Navitas Limited

ABN 69 109 613 309

Financial Report

30 June 2011

Contents

Chief Executive Officer's Report

Navitas, or PIBT as it was then, was founded in 1994 with the goal of helping more international students succeed at university in Australia via improved student support and an extended academic year.

Since this time Navitas has significantly expanded the services it offers its students and clients and I am very proud that we are now creating opportunities through lifelong learning for over 83,000 people in 23 countries per year.

FY11 was another important milestone in the Company's history as we move from many years of significant earnings growth through to a period of investment and expansion. The most notable investment was of course the $294.3m acquisition of SAE in February 2011.

I am pleased to report that net profit after tax has increased by 20%, to $77.4m ($66.7m excluding SAE), that EBITDA has grown by 25% to $121.1m ($104.0m excluding SAE) and that revenue rose 16% to $643.8m ($578.8m excluding SAE).

Earnings per share also increased by 15% to 21.7 cents and the full year dividend has grown by 10% to 20.7 cents per share fully franked.

Business operations

The acquisition of SAE is aligned with our strategy of increased involvement in higher education businesses with good growth potential, both by geography and course offering. With our entry into the creative media education sector we now have another Division which we can add value to whilst also offering more options to our students and clients.

As in previous years the University Programs Division contributed strongly to group earnings with the Division's EBITDA increasing by 9% to $110.6m.

This year again highlighted the benefits of Navitas' diversification strategy with strong enrolments in Canada and Singapore partially offsetting the impacts of changes to government policy in the UK and Australia which reduced demand sector wide.

University Programs tuition fee increases in FY11 have been significant. Despite minor adverse impacts from product mix and foreign currency translation, the average fee increase in Australian dollar terms was a solid 7%. Strong domestic enrolments in Australia also contributed to the Division's earnings growth as Navitas works with its university partners to meet the government's long term student diversity targets.

Navitas opened six new colleges in FY11 with the five new USA colleges representing a significant growth opportunity for the Company as the USA remains the top education destination for international students with 20% market share.

Enrolment growth across the USA colleges has been impacted by start up factors and the need to establish the pathway model with key stakeholders. Improvement is expected in the main USA intake in September.

SAE contributed half year EBITDA of $17.2m which excludes profit of $4.8m from the sale of SAE Dubai. To date we are very pleased with SAE and look forward to its first full year contribution in FY12.

The English Division operated in an extremely challenging external environment in FY11, resulting in a decline in revenues. Significant investment in new government contracts will bear fruit in FY12 and costs incurred in exiting old contracts will not recur.

The Workforce Division delivered a pleasing result, growing EBITDA by 75% following increased demand at ACAP and Workforce Solutions as the Division works to meet the needs of business, particularly those associated with the resources and health related service sectors.

I am also pleased to report that Student Recruitment improved in the period recording EBITDA of $1.3m, a significant turnaround from a loss of $1.4m in FY10, and despite a challenging external environment.

Advice on external matters

Global demand for international education remains strong with the number of students currently enrolled in tertiary education projected to grow from 165m to 263m by 2025 (UNESCO). Significant growth opportunities continue for established high quality providers such as Navitas.

However, in FY11 a number of cyclical external factors have created instability in the tertiary education sectors in Australia and the UK, and have impacted on Navitas' operations in these markets.

In Australia, demand in the international education sector continues to be affected by issues which emerged in previous years including changing government visa and migration policy, the strong Australian dollar and damage to the country's reputation as a safe education destination.

Navitas has engaged in Australian policy discussion and sector consultation on a number of fronts throughout FY11, directly and via peak representative bodies. The Knight Review of the Student Visa Regime, the most significant review of its kind in many years, is anticipated to bring changes which should have a positive long term effect on the sector. The Knight Review has been submitted to the government and its response is anticipated in September 2011. Improvements to the students visa regime announced in December 2010 only came into effect in April 2011 and are yet to have a discernible positive effect.

Ongoing changes to UK regulatory and migration policy have also had a significant effect on Navitas operations, notably the University Programs and Student Recruitment Divisions.

Navitas continues to contribute to ongoing policy dialogue and work with University partners to meet regulatory change. All but one operational Navitas college has now secured Branch Sponsorship or Highly Trusted Sponsor status with the final accreditation pending. The "one course two provider" pathway model is also now recognized by UKBA as Higher Education. In addition the recently released Higher Education White Paper has signaled greater access for private providers, particularly in higher education.

It is expected that uncertainty from the above policy changes will continue to cause sector wide instability in FY12. However demand for international education is strong and growing as social and demographic trends encourage more students to seek quality education opportunities overseas.

Navitas believes that its diversity, strong university partnerships and reputation for quality student outcomes will allow the Company to capitalise on this opportunity.

Other Achievements

Seven Australian University Program colleges completed AUQA audits in FY11 resulting in excellent outcomes which are a great credit to both the colleges and their partner universities. The colleges were commended on the success of college and partner university relationships, the quality of support programs for academically at-risk students and the attention paid to the management and training of staff.

Navitas was also recognised for outstanding innovation and export achievement in the field of education and training services winning the 2010 Australian Education and Training Export Awards. In addition Navitas was included in the S&P/ASX 200, a reflection on the significant growth we have experienced since listing in 2004.

Several senior staff were also recognised for their expertise with John Wood, Executive General Manager of University Programs, being asked to join the Australian Qualifications Framework Council and Helen Zimmerman, Executive General Manager of Navitas English, being appointed to the board of the Australian Business and Community Network.

Strategic Developments

Navitas will continue to pursue excellence in academic outcomes and remains committed to a long-term approach to investment and shareholder returns.

The Company will grow its University Programs Division with three new colleges well progressed to open in FY12 across Australia and the UK. Beyond that the Company anticipates opening two to four new colleges each year.

Navitas will continue to work on integrating SAE into the business as well as seeking opportunities to support SAE growth via the utilisation of core Navitas strengths such as the recruitment of international students.

The Company will also seek to maximise cross Divisional opportunities, especially in providing workforce solutions to assist in meeting the challenge of skills shortages.

Chief Executive Officer's Report

Outlook

Although facing headwinds in several markets the inherent opportunity for Navitas remains robust with demand for quality education continuing to grow worldwide as economic and social factors enable more students to seek education and training overseas and at home.

The University Programs Division anticipates minimal growth in FY12 as impacts from government policy in the UK and Australia continue to affect sector wide demand. Decreases in student volume should be offset by tuition fee increases and growth in newly established colleges in the USA, Canada and Singapore.

Beyond FY12 it is anticipated that recent changes to Australian government policy will have a more positive effect on sector wide demand and that regulatory and policy changes in the UK will be finalised providing greater sector stability and opportunities for growth.

The SAE Division is expected to maintain current growth rates as new colleges and licensed territories return profit, and synergies with Navitas are leveraged. Accreditation for USA government funding for student fees is also likely to lead to growth. The Company will consolidate a full year's result from SAE in FY12 compared to just half a year in FY11.

The English Division anticipates growth in FY12 as new AMEP contracts bring a significant increase in program delivery and migration levels recover. Further benefits will also be realised from LLNP contracts.

The Workforce Division's financial performance will continue to improve as demand for education and training increases where labour shortages are an issue, particularly with the resources' and health related services' sectors.

The Student Recruitment Division will continue to be impacted by government policy changes in FY12 resulting in a breakeven result.

The Company remains confident in the long term drivers of its growth, including:

- Continued growth of the international education sector, with steady long term increases in enrolments;
- The Company's reputation for delivering quality educational outcomes;
- A focus on long-term partnerships with high quality leading universities;
- Navitas' global footprint and diversity allowing the Company to capture international opportunities and offset external challenges; and
- A robust long term earnings profile from the roll out of the Company's proven University Programs model.

Conclusion

Navitas has achieved much in the year and I would like to thank all of our 4,500 staff around the world for their continued dedication and conviction to our mission of creating opportunities through lifelong learning. We are blessed with significant talent and I continue to be thankful for the chance to work with so many quality people.

I would also like to thank our Chairman, Harvey Collins, and the Navitas Board for their guidance and wisdom.

FY12 and beyond will no doubt bring more challenges, but more importantly, significant opportunities and I believe Navitas is well positioned to continue its record of sustained growth, well into the future.

Rod Jones
Chief Executive Officer

Chief Financial Officer's Report

We are pleased to report another record financial result for Navitas with the 2011 financial year being one of both great achievement and challenge for the Company.

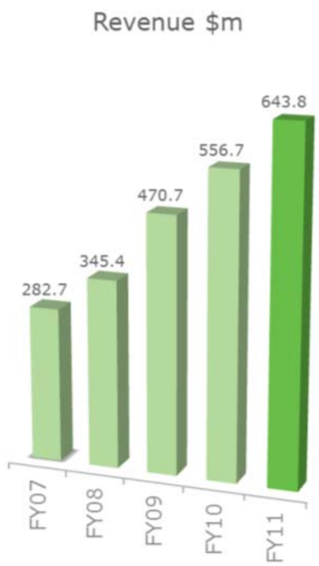
The acquisition of SAE, which offers Navitas a significant opportunity to grow and further diversify, was the Company's most important achievement. The challenges presented by changes in government policy in Australia and the UK also had a material adverse impact on Navitas' earnings growth in FY11.

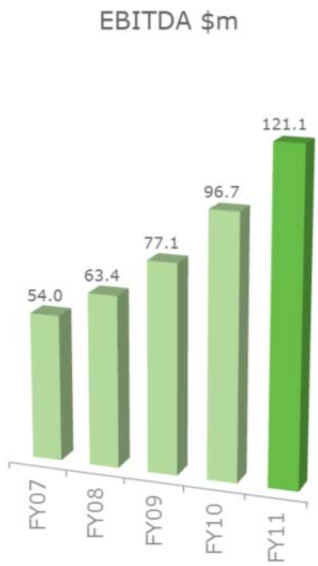
Navitas Financial Performance

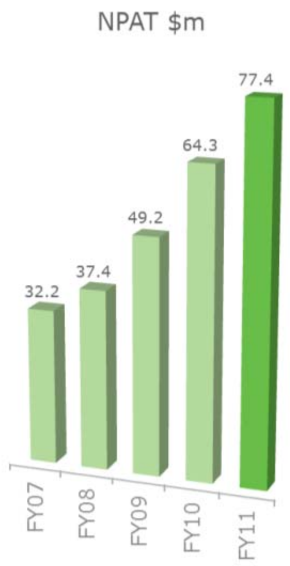
Navitas' (the "Group" or "NVT") results for the year ended 30 June 2011, including a half year contribution from SAE, and the prior corresponding period (pcp) are shown below.

	Year ended 30 June 2011	**Year ended 30 June 2010**	**Change %**
Total revenue ($m)	643.8	556.7	16
EBITDA ($m)	121.1	96.7	25
NPAT ($m)	77.4	64.3	20
EPS (cents)	21.7	18.8	15
Full year dividend (cents)	20.7	18.8	10

Navitas delivered increases across revenue, EBITDA and NPAT in FY11, maintaining its track record of sustained growth.







The declared full year dividend represents 100% of tax paid earnings for the year, however EPS are 1.0 cent higher than the dividend per share due to the dilution impact of the December 2010 share issue to fund the acquisition of SAE. The declared final dividend for the year is 12.0 cents per share (FY10: 10.7 cents per share).

Total revenue, excluding SAE, increased by 4% to $578.8m (FY10: $556.7m) with continued growth in the University Programs and Workforce Divisions partially offset by a decline in English revenue.

The acquisition of SAE contributed $57.9m of operating revenue to the Group with solid contributions from Australia and Germany (totalling $37.3m). This excludes the recent sale of SAE Dubai to the Abu Dhabi Government.

Group EBITDA excluding SAE rose 8% to $104.0m (FY10: $96.7m), again largely driven by strong performance from the core University Programs Division, which delivered a 9% increase to $110.6m (FY10: $101.7m). Growth was also supported with a $2.7m EBITDA turnaround in the Student Recruitment Division to $1.3m and 75% growth in EBITDA from the Workforce Division with $4.9m (FY10: $2.8m).

The Group EBITDA margin excluding SAE increased 0.6% to 18.0% (FY10: 17.4%). Inclusion of the high margin SAE business further boosted the EBITDA margin by 0.9% to 18.9%.

Chief Financial Officer's Report

Group EBITDA of $121.1m includes two significant and offsetting non-recurring items: $4.9m of expensed SAE transaction costs and a $4.8m gain on sale of SAE Dubai to the Abu Dhabi Government.

The cost of eight recently opened or pending University Programs colleges and businesses was $4.0m in FY11 (FY10: $3.8m). These new operations are expected to significantly contribute to the Company's earnings profile in the short to medium term. Revenues from these operations in FY11 were $10.5m (FY10: $3.4m). La Trobe Melbourne accounted for the majority of this as Navitas inherited an existing operation.

Group NPAT excluding SAE was $66.7m which is 4% higher than the prior corresponding period. This included two one-off but offsetting items: a $3.3m tax refund from the application of tax consolidation amendments and $3.3m of goodwill impairment in relation to LM Training and NCPS.

Divisional EBITDA results are as follows:

	Year ended 30 June 2011 $m	**Year ended 30 June 2010 $m**	**Change $m**	**Change %**
University Programs	110.6	101.7	8.9	9
SAE	17.2	-	17.2	n/a
English	6.8	13.1	(6.3)	(48)
Workforce	4.9	2.8	2.1	75
Student Recruitment	1.3	(1.4)	2.7	n/a
Divisional EBITDA	140.8	116.2	24.6	21
Corporate costs & consolidation items	(19.7)	(19.5)	(0.2)	1
Group EBITDA	121.1	96.7	24.4	25

The University Programs Division continues to underpin the Group's EBITDA growth, particularly due to the Group's international expansion program into Singapore and Canada.

The new SAE business contributed $17.2m of EBITDA. Australia and Germany contributed the largest proportion of EBITDA ($11.2m), but the UK and the USA also reported solid earnings. Earnings from third party licences were also strong with $1.3m booked in the period.

The English Division was significantly impacted by change in government policies and other factors such as the strong Australian dollar. This was compounded by investment costs associated with new government contracts.

Workforce revenues have increased due to continued strong growth at ACAP and a full year contribution from HSA which was acquired in the second half of FY10. New course offerings and national expansion continue to build momentum.

An excellent turnaround in Student Recruitment results for FY11 has been achieved, particularly from EduGlobal. This business spent FY11 focussing on restructuring operations and, while still loss making, has now established a sustainable platform for the future.

Corporate

There was a marginal increase in corporate costs with $19.7m incurred in FY11 (FY10: $19.5m). As a result, corporate costs as a percentage of revenue reduced to 3.1% (FY10: 3.5%).

Financial Position

The total cost of SAE was $294.3m less $22.0m of cash acquired. This was funded through a combination of debt and equity raising. The company raised $100.8m of equity (net of transaction costs), issued $24.1m of shares to the vendor, and funded the remainder of the purchase price from $225m of facilities provided by three banks. $200m of these facilities had a three year term at establishment.

The impact of the acquisition has resulted in the Group moving from a net cash position to a net debt position at year end. Net debt is now $102.8m compared to net cash of $58.1m in FY10. This represents less than one times EBITDA and is considered very conservative. In addition to this, total equity increased by 131% to $239.2m (FY10: $103.4m).

Cash flows

Operating cash flows for the year ended 30 June 2011 were $69.5m compared to $86.1m in FY10. The decline in operating cash flows of $16.6m has been a result of a variety of factors such as the impact of government policy changes on future enrolments, a one-week shift in semester start dates, increased payments for FY10 EVA incentives and the relative strength of the Australian dollar against major growth countries. These factors were partially offset by $12.0m cash from operations generated by SAE since acquisition.

Dividend

The Directors have declared a fully franked final dividend of 12.0 cents per share up 12% (FY10: 10.7 cents) representing 100% of undistributed earnings. This takes the full year dividend to 20.7 cents up 10% (FY10: 18.8 cents).

Where does the wealth created by Navitas go?

As a leading global provider of education services Navitas plays a vital economic role in its communities. Annually wealth generated by Navitas is distributed as follows:

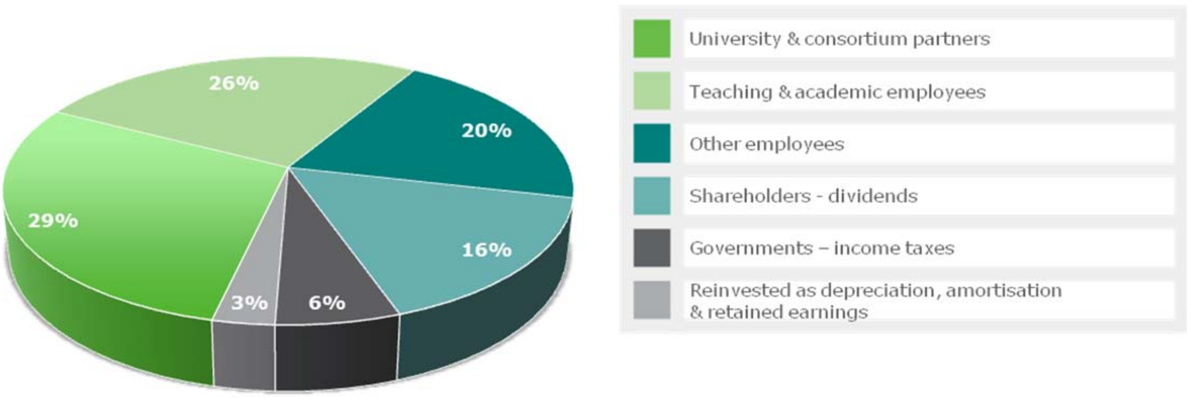
	FY11 $m	FY10 $m	Change %
Operating revenue	634.8	556.7	14
External and services costs	(160.6)	(136.1)	17
Total wealth created	**474.2**	**418.6**	**13**
Payments to university and consortia partners	136.4	130.9	4
Payments to teaching and academic staff	122.0	104.6	17
Payments to other employees	96.1	83.5	15
Payments to shareholders – dividends	77.2	64.4	20
Payments to governments – income taxes	28.0	27.5	2
Reinvested as depreciation, amortisation and retained earnings	14.5	7.7	88
Total wealth distributed	**474.2**	**418.6**	**13**

Affirming Navitas' commitment to its partners, 29% of generated wealth is channelled to university and consortia partners under royalty and contract agreements. Following these payments university partners stand to generate substantial further income as approximately 90% of students graduating from Navitas colleges enter partner university programs.

