

By Email: TradingHaltsPerth@asx.com.au

2 February 2018

Madeleine Green
Adviser, Listings Compliance
ASX Limited
Level 40, Central Park
St Georges Terrace
Perth WA 6000

Dear Ms Green

Navitas Limited ("NVT") – aware query

We refer to your email letter dated 31 January 2018 and respond by adopting the numbering contained in that letter.

1. We note that ASX has defined "First Half Financial Information" as being the "Half Year Financial Report and Appendix 4D" together with the following financial results:
 - a) EBITDA for the half year period ended 31 December 2017 ("**H12018**") of \$66.7 million, which represents a 12.9% reduction from H12017; and
 - b) NPAT for H12018 of \$24.7 million, which represents a 53.6% reduction from H12017 ("**Financial Results**").

We understand that the primary intent of ASX's query is to clarify when NVT became aware that EBITDA and NPAT would be reduced, as set out above, compared to H12017.

As outlined in the Half Year Financial Report and Appendix 4D, the material matters resulting in that reduction were the non-renewals of the agreements with Macquarie University and the reduction in Adult Migrant English Program regions (relevant to both EBITDA and NPAT) and the impact of the US Tax Cuts and Jobs Act and the prior corresponding period having included a non-cash profit from the conversion of PIBT into the Edith Cowan College joint venture (relevant only to NPAT).

NVT was aware of these matters and disclosed them and their impact to ASX (on the dates set out in point 4 below) prior to the release of the Half Year Financial Report and Appendix 4D. This is outlined in more detail in point 4 below. In NVT's view, there were no new material matters disclosed in the Half Year Financial Report and Appendix 4D impacting the Financial Results that had not already been previously disclosed to ASX.

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To the extent that ASX's aware query relates to the Half Year Financial Information and Appendix 4D themselves, these were subject to an external audit review process and NVT board approval (which was given subject to management faithfully incorporating certain amendments to them). Such board approval and the auditor's review opinion were received after close of market on Monday, 29 January 2018.

2. NVT considers that, in isolation, the First Half Financial Information may be information that a reasonable person would expect, in itself, to have a material effect on the price or value of its securities. However, as set out in point 1 above and in more detail in point 4 below, NVT considers the market was appropriately informed of all material matters impacting the Financial Results through previous ASX announcements made by NVT. Accordingly, it is NVT's view that the Financial Results did not constitute an "earnings surprise" within the meaning of ASX's Guidance Note 8 and that NVT was simply announcing its periodic results in accordance with Listing Rule 4.2A.

3. Management intended to lodge the Half Year Financial Report and Appendix 4D (defined as the "**Announcement**" in ASX's letter) prior to market open but unfortunately this did not occur because further amendments and corrections were still being made to it on the morning of Tuesday, 30 January 2018. Those amendments and corrections were finalised at 6.59am (WST) and then the Announcement was lodged promptly and without delay minutes thereafter.

While noting that the Announcement was lodged with ASX well in advance of the 28 February 2018 deadline for reporting half-year financial results under Listing Rule 4.2B, NVT acknowledges ASX's 6 February 2017 Listed@ASX Compliance Update and will enhance its processes to help ensure that all future significant announcements that are intended to be lodged prior to market open are lodged with the ASX Market Announcement Office by 9.30am Sydney time.

4. As noted above, NVT considers that it had already appropriately disclosed all material matters impacting the Financial Results prior to lodging the Announcement. The most relevant of these previous disclosures are referenced and explained below.

EBITDA for the half year period ended 31 December 2017 ("H12018") of \$66.7 million, which represents a 12.9% reduction from H12017

The material components of this EBITDA reduction were:

- the non-renewals of the Sydney Institute of Business and Technology Pty Ltd ("**SIBT**") agreement with Macquarie University and the Macquarie City Campus contract; and
- the loss of some Adult Migrant English Program ("**AMEP**") regions for the FY18 to FY20 contract period.

Details of NVT's prior announcements which, in NVT's view, would have informed the market of these material matters impacting the EBITDA for H12018 are set out below. In combination, these announcements were indicative that EBITDA could be expected to be adversely impacted by at least \$12 million compared to H12017. The actual fall in EBITDA that was reported in the Financial Results was in fact slightly less than this amount.

