

**Navitas Limited**

**ABN 69 109 613 309**

**Half Year Financial Report**

**31 December 2014**

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# Navitas Limited

## Directors' Report

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The Directors present their report together with the consolidated financial report for the half year ended 31 December 2014 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

|                        |                                     |
|------------------------|-------------------------------------|
| Harvey Russell Collins | Chairman                            |
| Rodney Malcolm Jones   | Group Chief Executive Officer       |
| Tony Cipa              | Director                            |
| Diana Eilert           | Director (appointed 28 July 2014)   |
| Edward Alfred Evans    | Director (resigned 4 November 2014) |
| Peter Devon Larsen     | Director (resigned 4 November 2014) |
| James Stephen King     | Director                            |
| Tracey Horton          | Director                            |

### Review of Operations

Consolidated operating revenue for the half year ended 31 December 2014 was \$480.499 million (2013: \$421.943 million). Net profit attributable to members of Navitas Limited was \$31.332 million (2013: \$36.080 million).

The University Programs Division incurred a \$9.047 million goodwill impairment in relation to SIBT and the previously announced change in contract with Macquarie University, reducing the carrying value to nil. There was no impairment in the half year to 31 December 2013. Excluding the goodwill impairment Group EBITDA increased 13% to \$71.156 million, net profit after tax attributable to members for the period was \$40.379 million and Earnings per Share increased to 10.7 cents.

### 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 \$35.348 million, which represents a fully franked dividend of 9.4 cents per share. The dividend has not been provided for in the 31 December 2014 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 3 and forms part of the directors' report for the half year ended 31 December 2014.

### 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 98/0100. 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, 2 February 2015

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

02 February 2015

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 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



**DELOITTE TOUCHE TOHMATSU**



**AT Richards**  
Partner  
Chartered Accountants

# Navitas Limited

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half year ended 31 December 2014

|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>31 Dec 2014</b>  | <b>31 Dec 2013</b> |
|  | <b>\$000s</b>       | <b>\$000s</b>      |
| Revenue  | 480,499             | 421,943            |
| Marketing expenses   | (71,596)            | (64,537)           |
| Academic expenses  | (113,623)           | (96,207)           |
| Administration expenses  | (235,961)           | (206,611)          |
| Finance costs  | (3,456)             | (4,895)            |
| Impairment of goodwill   | (9,047)             | -                  |
| <b>Profit before income tax expense</b>                              | <b>46,816</b>       | <b>49,693</b>      |
| Income tax expense   | (15,300)            | (13,602)           |
| <b>Profit for the half year</b>                                      | <b>31,516</b>       | <b>36,091</b>      |
| <b>Other comprehensive income/(expense)</b>                          |                     |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i> |                     |                    |
| Net currency translation differences                                 | (2,606)             | (4,164)            |
| Fair value movement in hedge instruments                             | (924)               | 47                 |
| Income tax relating to other comprehensive income                    | 2,168               | 3,057              |
| Other comprehensive income/(expense) for the half year               | (1,362)             | (1,060)            |
| <b>Total comprehensive income for the half year</b>                  | <b>30,154</b>       | <b>35,031</b>      |
| <b>Profit attributable to:</b>                                       |                     |                    |
| Owners of the parent   | 31,332              | 36,080             |
| Non-controlling interest   | 184                 | 11                 |
|  | <b>31,516</b>       | <b>36,091</b>      |
| <b>Total comprehensive income attributable to:</b>                   |                     |                    |
| Owners of the parent   | 30,471              | 35,116             |
| Non-controlling interest   | (317)               | (85)               |
|  | <b>30,154</b>       | <b>35,031</b>      |
|  | <b>Cents</b>        | <b>Cents</b>       |
| <b>Earnings per share</b>  |                     |                    |
| Basic  | 8.3                 | 9.6                |
| Diluted  | 8.3                 | 9.6                |