Highlighting Navitas' focus on academic outcomes and commitment to quality, 26% of wealth is paid to academic and teaching staff. This represents growth of 17% on the prior year. A further 20% of wealth created is paid to other employees.

Payments to shareholders via dividends relating to FY11 equates to 16% of wealth distribution, up 20% on FY10.

Payments to governments via income tax represent 6% of wealth distribution and depreciation and amortisation costs equal 3%. This breakdown is illustrated in the following chart:



Bryce Houghton
Chief Financial Officer

Navitas Limited

Divisional Review of Operations

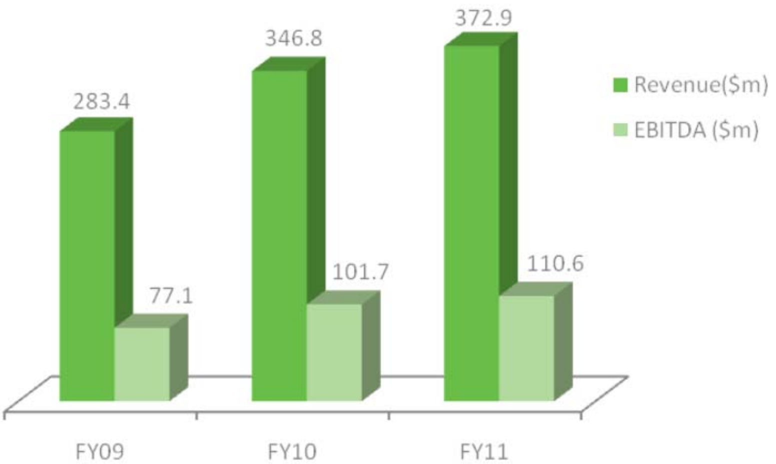
Set out below is a review of the Group's operations for the year ended 30 June 2011.

Navitas University Programs Division

Key Highlights

- Continued strong performance from the Division in a challenging environment;
- Six new colleges commence operations; five in the USA and one in Australia;
- Student support, academic quality and university relationships praised in seven separate AUQA audits;
- Academic tracer studies and benchmarking confirm high quality student outcomes maintained; and
- Positive external review and 10 year contract renewal with Simon Fraser University and contract renewal and campus expansion with Griffith University.

Financial Highlights



Overview of Operations

The University Programs Division is a leader in pre-university, managed campus and university pathway programs offering students globally the support to create opportunities through lifelong learning. In FY11 the Division offered Certificate, Diploma, Associate Degree, Bachelor and Masters programs to more than 20,000 students in 27 colleges across Australia and in Singapore, the UK, USA, Canada, Sri Lanka and Kenya.

During the past year, the Division has focused on opening new colleges, enhancing its services to students, contributing to national policy deliberations, monitoring and improving academic outcomes, recruiting students from key markets, and developing new and emerging markets.

Six new colleges were opened in FY11 with three more well advanced to open in FY12; two in the UK and one in Australia.

Financial Outcomes

The Division recorded solid returns for the year with EBITDA increasing 9% to $110.6m (FY10: $101.7m) and revenue increasing by 8% to $372.9m (FY10: $346.8m). This significant performance was underpinned by increased tuition fees and strong performance in Canada and Singapore.

There was also significant growth in Australian domestic enrolments with an increase of 17% as Navitas worked to support the Australian government's student diversity targets.

Substantial increases in EBITDA were recorded at Curtin Singapore, FIC and ICWS with strong earnings gains at ICM, CRIC, SAIBT and ICP. The result was tempered by $4.0m investment in new international colleges.

Navitas University Programs Division (continued)

Activities and Achievements

Business Development

Throughout the year, the Division focused on developing pipeline projects and other growth opportunities including:

- Opening five new colleges in the USA (UMass Boston, UMass Lowell, UMass Dartmouth, WKU and University of New Hampshire);
- Increased growth in Curtin Singapore where currently more than 1,700 students are studying at the campus;
- Extending domestic students enrolments at Australian colleges, notably at MIBT;
- Assuming responsibility for La Trobe Melbourne after winning the La Trobe University tender; and
- Diversifying the product offering in a wider range of disciplines and awards.

Academic Outcomes and Student Services

The colleges continued to work closely with their university partners to maintain and build constructive relationships at all levels. As in previous years, academic outcomes demonstrated that Navitas students performed as well as international students who had gained direct entry to university.

Colleges continued to develop new courses across a wide range of disciplines, with accredited programs now including Diplomas, Advanced Diplomas and Associate Degrees as well as an increase in undergraduate and graduate degrees on the managed campuses. New programs were developed in such areas as graphic design, nursing, science, health, arts, creative industries, media and communications.

The Division improved its pass, retention and transfer rates and student surveys also indicated high satisfaction rates with teaching quality with 96% "satisfied" or better.

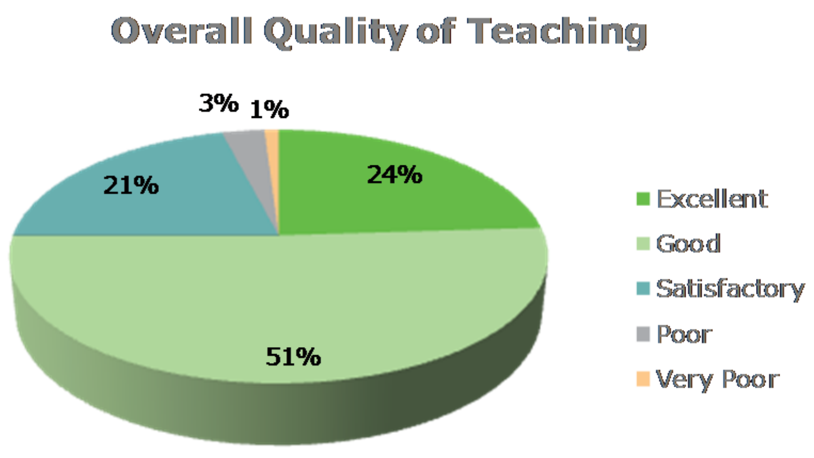


Figure 1: Extract from the 2010 Navitas Teaching and Learning Report indicating student satisfaction of Navitas respondents with teaching quality.

Graduate satisfaction surveys also contributed valuable information relating to the student experience at the college. This included how successful each college was with the development of generic skills within their program of study, and how satisfied graduates were with the teaching staff. On average, 87% of graduates were satisfied with the quality of the program studied at their college. This compares favourably to a range of universities.

Navitas University Programs Division (continued)

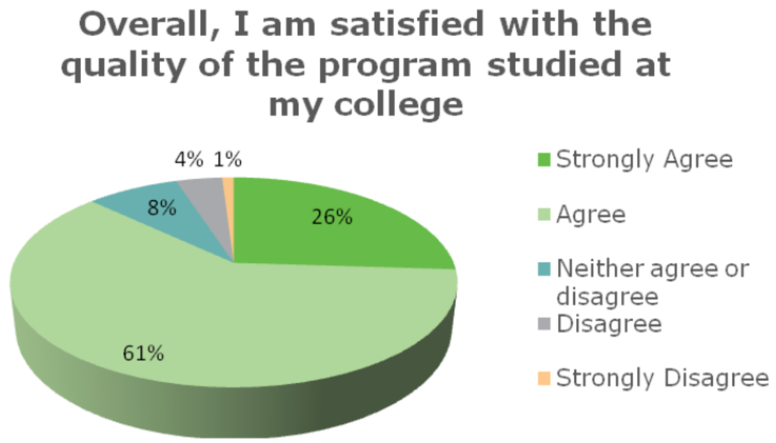


Figure 2: Extract from Navitas Teaching and Learning Report indicating satisfaction of Navitas college graduate respondents with the quality of their program.

Agreed academic KPI's for all colleges were benchmarked across the Group. Of note were pleasing pass rates within individual college foundation programs, including an average of 78% within Australia, 74% within the UK and 84% in Canada.

All colleges enhanced academic services to students, with a specific focus on delivery and moderation of academic processes to ensure parity of standards with their partner university.

Quality Audits and the Regulatory Environments

Australian University Program colleges have now completed the full cycle of AUQA audits with reports publicly released for Curtin College, PIBT, SAIBT, Eynesbury, QIBT, SIBT and MIBT. The results are an excellent series of reports which highlight the success of college and partner university relationships, the quality of support programs for academically at-risk students and the attention paid to the management and training of staff.

The changing regulatory environment for Navitas colleges in Australia and the UK continued to be challenging. In Australia, Navitas contributed to the dialogue on the TEQSA as it will provide the sector with the future framework for quality assurance and regulation.

In the UK the student visa system has been undergoing comprehensive and consistent reform since 2008. The Navitas UK College network has, as part of a strategic risk management process, been working closely with the:

- University partners to ensure that branch sponsorship is in place;
- UKBA to ensure that the offshore network of visa offices understands the Navitas model; and
- Internal management processes to ensure compliance at all levels.

Contribution to National Debates on Higher Education

During the year there were a series of policy issues which impacted on the Australian tertiary education sector including reform of the student visa regime and debate around a new education regulatory environment under TEQSA. Navitas welcomed moves to improve the Australian regulatory environment and contributed to various consultation processes.

College representatives are also actively involved in ongoing higher education debate through membership of peak industry bodies as well as contributing through participation at key education conferences, including the Australian International Education Conference, Asia-Pacific Association for International Education and the Australian Universities Quality Forum.

Navitas UK continued to engage with the UKBA, BAC, Universities UK, and Study UK as well as government and lobby groups at all levels, to inform and stay attuned to the changing requirements of the immigration sector and the strategic direction of higher education in the UK.

Navitas University Programs Division (continued)

Outlook

The Division anticipates minimal growth in FY12 as impacts from government policy in the UK and Australia continue to reduce sector wide demand whilst investment costs are still incurred from the large number of colleges opened in FY10 and FY11. Decreases in student volume should be offset by tuition fee increases and growth in newly established colleges in the USA, Canada and Singapore.

Beyond FY12 it is anticipated that recent Australian government policy reviews and potential changes from the Knight review will have a more positive effect on sector wide demand and that regulatory and policy amendments in the UK will be finalised providing greater sector stability. Continued return on recent investments in the USA, UK, Canada and Singapore will also contribute to the rate of long term growth.

Navitas SAE Division

Key Highlights

- Acquisition by Navitas in February 2011;
- Smooth transition to date with SAE reaching transaction milestones;
- 10% growth in student enrolments against pcp;
- Expansion into UAE following sale of SAE Dubai; and
- Progression of further Europe and USA expansion.

Overview of Operations

SAE (comprising SAE and Qantm colleges) is one of the world's largest media technology education institutes, with 53 campuses across 19 countries.

The Division offers a range of predominantly Higher Education opportunities to more than 8,500 students, including Certificate, Diploma, Degree and Masters programs across three major fields of study: audio production, film production and interactive media. In some instances SAE also licences its programs to third party providers.

Financial Outcomes

In the second half of FY11 SAE recorded revenue of $65m and EBITDA of $17.2m. The EBITDA contribution included a net loss from one off items such as $4.9m of expensed transaction related costs and $4.8m of gain on disposal of SAE Dubai.

Australia and Germany contributed the largest proportion of EBITDA ($11.2m), but the UK and the USA also reported solid earnings. Earnings from third party licensing was also strong with $1.3m booked in the period.

Activities and Achievements

Since the Navitas acquisition of SAE was completed in February 2011 the Division has focused on implementing key priorities in the integration process while maintaining focus on the core business of educating and training students.

In addition SAE's Australian operations have been preparing and participating in an extensive AUQA audit which is expected to be released shortly with positive outcomes.

SAE's New York college received accreditation for USA government funded student fees in November 2010 following which the college experienced an increase in enrolments. Three more USA colleges are currently progressing through the funding accreditation process which is due to be completed in FY12.

Since being acquired by Navitas SAE has also signed licensing agreements in Riyadh, Jeddah and Dubai. Discussions are ongoing for further licensing agreements in a number of countries and regions.

SAE

SAE is one of the largest audio and film education networks in the world with 41 colleges delivering state-of-the-art audio, film and web design courses around the world including Australia, UK, USA and Germany.

SAE recorded 9% growth in enrolments against pcp with growth partially due to recently introduced new course including digital journalism, music business and iPhone development as well as college expansion.

SAE also expanded its presence in the United Arab Emirates in FY11 via new licensing arrangements for additional colleges in Abu Dhabi and the sale of its Dubai college to the Abu Dhabi government. The Abu Dhabi government is moving to position Abu Dhabi as a regional centre of excellence in content creation across all media platforms including film, broadcast, music and digital media so more SAE expansion is anticipated.

Navitas SAE Division (continued)

Qantm

Qantm is a leading provider of creative digital media education with 12 colleges delivering animation, game development and graphic design courses around the world including Australia, Germany, UK and Singapore.

Qantm enrolments have increased by 28% in FY11 largely due to expansion of existing colleges and greater co-location with SAE colleges.

Outlook

The SAE Division is expected to maintain current growth rates in student enrolments as well as increasing the number of new licensed territories in FY12. New colleges are also planned in the USA and Germany as well as an extension to the London campus.

Planned expansion of government student fee funding for USA operations will enable significant domestic enrolment growth and a focus on international recruitment should result in an increase in international student enrolments in Australian, UK and USA colleges.

Divisional Review of Operations

Navitas English Division

Key Highlights

FY11 was a challenging year for the Division with significant changes across government Program operations compounded by ongoing cyclical external issues.

- Awarded Commonwealth government contracts for the AMEP worth $200m over three years;
- Secured major Distance/e-Learning contract;
- More than 18,400 clients and 22,500 enrolments across the Division;
- Settled 3,233 new Australians;
- More than 18,000 English tests completed; and
- Continued excellent student and client satisfaction ratings.

Financial Highlights

Overview of Operations

The English Division is comprised of two main areas of operation: Government Programs and ETP. The Division's core purpose is building and creating futures across cultures through the provision of English language training for international students, migrants and humanitarian entrants, settlement services, and teacher training.

Programs include delivery of the AMEP, IHSS, and LLNP and courses to international students who are seeking entry into Australian tertiary institutions, preparing for external tests, enhancing their career options or preparing for employment.

Navitas English operates 18 colleges across Australia and one in Singapore. The Division also provides curricula and support to Navitas' other operations in Australia, UK, Indonesia, Vietnam, China and USA.

Financial Outcomes

The English Division operated in an extremely challenging external environment in FY11, resulting in an 8% decline in revenue to $129.8m (FY10: $140.9m) and a 48% decline in EBITDA to $6.8m (FY10: $13.1m).

The effects of the continuing downturn in the international ELICOS market were exacerbated by increased investment costs associated with new AMEP contracts and by a decrease in Government Program client numbers following a decline in refugee and humanitarian entrants to Australia.

Navitas English Division (continued)

Activities and Achievements

The Division faced significant challenges in FY11 including the effects of the Australian Federal election on immigration rates, the strong Australian dollar, a decline in English language enrolments due to sector-wide international education uncertainty and significant changes to government policy settings.

However there were a number of pleasing developments, including significant growth in market share from the newly awarded AMEP contracts and rebranding of Navitas English to the Navitas master brand.

In both Government Programs and English language operations Navitas English achieved excellent student satisfaction ratings. AMEP learners rated the Division between 86% and 100% on key categories in the annual learner feedback survey.

Government Programs

In FY11 the Division delivered AMEP and LLNP services to more than 18,400 clients and supported the settlement of more than 3,200 new Australians via its IHSS contracts.

The Division also led a consortium which successfully tendered for six NSW AMEP regional contracts worth over $200m over three years with a possible three year extension. These new contracts increased the Division's market share of AMEP clients in NSW by 60% and represents 31% of the national program delivery.

In addition the Division is a partner in a consortium which won the national AMEP Distance/e-Learning Services contract which commenced on 1 July 2011. Under the contract the Division will be delivering services to NSW, QLD, SA, ACT and WA representing 53% of the national program delivery compared to 15% of previous national Distance Learning delivery.

LLNP contracts secured in FY10 commenced on 1 July 2010 and, while referral of clients was slower than expected initially, referrals and delivery were on track by the end of FY11. The transition out of the LLNP at LMT in Adelaide, where the Division was unsuccessful in winning new contracts, was completed by September 2010 and incurred a $2.1m goodwill impairment charge.

Navitas English was successful in tenders for the new HSS contracts in the Hunter and Illawarra contract regions though unsuccessful for the New South Wales metropolitan contract regions and South Australia. Delivery of the HSS, which replaces the IHSS, in the Hunter and Illawarra regions commenced in April 2011.

All Government Program areas were impacted by the effects of the Australian federal election in FY11 which decreased immigration levels significantly following political debate around migration and the government being in caretaker mode.

During much of FY11 the Division had a major strategic focus and significant resource allocation directed toward transition-in of the LLNP and HSS and for the delivery of the AMEP. The Division has invested significantly in the human resources, training, systems, property and technology infrastructure required to ensure the successful delivery of a significantly increased AMEP across much of Sydney. These investment costs have impacted on FY11 earnings but with all new AMEP campuses operational from 1 July 2011 a significant improvement is expected in FY12.

ELICOS and TESOL Programs (ETP)

The Division provides the General and Academic English, and exam preparation courses for international students at centres in Sydney, Brisbane, Perth, Cairns and Darwin, the latter in partnership with Charles Darwin University. The Division also operates Hawthorn-Melbourne which is endorsed by the University of Melbourne as a provider of English language preparation courses for academic studies. In FY11 the Division delivered ELICOS and TESOL programs to more than 22,500 students across Australia.

The ELICOS business continued to be heavily affected by a broad range of cyclical external factors which resulted in a decline in earnings for the Division and which will continue to impact in FY12.

In terms of student outcomes more than 75% of Navitas English international students that undertook Academic English programs progressed into their preferred tertiary entry program at a tertiary partner institution, with more than 50% enrolling in post-graduate courses. A Student Assistance Hotline was also implemented for international students and their agents providing 24 hour specialised support for emergency situations.

