

Half Yearly Report for the half year ended 31 December 2015

Results for announcement to the market

(All comparisons to the half year ended 31 December 2014)

	\$m	
Revenues from ordinary activities	518.7	up 8.0%
Profit after tax from ordinary activities	45.1	up 43.8%

Dividend Information

	Amount per share (cents)	Franked amount per share (cents)
Interim 2016 dividend (to be paid 15 March 2016)	9.6	9.6

Important dates for shareholders

Ex-dividend date	26 February 2016
Record date	1 March 2016
Payment date	15 March 2016

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 (AEST) on 2 March 2016.

	31 Dec 2015	31 Dec 2014
Net tangible asset backing per ordinary security	(49 cents)	(57 cents)

Additional Appendix 4D disclosure requirements can be found in the directors' report and the 31 December 2015 half yearly financial statements and accompanying notes.

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

This information, comprising the information required by Listing Rule 4.2A, should be read in conjunction with the Navitas Ltd 2015 Annual Report available on Navitas' website, www.navitas.com.



Navitas Limited

ABN 69 109 613 309

Half Year Financial Report

31 December 2015



Navitas Limited

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Navitas Limited

Directors' Report

The Directors present their report together with the consolidated financial report for the half year ended 31 December 2015 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 and Managing Director
Tony Cipa	Director
Diana Eilert	Director
Tracey Horton	Director
James Stephen King	Director

Review of Operations

Consolidated operating revenue for the half year ended 31 December 2015 was \$518.711 million (2014: \$480.499 million). Net profit attributable to members of Navitas Limited was \$45.058 million (2014: \$31.332 million).

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 \$36.163 million, which represents a fully franked dividend of 9.6 cents per share. The dividend has not been provided for in the 31 December 2015 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 2015.

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, 1 February 2016

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

1 February 2016

Dear Directors

RE: 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 2015, 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



Ross Jerrard
Partner
Chartered Accountants

Navitas Limited

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2015

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$000s	\$000s
Revenue	518,711	480,499
Marketing expenses	(83,609)	(71,596)
Academic expenses	(127,926)	(113,623)
Administration expenses	(238,712)	(235,961)
Finance costs	(3,004)	(3,456)
Impairment of goodwill	-	(9,047)
Share of associates losses	(388)	-
Profit before income tax expense	65,072	46,816
Income tax expense	(19,619)	(15,300)
Profit for the half year	45,453	31,516
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net currency translation differences	6,905	(2,606)
Fair value movement in hedge instruments	(238)	(924)
Income tax relating to other comprehensive income	(640)	2,168
Other comprehensive income/(expense) for the half year	6,027	(1,362)
Total comprehensive income for the half year	51,480	30,154
Profit attributable to:		
Owners of the parent	45,058	31,332
Non-controlling interest	395	184
	45,453	31,516
Total comprehensive income attributable to:		
Owners of the parent	50,282	30,471
Non-controlling interest	1,198	(317)
	51,480	30,154
	Cents	Cents
Earnings per share		
Basic	12.0	8.3
Diluted	12.0	8.3