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 2014

|  |      | 31 Dec<br>2014<br>\$000s | Consolidated<br>30 June<br>2014<br>\$000s | 31 Dec<br>2013<br>\$000s |
|--|------|--------------------------|---|--------------------------|
|  | Note |                          |   |                          |
| <b>Current Assets</b>                              |      |                          |   |                          |
| Cash and cash equivalents                          | 3    | 84,660                   | 71,886                                    | 76,670                   |
| Trade and other receivables                        |      | 72,958                   | 111,836                                   | 69,066                   |
| Other  |      | 22,849                   | 18,516                                    | 21,059                   |
| <b>Total Current Assets</b>                        |      | <b>180,467</b>           | <b>202,238</b>                            | <b>166,795</b>           |
| <b>Non Current Assets</b>                          |      |                          |   |                          |
| Plant & equipment                                  |      | 92,620                   | 74,368                                    | 75,663                   |
| Deferred tax assets                                |      | 41,661                   | 34,556                                    | 32,199                   |
| Intangible assets                                  |      | 420,071                  | 420,169                                   | 456,029                  |
| <b>Total Non Current Assets</b>                    |      | <b>554,352</b>           | <b>529,093</b>                            | <b>563,891</b>           |
| <b>Total Assets</b>                                |      | <b>734,819</b>           | <b>731,331</b>                            | <b>730,686</b>           |
| <b>Current Liabilities</b>                         |      |                          |   |                          |
| Trade and other payables                           |      | 99,091                   | 102,622                                   | 75,643                   |
| Deferred revenue                                   |      | 238,434                  | 258,401                                   | 214,126                  |
| Current tax payables                               |      | 6,132                    | 12,648                                    | 4,120                    |
| Borrowings   |      | 2,872                    | 2,852                                     | 2,910                    |
| Provisions   |      | 6,057                    | 5,635                                     | 4,619                    |
| <b>Total Current Liabilities</b>                   |      | <b>352,586</b>           | <b>382,158</b>                            | <b>301,418</b>           |
| <b>Non Current Liabilities</b>                     |      |                          |   |                          |
| Trade and other payables                           |      | 8,557                    | 4,693                                     | 6,110                    |
| Borrowings   |      | 158,395                  | 123,530                                   | 182,594                  |
| Provisions   |      | 9,985                    | 9,241                                     | 8,211                    |
| <b>Total Non Current Liabilities</b>               |      | <b>176,937</b>           | <b>137,464</b>                            | <b>196,915</b>           |
| <b>Total Liabilities</b>                           |      | <b>529,523</b>           | <b>519,622</b>                            | <b>498,333</b>           |
| <b>Net Assets</b>                                  |      | <b>205,296</b>           | <b>211,709</b>                            | <b>232,353</b>           |
| <b>Equity</b>                                      |      |                          |   |                          |
| Issued capital                                     | 5    | 199,613                  | 197,868                                   | 195,673                  |
| Foreign currency translation reserve               |      | 166                      | 380                                       | 794                      |
| Cash flow hedge reserve                            |      | (2,261)                  | (1,615)                                   | 33                       |
| Retained earnings                                  |      | 11,358                   | 17,973                                    | 37,758                   |
| <b>Equity attributable to owners of the parent</b> |      | <b>208,876</b>           | <b>214,606</b>                            | <b>234,258</b>           |
| Non-controlling interests                          |      | (3,580)                  | (2,897)                                   | (1,905)                  |
| <b>Total Equity</b>                                |      | <b>205,296</b>           | <b>211,709</b>                            | <b>232,353</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 2014