Navitas English Division (continued)

Demand for IELTS tests in Sydney and Melbourne remained strong with more than 18,000 candidates tested in FY11. It is anticipated that demand will increase in FY12 as the Division leverages established relationships with test providers Cambridge and Pearson to expand its language testing capability in response to changes in requirements for student visa applications.

The Australian TESOL Teacher Training Centre, one of the largest teacher training centres outside the UK, trained 838 teachers across Australia and offered a new Certificate IV in TESOL.

Outlook

The Division anticipates growth from Government Programs in FY12 as migration levels recover and new AMEP contracts bring a significant increase in program delivery. Further benefit is also anticipated from the successful transition-in of LLNP contracts and increasing linkages with employers to address skills shortages and provide employment opportunities for migrants and refugees.

It is anticipated that external cyclical factors such as changing government policy and currency movements currently affecting the ETP will continue to impact on the Division in FY12.

Navitas Workforce Division

Key Highlights

- Strong growth in revenue and EBITDA;
- Further expansion and diversification of ACAP operations and accreditation to offer new clinical psychology qualifications;
- Workforce Solutions operations extended across Australia; and
- Key investments in HSA curriculum and skills to underpin future growth.

Financial Highlights

Overview of Operations

The Workforce Division is focused on creating opportunities for individuals to manage their careers and for employers to secure the right skills mix. The Division provides quality vocational training and higher education, coupled with employment and placement services, in areas of key demand.

These include nursing and health care, psychology and counselling, public safety and criminal justice, and a wide variety of organisational skills in project management, logistics, book keeping, leadership and supervision.

Each year Workforce assists in the education of more than 10,000 individuals.

Financial Outcomes

The Division achieved an EBITDA of $4.9m in FY11, an increase of 75% on the previous year (FY10: $2.8m). Revenue grew 17% to $52.7m (FY10: $45.1m).

This positive result is due to ACAP campus expansion and enrolment growth, Workforce Solutions expansion across Australia and the first full year contribution from HSA.

NCPS results continued to show a loss though this has reduced from the previous year, as NCPS continues to be restructured for longer term viability.

Activities and Achievements

ACAP

ACAP continued to develop its suite of quality programs with the introduction of Bachelor and Honours degrees in clinical psychology in February 2011, after a detailed accreditation process. This complements higher education and vocational training courses in counselling, the social sciences, people management and leadership.

Divisional Review of Operations

Navitas Workforce Division (continued)

On campus operations have expanded to Adelaide, building on those in Sydney, Melbourne and Brisbane. E-Learning and distance learning continue to flourish with students using these flexible modes on and off-campus to facilitate learning.

Quality has been an important focus along with student outcomes. In a recent survey over 85% of ACAP graduate respondents rated the quality of the course positively.

Workforce Solutions

Modern workforces have diverse needs necessitating a range of flexible, quality training and career management services to assist individuals with career progression and employers with securing the right skills. Workforce Solutions includes vocational training, careers and internships, and recruitment with support services designed to identify and create tailored programs. A spread of offices, including Brisbane, Sydney, Melbourne, and most recently Adelaide and Perth, mean responsive national coverage is part of the unit's delivery.

Workforce Solutions (which is itself an RTO) saw significant increases in programs delivered across a diverse range of areas including transport and logistics, project management, book keeping, competitive manufacturing, leadership and supervision. Sound growth is anticipated in FY12 from progressive course expansion and in conjunction with labour shortages.

Careers and Internships provided sound returns, although changes in government policies have seen demand soften. While still considered to be the largest Professional Year provider, diversifying activity is occurring to increase work with businesses and tertiary education institutions on having workforce ready graduates.

HSA

HSA delivers nationally accredited health and aged care qualifications. On campus delivery has been expanded with new locations added in Melbourne and Brisbane with high quality ward facilities contributing to strong student outcomes.

HSA has successfully gained a number of multi-year contracts around Australia and, in particular, into the burgeoning field of mental health. These contracts, and strengthened curricular in nursing, indicate a positive earnings outlook in FY12.

NCPS

NCPS delivers criminal justice, occupational and health safety, security and risk management courses. Graduates are employed in a range of sectors from corrections, customs, policing, to youth and community work, and in organisations in various areas of public safety.

NCPS continues its transition from a small, independently run business to one that is equipped to cost effectively deliver contemporary and quality programs. As flagged previously this has caused a drag on earnings and while some relative improvement was achieved in FY11 this is not anticipated to yield full benefits until a full degree cycle has occurred. Accordingly Navitas considers the $1.2m goodwill on acquisition impaired and has therefore written this off in FY11.

Outlook

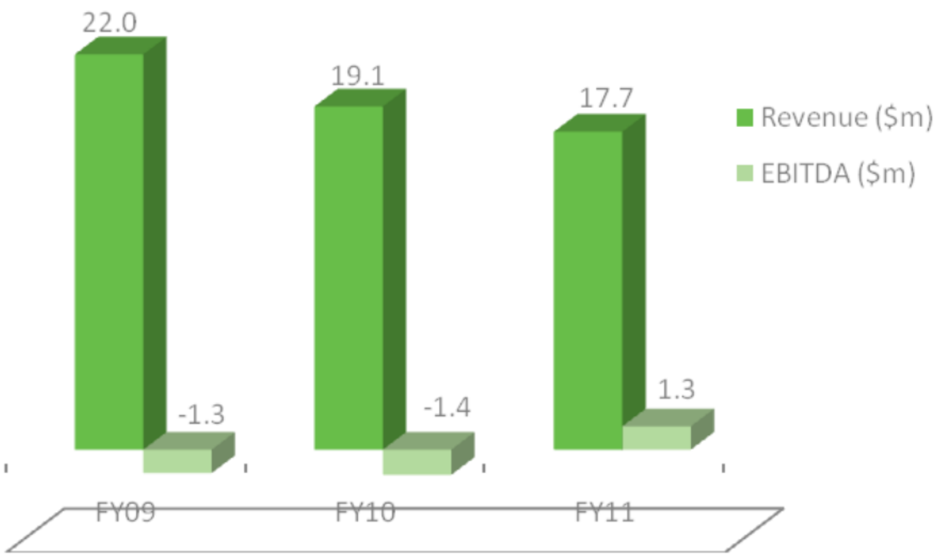
Demand for education and training is anticipated to increase to meet challenges associated with skills shortages, particularly in resources and health related services sectors. In light of this, the Workforce Division is expected to continue to deliver sound earnings growth for FY12 with on-going benefits from continuing investment in marketing, course development and e-Learning.

Navitas Student Recruitment Division

Key Highlights

- EBITDA of $1.3m, a significant increase from a loss of $1.4m in FY10;
- Recruitment of more than 5,200 students to universities in Australia, UK, USA and Canada;
- Recruitment of students to UP with annual tuition fees of $4.5m; and
- Successful commencement of EduGlobal test preparation centres and expansion of USA recruitment at SOL.

Financial Highlights



Overview of Operations

The Student Recruitment Division is comprised of four business units: EduGlobal, SOL, EOL and StudyLink. These businesses are primarily involved in the recruitment and promotion of universities to international students and offer advice on education options and assistance with university applications. The Division operates 38 offices in four countries and sends more than 5,000 students abroad each year.

Financial Outcomes

Student Recruitment recorded significant EBITDA growth to $1.3m in FY11 from a loss of $1.4m in FY10.

Foreign exchange movements adversely impacted the Australian dollar results for the Division. However the two core business units both recorded strong earnings improvements in the year with EduGlobal up $1.5m against pcp though still making a small loss and SOL growing earnings to $2.0m.

Activities and Achievements

A broad review of operations and strategy in China and India was conducted in FY11 with a view to reduce investment in infrastructure and reinvest in key initiatives such as English, GMAT and GRE testing and training. The Division also continued to focus on achieving key organic growth in core recruitment operations, expanding its new offices in India as well as creating new business opportunities in partnership with the Navitas Division. It is expected these initiatives will add to the profitability of these businesses in FY12.

Navitas Student Recruitment Division (continued)

EduGlobal

With more than 16 years of experience in student recruitment and 18 offices currently covering 10 provinces, EduGlobal is one of the largest recruitment agencies in China. EduGlobal recruits for all major Western countries including Australia, UK, USA and Canada.

In FY11, Canadian and UK operations achieved strong growth, the USA operations showed steady growth and Australian operations were impacted by regulatory changes. Although mitigated by a diversified portfolio of institutions and countries, overall performance of EduGlobal was still impacted by foreign exchange movements and on-going investments.

SOL

Founded in 1996 and now operating from 15 offices, SOL is one of the largest education consultancies in India. SOL currently recruits more than 2,000 students a year and is a market leader in India for education counselling and student services.

SOL had a positive year despite the impact of foreign exchange movements, concerns around student safety in Australia and regulatory changes in the UK and Australia that proved negative to the Indian market.

EOL

EOL is a small UK based company focusing on domestic recruitment within the UK of both British and international students. EOL also provides migration and support services.

Since acquisition EOL has made small losses, however in FY11 it recorded a break even result for the first time and increased the number of students recruited by 20% against pcp. While this was a pleasing outcome a further review of its ongoing viability is planned in FY12.

StudyLink

StudyLink provides a searchable database of courses being offered by educational institutions in Australia, Europe, India, Singapore and the USA. In addition to its comprehensive search database StudyLink also offers Australian and international educational institutions student admissions and recruitment technologies.

StudyLink has made a small contribution to the Division’s EBITDA in FY11 following a strategic review of existing operations in the first half of FY11. A full restructure of Studylink was then completed which saw Navitas increase its shareholding in Studylink to just under 85% and has allowed Studylink to maintain its focus on its core product of application and prospect manager.

Outlook

The Student Recruitment Division will continue to be impacted by government policy changes in FY12 resulting in a breakeven result.

Regulatory changes in the UK primarily related to a limitation on post study work visas (relevant for post graduate students of which India is a significant source market) will have an adverse impact on SOL.

Offsetting this, EduGlobal is anticipated to move into a positive earnings position due to growth in the core student recruitment business and further growth in the recently established English language and training operations,

Corporate Governance Statement

Introduction

The Board of Navitas Limited is responsible for the corporate governance of Navitas and its subsidiary companies. The Board determines all matters relating to the strategic direction, academic quality and governance, policies, practices, management and operations of Navitas with the aim of protecting the interests of its Shareholders and other stakeholders, including employees, students and partners, and creating value for them.

The ASX Corporate Governance Council's (**Council**) "Corporate Governance Principles and Recommendations" (**Principles and Recommendations**) articulate eight core corporate governance Principles, with commentary about implementation of those Principles in the form of Recommendations.

Under ASX Listing Rule 4.10.3, Navitas is required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations in the reporting period. Where a Recommendation has not been followed, the fact must be disclosed, together with reasons for departure from the Recommendation. In addition, a number of the Recommendations require the disclosure of specific information in the corporate governance statement of the annual report.

Navitas' corporate governance statement is structured with reference to the Council's Principles and Recommendations, which Principles are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision-making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

Details of Navitas' compliance with the Recommendations for the year ended 30 June 2011 are disclosed in this statement.

Navitas notes the Council's amendments to the Principles and Recommendations made on 30 June 2010, which apply to a listed entity's first financial year commencing on or after 1 January 2011. In the case of Navitas, disclosure in relation to the amended Principles and Recommendations will be required in relation to the financial year ending 30 June 2012 and will be made in its annual report published by the end of September 2012. Navitas is reviewing its current position and policies in relation to the key areas of these amendments, including gender diversity and board selection processes, with a view to implementing the amended Recommendations as soon as practicable, and in any event, before the changes take effect.

For further information on the corporate governance policies adopted by Navitas, please refer to the Company's website: www.navitas.com/investor_centre.html.

The Role of the Board

The Company has established the functions reserved to the Board pursuant to the Board Charter approved on 6 December 2005 and the Delegation of Authority Policy and associated Procedures Manual adopted on 31 July 2007.

Under the Board Charter, the Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. Without limiting this general role, the specific functions and responsibilities of the Board include:

- oversight of the Company, including its control and accountability systems;
- input into the final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

Under the Delegation of Authority Policy and Procedures Manual, authority has been reserved to the Board with respect to various matters, including:

- activities relating to strategic planning for the Group as a whole;
- activities relating to governance;
- joint venture or partnering agreements;
- Group-wide policies related to treasury, corporate governance, risk and compliance;
- purchase of businesses outside the Navitas Group;
- annual report; and
- forecasts and rolling plans for the Navitas Group.

Certain functions have been delegated to the CEO under the Board Charter and the Delegation of Authority Policy and Procedures Manual. The CEO is responsible for the ongoing management of the Company in accordance with the strategy, policies and programs approved by the Board. The CEO's responsibilities include:

- developing with the Board, a consensus for the Company's vision and direction;
- constructing, with the Company's management team, programs to implement this vision;
- appointing the senior management team;
- providing strong leadership to, and effective management of, the Company in order to:
  - encourage co-operation and teamwork;
  - build and maintain staff morale at a high level; and
  - build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company;
- ensuring a safe workplace for all personnel;
- ensuring a culture of compliance generally, and specifically in relation to environmental matters;
- carrying out the day-to-day management of the Company;
- keeping the Board informed, at an appropriate level, of all the activities of the Company;
- ensuring that all personnel act with the highest degree of ethics and probity; and
- reporting performance and profit figures, and undertaking all other public relations activities.

The Board has also formally delegated the power to the CEO to authorise all expenditures as approved in the budget, subject to certain exceptions. Under the Delegation of Authority Policy and Procedures Manual, authority has been delegated to the CEO with respect to various matters, including:

- activities relating to strategic planning for the Group's individual Divisions;
- significant administrative changes affecting more than one entity within the Navitas Group;
- Group-wide policies related to ASX/ASIC governance;
- risk management plans across the Navitas Group;
- official Navitas publications for external use specific to the Navitas Group;
- forecasts and rolling plans for Navitas' Divisions;
- operating expenditure in relation to more than one entity within the Navitas Group;
- capital expenditure up to a maximum of $1m or where such expenditure is in relation to more than one entity within the Navitas Group;
- media contact and media releases; and
- marketing and advertising material at the Navitas Group level.

The Company has also established those functions delegated to senior executives pursuant to the Delegation of Authority Policy and associated Procedures Manual, including:

- activities relating to strategic planning for individual business units;
- Navitas Group policies other than those requiring Board or CEO approval;

- establishment and/or amendment of any rules and/or regulations specifying the governance of specific Navitas entities, as well as facilities;
- appointment of new staff, promotions, remuneration adjustments and redundancies not detailed in the entity's rolling plan;
- industrial relations matters including appointment of mediators and resolution of equal opportunities or industrial disputes;
- entity risk management plans;
- new occupational health and safety policies and amendments;
- forecasts and rolling plans for Navitas business units;
- media releases, editorials and articles with respect to positive media coverage;
- marketing and advertising material at the Divisional level; and
- entity specific governance arrangements, quality assurance processes and staffing profile.

The Board Charter, the Delegation of Authority Policy and Delegation of Authority Procedures Manual are all publicly available on the Company's website: www.navitas.com/investor_centre.html.

Structure, Composition and Operation of the Board
The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of this report are included in the Directors' Report on pages 87 to 88.

Independence of Directors
A Director is considered to be independent where he or she is a non-executive director, is not a member of management and is free of any relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgment. The existence of the following relationships may affect independent status, if the director:

- is a substantial shareholder of Navitas or an officer of, or otherwise associated directly with a substantial shareholder of Navitas (as defined in section 9 of the Corporations Act);
- is employed, or has previously been employed in an executive capacity by the Navitas Group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Navitas Group, or an employee materially associated with the services provided;
- is a material supplier or customer of the Navitas Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Navitas Group other than as a Director.

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board Charter requires that at least one half of the Directors of Navitas will be non-executive (preferably independent) Directors and that the Chair will be an independent, non-executive Director.

In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount, being the monetary value of the transaction or item in question. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with the definition of independence above, and the materiality thresholds set, the Board reviewed the positions and associations of each of the 6 Directors in office at the date of this statement and considers that 3 of the Directors are independent as follows:

Name	*Position*
Harvey Collins	Non-Executive Chairman
Ted Evans	Non-Executive Director
James King	Non-Executive Director

The Board will assess the independence of new Directors upon appointment, and the independence of other Directors, as appropriate. To facilitate independent judgement in decision-making, each

Director has the right to seek independent professional advice at Navitas' expense. However, prior approval from the Chair is required, which may not be unreasonably withheld.

The term in office held by each Director in office at the date of this statement is as follows:

Name	*Term in office*
Harvey Collins	6 years
Rod Jones	7 years
Ted Evans	6 years
James King	6 years
Dr Peter Larsen	7 years
Peter Campbell	6 years

Retirement and Re-election of Directors
Rule 5.1 of the Constitution requires that at each annual general meeting of the Company, one third (or the number nearest to but not exceeding one third) of the Directors and any Director who has held office for 3 years or more must retire from office and no Director may retain office for more than 3 years without submitting himself or herself for re-election. Rule 5.4 of the Constitution provides that a retiring director is eligible for re-election without the necessity of giving any previous notice of his or her intention to submit him or herself for re-election. The Managing Director is not subject to retirement by rotation. The resolution for re-election of a Director is included in the Company's notice of annual general meeting and voted upon by Shareholders at that meeting.

The relevant Board policy, entitled "Procedures governing the Selection and Appointment of Directors" is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Performance Evaluation
The performance of the Board and its individual Directors is reviewed regularly.

The Chairman of the Nomination and Remuneration Committee conducts individual performance evaluations of the Directors, involving an assessment of each Board member's performance. During the reporting period, performance evaluations of each Board member were conducted in accordance with this process.

The Board review process is currently handled internally whereby the performance of the Board is assessed against its objectives and responsibilities as set out in the Board Charter. The current process consists of an informal discussion, and one-on-one meetings between the Chairman and individual Directors. An evaluation of the performance of the Board was conducted during the reporting period in accordance with this process.

The process for evaluating the performance of the Nomination and Remuneration Committee and the Audit and Risk Committee involves an internal review by the relevant committee of its performance against its objectives and responsibilities as set out in the relevant committee charter.

An internal review of the performance of the Nomination and Remuneration Committee and the Audit and Risk Committee was deferred pending the comprehensive review referred to in the "summary" section of this corporate governance statement.

