia generating over $28b of export income. Enrolment growth was biased towards East Coast universities and with an increasing proportion of student visas going to post graduate students. Supportive federal government policy on international education ensured Australia remained competitive as an education destination. Navitas continued to engage with government and peak bodies to encourage growth opportunities and ensure a high quality learning environment for students.

In December 2017 the Australian government announced a number of changes to the allocation of fully funded university places for Australian domestic students. The impact of these, and other changes, are still being assessed by Navitas though any reduction in funding is likely to only increase demand by universities for alternative sources of revenue.

Reforms to Commonwealth vocational education funding which were introduced in January 2017 continued to inhibit growth opportunities for the Vocational Education sector. Known as VET Student Loans (VSL), it is likely that these vocational education reforms will continue to impact enrolments in Australian based Careers and Industry businesses in the medium term.

Canada, as an education destination, continues to be attractive to international students and the latest country data indicates solid enrolment growth. However, the much tighter immigration regime in the US contributed to a downturn in enrolments across the country. Although the US remains the most popular destination country with international students this downturn is likely to continue in the medium term.

Although Navitas saw some growth in the UK in recent semesters, student recruitment remains challenging. Pressure continues to build on the UK Government to exclude international student numbers from the UK's immigration quota.

Other incoming regulations likely to affect Navitas' operations includes General Data Protection Regulation in Europe and Mandatory Data Breach Reporting in Australia. Navitas is upgrading its processes globally to ensure compliance with these new regulations when they take effect later in 2018.

Succession planning and strategy

As announced in October 2017 Navitas CFO, David Buckingham, will become the next Group CEO of the Company on 1 March 2018. Current Group CEO, Rod Jones, will remain as Managing Director until 30 June 2018 at which point he will continue on the Navitas Board as a Non-Executive Director and David Buckingham will also assume the Managing Director role.

The incoming Group CEO is leading the annual review of Navitas' strategy and any updates will be announced at Navitas' annual Investor Day later in FY18.

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 $33.660 million, which represents a fully franked dividend of 9.4 cents per share. The dividend has not been provided for in the 31 December 2017 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 10 and forms part of the directors' report for the half year ended 31 December 2017.

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.

R Jones
Chief Executive Officer

Perth, Western Australia, 29 January 2018

Deloitte.

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

29 January 2018

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 2017, 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

CONSOLIDATED FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the half year ended 31 December 2017

	Note	Consolidated 2017 $000s	Consolidated 2016 $000s
Revenue		456,732	478,960
Marketing expenses		(75,040)	(71,779)
Academic expenses		(107,023)	(111,649)
Administration expenses		(222,823)	(232,835)
Non operating gains and losses	7	1,211	14,263
Finance costs		(4,882)	(3,258)
Share of net profit/(loss) of entities accounted for using the equity method		519	(119)
Profit before income tax expense		**48,694**	**73,583**
Income tax expense from operations		(16,218)	(19,979)
Impact of changes in tax rates during the half year	3	(7,458)	-
Total income tax expense		(23,676)	(19,979)
Profit for the half year		**25,018**	**53,604**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Net currency translation differences		(1,426)	2,942
Fair value movement in hedge instruments		773	1,101
Income tax relating to other comprehensive income		1,309	(1,321)
Other comprehensive income for the half year		656	2,722
Total comprehensive income for the half year		**25,674**	**56,326**
Profit attributable to:			
Owners of the parent		24,706	53,279
Non-controlling interest		312	325
		25,018	**53,604**
Total comprehensive income attributable to:			
Owners of the parent		25,368	56,006
Non-controlling interest		306	320
		25,674	**56,326**
		Cents	**Cents**
Earnings per share			
Basic		6.9	14.5
Diluted		6.9	14.5

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31 Dec 2017 $000s	Consolidated 30 June 2017 $000s	31 Dec 2016 $000s
ASSETS				
Current Assets				
Cash and cash equivalents	4	73,270	86,642	71,436
Trade and other receivables		102,015	141,054	102,714
Current tax receivable		2,472	-	5,209
Prepayments and other assets		27,539	31,902	26,804
Total Current Assets		**205,296**	**259,598**	**206,163**
Non Current Assets				
Property, plant and equipment		166,549	172,528	177,161
Deferred tax assets		25,922	32,616	38,775
Investments accounted for using the equity method		23,093	25,620	24,979
Intangible assets		426,273	408,546	407,510
Other financial assets		3,287	2,538	-
Total Non Current Assets		**645,124**	**641,848**	**648,425**
TOTAL ASSETS		**850,420**	**901,446**	**854,588**
LIABILITIES				
Current Liabilities				
Trade and other payables		115,464	127,754	121,711
Deferred revenue		239,074	262,112	232,685
Current tax payable		-	3,890	-
Borrowings		3,190	3,099	-
Provisions		11,565	11,395	6,914
Total Current Liabilities		**369,293**	**408,250**	**361,310**
Non Current Liabilities				
Trade and other payables		47,615	50,906	48,360
Borrowings		270,847	269,567	255,476
Provisions		18,481	16,985	18,669
Total Non Current Liabilities		**336,943**	**337,458**	**322,505**
TOTAL LIABILITIES		**706,236**	**745,708**	**683,815**
NET ASSETS		**144,184**	**155,738**	**170,773**
EQUITY				
Issued capital	6	109,680	110,511	118,715
Foreign currency translation reserve		2,769	2,648	3,372
Cash flow hedge reserve		(190)	(731)	(1,242)
Retained earnings		30,958	42,417	49,153
Equity attributable to owners of the parent		**143,217**	**154,845**	**169,998**
Non-controlling interests		967	893	775
TOTAL EQUITY		**144,184**	**155,738**	**170,773**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2017