Macquarie University Contracts

The non-renewal of the SIBT agreement with Macquarie University was announced to ASX on 9 July 2014 and on 3 February 2015 with respect to the Macquarie City Campus contract. Commentary on the ongoing impact of these contract non-renewals was disclosed in subsequent financial reporting to the ASX. In particular, NVT refers to the following specific statement reported in the "Half Year Results Presentation FY17" announced to the ASX on 31 January 2017:

- *On page 16, "Closure of Macquarie...is now complete"*

This was subsequently emphasised by the following specific statement reported in the "Full Year Results 30 June 2017 Presentation" announced to the ASX on 1 August 2017:

- *On page 9, "College wind down and closure impacts Group revenue and EBITDA – Macquarie ... colleges contributed \$10.1m EBITDA in FY17"*
- *On page 17, "No Income from closed colleges in FY18"*

Adult Migrant English Program

On 6 March 2017, NVT announced to ASX that it had been advised by the Commonwealth Department of Education and Training ("**DET**") that it had been recommended as the preferred tenderer for a reduced number of AMEP contract regions. Once contracts with DET were executed for the reduced number of AMEP contract regions, a confirmatory ASX announcement was released on 19 April 2017. Both announcements disclosed an estimated reduction in EBITDA of between \$12m to \$14m in FY18.

Navitas also made the following specific statements in the "Full Year Results 30 June 2017 Presentation" announced to the ASX on 1 August 2017:

- *On page 12, "Reduced AMEP contract in retender – FY18 EBITDA to decrease by \$14.0m from 1 July 2017"*
- *On page 17, "C&I EBITDA to decrease \$14.0m from 1 July 2017 following AMEP retender".*

NPAT for H12018 of \$24.7 million, which represents a 53.6% reduction from H12017

The material components of this NPAT reduction were:

- the consequential impact of the EBITDA decreases from the non-renewals of the SIBT agreement with Macquarie University and the Macquarie City Campus contract, and the loss of some AMEP regions for the FY18 to FY20 contract period, as set out above;
- the impact on NVT of the change in US Federal tax rates; and
- the non-recurring gain reported in H12017 (the prior corresponding period) following the accounting disposal of 50% of NVT's shares in Perth Institute of Business and Technology Pty Ltd ("**PIBT**") to Edith Cowan University to create the Edith Cowan College joint venture.

In addition to the previous ASX announcements set out above, further details of NVT's other prior announcements which, in NVT's view, would have informed the market of these material matters impacting the NPAT for H12018, are set out below. These prior announcements were indicative that NPAT could be expected to be adversely impacted by at least \$30 million compared to H12017. The actual fall in NPAT that was reported in the Financial Results was broadly in line with this amount.

US Federal Tax Rate Changes

The implications for NVT of the change in the US federal tax rates following the enactment of the US Tax Cuts and Jobs Act were announced to ASX on 27 December 2017. This announcement contained a specific quantification of "a one off charge to income tax expense of \$7.5m that will be recorded in the 2018 interim financial statements".

Conversion of PIBT into the Edith Cowan College Joint Venture

The Edith Cowan College joint venture was announced to ASX on 9 September 2016. Completion was confirmed to ASX on 30 September 2016. Full disclosure of the non cash gain, and its non-recurring nature, was given in the half year reporting for the period ended 31 December 2016. Specific references were as follows:

Half Year Report and Accounts lodged with ASX on 31 January 2017

- *On page 3, "NPAT up 18% helped by non-recurring, non cash gain on disposal of PIBT to a Joint Venture (Net \$14.3m)"*
- *The business disposal transaction, and associated gain on disposal was disclosed in accordance with Australian Accounting Standards in Note 6 of the Half Year Financial Statements for the period ended 31 December 2016, and throughout the financial statements where appropriate.*

Results for the Half Year Ended 31 Dec 2016 lodged with ASX on 31 January 2017

- *On page 1, "NPAT up 18% helped by non-recurring, non cash gain on disposal of PIBT to a Joint Venture (Net \$14.3m)"*

Half Year Results Presentation FY17 lodged with ASX on 31 January 2017

- *On page 3, "NPAT up 18% helped by non-recurring, non cash gain on disposal of PIBT to a Joint Venture (Net \$14.3m)"*
- *On page 4, "Reported NPAT includes a gain on disposal of PIBT following conversion to a Joint Venture (net \$14.3m profit)"*

Full disclosure of the non cash gain, and its non-recurring nature, was given in the full year reporting for the period ended 30 June 2017. Specific references were as follows:

Financial Report for the year ended 30 June 2017 and Appendix 4E lodged with the ASX on 1 August 2017