|   | Issued<br>Capital<br>\$000s | Foreign Currency<br>Translation<br>Reserve<br>\$000s | Cashflow<br>Hedge<br>Reserve<br>\$000s | Retained<br>earnings<br>\$000s | Non-controlling<br>interests<br>\$000s | Total equity<br>\$000s |
|---|-----------------------------|--|--|--------------------------------|--|------------------------|
| Balance at 1 July 2013                              | 195,375                     | 1,790  | -                                      | 39,966                         | (1,384)                                | 235,747                |
| Profit for the half year                            | -                           | -  | -                                      | 36,080                         | 11                                     | 36,091                 |
| Fair value movements in hedge reserve (after tax)   | -                           | -  | 33                                     | -                              | -                                      | 33                     |
| Net currency translation differences                | -                           | (996)  | -                                      | -                              | (97)                                   | (1,093)                |
| <b>Total comprehensive income for the half year</b> | <b>-</b>                    | <b>(996)</b>   | <b>33</b>                              | <b>36,080</b>                  | <b>(86)</b>                            | <b>35,031</b>          |
| Employee share plan purchase                        | 298                         | -  | -                                      | -                              | -                                      | 298                    |
| Dividends paid                                      | -                           | -  | -                                      | (38,288)                       | (435)                                  | (38,723)               |
| <b>Balance at 31 December 2013</b>                  | <b>195,673</b>              | <b>794</b>   | <b>33</b>                              | <b>37,758</b>                  | <b>(1,905)</b>                         | <b>232,353</b>         |
| Balance at 1 July 2014                              | 197,868                     | 380  | (1,615)                                | 17,973                         | (2,897)                                | 211,709                |
| Profit for the half year                            | -                           | -  | -                                      | 31,332                         | 184                                    | 31,516                 |
| Fair value movements in hedge reserve (after tax)   | -                           | -  | (647)                                  | -                              | -                                      | (647)                  |
| Net currency translation differences                | -                           | (214)  | -                                      | -                              | (501)                                  | (715)                  |
| <b>Total comprehensive income for the half year</b> | <b>-</b>                    | <b>(214)</b>   | <b>(647)</b>                           | <b>31,332</b>                  | <b>(317)</b>                           | <b>30,154</b>          |
| Dividend reinvestment plan                          | 1,280                       | -  | -                                      | -                              | -                                      | 1,280                  |
| Employee share plan purchase                        | 465                         | -  | -                                      | -                              | -                                      | 465                    |
| Dividends paid                                      | -                           | -  | -                                      | (37,947)                       | (366)                                  | (38,313)               |
| <b>Balance at 31 December 2014</b>                  | <b>199,613</b>              | <b>166</b>   | <b>(2,261)</b>                         | <b>11,358</b>                  | <b>(3,580)</b>                         | <b>205,296</b>         |
| Total attributable to                               |                             |  |  |                                |  |                        |
| Non controlling interests – 31 December 2013        | -                           | -  | -                                      | -                              | (1,905)                                | (1,905)                |
| Non controlling interests – 31 December 2014        | -                           | -  | -                                      | -                              | (3,580)                                | (3,580)                |
| Owners of the parent entity – 31 December 2013      | 195,673                     | 794  | 33                                     | 37,758                         | -                                      | 234,258                |
| Owners of the parent entity – 31 December 2014      | 199,613                     | 166  | (2,261)                                | 11,358                         | -                                      | 208,876                |

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 2014

|  |      | Consolidated   |                |
|--|------|----------------|----------------|
|  |      | 31 Dec<br>2014 | 31 Dec<br>2013 |
|  | Note | \$000s         | \$000s         |
| <b>Cash flows from operating activities</b>  |      |                |                |
| Receipts from customers  |      | 490,276        | 436,964        |
| Payments to suppliers and employees  |      | (414,598)      | (363,528)      |
| Interest received  |      | 1,062          | 1,339          |
| Interest paid  |      | (3,456)        | (4,895)        |
| Income tax paid  |      | (26,493)       | (27,224)       |
| Net cash provided by operating activities  |      | 46,791         | 42,656         |
| <b>Cash flows from investing activities</b>  |      |                |                |
| Purchase of plant and equipment  |      | (19,358)       | (9,862)        |
| Net cash paid for controlled entities  |      | (6,709)        | -              |
| Net cash used in investing activities  |      | (26,067)       | (9,862)        |
| <b>Cash flows from financing activities</b>  |      |                |                |
| Proceeds from borrowings   |      | 215,014        | 315,059        |
| Repayment of borrowings  |      | (188,023)      | (289,905)      |
| Payment of dividends   | 6    | (36,667)       | (38,288)       |
| Payment of dividends to non-controlling interests  |      | (366)          | (435)          |
| Repayment of borrowings to non-controlling interest  |      | (379)          | (187)          |
| Net cash used in financing activities  |      | (10,421)       | (13,756)       |
| <b>Net increase in cash and cash equivalents</b>   |      | 10,303         | 19,038         |
| Cash and cash equivalents at beginning of the half year  |      | 71,886         | 56,332         |
| Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies |      | 2,471          | 1,300          |
| <b>Cash and cash equivalents at end of the half year</b>   |      | 84,660         | 76,670         |

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 Financial Statements For the half year ended 31 December 2014

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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 2014 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 2014 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 2014.