	Note	Consolidated 2017 $000s	2016 $000s
Cash flows from operating activities			
Receipts from customers		467,946	470,285
Payments to suppliers and employees		(400,434)	(438,725)
Dividends received from equity accounted entities		1,250	-
Lease incentive contributions received		-	34,567
Interest received		593	759
Interest paid		(4,519)	(3,055)
Income tax paid		(23,546)	(20,434)
Net cash flows from operating activities		**41,290**	**43,397**
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,299)	(67,313)
Purchase of controlled entities	7	(10,323)	-
Net cash disposed on disposal of controlled entities	7	-	(8,226)
Purchase of other investments		(200)	-
Net cash flows used in investing activities		**(18,822)**	**(75,539)**
Cash flows from financing activities			
Payments for share buy-back	6	(1,760)	(59,092)
Proceeds from borrowings		187,027	218,500
Repayment of borrowings		(184,974)	(98,000)
Loans to joint ventures		(800)	-
Payment of dividends	8	(35,382)	(36,156)
Payment of dividends to non-controlling interests		(232)	(379)
Net cash flows (used in) / from financing activities		**(36,121)**	**24,873**
Net decrease in cash and cash equivalents		(13,653)	(7,269)
Net foreign exchange differences		281	(214)
Cash and cash equivalents at beginning of the half year		86,642	78,919
Cash and cash equivalents at the end of the half year		**73,270**	**71,436**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2017

	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 2016	177,095	1,416	(2,013)	32,467	834	209,799
Profit for the half year	-	-	-	53,279	325	53,604
Fair value movement in hedge instruments (after tax)	-	-	771	-	-	771
Net currency translation differences (after tax)	-	1,956	-	-	(5)	1,951
Total comprehensive income for the half year	**-**	**1,956**	**771**	**53,279**	**320**	**56,326**
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)
Balance at 31 December 2016	**118,715**	**3,372**	**(1,242)**	**49,153**	**775**	**170,773**
Balance at 1 July 2017	110,511	2,648	(731)	42,417	893	155,738
Profit for the half year	-	-	-	24,706	312	25,018
Fair value movement in hedge instruments (after tax)	-	-	541	-	-	541
Net currency translation differences (after tax)	-	121	-	-	(6)	115
Total comprehensive income for the half year	**-**	**121**	**541**	**24,706**	**306**	**25,674**
Dividend reinvestment plan	783	-	-	-	-	783
Employee share plan purchase	146	-	-	-	-	146
Share buy back	(1,760)	-	-	-	-	(1,760)
Dividends paid	-	-	-	(36,165)	(232)	(36,397)
Balance at 31 December 2017	**109,680**	**2,769**	**(190)**	**30,958**	**967**	**144,184**
Total attributable to:						
Non-controlling interests – 31 December 2016	-	-	-	-	775	775
Non-controlling interests – 31 December 2017	**-**	**-**	**-**	**-**	**967**	**967**
Owners of the parent entity – 31 December 2016	118,715	3,372	(1,242)	49,153	-	169,998
Owners of the parent entity – 31 December 2017	**109,680**	**2,769**	**(190)**	**30,958**	**-**	**143,217**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2017

1. Corporate Information

The condensed consolidated financial statements of Navitas Limited and its subsidiaries (collectively, the Group) for the half year ended 31 December 2017 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 5.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The condensed consolidated financial statements for the half year ended 31 December 2017 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 2017.

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 2017.

(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 2017, 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 2017.

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

3. Changes in tax rates during the half year

On 22 December 2017, the US Tax Cuts and Jobs Act was signed into legislation. Under the reforms, the previous US top corporate rate of 35% was reduced permanently to 21%, for tax years beginning after 1 January 2018.

In accordance with AASB 112 *Income Taxes*, the Group has re-measured $17.4 million of US related carry forward tax losses and recognised a reduction in the carrying value of these tax assets, by $7.5 million, to $9.9 million.

This has resulted in an increase in income tax expense of $7.5 million in the half year.

4. 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 2017, the Group Australian operations held $46.7 million (2016: $48.1 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.