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 2015

	Note	31 Dec 2015 \$000s	Consolidated 30 June 2015 \$000s	31 Dec 2014 \$000s
Current Assets				
Cash and cash equivalents	3	74,588	87,188	84,660
Trade and other receivables		87,845	107,927	72,958
Current tax receivable		4,979	-	-
Other		24,265	23,880	22,849
Total Current Assets		191,677	218,995	180,467
Non Current Assets				
Plant & equipment		99,286	99,194	92,620
Deferred tax assets		40,793	46,325	41,661
Investments accounted for using the equity method		4,803	4,865	-
Intangible assets		410,298	408,326	420,071
Total Non Current Assets		555,180	558,710	554,352
Total Assets		746,857	777,705	734,819
Current Liabilities				
Trade and other payables		106,620	125,057	101,963
Deferred revenue		259,854	280,584	238,434
Current tax payables		-	13,077	6,132
Provisions		14,206	5,844	6,057
Total Current Liabilities		380,680	424,562	352,586
Non Current Liabilities				
Trade and other payables		9,875	10,793	8,557
Borrowings		121,397	123,139	158,395
Provisions		9,461	12,544	9,985
Total Non Current Liabilities		140,733	146,476	176,937
Total Liabilities		521,413	571,038	529,523
Net Assets		225,444	206,667	205,296
Equity				
Issued capital	5	202,475	200,974	199,613
Foreign currency translation reserve		616	(4,774)	166
Cash flow hedge reserve		(2,086)	(1,920)	(2,261)
Retained earnings		23,538	16,489	11,358
Equity attributable to owners of the parent		224,543	210,769	208,876
Non-controlling interests		901	(4,102)	(3,580)
Total Equity		225,444	206,667	205,296

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 2015

	Issued Capital \$000s	Foreign Currency Translation Reserve \$000s	Cashflow Hedge Reserve \$000s	Retained earnings \$000s	Non- controlling interests \$000s	Total equity \$000s
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)
Total comprehensive income for the half year	-	(214)	(647)	31,332	(317)	30,154
Dividend reinvestment plan	1,280	-	-	-	-	1,280
Employee share plan purchase	465	-	-	-	-	465
Dividends paid	-	-	-	(37,947)	(366)	(38,313)
Balance at 31 December 2014	199,613	166	(2,261)	11,358	(3,580)	205,296
Balance at 1 July 2015	200,974	(4,774)	(1,920)	16,489	(4,102)	206,667
Profit for the half year	-	-	-	45,058	395	45,453
Fair value movements in hedge reserve (after tax)	-	-	(166)	-	-	(166)
Net currency translation differences	-	5,390	-	-	803	6,193
Total comprehensive income for the half year	-	5,390	(166)	45,058	1,198	51,480
Dividend reinvestment plan	1,083	-	-	-	-	1,083
Employee share plan purchase	418	-	-	-	-	418
Disposal of controlled entities	-	-	-	(38,009)	4,234	4,234
Dividends paid	-	-	-	(38,009)	(429)	(38,438)
Balance at 31 December 2015	202,475	616	(2,086)	23,538	901	225,444
Total attributable to Non controlling interests – 31 December 2014	-	-	-	-	(3,580)	(3,580)
Non controlling interests – 31 December 2015	-	-	-	-	901	901
Owners of the parent entity – 31 December 2014	199,613	166	(2,261)	11,358	-	208,876
Owners of the parent entity 31 December 2015	202,475	616	(2,086)	23,538	-	224,543

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 2015

	Note	Consolidated 31 Dec 2015 \$000s	31 Dec 2014 \$000s
Cash flows from operating activities			
Receipts from customers		530,650	490,276
Payments to suppliers and employees		(452,897)	(414,598)
Interest received		1,116	1,062
Interest paid		(3,006)	(3,456)
Income tax paid		(30,688)	(26,493)
Net cash provided by operating activities		45,175	46,791
Cash flows from investing activities			
Purchase of plant and equipment		(13,239)	(19,358)
Net cash paid for controlled entities		-	(6,709)
Net cash paid on disposal of controlled entities		(1,181)	-
Net cash paid for other financial assets		(775)	-
Net cash used in investing activities		(15,195)	(26,067)
Cash flows from financing activities			
Proceeds from borrowings		106,000	215,014
Repayment of borrowings		(110,998)	(188,023)
Payment of dividends	6	(36,926)	(36,667)
Payment of dividends to non-controlling interests		(429)	(366)
Repayment of borrowings to non-controlling interest		-	(379)
Net cash used in financing activities		(42,353)	(10,421)
Net (decrease)/increase in cash and cash equivalents		(12,373)	10,303
Cash and cash equivalents at beginning of the half year		87,188	71,886
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(227)	2,471
Cash and cash equivalents at end of the half year		74,588	84,660

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 2015

1. Corporate Information

The condensed consolidated financial statements of Navitas Limited and its subsidiaries (collectively, the Group) for the half year ended 31 December 2015 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 2015 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 2015.