- *On page 9, "NPAT benefited by a net \$14.3m non-recurring gain from the conversion of Edith Cowan College to a joint venture"*
- *The business disposal transaction, and associated gain on disposal was disclosed in accordance with Australian Accounting Standards in Note 9 of the Full Year Financial Statements for the period ended 30 June 2017, and throughout the financial statements where appropriate.*

Financial Results 30 June 2017 Presentation lodged with the ASX on 1 August 2017

- *On page 9, "Reported NPAT benefits from non-recurring non-cash gain on conversion of Edith Cowan College to JV"*

5. Not applicable.

6. NVT confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

7. Confirmed.

Yours sincerely



Hugh Hangchi
Company Secretary & Group General Counsel



Matthew Rumpus
Assistant Company Secretary & Senior Legal Counsel



31 January 2018

Mr Hugh Hangchi & Mr Matthew Rumpus
Company Secretary
Navitas Limited
Level 8, Brookfield Place
125 St Georges Terrace
PERTH WA 6000

By email: Hugh.Hangchi@navitas.com and Matthew.Rumpus@navitas.com

Dear Mr Hangchi and Mr Rumpus

Navitas Limited ("NVT"): aware query

ASX Limited ("ASX") refers to the following:

- A. NVT's announcement entitled "*Half Yearly Report and Accounts*" lodged on the ASX Market Announcements Platform ("MAP") and released on 31 January 2017, which set out the following financial results:
- a) Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the half year period ended 31 December 2016 ("H12016") of \$76.6 million.
 - b) Net Profit after Tax ("NPAT") for H12016 of \$53.6 million.
- B. NVT's announcement entitled "*Half year financial report and Appendix 4D*" lodged on MAP at 10:08 am (AEDT) and released at 10:13 am (AEDT) on 30 January 2018 (the "Announcement"), which set out the following financial results (together, the "First Half Financial Information"):
- a) EBITDA for the half year period ended 31 December 2017 ("H12017") of \$66.7 million, which represents a 12.9% change (loss) from H12016.
 - b) NPAT for H12017 of \$24.7 million, which represents a 53.6% change (loss) from H12016.
- C. NVT's announcement entitled "*Half year results presentation*" lodged on MAP and released at 10:13 am (AEDT) on 30 January 2018.
- D. The decrease in the price of NVT's shares from a closing price of \$5.24 on 29 January 2018 to an intra-day low of \$4.72 on 30 January 2018 following the release of the Announcement.
- E. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into

possession of the information in the course of the performance of their duties as an officer of that entity”

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* “When does an entity become aware of information”.

- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

- H. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

- I. Section 7.3 of Guidance Note 8, which states:

“If an entity becomes aware that its earnings for the current reporting period will differ (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact. This obligation may arise under Listing Rule 3.1 and section 674 of the Corporations Act, if the difference is of such magnitude that a reasonable person would expect it to have a material effect on the price or value of the entity’s securities – referred to below as a “market sensitive earnings surprise”. Alternatively, in the case of an entity which becomes aware that its earnings guidance for a reporting period will differ from earnings guidance it has published to the market, it may arise under section 1041H of the Corporations Act, because failing to inform the market that its published guidance is no longer accurate could constitute misleading conduct on its part.”

J. Listed@ASX Compliance Update 6 February 2017, section 4:

“If a listed entity is trying to lodge a market sensitive announcement before market open and it becomes apparent that it will not be able to submit it to the ASX Market Announcements Office by 9:30 am AEDT, it should immediately contact its Listings Compliance Adviser to discuss the options available. This may include putting in place a short trading halt under Listing Rule 17.1 to cater for any delay in the release of the announcement and to ensure the market does not trade on an uninformed basis.”

Having regard to the above, ASX asks NVT to respond separately to each of the following questions and requests for information:

1. When did NVT first become aware of the First Half Financial Information?
2. Does NVT consider the First Half Financial Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
3. Noting that the Announcement was lodged on MAP at 10:08 am (AEDT) and released at 10:13 am (AEDT), please advise why the Announcement was not lodged prior to market open.
4. If the answer to question 2 is “yes” and NVT first became aware of the information before 30 January 2018, did NVT make any announcement prior to the relevant date which disclosed the First Half Financial Information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe NVT was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps NVT took to ensure that the information was released promptly and without delay.
5. If the answer to question 2 is “no”, please advise the basis for that view.
6. Please confirm that NVT is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
7. Please confirm that NVT’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of NVT with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (ie before 9.30 am AEDT/6:30 am WST) on **Monday 5 February 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in NVT’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, NVT’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at TradingHaltsPerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm

that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to NVT's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that NVT's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in NVT's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

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