The performance of key executives is reviewed internally on an annual basis pursuant to a Navitas-wide performance planning and review process. Key performance indicators are agreed on an individual basis for such executives and performance against these indicators is then reviewed by the Chief Executive Officer. The performance review also takes into account the results of a 360 degree survey and the extent to which the executive's behaviour is aligned with Navitas' values. The outcome of the review then provides the basis for a professional development plan for the key executive.

As noted above, performance evaluations for individual Directors and key executives were conducted during the reporting period in accordance with the above processes.

Remuneration
It is Navitas' objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant market conditions.

For a full discussion of Navitas' remuneration philosophy and framework and the remuneration received by Directors in the current period please refer to the remuneration report, which is contained at pages 93 to 101 of the Director's Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

Nomination and Remuneration Committee

Role of the Nomination and Remuneration Committee

The Board established a Nomination and Remuneration Committee on 18 February 2005 that operates under a charter approved by the Board. The purpose of the Nomination and Remuneration Committee is to provide advice, recommendations and assistance to the Board with respect to nomination and remuneration matters.

The Nomination and Remuneration Committee is responsible for:

- Identifying specific individuals for nomination for directorship and key executive roles and providing advice and recommendations to the Board with respect to the appointment and removal of Directors and key executives;
- Providing the Board with advice and recommendations regarding identifying, assessing and enhancing Director competencies and a succession plan;
- Ensuring that the Board is of a size and composition that allows for decisions to be made expediently, a range of different skills and perspectives are brought to Board deliberations and Board decisions are made in the best interests of Navitas;
- Monitoring, on an ongoing basis, the time required for non-executive Directors to adequately fulfil their duties and the extent to which non-executive Directors are meeting these time requirements;
- Implementing an effective induction process for new Board appointees and key executives;
- Evaluating and reviewing the performance of the Board as a whole and individual Directors against both measurable and qualitative indicators;
- Providing the Board with advice and recommendations regarding an executive remuneration policy, incentive schemes, non-executive remuneration and termination and redundancy policies; and
- Reviewing and providing recommendations to the Board with respect to the remuneration packages of senior management and executive directors.

The Nomination and Remuneration Committee comprised the following members:

- Harvey Collins (Chair)
- Ted Evans
- Peter Campbell

For details of Directors' attendance at meetings of the Nomination and Remuneration Committee, please refer to page 89 of the Directors' Report.

The Charter of the Nomination and Remuneration Committee is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Selection and Appointment of New Directors

A description of the procedure for the selection and appointment of new Directors and of the Board's policy for the nomination and appointment of Directors is set out below.

The Nomination and Remuneration Committee, at least twice each year, reviews:

- the composition of the Board taking into account the number of appointed Directors;
- the performance of the Board and individual Directors of the Company;
- the business and strategic objectives and needs of the Company;
- the skills, experience, knowledge and diversity required on the Board and the extent to which each competency is represented, maintained and developed by the Board;
- the opportunities to appoint non-executive Directors and obtain the services of particular persons with desirable skills, experience and knowledge at the time of their availability;
- the need to cater for the replacement or scheduled retirement of Directors ahead of each annual general meeting; and
- succession planning for the Board,

to enable it to determine whether it is necessary to recruit any additional Directors to the Board or desirable to reduce the number of existing Directors. The Committee reports to the Board setting out the results of these reviews.

If the Nomination and Remuneration Committee determines that it is necessary to recruit an additional Director to the Board, or the Board so determines, the Committee:

- will determine the particular skills, experience, expertise and personal qualities required to best complement the Board's effectiveness;
- will determine the most appropriate formal and transparent procedure to identify candidates with the skills and experience required by the Board; and
- may engage the services of an independent consultant to perform an advisory role in relation to its review considerations and the required Director competencies.

Following receipt of nominations for Directorship from candidates, the Nomination and Remuneration Committee may prepare a short list of candidates to determine the candidates in their opinion who best fulfil the Director competencies. The Committee will interview each of the short listed candidates and require each candidate to disclose the nature and extent of their other appointments, commitments and activities.

The Nomination and Remuneration Committee will provide an update to the Board at all appropriate times during the selection process and provide the Board with an opportunity to meet with the preferred candidate(s). The Committee shall make a formal recommendation to the Board concerning appropriate candidates to fill any vacancy for consideration by the Board.

Each candidate for election as a Director must:

- be proposed by a person entered in the register of members as a member for the time being of the Company, or its nominated representative in the case of a corporate member; and
- be seconded by another member or the nominated representative of another corporate member.

A nomination of a candidate for election by a member must be in writing; be signed by the candidate; and be signed by the proposer and seconder. A nomination of a candidate for election must be received at the registered office of the Company not later than 5pm on the day which is 35 business days prior to the annual general meeting at which the candidate seeks election.

The Board may also appoint a Director to fill a casual vacancy, or as an addition to the existing Directors at any time, provided that any such Director holds office only until the next annual general meeting and is eligible for re-election at the meeting.

Each candidate must also deliver to the Company a consent to act as Director of the Company. The Company must receive this no later than (if applicable) the date of appointment of the candidate as a Director. The consent to act as a Director must include all details required by the Corporations Act and Listing Rules.

Audit and Risk Committee

Role of the Audit and Risk Committee

The Board established an Audit and Risk Committee on 28 January 2005 that operates under a charter approved by the Board. The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by:

- Monitoring and reviewing the:
    - Integrity of the financial statements;
    - Effectiveness of internal financial controls;
    - Independence, objectivity and competency of internal and external auditors;
    - Policies on risk oversight and management;
    - Execution of the treasury and insurance functions.
- Making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and their terms of engagement.

The Audit and Risk Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of risk oversight and management policies that set out the roles and respective accountabilities of the Board, the Audit and Risk Committee and the internal audit function.

The Audit and Risk Committee comprised the following members:

- James King (Chair)
- Ted Evans
- Harvey Collins

James King BComm, FAICD has over 30 years of board and management experience with major multi-national companies in Australia and internationally. He is the Chairman of the Audit and Risk Committee.

Ted Evans AC, BEcon has significant experience in the financial sector, having joined the Australian Treasury in 1969. He was a director of the Reserve Bank of Australia from 1993 to 2001 and the Commonwealth Bank of Australia from 1993 to 1996. He is also a director of Westpac Banking Corporation since November 2001 and was appointed Chairman on 1 April 2007. He is a member of the Audit and Risk Committee.

Harvey Collins BBus, FCPA, SFFin, FAICD has extensive executive and board experience in a range of industries including financial services, health insurance, telecommunications, equipment hire, mining services franchising and electricity. He is a member of the Audit and Risk Committee.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, please refer to page 89 of the Directors' Report.

The Charter of the Audit and Risk Committee is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Selection, Appointment and Rotation of External Auditor
The procedures for the selection, appointment and rotation of external audit engagement partners are as follows.

The Audit and Risk Committee re-evaluates the appointment of its external auditors on a regular basis, and considers whether it is appropriate to tender the audit as it deems necessary. Such re-evaluations are performed no less than once every 5 years, and may be considered annually post the completion of the audit process (as part of the audit debrief process). As a minimum, the re-evaluations and decisions to put the audit to tender (if any) will take into account such factors as:

- service delivery;
- quality of service;
- independence of the external auditor and whether the independence of the audit function has been maintained having regard to the provision of non-audit services;
- effectiveness of the audit/client relationship; and
- fees/value.

In tender situations the Audit and Risk Committee will nominate an Audit Tender Evaluation Committee to undertake the task of selecting a new auditor. The Audit Tender Evaluation Committee will be comprised of the Chairman of the Audit and Risk Committee, the Chief Executive Officer, the Chief Financial Officer and other representatives of the Audit and Risk Committee and management as deemed appropriate. Auditor selection will be based on the satisfactory demonstration of the factors listed above. Removal of the auditor may result if the auditor fails to demonstrate satisfactory outcomes in relation to the above factors.

Auditor appointment will be made by the Board at the Audit and Risk Committee's recommendation after the successful completion of the selection process, and in conjunction with statutory guidelines.

In respect of the rotation of external audit engagement partners, it is the Company's policy that a partner should not serve the Company in the position of audit client service partner for more than 5 successive years. A partner should not be re-assigned to the Company in the role of audit partner for at least 2 years after reaching the maximum period of continuous service. Further, a partner should not be re-assigned to the Company in the role of audit client service partner if this would equate to the partner serving in this role for more than 5 out of 7 successive years. As part of the audit plan presented to the Audit and Risk Committee, the audit partner considers the need for rotation in accordance with these policies.

The relevant policies, entitled "Selection and Appointment of External Auditor Policy" and "Rotation of External Audit Engagement Partners" are available on the Company's website: www.navitas.com/investor_centre.html.

Risk Management
Navitas recognises the importance of risk management and has a formal risk management framework, including policies for the oversight and management of material business risks.

The Navitas Board is ultimately responsible for risk management in Navitas and must satisfy itself that significant risks faced by the Navitas Group are being managed appropriately and that the system of risk management within the Navitas Group is robust enough to respond to changes in Navitas' business environment.

The Audit and Risk Committee has the following responsibilities in regard to risk management:

- assessing the internal process for determining and managing key risk areas;
- confirming management's risk appetite and tolerance;
- ensuring that the Navitas Group has an effective risk management system and that macro risks to the Navitas Group are reported at least twice a year to the Board;
- evaluating the process Navitas has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk;
- assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk; and
- ensuring the continuous development of risk management in the Navitas Group and for supervising the implementation of risk management in compliance with the risk management policy and guidelines.

Each business unit is responsible for the identification, assessment, control, reporting and on-going monitoring of risks within its own responsibility. Business units are responsible for implanting the requirements of this policy and for providing assurance to the Board of Directors that it has done so. The business unit, where deemed appropriate, may enhance its own organisational structure provided that such enhancements further assist the achievement of the objectives of this policy.

Management is responsible for identifying and evaluating risks within their area of responsibility, implementing agreed actions to manage risk and for reporting as well as monitoring any activity or circumstance that may give risk to new or changed risks.

Internal audit is responsible for managing the risk management system and collating the business units' risk assessments and tolerance for periodic reports to the Audit and Risk Committee.

The Board has required management to design and implement a risk management and internal control system to manage Navitas' material business risks, and to report to it on whether those risks are being managed effectively.

In summary, the Navitas risk management and internal control system comprises:

- A Group Risk Management Policy Statement and methodology based on the Australian Standard on Risk Management ISO 31000. This Policy has been placed on the Navitas website and is therefore accessible by all Navitas staff. The Policy outlines Navitas' approach to managing risk including a description of responsibilities;
- The Audit and Risk Committee has endorsed the risk management methodology which includes an integrated risk management, control self-assessment and internal audit process managed by Group Internal Audit and Risk Management;
- The risk management system incorporates a Group-wide risk register of all material inherent risks, an assessment of control effectiveness, comparison of residual risks to target risks and a data base of actions to reduce any residual risks to the desired level;
- This information underpins senior management's control self-assessment certificates, which are used to provide assurance to the Board that they are managing risks appropriately, and enables Group Internal Audit to concentrate its activities on material risks and adapt its approach accordingly. The Audit and Risk Committee approves the annual audit plan, as amended from time to time to reflect the dynamic nature of the business, and receives all audit reports;

- Senior management and the Audit and Risk Committee regularly review the risk register to ensure that material risks are correctly identified, that the target risks are acceptable and any remedial action is in progress. The Audit and Risk Committee reports every 6 months to the Board on the management of the risks contained in the risk register;
- Management understanding and acceptance of its responsibility to implement appropriate systems of internal control to effectively manage potential risks;
- Ongoing management oversight of strategic matters by management and of operational matters by business unit management;
- Various policies and procedures covering areas such as Share Dealing, Human Resources, Information Technology, Critical Incidents and Delegations of Authority, such policies are soon to be centrally located via an intranet;
- Monthly reporting and review of financial and budgetary information;
- External auditors independently evaluating Navitas' compliance with the International Financial Reporting Standards on an annual basis;
- An internal audit function, which is designed to provide assurance to the Audit and Risk Committee on the effectiveness of the risk management system and internal control procedures and mechanisms in place to mitigate risks across the Navitas Group, that risks are being adequately and appropriately identified and that the principles and requirements of managing risk are consistently adopted throughout the Navitas Group. Internal audit also recommends improvements to the system of risk management; and
- Independent and regular external reviews by various industry accreditation bodies to ensure compliance with relevant legislation, regulation and state and national codes of practice.

The Company has identified a series of material business risks which the Company believes to be inherent in the industry in which the Company operates, and being the categories of risk reported on or referred to in this financial report. In 2011, these were:

- Protecting the Navitas brand and relationships with key stakeholders;
- Ability to predict, influence or manage change (including political, regulatory and technological change); and
- Ability to integrate and promote successfully newly acquired businesses.

The Board has received a formal report from management under Recommendation 7.2 as to the effectiveness of Navitas' management of its material business risks with respect to the reporting period. Upon due consideration of Navitas' risk management and internal control system, management formally reported that, with respect to the financial year ending 30 June 2011, Navitas is, in its assessment, effectively managing its material business risks through its risk management and internal control system.

In addition, the Board has received a written assurance from the Chief Executive Officer and the Chief Financial Officer that, to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board understands that these assurances regarding the internal control systems provide a reasonable level of assurance only and do not imply a guarantee against adverse events, or losses, or more volatile outcomes arising in the future and that the design and operation of the internal control systems relating to financial reporting has been assessed primarily through the use of declarations by process owners who are responsible for those systems. Internal audit activity has also assisted with this assessment. Some weaknesses were noted and action plans have been developed for management consideration that will address these and a summary of this has been provided to the Audit and Risk Committee on 16 June 2011.

The Group Risk Management Policy is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Other Policies

Continuous Disclosure
Navitas has established written policies designed to ensure:

- compliance with ASX Listing Rule disclosure; and
- accountability at a senior executive level for that compliance.

The relevant policy, entitled "Corporate Governance Policy - Continuous Disclosure" is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Securities Trading Policies
The Company has established policies concerning trading in its securities by Directors, senior executives and employees.

These policies, entitled "Directors and Senior Executives Dealing In Securities Policy" and "Employees Dealing In Securities Policy" are publicly available on the Company's website: www.navitas.com/investor_centre.html.

A summary of the Company's policy on prohibiting transactions in associated products which limit risk of participating in unvested entitlement under any equity based remuneration schemes is set out in these securities trading policies.

Ethical and Responsible Decision-Making
Navitas has established codes of conduct as to the:

- practices necessary to maintain confidence in the Company's integrity;
- practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

These codes of conduct, entitled "Code of Conduct for Directors and Key Officers" and "Code of Conduct – The Company's Obligations to Stakeholders" are publicly available on the Company's website: www.navitas.com/investor_centre.html.

Communications with Shareholders
The Company has designed a communications policy:

- for promoting effective communication with Shareholders; and
- encouraging Shareholder participation at AGMs.

The policy, entitled "Corporate Governance Policy - Communications Strategy", is publicly available on the Company's website: www.navitas.com/investor_centre.html.

Summary
In summary, Navitas concludes that it substantially complied with all of the Recommendations other than as previously disclosed in this statement and as follows.

Navitas has not followed Recommendation 2.1 during the reporting period, as a majority of the Board is not independent. In recent years, Navitas has grown in terms of size and complexity. In this context and as at the date of this statement, the Board is embarking on a comprehensive review of Board skills, experience, diversity, composition and rotation. Following this review, it will commence a process for the recruitment and appointment of suitable directors.

Navitas Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011

	Note	2011 $000s	2010 $000s
Revenue	5	643,812	556,743
Marketing expenses		(89,922)	(82,862)
Academic expenses		(122,042)	(104,608)
Administration expenses		(323,021)	(278,837)
Finance costs	6	(3,610)	(114)
Profit before income tax expense		**105,217**	**90,322**
Income tax expense	7	(27,983)	(27,509)
Profit for the year		**77,234**	**62,813**
Other comprehensive income			
Net currency translation differences		923	73
Fair value movement in hedge instruments		666	-
Income tax relating to other comprehensive income		-	-
Other comprehensive income for the year		1,589	73
Total comprehensive income for the year		**78,823**	**62,886**
Profit attributable to:			
Owners of the parent	19	77,392	64,251
Non controlling interest	20	(158)	(1,438)
		77,234	**62,813**
Total comprehensive income attributable to:			
Owners of the parent		78,723	64,359
Non controlling interest		100	(1,473)
		78,823	**62,886**

	Note	Cents	Cents
Earnings per share	9		
Basic		21.7	18.8
Diluted		21.7	18.8

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Navitas Limited
Consolidated Statement of Financial Position
As at 30 June 2011

	Note	2011 $000s	2010 $000s
ASSETS			
Current Assets			
Cash and cash equivalents	10	36,307	61,727
Trade and other receivables	11	72,592	60,231
Other	12	16,908	9,325
Total Current Assets		**125,807**	**131,283**
Non Current Assets			
Property, plant and equipment	13	61,368	40,465
Deferred tax assets	7	17,876	14,406
Intangible assets	14	448,733	181,857
Total Non Current Assets		**527,977**	**236,728**
TOTAL ASSETS		**653,784**	**368,011**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	84,568	79,946
Deferred revenue		169,490	158,184
Current tax payable	7	5,641	7,355
Provisions	17	3,143	1,916
Total Current Liabilities		**262,842**	**247,401**
Non Current Liabilities			
Trade and other payables	15	7,305	8,808
Borrowings	16	139,141	3,611
Provisions	17	5,283	4,745
Total Non Current Liabilities		**151,729**	**17,164**
TOTAL LIABILITIES		**414,571**	**264,565**
NET ASSETS		**239,213**	**103,446**
EQUITY			
Issued capital	18	194,851	69,504
Reserves	19	720	(832)
Retained earnings	19	45,145	36,741
Equity attributable to owners of the parent		**240,716**	**105,413**
Non controlling interests	20	(1,503)	(1,967)
TOTAL EQUITY		**239,213**	**103,446**