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 2014.

#### (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 2014, 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 2014.

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

## Navitas Limited

### Notes to the Financial Statements For the half year ended 31 December 2014

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#### 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 2014, the Group Australian operations held \$63.3 million (2013:\$64.6 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 Programs

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

##### SAE

The SAE business delivers education programs in the area of creative Media including courses in audio, film and media.

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

The Division delivers English language tuition, jobs skills training and higher and vocational education in health, security and psychology.

##### Corporate

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

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

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

# Navitas Limited

## Notes to the Financial Statements For the half year ended 31 December 2014

### 4. Segment Information (continued)

| \$000s                                   | University Programs |         | SAE     |         | PEP     |         | Corporate |          | Total    |          |
|--|---------------------|---------|---------|---------|---------|---------|-----------|----------|----------|----------|
|  | 2014                | 2013    | 2014    | 2013    | 2014    | 2013    | 2014      | 2013     | 2014     | 2013     |
| <b>Revenue</b>                           |                     |         |         |         |         |         |           |          |          |          |
| Sales to external customers              | 277,471             | 243,208 | 86,814  | 68,130  | 113,974 | 108,070 | 1,159     | 1,149    | 479,419  | 420,557  |
| Interest                                 |                     |         |         |         |         |         |           |          | 1,080    | 1,386    |
| Total consolidated revenue               |                     |         |         |         |         |         |           |          | 480,499  | 421,943  |
| <b>Result</b>                            |                     |         |         |         |         |         |           |          |          |          |
| EBITDA*                                  | 68,640              | 58,452  | 7,413   | 9,022   | 13,037  | 10,967  | (17,934)  | (15,230) | 71,156   | 63,211   |
| Depreciation                             | (2,290)             | (2,089) | (5,633) | (4,730) | (1,606) | (1,480) | (3,013)   | (1,335)  | (12,542) | (9,634)  |
| Amortisation                             | -                   | -       | -       | -       | (375)   | (375)   | -         | -        | (375)    | (375)    |
| Goodwill impairment #                    | (9,047)             | -       | -       | -       | -       | -       | -         | -        | (9,047)  | -        |
| Profit before tax and net finance income | 57,303              | 56,363  | 1,780   | 4,292   | 11,056  | 9,112   | (20,947)  | (16,565) | 49,192   | 53,202   |
| Net finance expense                      |                     |         |         |         |         |         |           |          | (2,376)  | (3,509)  |
| Profit before income tax                 |                     |         |         |         |         |         |           |          | 46,816   | 49,693   |
| Income tax expense                       |                     |         |         |         |         |         |           |          | (15,300) | (13,602) |
| Profit for the year                      |                     |         |         |         |         |         |           |          | 31,516   | 36,091   |

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

# In July 2014 Navitas announced that its wholly owned subsidiary, Sydney Institute of Business and Technology (SIBT), had reached agreement with its partner, Macquarie University (Macquarie), that from February 2016 SIBT's on campus pathway programs to students would cease. From this point on Macquarie would offer its own pathway program to students. As disclosed in the 30 June 2014 financial statements, Navitas performed a value in use calculation which determined that the recoverable value of the SIBT cash generating unit was \$9.0 million as at 30 June 2014. Navitas has re-performed this value in use calculation as at 31 December 2014, using a pre tax discount rate of 11.4%, and has determined that this carrying value of \$9.0m now has a recoverable value of \$nil (Dec 13: \$32.3 million), and a goodwill impairment charge of \$9.0 million has been recognised as at 31 December 2014.