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 2015.

(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 2015, 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 2015.

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 2015

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 2015, the Group Australian operations held \$55.3 million (2014:\$63.3 million) in prepaid fees for students who had not commenced studies with the Group, with a corresponding amount included in deferred revenue.

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

4. Segment Information

Reportable Segments

University 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 2015

4. Segment Information (continued)

	University Programs		SAE		PEP		Corporate		Total
	2015	2014	2015	2014	2015	2014	2015	2014	
\$000s									
Revenue									
Sales to external customers	295,519	277,471	101,472	86,814	119,117	113,974	1,360	1,159	517,468
Interest									1,243
Total consolidated revenue									518,711
Result									
EBITDA*	69,204	68,640	14,535	7,413	16,764	13,037	(17,692)	(17,934)	82,811
Depreciation	(2,592)	(2,290)	(6,836)	(5,633)	(1,757)	(1,606)	(4,030)	(3,013)	(15,215)
Amortisation	-	-	-	-	(375)	(375)	-	-	(375)
Goodwill impairment #	-	(9,047)	-	-	-	-	-	-	-
Profit before tax and net finance income	66,612	57,303	7,699	1,780	14,632	11,056	(21,722)	(20,947)	67,221
Net finance expense									(1,761)
Share of associates losses									(388)
Profit before income tax									65,072
Income tax expense									(19,619)
Profit for the year									45,453

* 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. As disclosed in the 30 June 2015 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 re-performed this value in use calculation as at 31 December 2014, using a pre tax discount rate of 11.4%, and determined that this carrying value of \$9.0m now had a recoverable value of \$nil (Dec 13: \$32.3 million), and a goodwill impairment charge of \$9.0 million was recognised as at 31 December 2014.

Navitas Limited

Notes to the Financial Statements For the half year ended 31 December 2015

5. Issued Capital

	Consolidated		
	31 Dec 2015 \$000's	30 Jun 2015 \$000's	31 Dec 2014 \$000's
Issued capital			
Ordinary shares fully paid	202,475	200,974	199,613

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 2015 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.

	2015		2014	
	No of shares	\$000s	No of shares	\$000s
Executive share plan	47,265	192	44,419	228
Employee share plan	55,596	226	46,042	237
	102,861	418	90,461	465

During the half year, the Company issued 267,317 shares to a value of \$1.083m in lieu of cash dividends (Dec 14: 234,771 shares valued at \$1.280m).

6. Dividend paid and proposed

	Consolidated	
	31 Dec 2015 \$000's	31 Dec 2014 \$000's
Equity dividends on ordinary shares		
(a) Dividends paid during the half year		
Final franked dividend for financial year 30 June 2015:10.1 cents (2014: 10.1 cents)	38,009	37,947
(b) Dividends proposed and not recognised as a liability		
Interim franked dividend on ordinary shares for financial year at 9.6 cents (2014: 9.4 cents)	36,163	35,348

Navitas Limited

Notes to the Financial Statements For the half year ended 31 December 2015

7. Change in composition of entity

During the half year, the Company has disposed of its 55% interest in EduGlobal China Ltd for nil consideration. Goodwill associated with this business was written off in the year ended 30 June 2014.

8. Events after balance sheet date

Subsequent to balance sheet date, the directors of the Company declared an interim dividend on ordinary shares in respect to the December half year. The total amount of dividend is \$36.163 million, which represents a fully franked dividend of 9.6 cents per share. The dividend has not been provided for in the 31 December 2015 half year financial statements.

Navitas Limited

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 2015 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, 1 February 2016

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 2015, 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, 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 4 to 13.

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 2015 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 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 2015 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



Ross Jerrard
Partner
Chartered Accountants
Perth, 1 February 2016