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

Navitas Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2011

	Issued Capital $000s	Reserves $000s	Retained earnings $000s	Non controlling interests $000s	Total equity $000s
Balance at 1 July 2009	69,011	(940)	30,338	167	98,576
Profit for the year	-	-	64,251	(1,438)	62,813
Net currency translation differences	-	108	-	(35)	73
Total comprehensive income for the year	-	108	64,251	(1,473)	62,886
Employee share plan purchase	561	-	-	-	561
Share Buy Back	(68)	-	-	-	(68)
Acquisition of subsidiary	-	-	-	(515)	(515)
Dividends paid	-	-	(57,848)	(146)	(57,994)
Balance at 30 June 2010	**69,504**	**(832)**	**36,741**	**(1,967)**	**103,446**
Total attributable to:					
Non controlling interests	-	-	-	(1,967)	(1,967)
Owners of the parent entity	69,504	(832)	36,741	-	105,413
Balance at 1 July 2010	69,504	(832)	36,741	(1,967)	103,446
Profit for the year	-	-	77,392	(158)	77,234
Fair value movement in hedge instruments	-	666	-	-	666
Net currency translation differences	-	665	-	258	923
Total comprehensive income for the year	-	1,331	77,392	100	78,823
Issue of share capital	126,382	-	-	-	126,382
Cost of issuing share capital (after tax)	(1,422)	-	-	-	(1,422)
Issue of share capital to non-controlling interest	-	-	-	152	152
Transfer to general reserve	-	221	(221)	-	-
Employee share plan purchase	387	-	-	-	387
Acquisition of non-controlling interest share	-	-	-	327	327
Dividends paid	-	-	(68,767)	(115)	(68,882)
Balance at 30 June 2011	**194,851**	**720**	**45,145**	**(1,503)**	**239,213**
Total attributable to:					
Non controlling interests	-	-	-	(1,503)	(1,503)
Owners of the parent entity	194,851	720	45,145	-	240,716

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

Navitas Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2011

	Note	2011 $000s	2010 $000s
Cash flows from operating activities			
Receipts from customers		623,531	550,041
Payments to suppliers and employees		(522,148)	(432,775)
Interest received		1,881	1,349
Interest paid		(3,447)	(114)
Income tax paid		(30,359)	(31,997)
Net cash flows from operating activities	10	**69,458**	**86,504**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(11,013)	(11,407)
Proceeds on disposal of plant and equipment		13	-
Proceeds on disposal of operations		5,662	-
Net cash (paid)/received for controlled entities		(248,051)	75
Payment of acquisition related costs		(4,779)	-
Net cash flows used in investing activities		**(258,168)**	**(11,332)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	18	102,250	-
Payment of share issue costs	18	(2,032)	-
Payment for share buy back	18	-	(68)
Proceeds from borrowings		184,696	9,000
Repayment of borrowings		(49,697)	(9,065)
Payment of debt establishment costs		(1,286)	-
Contributions from/(to) Non controlling interests		(5)	631
Payment of dividends	8	(68,767)	(57,848)
Payment of dividends to Non controlling interests		(115)	(146)
Net cash flows from / (used) in financing activities		**165,044**	**(57,496)**
Net (decrease)/increase in cash and cash equivalents		(23,666)	17,676
Net foreign exchange differences		(1,754)	(519)
Cash and cash equivalents at beginning of the financial year		61,727	44,570
Cash and cash equivalents at the end of the financial year	10	**36,307**	**61,727**

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

1 Corporate information

The financial report of Navitas Limited (the "Company") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of directors dated 1 August 2011.

Navitas Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in note 4.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale and held-for-trading financial assets which have been revalued at fair value.

The financial statements comprise the consolidated financial statements of the Group.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000s) unless otherwise stated.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

(i) Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no affect on the amounts reported for the current or prior periods.

(ii) Accounting Standards and Interpretations issued but not yet effective

Accounting Standards and Interpretations, including those issued by the IASB/IFRIC where an Australian equivalent has not yet been made by the AASB, that have recently been issued or amended but are not yet effective that have not been adopted for the annual reporting period ended 30 June 2011, but would be relevant to its operations, are:

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group	Nature of change to accounting policy
AASB 124 'Related Party Disclosures' (revised December 2009), AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012	A project team has been formed to assess the impact of these new standards and interpretations. A final assessment has not been made on the expected impact of these standards and interpretations, however, it is expected that that there will be no significant changes in the Group's accounting policies.
AASB 9 'Financial Instruments', AASB 2009- 11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014	
AASB 2010-5 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012	
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013	

2 Summary of significant accounting policies (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Navitas Limited and its subsidiaries (as outlined in note 26) as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group (see note 2(i) below).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Navitas Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in profit or loss of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 2(d)).

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies to profit or loss or transfers directly to retained earnings, as appropriate, the parent's share of components previously recognised in other comprehensive income.

2 Summary of significant accounting policies (continued)

(d) Business combinations

Business combinations are accounted for using the acquisition method. Transaction costs directly attributable to the acquisition are expensed under the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, less the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(e) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the Chief Executive Officer.

The group may aggregate two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

2 Summary of significant accounting policies (continued)

(f) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Navitas Limited and its Australian subsidiaries is Australian dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the non Australian Group companies is the national currency of the country of operation.

(ii) Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign currency differences arising on retranslation are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group companies' functional currency to presentation currency

As at the reporting date the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of Navitas Limited at the rate of exchange ruling at the reporting date and the statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is reclassified to profit or loss.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the statement of financial position.

(h) Trade and other receivables

Trade receivables, which generally have 30 to 60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

2 Summary of significant accounting policies (continued)

(i) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Group commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

Subsequent to initial recognition, investments in subsidiaries and associates are measured at cost in the company financial statements.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost less impairment. This amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2 Summary of significant accounting policies (continued)

(i) Investments and other financial assets (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale assets are measured at fair value with gains or losses being recognised as a separate component of equity until the asset is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of assets that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(v) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

2 Summary of significant accounting policies (continued)

(j) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2 to 10 years
Leasehold improvements – the shorter of the lease term or the estimated useful life

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

(k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

<u>Lease incentives</u>

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(ii) Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

2 Summary of significant accounting policies (continued)

(l) Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value less costs to sell. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at fair value (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

(m) Goodwill and intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

1) represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
2) is not larger than an operating segment determined in accordance with AASB8 Operating Segments.

2 Summary of significant accounting policies (continued)

(m) Goodwill and intangible assets (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

	Licences	**Brand Names**	**Copyrights**
Useful lives	Finite	Indefinite	Finite
Method used	Contract life (no longer than 10 years)	Not applicable	25 years – straight line
Internally generated/acquired	Acquired	Acquired	Acquired
Recoverable amount testing	Where an indicator of impairment exists. Amortisation method reviewed at each financial year end.	Where an indicator of impairment exists.	Where an indicator of impairment exists. Amortisation method reviewed at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

2 Summary of significant accounting policies (continued)

(n) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Liabilities for trade payables and other payables generally have 30-60 day terms.

(o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(p) Provisions and employee leave benefits

(i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Employee leave benefits

<u>Wages, salaries, annual leave and sick leave</u>

Liabilities for wages and salaries, including non monetary benefits, and annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

<u>Long service leave</u>

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2 Summary of significant accounting policies (continued)

(q) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The Group does not provide cash settled share based payments.

The cost of equity settled transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the market price of the company's shares on the Australian Stock Exchange.

The cost of equity settled transactions are recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised for the period.

No cumulative expense is recognised for awards that ultimately do not vest (in respect of non-market vesting conditions).

(r) Issued Capital

Ordinary shares are classified as equity, and are recognised at the fair value of the consideration received by the company.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(s) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured at the fair value of the consideration. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of education services

Where the contract outcome can be reliably measured, the Group has control of the right to be compensated for the education services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the number of contact days held as a percentage of the total number of contact days in the course.

(ii) Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(iii) Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

2 Summary of significant accounting policies (continued)

(t) Income tax and other taxes

(i) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is generally provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2 Summary of significant accounting policies (continued)

(t) Income tax and other taxes (continued)

(ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3 Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amount recognised in the financial statements:

(i) Investment in controlled entities

Where the Group has a 50% or less effective shareholding in a company, it assesses on a case by case basis whether control exists and accounts for the investment as appropriate under AASB 127 Consolidated and Separate Financial Statements.

(ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the intangibles and the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

(ii) Long service leave provision

As discussed in note 2, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, estimated attrition rates and pay increases through promotion and inflation have been taken into account.

4 Segment information

(a) 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 programmes in the area of creative Media including courses in audio, film and media.
English:	The English business delivers English language tuition.
Workforce:	The Workforce business delivers vocational and job skills training.
Student Recruitment:	The Student Recruitment business delivers student recruitment services to students seeking international education experience.
Corporate:	Corporate is the aggregation of the Group's corporate functions.

The following tables present revenue and profit information by reportable segment for the years ended 30 June 2011 and 2010.

4 Segment information (continued)

(b) Reportable segments (continued)

2011 $000s	University Programs	SAE	English	Workforce	Student Recruitment	Corporate	Total
Revenue							
Sales to external customers	372,947	65,020	129,783	52,689	17,660	3,727	641,826
Total segment revenue	372,947	65,020	129,783	52,689	17,660	3,727	641,826
Other revenue							1,986
Total consolidated revenue							643,812
Result							
EBITDA*	110,616	17,173	6,834	4,948	1,284	(19,711)	121,144
Depreciation	(3,400)	(2,785)	(511)	(976)	(222)	(2,087)	(9,981)
Amortisation	-	-	(669)	(309)	-	-	(978)
Impairment of Goodwill	-	-	(2,079)	(1,265)	-	-	(3,344)
Profit before tax and net finance income	107,216	14,388	3,575	2,398	1,062	(21,798)	106,841
Net finance expense							(1,624)
Profit before income tax							105,217
Income tax expense							(27,983)
Profit for the year							77,234

* EBITDA = earnings before net interest, taxes, depreciation and amortisation

4 Segment information (continued)

(b) Reportable segments (continued)

2010 $000s	University Programs	SAE	English	Workforce	Student Recruitment	Corporate	Total
Revenue							
Sales to external customers	346,755	-	140,862	45,121	19,087	3,569	555,394
Total segment revenue	346,755	-	140,862	45,121	19,087	3,569	555,394
Other revenue							1,349
Total consolidated revenue							556,743
Result							
EBITDA*	101,702	-	13,116	2,781	(1,360)	(19,539)	96,700
Depreciation	(3,153)	-	(954)	(407)	(258)	(1,865)	(6,637)
Amortisation	-	-	(667)	(309)	-	-	(976)
Profit before tax and net finance income	98,549	-	11,495	2,065	(1,618)	(21,404)	89,087
Net finance income							1,235
Profit before income tax							90,322
Income tax expense							(27,509)
Profit for the year							62,813

* EBITDA = earnings before net interest, taxes, depreciation and amortisation

4 Segment information (continued)

(c) Geographical areas

The Group operates in the following Geographical areas.

2011	External revenue $000s	Non Current assets $000s
Australia	503,644	330,293
United Kingdom	39,807	5,357
Europe	22,985	143,036
Canada	25,265	47
Asia	34,971	24,883
United States	7,736	4,925
India	4,609	227
Africa	2,809	1,333
Total	641,826	510,101
2010		
Australia	464,997	186,263
United Kingdom	33,557	12,555
Europe	-	-
Canada	19,558	69
Asia	29,017	22,090
United States	-	-
India	5,305	360
Africa	2,960	985
Total	555,394	222,322

(d) Segment accounting policies

The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the customers providing the revenues.

Segment accounting policies are the same as the Group's policies described in Note 2. During the financial period, there were no changes in segment accounting policies that had a material effect on the segment information.

(e) Major Customers

The Group delivers services to a range of diverse individual customers, no individual customer is considered material.

5 Revenue

	2011 $000s	2010 $000s
Tuition services	586,634	510,664
Commission services	8,148	9,725
Other services	47,044	35,005
Interest - Other corporations	1,986	1,349
	643,812	556,743

6 Expenses

	Note	2011 $000s	2010 $000s
(a) Finance costs			
Bank loans and overdrafts		3,610	114
(b) Depreciation and amortisation			
Depreciation	13	9,981	6,637
Amortisation			
Licences		373	372
Copyrights		605	604
Total amortisation	14	978	976
		10,959	7,613
(c) Lease payments			
Minimum lease payments – operating lease		34,840	24,075
(d) Employee benefits expense			
Employee benefits		198,548	172,825
Post Employment benefits		13,385	11,218
		211,933	184,043
(e) Losses and gains			
Net loss on disposal of property, plant and equipment		243	183
Foreign exchange loss		2,561	1,756
Gain on disposal of operations	24	(4,816)	-
Impairment of goodwill	14	3,344	-
		1,332	1,939

7 Income tax

(a) Income tax expense

The major components of income tax expense are:

Income tax recognized in profit or loss		
Current income Tax		
Current income tax charge	(29,892)	(32,513)
Adjustments in respect of current income tax of previous years	1,814	1,287
Deferred income tax		
Relating to the origination and reversal of temporary differences	95	3,717
Income Tax reported in the statement of comprehensive income	(27,983)	(27,509)

7 Income tax (continued)

(b) Numerical reconciliation between aggregate tax expenses recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

	Note	2011 $000s	2010 $000s
Accounting profit before tax		105,217	90,322
At the Group's statutory income tax rate of 30%		(31,565)	(27,097)
Adjustments in respect of current income tax of previous years		1,814	1,287
Sundry items		1,768	(1,699)
Income Tax reported in the statement of comprehensive income		(27,983)	(27,509)

(c) Recognised tax assets and liabilities

	2011	2010
Current Income tax		
Opening Balance	7,355	8,126
Acquisitions	567	-
Charged to income	28,078	31,226
Other payments	(30,359)	(31,997)
Closing Balance	5,641	7,355
Deferred Income Tax		
Opening balance	14,406	10,718
Acquisitions	2,837	51
Charged to income	95	3,717
Charged to equity	538	(80)
Closing balance	17,876	14,406

Deferred income tax relates to the following:

	2011	2010
Deferred tax assets		
Employee provisions	3,694	3,427
Other provisions	630	550
Lease incentives	3,054	2,922
Equity raising costs	538	-
Carry forward tax losses	6,107	-
Other temporary differences	4,172	7,937
	18,195	14,836
Deferred tax liabilities		
Intangible assets acquired	(319)	(430)
	(319)	(430)
	17,876	14,406

7 Income tax (continued)

(d) Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Effective 5 November 2004, for the purposes of income taxation, Navitas Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Navitas Limited.

(ii) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their "tax effected" accounting profit for the period. Allocations under the tax funding agreement are recognised on a monthly basis.

The allocation of taxes under the tax funding agreement is recognised as a change in the subsidiaries' intercompany accounts with the tax consolidated group head entity, Navitas Limited. The group has applied the separate taxpayer within group approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

8 Dividends paid and proposed

	2011 $000s	2010 $000s
(a) Recognised amounts		
Declared and paid during the year		
Dividends on ordinary shares:		
Final franked dividends for 2010: 10.7cents (2009: 8.8 cents)	36,633	30,117
Interim franked dividend for 2011: 8.7 cents (2010: 8.1 cents)	32,134	27,731
	68,767	57,848
(b) Unrecognised amounts		
Dividends proposed and not recognised as a liability		
Dividends on ordinary shares:		
Final franked dividends for 2011: 12.0 cents (2010:10.7 cents)	45,028	36,633

8 Dividends paid and proposed (continued)

	2011 $000s	2010 $000s
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30%	26,708	27,460
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	4,161	8,177
- impact on the franking account of dividends proposed before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(19,298)	(15,670)
	11,571	19,967

(d) Tax rates

The tax rate at which dividends have been franked is 30%. Dividends proposed will be 100% franked at the rate of 30%.

9 Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

(a) Earnings used in calculating earnings per share

	2011 $000s	2010 $000s
Basic earnings per share		
Net profit attributable to equity holders of the parent	77,392	64,251

There are no adjustments to net profit for calculating diluted earnings per share

(b) Weighted average number of shares

	2011 Number of shares	2010 Number of shares
Weighted average number of ordinary shares for basic earnings per share	356,873,719	342,356,917

There are no adjustments to the weighted average number of ordinary shares for calculating diluted earnings per share

(c) Other transactions

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

10 Cash and cash equivalents

	Note	2011 $000s	2010 $000s
Cash at bank and in hand		36,307	61,727

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(a) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

	2011 $000s	2010 $000s
Cash and cash equivalents	36,307	61,727

(b) Reconciliation of profit for the period to net cash flows from operating activities

	2011 $000s	2010 $000s
Net profit for the period	77,234	62,813
Non cash items		
Depreciation	9,981	6,637
Amortisation	978	977
Impairment of goodwill	3,344	-
Lease incentives	(1,205)	73
Net loss on disposal of property, plant and equipment	243	183
Net exchange loss/(gains)	2,561	1,756
Profit on disposal of operations	(4,816)	-
Other non cash items	446	240
Payment of acquisition related costs	4,779	-
Decrease/(increase) in assets		
Trade and other receivables	3,923	(24,132)
Prepayments and other assets	(2,803)	2,880
Deferred tax assets	123	(3,667)
Increase/(decrease) in liabilities		
Trade and other payables	(4,148)	14,522
Deferred revenues	(20,544)	24,137
Current tax liabilities	(2,281)	(771)
Provisions	1,643	856
Net cash flows from operating activities	69,458	86,504

10 Cash and cash equivalents (continued)

(c) Financing activities

At reporting date, the following financing facilities had been negotiated and were available.

	Note	2011 $000s	2010 $000s
Total facilities			
Credit facility	16	225,000	75,000
Facilities utilised at balance date			
Credit facility	16	135,833	-
Facilities unutilised at balance date			
Credit facility		89,167	75,000

(d) Non cash financing and investing activities

Refer to notes 18 and 24 for disclosures of non cash financing and investing activities (including business acquisitions).

11 Trade and other receivables

	Note	2011 $000s	2010 $000s
Trade receivables		50,635	46,801
Allowance for doubtful debts		(2,926)	(1,484)
		47,709	45,317
Accrued Income		12,183	7,213
Other receivables		12,700	7,701
Related party receivables			
Associate		335	335
Allowance for impairment		(335)	(335)
		72,592	60,231

(a) Allowance for doubtful debts

An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An additional allowance of $0.523m (2010: $0.576m) has been recognised as an expense for the current year for specific debtors for which such evidence exists. The amount of the allowance has been measured as the difference between the carrying amount of the trade receivables and the present value of the estimated future cash flows expected to be recovered from the relevant debtors.