# Navitas Limited

## Notes to the Financial Statements For the half year ended 31 December 2014

### 5. Issued Capital

|                            | Consolidated              |                           |                           |
|----------------------------|---------------------------|---------------------------|---------------------------|
|                            | 31 Dec<br>2014<br>\$000's | 30 Jun<br>2014<br>\$000's | 31 Dec<br>2013<br>\$000's |
| <b>Issued capital</b>      |                           |                           |                           |
| Ordinary shares fully paid | 199,613                   | 197,868                   | 195,673                   |

During the half year the Company issued 44,419 (Dec 13: 15,987) shares to executive employees (under terms of the executive share plan) to a value of \$0.228 million (Dec 13: \$0.093 million) 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 2014 financial year. In addition, the Company issued 46,042 (Dec 13: 33,005) shares valued at \$0.237 million (Dec 13: \$0.205 million) to eligible employees in lieu of salaries and wages as part of the Company's Employee Share Ownership Plan.

During the half year, the Company issued 234,771 shares to a value of \$1.280m in lieu of cash dividends.

### 6. Dividend paid and proposed

|  | Consolidated              |                           |
|--|---------------------------|---------------------------|
|  | 31 Dec<br>2014<br>\$000's | 31 Dec<br>2013<br>\$000's |
| <b>Equity dividends on ordinary shares</b>   |                           |                           |
| (a) Dividends paid during the half year  |                           |                           |
| Final franked dividend for financial year 30 June<br>2014: 10.1 cents (2013: 10.2 cents)         | 37,947                    | 38,288                    |
| (b) Dividends proposed and not recognised as a liability   |                           |                           |
| Interim franked dividend on ordinary shares for<br>financial year at 9.4 cents (2013: 9.4 cents) | 35,348                    | 35,289                    |

## Navitas Limited

### Notes to the Financial Statements For the half year ended 31 December 2014

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#### 7. Financial Instruments

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

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

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

Levels are defined as follows:

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

The Group has derivative financial assets and liabilities which are classified as level 2 fair value measurements. There were no transfers between levels during the half year.

These level 2 financial assets and liabilities include:

- foreign exchange derivative liabilities of \$0.337 million (Dec 13: \$2.084 million) that are valued using discounted cash flow techniques. Under this technique future cash flows are estimated based on forward exchange contract rates (from observable forward exchange contract rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the counterparties
- interest rate swap liabilities of \$3.230 million (Dec 13: assets of \$0.048 million) that are valued using discounted cash flow techniques. Under this technique future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparties

In neither case are there significant unobservable inputs.

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

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

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

#### 8. Change in composition of entity

During the half year, the Company has not made any material acquisitions.

## **Navitas Limited**

### **Notes to the Financial Statements For the half year ended 31 December 2014**

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#### **9. Borrowings**

During the half year, the Company completed a refinancing of its existing debt facilities via a series of five year multi-currency bilateral revolving credit facilities. The new facilities increase the total facility limit to \$400m (Dec13: \$275m) and increase the term to December 2019 (Dec13: June 2017).

#### **10. Contingent Liabilities**

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

HM Revenue & Customs subsequently sought leave from the First-Tier Tribunal to appeal this decision. This initial request to the First-Tier Tribunal was rejected, although HM Revenue & Customs was granted specific leave to seek permission to appeal to the Upper Tribunal (Tax and Chancery Chamber). HM Revenue & Customs applied for permission to appeal to the Upper Tribunal on 30 June 2014 and on 23 July 2014 this was refused. HM Revenue & Customs applied for this decision to be reconsidered at an oral hearing in 11 December 2014. Permission to appeal to the Upper Tribunal (Tax and Chancery Chamber) was granted subsequent to this hearing.

Based on external legal advice, the directors believe that there are good prospects that the Upper Tribunal (Tax and Chancery Chamber) will rule in our favour on appeal. Should the ruling be overturned in favour of HM Revenue & Customs the Group faces a potential VAT liability. As at 30 June 2014 the best estimate of such a liability is \$3.5m, with a total potential reduction in profits after tax of \$2.8m.

#### **11. 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 \$35.348 million, which represents a fully franked dividend of 9.4 cents per share. The dividend has not been provided for in the 31 December 2014 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 2014 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, 2 February 2015

## 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 2014, and the condensed statement of profit or 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, selected explanatory notes 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 4 to 14.

### *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 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 2014 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 2014 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**



**AT Richards**

Partner

Chartered Accountants

Perth, 2 February 2015