5. Segment Information

Reportable Segments

University Partnerships Division

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

Careers & Industry Division

Comprising:

> ***SAE***
> SAE delivers education programmes in the area of creative media including courses in audio, film and multimedia.
>
> ***Professional and English Programs (PEP)***
> PEP 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2017

5. Segment Information (continued)

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

	University Partnerships		Careers and Industry						Corporate		Total	
$000s			SAE		PEP		Total					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue												
Tuition services	265,176	265,737	91,218	92,350	58,146	83,638	149,364	175,988	-	-	414,540	441,725
Other services	31,694	24,858	7,210	7,009	659	2,166	7,869	9,175	2,040	2,310	41,603	36,343
Total segment revenue	296,870	290,595	98,428	99,359	58,805	85,804	157,233	185,163	2,040	2,310	456,143	478,068
Interest revenue											589	892
Total revenue											456,732	478,960
Result												
EBITDA*	66,180	70,263	13,142	12,979	6,746	11,418	19,888	24,397	(19,341)	(18,083)	66,727	76,577
Non operating gains and losses	-	-	-	-	-	-	-	-	1,211	14,263	1,211	14,263
Depreciation	(2,734)	(2,388)	(7,240)	(6,812)	(1,780)	(1,353)	(9,020)	(8,165)	(3,414)	(3,917)	(15,168)	(14,470)
Amortisation	(105)	(105)	-	-	(197)	(197)	(197)	(197)	-	-	(302)	(302)
EBIT^	63,341	67,770	5,902	6,167	4,769	9,868	10,671	16,035	(21,544)	(7,737)	52,468	76,068
Net finance expense											(4,293)	(2,366)
Share of net profit/(loss) of joint ventures											519	(119)
Profit before income tax											48,694	73,583
Income tax expense											(23,676)	(19,979)
Profit for the half year											25,018	53,604

* 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*

^ EBIT = *Earnings before tax and net finance expense*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2017

6. Issued capital

	Consolidated 31 Dec 2017 $000's	30 Jun 2017 $000's	31 Dec 2016 $000's
Issued capital			
Ordinary shares fully paid	**109,680**	110,511	118,715

During the half year, the Company issued shares to executives 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 2017 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.

	2017 No of shares	2017 $000s	2016 No of shares	2016 $000s
Executive share plan	**2,450**	**10**	21,744	114
Employee share plan	**31,373**	**137**	30,590	161
	33,823	**147**	52,334	275

During the half year, the Company issued 176,381 shares to a value of $0.783 million in lieu of cash dividends (December 16: 85,552 shares valued at $0.437 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 following activity occurred:

	2017	2016
Shares bought back on market (number of shares)	**400,000**	11,564,000
Shares cancelled (number of shares)	**400,000**	10,564,000
Average price	**$4.40**	$5.11
Price range	**$4.34 to $4.46**	$4.77 to $5.35
Deductions from issued capital ($000s)	**1,760**	59,092

7. Changes in the Group's Structure during the half year

Half Year ended 31 December 2017

Acquisition of additional interest in Australian School of Applied Management (ASAM)

In October 2017, Navitas acquired an additional 50% interest in ASAM for $5.6 million, increasing the Group's ownership interest in ASAM to 80%. As a result, ASAM is now a controlled entity and has been consolidated by Navitas since this date.

As a consequence of the acquisition and ASAM becoming a controlled entity of Navitas, the Group recorded a one off gain of $1.2 million on the revaluation of its pre-existing 30% shareholding.

Acquisition of Christchurch College of English Limited

In December 2017, Navitas acquired 100% of Christchurch College of English Limited (CCEL) for NZ$5.25 million. CCEL is an on-campus English language provider with colleges in Christchurch and Auckland, New Zealand.

Half Year ended 31 December 2016

In the half year ended 31 December 2016, the following transactions occurred.

(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

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

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

7. 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:

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

(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

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

8. Dividend paid and proposed

	Consolidated	
	31 Dec 2017	**31 Dec 2016**
Equity dividends on ordinary shares		
(a) Franked dividends paid during the half year		
Final dividend for financial year 30 June 2017 (2016) (cents)	10.1	9.9
Final dividend for financial year 30 June 2017 (2016) ($000s)	36,165	36,593
(b) Franked dividends proposed and not recognised as a liability		
Interim dividend on ordinary shares for financial year (cents)	9.4	9.4
Interim dividend on ordinary shares for financial year ($000s)	33,660	33,947

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2017

9. 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 $33.660 million, which represents a fully franked dividend of 9.4 cents per share. The dividend has not been provided for in the 31 December 2017 half year financial statements.

DIRECTORS' DECLARATION

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 2017 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

R Jones
Chief Executive Officer

Perth, Western Australia, 29 January 2018

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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 consolidated statement of financial position as at 31 December 2017, consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 end of the half-year or from time to time during the half-year as set out on pages 11 to 22.

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 financial 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 a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 consolidated entity's financial position as at 31 December 2017 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 2017 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, 29 January 2018