11 Trade and other receivables (continued)

(a) Allowance for doubtful debts (continued)

Movements in the allowance for doubtful debts were as follows:

	Note	2011 $000s	2010 $000s
Opening balance		1,484	908
Balance acquired		919	-
Charge for the year		523	576
Closing balance		2,926	1,484

As at 30 June, the ageing of trade receivables is as follows:

Consolidated

	Total	0-30 days	31-60 days	+60 days PDNI*	+60 days CI*
2011	50,635	24,780	11,761	11,804	2,290
2010	46,801	20,632	15,589	9,058	1,522

* Past due not impaired (PDNI)
Considered impaired (CI)

Receivables past due but not considered impaired are disclosed above. Each business unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Receivables considered impaired are disclosed above. Each business unit has provided for these receivables whilst actively managing their recovery.

Other balances within trade and other receivables (except as disclosed below) do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Related party receivables

Refer to note 26 for terms and conditions of related party receivables.

An allowance for impairment of $0.335m (2010: $0.335m) has been made for loans receivable from a related party. There has been no movement in this allowance. These loans are considered impaired as the related party is currently reporting operating losses.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the net carrying amount of receivables. No collateral is held as security.

Refer to note 23 for further disclosures on credit risk.

(d) Foreign exchange and interest rate risk

Refer to note 23 for disclosures on foreign exchange and interest rate risk.

12 Other assets

	Note	2011 $000s	2010 $000s
Current			
Prepayments		14,085	8,068
Other		2,823	1,257
		16,908	9,325

13 Property, plant and equipment

(a) Reconciliation of carrying amounts at the beginning and end of period

$000s	Plant and equipment	Leasehold Improvements	Total
Gross carrying amount			
Balance at 1 July 2009	12,068	35,728	47,796
Additions	6,080	5,326	11,406
Disposals	(195)	(7)	(202)
Transfers	46	(46)	-
Acquisition of a subsidiary	32	-	32
Exchange differences	(336)	(239)	(575)
Balance at 1 July 2010	17,695	40,762	58,457
Additions	10,997	16	11,013
Disposals	(165)	(873)	(1,038)
Transfers	68	(68)	-
Acquisition of a subsidiary	20,891	-	20,891
Exchange differences	(401)	(1,028)	(1,429)
Closing balance at 30 June 2011	49,085	38,809	87,894
Accumulated depreciation			
Balance at 1 July 2009	(4,338)	(7,069)	(11,407)
Depreciation expense	(2,611)	(4,026)	(6,637)
Disposals	18	1	19
Transfers	(32)	32	-
Exchange differences	61	(28)	33
Balance at 1 July 2010	(6,902)	(11,090)	(17,992)
Depreciation expense	(6,392)	(3,589)	(9,981)
Disposals	53	761	814
Transfers	-	-	-
Exchange differences	448	185	633
Closing balance at 30 June 2011	(12,793)	(13,733)	(26,526)
Net book value			
At 1 July 2009	7,730	28,659	36,389
At 1 July 2010	10,793	29,672	40,465
At 30 June 2011	36,292	25,076	61,368

(b) Plant and equipment under lease

The Group has no assets under finance lease.

(c) Impairment losses

No impairment loss was recognised in relation to property, plant and equipment assets during 2011 and 2010.

14 Intangible assets

(a) Reconciliation of carrying amounts at the beginning and end of period

$000s	Goodwill	Brand Names	Copyrights	Licences	Total
Gross Carrying amount					
Balance at 1 July 2009	161,611	-	15,113	2,581	179,305
Acquisition of subsidiaries	6,944	-	-	-	6,944
Balance at 30 June 2010	168,555	-	15,113	2,581	186,249
Investment in subsidiaries	336	-	-	-	336
Acquisition of SAE	136,382	136,000	-	-	272,382
Disposals	(2,276)	-	-	-	(2,276)
Impact of foreign currency conversion	756	-	-	-	756
Balance at 30 June 2011	303,753	136,000	15,113	2,581	457,447
Accumulated amortisation and impairment losses					
Balance at 1 July 2009	(89)	-	(2,253)	(774)	(3,116)
Impairment expense	(300)	-	-	-	(300)
Amortisation expense	-	-	(604)	(372)	(976)
Balance at 30 June 2010	(389)	-	(2,857)	(1,146)	(4,392)
Impairment expense	(3,344)	-	-	-	(3,344)
Amortisation expense	-	-	(605)	(373)	(978)
Balance at 30 June 2011	(3,733)	-	(3,462)	(1,519)	(8,714)
Net book value					
At 1 July 2009	161,522	-	12,860	1,807	176,189
At 1 July 2010	168,166	-	12,256	1,435	181,857
At 30 June 2011	300,020	136,000	11,651	1,062	448,733

(b) Valuations of identifiable intangibles

During the year the Group acquired Brand intangibles as part of the SAE acquisition (note 24). Brand intangibles are included in the financial statements at reporting date using provisional valuations. Formal valuations will be completed by 31 December 2011 which may result in reclassification between identifiable intangibles acquired and goodwill in accordance with AASB 3 (2008) Business Combinations.

(c) Description of the Group's intangible assets

(i) Brand Names

Brand names include intangible assets acquired through business combination. This intangible asset has been assessed as having indefinite lives on the basis of strong brand resilience, ongoing expected profitability and the expectation of minimal ongoing expenditure.

(ii) Copyrights

Copyrights include intangible assets acquired through business combinations. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 25 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that recoverable amount is lower than the carrying amount.

(iii) Licences

Licences include intangible assets acquired through business combinations. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over a period of 5 to 10 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that recoverable amount is lower than the carrying amount.

14 Intangible assets (continued)

(d) Description of the Group's intangible assets (continued)

(iv) Goodwill

Goodwill is not amortised but is subject to annual impairment testing (see note 14(f)).

(e) Impairment losses recognised

Impairment losses of $3.4m (2010: $0.3m) were recognised in relation to intangible assets during the year. The English Division was charged $2.1m following the loss of the South Australian AMEP contract, and the Workforce Division was charged $1.2m following a review of Navitas College of Public Safety operations.

(f) Impairment testing of goodwill and indefinite life intangible assets

(i) Carrying amount of goodwill allocated to each of the cash generating units

The carrying amounts of acquired goodwill have been allocated to the following individual cash generating units that have significant amounts of intangibles for impairment testing as follows:

Cash generating unit (or group of units)	Carrying amount of Goodwill	
$000s	**2011**	**2010**
SAE Group	136,382	-
ACL Pty Ltd	38,277	38,277
Sydney Institute of Business & Technology Pty Ltd	32,332	32,332
Melbourne Institute of Business & Technology Pty Ltd	11,738	11,738
Colleges of Business & Technology (WA) Pty Ltd	13,089	13,089
Australian College of Applied Psychology Pty Ltd	10,804	10,804
Multiple units without significant intangibles	57,398	61,926
	300,020	168,166

The recoverable amount of these cash-generating units has been determined based on a value in use calculation using cash flow projections covering a five year period, based on financial budgets approved by senior management.

The discount rate applied to cash flow projections is 14% (2010: 14%) and cash flows beyond the five year period are estimated using a terminal value calculated under standard valuation principles.

(ii) Key assumptions used in value in use calculations for 30 June 2011 and 30 June 2010

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the listed cash generating units.

Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected volume/efficiency improvements based on historical trends. Thus values assigned to gross margins reflect past experience.

Wage inflation – the basis used to determine the value assigned to wages inflation is the forecast inflation index during the budget year for Australia. Values assigned to the key assumption are consistent with external sources of information.

(iii) Indefinite life intangible assets

The recoverable value of the SAE Brand Name has been assessed using the same methods and assumptions as the related goodwill.

15 Trade and other payables

	Note	2011 $000s	2010 $000s
Current			
Trade payables		15,209	7,846
Other payables		67,585	70,406
Lease incentives		1,774	1,694
		84,568	79,946
Non Current			
Lease incentives		7,305	8,808

(a) Fair value

Due to the short term nature of these payables (excluding lease incentives), their carrying value is assumed to approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Refer to note 23 for disclosures on interest rate, foreign exchange and liquidity risk.

16 Borrowings

	Note	2011 $000s	2010 $000s
At amortised cost			
Non Current			
Bank facility		135,833	-
Loans from other related parties		3,308	3,611
		139,141	3,611

(a) Fair value

Due to the nature of these borrowings, the carrying amount of the Group's borrowings approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Refer to note 23 for disclosures on interest rate, foreign exchange and liquidity risk.

(c) Assets pledged as security

Finance lease liabilities are secured over the assets to which they relate. Bank credit facilities are unsecured. Refer to note 10 for further information.

(d) Summary of borrowing arrangements

The Group has bank borrowing facilities of $225m at 30 June 2011 (2010: $75m). The total utilized at 30 June was $135.833m (2010: $nil) drawn as Euro 100m.

The facilities are unsecured.

The weighted average effective interest rate on the facilities was 4.32%.

Further details are provided in note 23.

16 Borrowings (continued)

(d) Loans from other related parties

Refer to note 26 for terms and conditions of loans from other related parties.

(e) Defaults and breaches

During the current and prior years, there were no defaults or breaches of any loans.

17 Provisions

	Note	2011 $000s	2010 $000s
Current			
Make Good provision		198	-
Long service leave		2,945	1,916
		3,143	1,916
Non Current			
Make good provision		2,084	1,833
Long service leave		3,199	2,912
		5,283	4,745

(a) Nature and timing of provisions

(i) Long service leave

Refer to notes 2 and 3 for the relevant accounting policy and a discussion of the significant estimates and assumptions applied in the measurement of this provision.

(ii) Make good provisions

Under the terms of its lease agreements the Group must restore certain leased premises to their condition as at the commencement of the lease.

(b) Movements in provisions (other than employee benefits)

	Note	2011 $000s	2010 $000s
Make good provision			
At 1 July		1,833	1,467
Acquisitions		147	-
Additions		517	366
Utilised		(215)	-
At 30 June		2,282	1,833
Current		198	-
Non current		2,084	1,833

18 Issued Capital

	Note	2011 $000s	2010 $000s
Ordinary shares		194,851	69,504

(a) Terms and conditions of ordinary shares

Ordinary shares have no par value and have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts of paid shares held.

The company does not have a limited amount of authorised capital.

Ordinary shares entitle their holders to one vote, in person or by proxy, at a meeting of the company.

(b) Movements in shares on issue

	Note	2011 Shares Number	2011 $000s	2010 Shares Number	2010 $000s
Movements in shares on issue					
At 1 July		342,361,526	69,504	342,236,548	69,011
Issue of share capital		26,907,997	102,250	-	-
Cost of issuing share capital (net of tax)		-	(1,422)	-	-
Acquisition of subsidiary	24	5,871,551	24,132	-	-
Employee share schemes (i)		89,041	387	146,548	561
Share buy back (ii)		-	-	(21,570)	(68)
At 30 June		375,230,115	194,851	342,361,526	69,504

(i) Employee share schemes

During the year the Company issued 35,451 (2010: 90,982) shares to executive employees (under the terms of the executive share plan) to a value of $ 0.154m (2010: $0.348m) 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 2010 financial year. In addition, the Company issued 53,590 (2010: 55,566) shares valued at $0.233m (2010: $0.212m) to eligible employees in lieu of salaries and wages as part of the Company's Employee Share Ownership Plan.

(ii) Share buy back

During the year the Company cancelled its on-market share buy back programme. During the prior year the Company purchased 21,570 shares for a total cost of $0.068m. All shares purchased by the Company are cancelled.

(c) Capital management

Refer to note 22 for further disclosures in relation to the Group's capital management activity.

19 Reserves and retained earnings

	Note	2011 $000s	2010 $000s
Foreign currency translation reserve		(167)	(832)
Cash flow hedge reserve		666	-
General reserve		221	-
		720	(832)
Retained earnings		45,145	36,741

(a) Movements in reserves and retained earnings

A reconciliation of the carrying amounts of reserves and retained earnings at the beginning and end of the financial year.

	Note	2011 $000s	2010 $000s
Foreign currency translation reserve			
At 1 July		(832)	(940)
Currency translation differences		665	108
At 30 June		(167)	(832)
Cash flow hedge reserve			
At 1 July		-	-
Changes in fair value of interest rate swap		666	-
At 30 June		666	-
General reserve			
At 1 July		-	-
Transfer from retained earnings		221	-
At 30 June		221	-
Retained earnings			
At 1 July		36,741	30,338
Transfer to general reserve		(221)	-
Profit attributable to members of the parent entity		77,392	64,251
Dividends	8	(68,767)	(57,848)
At 30 June		45,145	36,741

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

It is also used to record gains and losses on hedges of the net investments in foreign operations.

(ii) Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(iii) General reserve

The general reserve is used to record amounts retained in equity as required by local laws relevant to subsidiary operations.

20 Non controlling interest

	Note	2011 $000s	2010 $000s
Non controlling interest		(1,503)	(1,967)

(a) Movements in non controlling interest

A reconciliation of the non controlling interest at the beginning and end of the financial year.

	Note	2011 $000s	2010 $000s
Non controlling interest			
At 1 July		(1,967)	167
Purchase of non controlling interest/(acquisition of subsidiary)		327	(515)
Net loss for the year		(158)	(1,438)
Dividends paid		(115)	(146)
Movements in reserves		258	(35)
Issue of Equity		152	-
At 30 June		(1,503)	(1,967)
Comprising:			
Ordinary share capital		1,349	1,805
Reserves		323	70
Accumulated losses		(3,175)	(3,842)
		(1,503)	(1,967)

21 Derivative financial instruments

	Note	2011 $000s	2010 $000s
Current Assets - receivables			
Forward currency contracts – held for trading		939	510
Interest rate swap contracts - cash flow hedges		666	-
		1,605	510
Current Liabilities - payables			
Forward currency contracts – held for trading		848	416

(a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to manage exposure to fluctuations in foreign exchange rates and interest rates.

21 Derivative financial instruments (continued)

(a) Instruments used by the Group (continued)

(i) Forward currency contracts - held for trading

The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

	Note	2011 $000s	2010 $000s
Maturity 0-12 months			
Sell GBP - Buy AUD			
Notional Amounts		2,365	1,767
Average exchange rate		0.5918	0.5659
Sell CAD - Buy AUD			
Notional Amounts		2,263	2,357
Average exchange rate		0.8838	0.8484
Sell SGD – Buy AUD			
Notional Amounts		2,170	1,641
Average exchange rate		1.1981	1.02439
Sell CHF – Buy AUD			
Notional Amounts		435	-
Average exchange rate		0.9200	-
Sell EUR – Buy AUD			
Notional Amounts		3,161	-
Average exchange rate		0.7118	-
Sell/(Buy) USD – Buy/(Sell) AUD			
Notional Amounts		759	(822)
Average exchange rate		1.0544	0.9120
Buy CNY - Sell AUD			
Notional Amounts		(3,502)	(5,636)
Average exchange rate		6.0683	5.5889
Buy INR - Sell AUD			
Notional Amounts		(2,825)	(2,721)
Average exchange rate		43.5433	37.5212
Maturity 12-24 months			
Sell GBP - Buy AUD			
Notional Amounts		2,057	464
Average exchange rate		0.5835	0.5384
Sell CAD - Buy AUD			
Notional Amounts		-	2,069
Average exchange rate		-	0.8699
Sell SGD – Buy AUD			
Notional Amounts		1,250	1,083
Average exchange rate		1.2002	1.1544
Sell CHF – Buy AUD			
Notional Amounts		462	-
Average exchange rate		0.8650	-
Sell EUR – Buy AUD			
Notional Amounts		2,179	-
Average exchange rate		0.6885	-
Buy CNY – Sell AUD			
Notional Amounts		(1,377)	-
Average exchange rate		5.8117	-
Buy INR - Sell AUD			
Notional Amounts		(2,332)	(1,031)
Average exchange rate		47.1603	38.7943

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value loss on foreign currency derivatives during the year was $1.176m (2010: loss $0.550m) for the Group.

21 Derivative financial instruments (continued)

ii) Interest rate swaps - cash flow hedges

The Groups debt facilities allow borrowings in multiple foreign currencies, accordingly, interest-bearing loans of the Group currently range from 1.8% to 6.9%. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 75% (2010: nil%) of the principal outstanding at reporting date and are timed to expire at the renewal dates of each loan. The fixed interest rates are 2.08% (2010: nil%).

The interest rate swaps require settlement of net interest receivable or payable each month. The settlement dates coincide with the dates on which interest is payable on the underlying debt. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit or loss when the interest expense is recognised.

(b) Interest rate risk

Refer to note 23 for disclosures on interest rate risk.

(c) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains. Management have established a policy that ensures that the Group only deals with counterparties that have a published credit rating and that exposure to individual counterparties is weighted based on the level of rating achieved. Under this policy maximum exposure to an individual counterparty is 50% of the total portfolio.

22 Capital risk management objectives and policies

When managing capital it is management's objective to maximize the returns to shareholders as measured by Economic Value Added (EVA®), whilst also ensuring that the entity continues to operate as a going concern.

EVA measures the profits earned by the business after charging for the funds invested by both lenders and shareholders. Accordingly management aims to maintain a capital structure that ensures the lowest cost of capital for the Group, and maximizes returns to shareholders from their capital investment.

Management are constantly reviewing capital structure to ensure that the Group takes advantage of favourable costs of capital. As the market is constantly changing, management will: actively review the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, and initiate on market share buy backs, and drawdown on/repay bank borrowings to ensure that capital is managed appropriately.

During 2008 management instigated an on market share buy back programme. This programme purchased 5,503,831 shares to 30 June 2010. The programme was cancelled in the 2011 year. There was no activity in the year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents, and equity attributable to equity holders of the parent (comprising issued capital, reserves and retained earnings as disclosed in note 19 and 20). The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Group's operations as well as make routine outflows of tax, dividends and repayment of maturing debt.

The group's policy is to borrow centrally, using a variety of currencies, to meet anticipated funding requirements.

Management monitors capital through the combination of gearing ratio (net debt/total capital) and return on capital employed. The limit for the Group's gearing ratio is no greater than 50%, based on current credit facilities. The Group's gearing ratios at 30 June 2011 and 2010 were as follows:

	Note	2011 $000s	2010 $000s
Total borrowings		139,141	3,611
Less cash and cash equivalents		(36,307)	(61,727)
Net (cash)/debt		102,834	(58,116)
Total equity		239,213	103,446
Total capital		342,047	45,330
Gearing ratio		30.0%	0%

Management's target for return on capital employed is a minimum return in excess of the Group's weighted average cost of capital (WACC). For 2011, the Group's WACC was approximately 10% (2010: 10%), and returns achieved were 50.6% (2010: 59.9%) from continuing operations.

23 Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash and cash equivalents and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

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23 Financial risk management objectives and policies (continued)

The Group may enter into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the potential interest rate and currency risks arising from the Group's operations and its sources of finance. Trading in derivatives may also be undertaken, specifically in forward currency contracts. These derivatives provide economic hedges, but do not qualify for hedge accounting and are based on limits approved by the Audit and Risk Committee.

The main risks that may arise from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of potential exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange rates. Where material, ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts and maintenance of appropriate credit facilities.

The Audit and Risk Committee periodically reviews and approves the policies for managing each of these risks as summarised below.

Risk exposures and responses

(a) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long term borrowing obligations with a floating interest rate. The level of debt is disclosed in note 16.

At reporting date the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	Note	2011 $000s	2010 $000s
Financial Assets			
Cash and cash equivalents		36,307	61,727
Financial Liabilities			
Bank borrowings		(135,833)	-
Net exposure		(99,526)	61,727

Interest rate swap contracts outlined in note 21 with a fair value $0.666m (2010: $nil) are exposed to fair value movements if interest rates change. Under these contracts the group is committed to $2.1m interest expense within 12 months, $2.1m interest expense between 1 year and 2 years, and $1.6m interest expense between 2 years and 5 years, on $101.9m of notional debt at 2.08%.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's policy is:

Current borrowings	between 25% and 75% of borrowings at fixed rates of interest
Non current borrowings (1 to 3 years)	between 25% and 75% of borrowings at fixed rates of interest
Non current borrowings (3 to 5 years)	between 0% and 25% of borrowings at fixed rates of interest

To manage this mix in a cost efficient manner the Group's policy allows for both fixed rate and floating rate debt. In the absence of fixed rate debt the Group's policy allows for the use of interest rate swaps, collars and caps. Where the Group enters into fixed rate debt it is understood that this creates a fair value exposure as a by-product of the Group's attempt to manage its cash flow volatility arising from interest rate changes.

At the 30 June 2011 the Group had bank debt of $33.958m at floating rates, and $101.875m at fixed rates (via swap). During 2010 cash flows from operations allowed the Group to retire all bank debt at reporting date.

At 30 June 2011 the face value of interest rate swaps, collars and caps held was $101.875m (2010: $nil).

23 Financial risk management objectives and policies (continued)

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

(i) Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	2011 $000s	2010 $000s
Judgments of reasonably possible movements		
Post tax profit and equity higher/(lower)		
+1% (100 basis points)	254	432

The movements in profit and equity are due to lower interest revenues from variable rate cash balances, and higher interest expenses from variable rate borrowings. The sensitivity is lower in 2011 than in 2010 because of a decrease in cash balances and increase in net debt that has occurred due to acquisition activity.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

(b) Foreign currency risk

(i) Transactional risk

The Group also has transactional currency exposures. Such exposures arise from sales or purchases by an operating entity in currencies other than its functional currency.

The Group's policy is to use forward currency contracts to reduce currency exposures over a rolling 24 month horizon. Contracts are taken out where exposures are in excess of $0.75m in any single rolling 12 month period.

It is Group's policy not to enter into forward contracts until the forecast transactional exposure is considered a committed exposure, and will only enter into forward contracts within the following bands.

Current exposure (1-12 months)	between 25% and 75% of forecast transactional exposure
Non current exposure (13 - 24 months)	between 0% and 50% of forecast transactional exposure

The Group and the Company has, as disclosed in note 21, forward currency contracts held for trading that are subject to fair value movements through profit and loss as foreign exchange rates move.

23 Financial risk management objectives and policies (continued)

(b) Foreign currency risk

(ii) Sensitivity analysis

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 30 June 2011, if exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	2011 $000s	2010 $000s
Judgments of reasonably possible movements		
Post tax profit and equity higher/(lower)		
AUD/CNY +5%	(164)	(229)
AUD/INR +5%	(128)	(93)
AUD/EUR +5%	201	-
AUD/CNY -10%	376	519
AUD/INR -10%	306	224
AUD/EUR -10%	(402)	-

The movements in profit and equity in 2011 are more sensitive than in 2010 due to continued offshore expansion and increased use of forward currency contracts.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, other financial assets and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Exposure at balance date is addressed in each applicable note.

The Group is not exposed to significant credit risk due to the nature of revenue which is generally received in advance of the service being provided.

In situations where revenues are not provided in advance of service, the Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

Credit risk exposure from financial guarantees is set out in note 25.

23 Financial risk management objectives and policies (continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of operating cash flows and committed available credit facilities.

Between 12 March 2009 and 13 March 2010 the Group had one $75m credit facility. Subsequent to 13 March 2010 the Group renegotiated its credit arrangements and entered into three $25m credit facilities with three banks (totaling $75m). Two of the facilities (totaling $50m) have a two year term ending June 2012. One of the facilities ($25m) has a one year term ending June 2011.

Subsequent to 30 June 2010 the Group renegotiated the facilities as follows:

- Two facilities ending June 2012 were extended until February 2014 and the facility limits were each increased by $75m to $100m ($200m in total)
- One facility, for $25m, ending June 2011 was extended until June 2012.

At 30 June 2011 $135.833m of the facility had been utilised (2010: $nil). Cash flows from operations for 2011 were $64.7m (2010: $86.5m).

The Group's policy is that no more than 50% of credit facilities should mature within the following 12 months. At 30 June 2011, 11% of the Group's credit facilities will mature within the following 12 months (2010: 33%).

(i) Contractual maturities

	<3 months	3 months to a year	1 – 5 years	Total
2011	**$000s**	**$000s**	**$000s**	**$000s**
Financial assets				
Cash and cash equivalents	36,307	-	-	36,307
Trade and other receivables	58,952	13,640	-	72,592
Foreign exchange derivatives	184	516	239	939
	95,443	14,156	239	109,838
Financial liabilities				
Trade and other payables	15,209	65,338	-	80,547
Borrowings	-	-	139,141	139,141
Interest rate derivatives	530	1,589	3,708	5,827
Foreign exchange derivatives	145	476	227	848
	15,884	67,403	143,076	226,363
Net maturity	79,559	(53,247)	(142,837)	(116,525)
2010				
Financial assets				
Cash and cash equivalents	61,727	-	-	61,727
Trade and other receivables	51,793	8,438	-	60,231
Foreign exchange derivatives	243	249	18	510
	113,763	8,687	18	122,468
Financial liabilities				
Trade and other payables	7,846	70,406	-	78,252
Borrowings	-	-	3,611	3,611
Foreign exchange derivatives	71	242	103	416
	7,917	70,648	3,714	82,279
Net maturity	105,846	(61,961)	(3,696)	40,189

23 Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

The Group has entered into financial guarantee contracts as disclosed in note 25c. In the event of default these are at call. Default is considered remote and the Group expect that no payment will be required in the foreseeable future.

The tables above reflect all contractually fixed settlement, repayments, receivables and interest resulting from recognised financial liabilities and assets, including derivative financial instruments, as of 30 June 2011. For derivative financial instruments the gross cash settlement is presented where gross settlement occurs and the net cash settlement is presented where net settlement occurs. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities are based on the earliest possible date for on which the Group can be required to pay. Cash flows for financial assets are based on the terms and conditions existing at the balance sheet date.

Management manages this liquidity risk by the maintenance of appropriate unutilised credit facilities and continued operation of the business as a going concern generating operating cash flows. Whilst operating as a going concern, the material business units of the Group receive operating cash flows prior to the provision of the service. At 30 June 2011, the Group had recognised deferred revenue of $160.813m (2010: $158.184m), representing cash receipted by the Group for which tuition services had yet to be provided. Management have utilised these cash receipts to reduce debt, return capital to shareholders, and to purchase investments. At 30 June 2011, the Group had $135.833m bank debt (2010: $nil) and had unutilised credit facilities of $89.167m available (2010: $75m). Management is confident this is sufficient to cover any liquidity risk exposure at 30 June.

(e) Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

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 of 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).

Derivative financial assets and liabilities disclosed in note 21 are classified as level 2 fair value measurements. The Group has no significant financial assets and liabilities grouped as level 3 fair value measurements. There were no transfers between level 1 and 2 in the current or prior period.

24 Business combinations

Acquisition of SAE

Effective 1 January 2011, Navitas limited acquired the SAE group of companies (“SAE”). SAE was a privately held group of companies that specialized in the provision of education services in the area of Creative Media, specifically audio, film and media.

The total consideration transferred was $294.294m and included a combination of cash and equity instruments. Total cash transferred was $270.162m and 5,871,551 ordinary shares were issued to the vendor, with a fair market value of $4.11 each (totaling $24.132m) based on the quoted price of the shares of Navitas Limited on the date of issue.

The Group has provisionally recognized the fair values of the identifiable assets and liabilities of SAE based upon the best information available as of the reporting date. Some balances are provisional as in some cases accounting estimates are still subject to finalization by independent valuers. Provisional business combination accounting is as follows:

	Note	Fair value at acquisition date $000s	Carrying Value $000s
Cash and cash equivalents		22,005	22,005
Trade receivables		9,805	10,213
Plant and equipment		20,891	20,891
Deferred tax assets		2,837	2,837
Identifiable Intangible Assets	14	136,000	-
Prepayments		3,273	3,273
Other assets		705	2,998
		195,516	62,217
Trade payables		2,214	2,214
Other payables		4,496	4,496
Unearned Income		27,982	27,982
Tax liabilities		567	567
Borrowings		2,255	2,255
Provisions		90	90
		37,604	37,604
Provisional fair value of identifiable net assets		157,912	24,613
Goodwill arising on acquisition	14	136,382	
Total consideration transferred		294,294	
Acquisition date fair value consideration transferred comprised:			
Cash paid		270,162	
Shares issued, at fair value		24,132	
		294,294	
Direct costs related to the acquisition (expensed in current year)		4,874	
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary		22,005	
Cash paid		(270,162)	
Net cash outflow		(248,157)	

24 Business combinations (continued)

The statement of comprehensive income includes revenue of $65.0m, and profit after tax of $12.3m, as a result of the acquisition. Had the acquisition of SAE occurred at the beginning of the financial year the statement of comprehensive income would have included revenue of $122.0m, and profit for the year of $22.7m.

Navitas Limited paid a premium for the acquisition, and recognized goodwill of $136.382m, as it believes additional business and synergies will be brought into the Group.

Other transactions

Navitas had no other material acquisitions during the course of the year, however, Navitas was awarded the tender to manage the operations of La Trobe International College, Melbourne.

Navitas transferred no consideration for this, but acquired the following identifiable assets and liabilities.

	Note	Fair value at acquisition date $000s	Carrying Value $000s
Cash and cash equivalents		3,868	3,868
Unearned Income		3,868	3,868
Provisional fair value of identifiable net assets		-	-
Goodwill arising on acquisition	14	-	
Total consideration transferred		-	

This resulted in a net cash inflow to the Group of $3.868m. No acquisition costs were paid.

Disposals

During the year Navitas disposed of SAE operations in the United Arab Emirates for $7.133m. Navitas recognized a gain of $4.816m on this disposal.

25 Commitments and contingencies

(a) Leasing

(i) Operating leases- Group as lessee

The Group has entered into commercial leases on certain premises. These leases have an average life of between 3 and 10 years with options to renew in some cases. There are no restrictions placed upon the lessee by entering into these leases.

	2011 $000s	2010 $000s
Future minimum rentals payable		
Within one year	16,695	15,328
After one year but not more than five years	44,053	96,715
More than five years	16,347	12,427
	77,095	124,470

In respect of non-cancellable operating leases the following liabilities have been recognised:

	2011 $000s	2010 $000s
Lease incentives		
Current	1,774	1,607
Non Current	7,305	8,158
	9,079	9,765

(b) Property, plant and equipment

The Group has no capital commitments.

(c) Guarantees

The Group has entered into lease rental guarantees with a face value of $27.260m (2010: $22.330m) and performance guarantees with a face value of $14.060m (2010: $15.520m). The fair value of the guarantees has been assessed as $nil based on underlying performance of the entities subject to the guarantees.

26 Related party disclosures

(a) Equity interests in related parties

The consolidated financial statements include the financial statements of Navitas Limited and the controlled entities listed in the following table.

Country of incorporation Name	**Beneficial Interest (%)**		**Investment ($000s)**	
	2011	**2010**	**2011**	**2010**
Australia				
Australian Campus Network Pty Ltd *	100	100	-	-
Australian College of Applied Psychology Pty Ltd *	100	100	13,581	13,581
Australian Education Holdings Pty Ltd *	100	100	-	-
Colleges of Business and Technology (NSW) Pty Ltd *	100	100	-	-
Colleges of Business and Technology (WA) Pty Ltd *	100	100	12,914	12,914
Cytech Intersearch Pty Ltd *	100	100	1,620	1,620
East Coast College of English (Brisbane) Pty Ltd *	100	100	-	-
Educational Enterprises Australia Pty Ltd *	100	100	1,689	1,689
Educational Services Pty Ltd *	100	100	-	-
EduGlobal Australia Pty Ltd	55	55	-	-
EduGlobal Pty Ltd *	100	100	-	-
Hawthorn Learning Pty Ltd *	100	100	5,290	5,290
Health Skills Australia Pty Ltd *	100	100	3,500	3,500
IBT Education Pty Ltd *	100	100	-	-
IBT (Canada) Pty Ltd *	100	100	-	-
IBT Finance Pty Ltd *	100	100	-	-
IBT (Sydney) Pty Ltd *	100	100	-	-
Institutes of Business and Technology (UK) Pty Ltd*	100	100	-	-
Learning Information Systems Pty Ltd	85	50.1	-	-
LM Training Specialists Pty Ltd *	100	100	3,089	3,089
Melbourne Institute of Business and Technology Pty Ltd*	100	100	11,875	11,875
Navitas America Pty Ltd *	100	100	-	-
Navitas Bundoora Pty Ltd	100	100	-	-
Navitas College of Health Pty Ltd *	100	100	-	-
Navitas College of Public Safety Pty Ltd	75	75	2,021	2,021
Navitas English Pty Ltd *	100	100	55,821	55,821
Navitas English Services Pty Ltd *	100	100	-	-
Navitas SAE Holdings Pty Ltd	100	-	-	-
Navitas USA Pty Ltd *	100	100	-	-
Navitas Workforce Pty Ltd *	100	100	-	-
Navitas Workforce Solutions Pty Ltd*	100	100	3,720	3,720
Newcastle International College Pty Ltd *	100	100	-	-
Perth Institute of Business and Technology Pty Ltd *	100	100	2,201	2,201
Queensland Institute of Business and Technology Pty Ltd*	100	100	10,339	10,339
SAE Institute Pty Ltd	100	-	-	-
South Australian Institute of Business & Technology Pty Ltd*	100	100	465	465
Sydney Institute of Business and Technology Pty Ltd *	100	100	32,603	32,603
The Australian Centre for Languages Pty Ltd*	100	100	-	-
Canada				
Fraser International College Ltd	100	100	-	-
Navitas Canada Holdings Limited	100	100	-	-
Germany				
SAE Institute GmBH	100	-	64,000	-
SAE Germany Holdings GmBH	100	-	-	-
India				
Study Overseas India Pvt Ltd	100	100	-	-
Study Overseas Global Pvt Ltd	100	100	-	-
Netherlands				
SAE Cooperative UA	100	-	-	-
SAE Netherlands BV	100	-	-	-
SAE Technology Group Holdings BV	100	-	85,744	-
Singapore				
Curtin Education Centre Pte Ltd	90	90	-	-
Navitas Asia Holdings Pte Ltd	100	100	-	-
Navitas Education Centre Pte Ltd	100	100	-	-
SAE Institute Pte Ltd	100	-	-	-

26 Related party disclosures (continued)

(a) Equity interests in related parties

Country of incorporation Name	Beneficial Interest (%) 2011	2010	Investments ($000s) 2011	2010
United Kingdom				
Cambridge Ruskin International College Limited	100	100	-	-
Edinburgh International College Ltd	100	100	-	-
HIBT Ltd	100	100	1,666	1,666
International College of Portsmouth Ltd	100	100	-	-
International College Wales Ltd	100	100	-	-
London IBT Ltd	100	100	24	24
Employment Overseas Limited	100	100	-	-
Navitas UK Holdings Ltd	100	100	-	-
Plymouth Devon International College Ltd	100	100	-	-
SAE Education Ltd	100	-	-	-
Study Overseas Limited	100	100	9,790	9,790
The International College at Robert Gordon University Ltd	100	100	-	-
United States				
Navitas Boston LLC	100	100	-	-
Navitas Bowling Green LLC	100	100	-	-
Navitas Dartmouth LLC	100	100	-	-
Navitas Lowell LLC	100	100	-	-
Navitas USA General Partnership	100	100	-	-
Navitas USA Holdings LLC	100	100	-	-
SAE Institute Group Inc	100	-	7,000	-
SAE Institute of Technology (Atlanta) Corp.	100	-	-	-
SAE Institute of Technology (Los Angeles) Corp.	100	-	-	-
SAE Institute of Technology (Miami) Corp.	100	-	-	-
SAE Institute of Technology (Nashville) Corp.	100	-	-	-
SAE Institute of Technology (New York) Corp.	100	-	-	-
SAE Institute of Technology (San Fransisco) Corp.	100	-	-	-
Rest of World				
Ausedken (Kenya)	100	100	859	859
Australian College of Business and Technology Pvt Ltd (Sri Lanka)	75	75	7,070	7,070
EduGlobal China Ltd (Hong Kong)	55	55	5,090	5,090
SAE Egitim Enstituse Limited Sirketi (Turkey)	100	-	-	-
SAE Gesellschaft fur Ausbildung von Tontechnikern GmBH (Austria)	100	-	-	-
SAE Greece Sole Partner Studio Technology Limited Liability Company (Greece)	100	-	-	-
SAE Institute South Africa (Pty) Ltd (South Africa)	100	-	-	-
SAE Institute d.o.o. Lubijana (Slovenia)	100	-	-	-
SAE Institute (BVBA) (Belgium)	100	-	-	-
SAE Italia Srl. (Italy)	100	-	-	-
SAE Sweden AB (Sweden)	100	-	-	-
SAE Switzerland AG (Switzerland)	100	-	-	-
SAE Technology School of Audio Engineering France SARL (France)	100	-	-	-
SAE Technology Group SL (Spain)	100	-	-	-
SAE (NZ) Limited (New Zealand)	100	-	-	-
Study Overseas (Mauritius) Holdings Ltd (Mauritius)	100	100	-	-

* indicates member of the closed group

26 Related party disclosures (continued)

(a) Equity interests in related parties

(i) Entities subject to class order relief

Pursuant to ASIC Class Order 98/1418, relief has been granted to certain of the entities which are indicated above as members of the closed group ("closed group entities") from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Navitas Limited and the closed group entities entered into a Deed of Cross Guarantee on 15 June 2006, as varied by assumption deeds dated 8 November 2006, 20 May 2009, 25 May 2010 and 6 August 2010, and a deed of variation dated 19 May 2009. The effect of the deed is that Navitas Limited has guaranteed to pay any deficiency in the event of winding up of any closed group entity. The closed group entities have also given a similar guarantee in the event that Navitas Limited is wound up.

During the period, on 6 August 2010, the following entities were added by an assumption deed contemplated by the Deed of Cross Guarantee:

- Health Skills Australia Pty Ltd; and
- Newcastle International College Pty Ltd.

During the period, no entity has been removed by a revocation deed contemplated by the Deed of Cross Guarantee; or the subject of a notice of disposal contemplated by the Deed of Cross Guarantee.

Further, during the period, no entity obtained relief under the Class Order or a previous order at the end of the immediately preceding financial year but which was ineligible for relief in respect of the relevant financial period.

(b) Closed Group Disclosures

The consolidated statement of comprehensive income and statement of financial position of the entities which are members of the "closed group" are as follows:

(i) Consolidated statement of comprehensive income

	Closed Group	
	2011	**2010**
	$000s	**$000s**
Revenue	481,846	469,748
Marketing expenses	(61,711)	(58,676)
Academic expenses	(96,911)	(93,404)
Administration expenses	(233,212)	(224,056)
Finance costs	(3,610)	(114)
Profit before income tax expense	86,402	93,498
Income tax (expense)/benefit	(24,804)	(25,340)
Profit for the year	61,598	68,158
Other comprehensive income		
Net currency translation differences	-	-
Income tax relating to currency translation difference	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	61,598	68,158

26 Related party disclosures (continued)

(b) Closed Group Disclosures (continued)

(ii) Consolidated statement of financial position

	Closed Group 2011 $000s	Closed Group 2010 $000s
Current Assets		
Cash	-	49,175
Trade and other receivables	87,278	52,686
Other	8,768	39,517
Total Current Assets	96,046	141,378
Non Current Assets		
Plant & equipment	29,858	28,705
Deferred tax assets	11,762	13,581
Intangible assets	284,938	151,986
Other financial assets	170,860	19,628
Total Non Current Assets	497,418	213,900
Total Assets	593,464	355,278
Current Liabilities		
Trade and other payables	62,917	69,041
Deferred revenue	112,137	125,521
Current tax payables	5,141	9,984
Borrowings	34,813	26,426
Provisions	3,144	1,916
Total Current Liabilities	218,152	232,888
Total Non Current Liabilities		
Trade and other payables	6,819	8,501
Borrowings	135,833	-
Provisions	4,673	4,746
Total Non Current Liabilities	147,325	13,247
Total Liabilities	365,477	246,135
Net Assets	227,987	109,143
Equity		
Issued capital	194,851	69,504
Reserves	666	-
Retained earnings	32,470	39,639
Total Equity	227,987	109,143

(ii) Consolidated Retained Earnings

	2011	2010
At 1 July	39,639	29,329
Profit attributable to members of the closed group	61,598	68,158
Dividends	(68,767)	(57,848)
At 30 June	32,470	39,639

26 Related party disclosures (continued)

(c) Transactions with other related parties

(i) Transactions between the Group and its related parties

During the financial year, the following transactions occurred between the Group and its other related parties:

- Minority shareholders have loaned $228,129 (2010: $631,007) to controlled entities, and minority shareholders were repaid $304,586.

The following balances arising from transactions between the Group and its other related parties are outstanding at reporting date:

- Non current loans totaling $2,831,605 (2010: $2,348,752) are repayable to Mr David Shi and his related entities. Mr Shi is the Managing Director of EduGlobal China Ltd (EGC) and owns the minority shareholding of EGC not owned by Navitas Limited. Interest on the loan is charged at nil% (2010: 7.5%). No repayments were made during the period.
- Non current loans totaling $475,481 (2010: $1,020,280) are repayable to Solinet Investments Pte Ltd. Solinet Investments owns 10% of Navitas Singapore Pte Ltd. The loan is interest free. During the period $152,393 (2010: $nil) of loan was converted to equity and $304,586 was repaid (2010: $nil). The remaining movements reflect foreign currency conversion losses.
- Current receivables of $335,000 (2010: $335,000) are due from Australian Institute of Business & Technology Limited. An amount of $335,000 (2010: $335,000) has been provided for this receivable.

All amounts advanced to or repayable to related parties are unsecured and are subordinate to other liabilities. The amounts outstanding will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Guarantees provided or received for any related party receivables or payables have been disclosed in note 25.

Transactions and balances between the company and its associates were eliminated in the preparation of consolidated financial statements of the Group to the extent of the Group's share in profits and losses of the associate resulting from these transactions.

(d) Ultimate Parent

Navitas Limited is the ultimate Australian parent company and ultimate parent of the Group.

27 Key management personnel

(a) Details of key management personnel

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

(i) Directors

Harvey Collins	Non-Executive Chairman
Rod Jones	Chief Executive Officer and Managing Director
Peter Campbell	Non-Executive Director
Ted Evans	Non-Executive Director
James King	Non-Executive Director
Dr Peter Larsen	Non-Executive Director

(ii) Executives

Tony Cullen	Group General Manager – Marketing and Sales
Lyndell Fraser	Executive General Manager – Workforce
Hugh Hangchi	Company Secretary and Group General Counsel
Neil Hitchcock	Group General Manager – IT and Facilities
Bryce Houghton	Chief Financial Officer
Scott Jones	Executive General Manager – Student Recruitment
Jenny Michel	Group General Manager – Human Resources
John Wood	Executive General Manager – University Programs
Helen Zimmerman	Executive General Manager – English

(b) Key management personnel compensation

The aggregate compensation made to key management personnel of the company and the Group is set out below:

	2011 $	2010 $
Short term benefits	5,890,375	6,160,521
Post employment benefits	503,256	539,032
Other long term benefits	268,112	129,507
	6,661,743	6,829,060

(c) Shareholdings of key management personnel

The movement during the reporting period in the number of ordinary shares in Navitas Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

(i) Directors

2011	**Balance at beginning of year**	**Acquisitions**	**Disposals**	**Balance at end of year**
Harvey Collins	40,000	3,948	-	43,948
Rod Jones	53,517,995	-	-	53,517,995
Peter Campbell	19,053,512	-	-	19,053,512
Ted Evans	60,000	-	-	60,000
James King	50,000	-	-	50,000
Dr Peter Larsen	28,727,357	-	-	28,727,357
	101,448,864	3,948	-	101,452,812
2010				
Harvey Collins	40,000	-	-	40,000
Rod Jones	56,017,995	-	(2,500,000)	53,517,995
Peter Campbell	20,053,512	-	(1,000,000)	19,053,512
Ted Evans	60,000	-	-	60,000
James King	50,000	-	-	50,000
Dr Peter Larsen	31,227,357	-	(2,500,000)	28,727,357
	107,448,864	-	(6,000,000)	101,448,864

27 Key management personnel (continued)

(c) Shareholdings of key management personnel (continued)

(ii) Executives

	Balance at beginning of year	Acquisitions	Disposals	Balance at end of year
2011				
Tony Cullen	199,411	-	-	199,411
Lyndell Fraser	22,589	13,662	-	36,251
Hugh Hangchi	75,962	-	-	75,962
Neil Hitchcock	107,175	37,300	-	144,475
Bryce Houghton	107,278	275	-	107,553
Scott Jones	2,650,136	-	-	2,650,136
Jenny Michel	24,807	8,766	-	33,573
John Wood	112,642	-	-	112,642
Helen Zimmerman	76,244	10,061	-	86,305
	3,376,244	70,064	-	3,446,308
2010				
Tony Cullen	185,707	13,704	-	199,411
Lyndell Fraser	17,500	5,089	-	22,589
Hugh Hangchi	75,962	-	-	75,962
Neil Hitchcock	54,142	53,033	-	107,175
Bryce Houghton	147,278	-	(40,000)	107,278
Scott Jones	2,722,136	-	(72,000)	2,650,136
Jenny Michel	16,916	7,891	-	24,807
John Wood	104,677	7,965	-	112,642
Helen Zimmerman	56,033	20,211	-	76,244
	3,380,351	107,893	(112,000)	3,376,244

(d) Loans to key management personnel

There were no loans provided to any key management personnel.

(e) Other transactions with key management personnel

There have been no other transactions with key management personnel.

28 Events after balance sheet date

Subsequent to balance sheet date, the directors of the Company declared a final dividend on ordinary shares in respect of the 2011 financial year. The total amount of dividend is $45.028m, which represents a fully franked dividend of 12.0 cents per share. The dividend has not been provided for in the 30 June 2011 financial statements.

29 Auditor's remuneration

The auditor of Navitas Limited is Deloitte Touche Tohmatsu.

	2011 $	2010 $
Audit services		
Auditor of the Company		
Deloitte Touche Tohmatsu (Australia)		
Audit and review of financial reports	261,266	210,587
Other regulatory audit services	6,500	12,000
Acquisition related completion audits	193,693	-
Overseas Deloitte Touche Tohmatsu firms		
Audit and review of financial reports	275,060	187,613
Acquisition related completion audits	106,307	-
	842,826	410,200
Other services		
Auditor of the Company		
Deloitte Touche Tohmatsu (Australia)		
Other – consulting services	-	95,000
	842,826	505,200

30 Parent Entity Disclosures

a) Financial Information

	Parent 2011 $	Parent 2010 $
Profit for the year	32,739	64,437
Total comprehensive income	32,739	64,437
Current Assets	16,862	72,306
Total Assets	389,279	295,703
Current Liabilities	28,614	26,491
Total Liabilities	179,165	175,096
Share holders Equity		
Issued capital	194,851	69,504
Retained earnings	15,263	51,103
Total Equity	210,114	120,607

b) Guarantees

Cross guarantees have been provided by Navitas Limited and its controlled entities as listed in note 26. The fair value of the cross guarantee has been assessed as $nil based on the underlying performance of the entities in the closed group.

c) Other Commitments and Contingencies

Navitas Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities.

Directors' Report

Your Directors submit their report for the year ended 30 June 2011.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Harvey Collins BBus, FCPA, SFFin, FAICD
Non-Executive Chairman
Appointed 9 November 2004

Mr Collins has extensive executive and board experience in a range of industries. From 1986 to 1996 he held senior management roles in Western Australian regional bank, Challenge Bank Limited, including five years as Chief Financial Officer. From 1997 to 2002, he was an executive director of listed investment company, Chieftain Securities Limited. From February to July 2004, he held a short-term appointment as interim Chief Executive Officer of Western Power Corporation. He has held board appointments in industries as diverse as financial services, health insurance, telecommunications, equipment hire, mining services, franchising and electricity. In June 2011 he completed his term as a member of the WA State Council of the Australian Institute of Company Directors.

His current non-executive directorships include Bank of Western Australia Limited (Bankwest) (Chairman) and Verve Energy (Electricity Generation Corporation) (Deputy Chairman).

Mr Collins also served as a director of Brierty Limited, a listed company, from 25 October 2007 to 22 February 2010.

Rod Jones BComm, DEd (Hon)
Chief Executive Officer and Managing Director
Appointed 18 June 2004

Mr Jones has 30 years experience in educational administration and has held a number of senior administrative positions within the Government and the private education sectors. His background covers both secondary and university education including being Deputy Director of the Tertiary Institutions Service Centre and the Secondary Education Authority in Western Australia.

Mr Jones has been involved in international education since 1987 and is recognised as one of the leaders in the successful establishment of the sector in Australia. He is one of the co-founders of Navitas and has been instrumental in the expansion and development of the Navitas model into the various markets which it now operates.

In April 2007, Mr Jones received an honorary Doctor of Education from Edith Cowan University in recognition of his outstanding contribution to the development of the international education sector both in Australia and overseas, and was the 2008 Australian Ernst and Young Entrepreneur of the Year.

During the past three years, Mr Jones has not served as a director of any other listed companies.

Peter Campbell BComm
Non Executive Director
Appointed 24 September 2004

Mr Campbell has had extensive involvement in higher education since 1970, having held senior positions at major universities in Melbourne. His involvement with the marketing of courses and recruitment of international students commenced in 1986 with the first Austrade Mission to South East Asia.

Mr Campbell was appointed as the inaugural director of the Monash International Office in 1987 and subsequently initiated the Monash University Foundation Year in collaboration with Taylor's College. Following rapid growth in enrolments at Monash, he was appointed Director of International Programs at LaTrobe University in 1993.

In October 1996, Mr Campbell left LaTrobe to establish MIBT on the Deakin University Toorak campus. Mr Campbell has also been involved in the development of the HIBT and LIBT colleges in the UK.

During the past three years, Mr Campbell has not served as a director of any other listed companies.

Ted Evans AC, BEcon (Hons), D.Uni (Grif.) FAICD
Non-Executive Director
Appointed 9 November 2004

Mr Evans has extensive experience in the financial sector, having worked with the Australian Treasury from 1969 to 2001, including as Secretary to the Treasury from 1993 to 2001. From 1976 to 1979 he was a member of the Australian Permanent Delegation to the OECD in Paris and, from 1989 to 1993, executive director on the board of the International Monetary Fund, representing Australia and a number of other countries, mainly in the Asia Pacific region. He was a director of the Reserve Bank of Australia from 1993 to 2001 and the Commonwealth Bank of Australia from 1993 to 1996.

During the past three years, Mr Evans has also served as a director of Westpac Banking Corporation*. Mr Evans has held this position since 5 November 2001 and has been Chairman since April 2007.

*denotes current directorship

James King BComm, FAICD
Non-Executive Director
Appointed 9 November 2004

Mr King brings to the Board of Navitas over thirty years of management and board experience with major multinational corporations in Australia and internationally.

Until 2003, Mr King was with Foster's Group Limited and was Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Foster's in 1997, Mr King was President of Kraft Foods (Asia Pacific) and resided in Hong Kong for six years from 1991.

Mr King is currently a non-executive director of JB Hi-Fi Limited, Pacific Brands Limited and The Trust Company Limited. He is also Chairman of the Juvenile Diabetes Research Foundation (Vic) and on the Council of Xavier College Melbourne.

Mr King has also completed an advanced management program at Harvard University, and is a Fellow of the Australian Institute of Company Directors.

During the past three years, Mr King has served as a director of the following other listed companies:

- JB Hi-Fi Limited* (from 10 May 2004)
- Pacific Brands Limited* (from 4 September 2009)
- The Trust Company Limited* (from 1 February 2007)

*denotes current directorship

Dr Peter Larsen AAP, B AppSc, BEd, MEd, PhD, DEd (Hon)
Non-Executive Director
Appointed 18 June 2004

Dr Larsen has been a professional educator for in excess of thirty years. He has been a teacher, head of department, Principal and Executive Director. He has worked in both the government and private education sectors. His fields of academic expertise are mathematics, mathematics education and educational measurement. He is one of the co-founders of the Navitas group of colleges. Dr Larsen developed the original academic framework within which Navitas pathway colleges now operate.

In March 2008 Dr Larsen was awarded an honorary Doctor of Education from Edith Cowan University for his founding role in increasing participation rates in higher education for national and international students.

During the past three years, Dr Larsen has not served as a director of any other listed companies.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of Navitas Limited were:

Directors	Ordinary shares held
Harvey Collins	43,948
Rod Jones	53,517,995
Peter Campbell	19,053,512
Ted Evans	60,000
Jim King	50,000
Peter Larsen	28,727,357

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

			Meetings of Committees			
	Directors' meetings		**Audit and Risk**		**Nomination and Remuneration**	
	Number of meetings held while a director	Number of meetings attended	Number of meetings held while a committee member	Number of meetings attended	Number of meetings held while a committee member	Number of meetings attended
Harvey Collins	10	10	5	5	2	2
Rod Jones	10	10	-	-	-	-
Peter Campbell	10	9	-	-	2	1
Ted Evans	10	10	5	5	2	2
James King	10	10	5	5	-	-
Dr Peter Larsen	10	10	-	-	-	-

All Directors were eligible to attend all meetings held.

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee and a Nomination and Remuneration Committee.

Members acting on the committees of the board during the year were:

Audit and Risk		Nomination and Remuneration	
James King	(Chairman)	Harvey Collins	(Chairman)
Harvey Collins		Peter Campbell	
Ted Evans		Ted Evans	

Indemnification and insurance of directors and officers

The Company has made an agreement to indemnify all the Directors against any liability incurred by that Director in his capacity as a director of the Company or a subsidiary of the Company. The agreement provides for the Company to pay an amount to indemnify directors only to the extent:

a) the Company is not precluded by law from indemnifying the Directors; and
b) for the amount that the Director is not otherwise entitled to be indemnified and is not actually indemnified by another person (including a related body corporate or an insurer).

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Navitas Limited against any of the following liabilities incurred by the Director as a director, namely:

a) any liability which does not arise out of conduct involving:
   (i) a wilful breach of duty in relation to the Company; and
   (ii) a contravention of section 182 or section 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001; and
b) any liability for costs and expenses incurred by the Director in defending proceedings, whether civil or criminal, whatever their outcome, and without the qualifications set out in clause (a) above.

The total amount of insurance contract premiums paid is $13,572. This amount is included as part of the Directors remuneration on page 99.

Company secretary

Hugh Hangchi, LLB, BComm, GAICD
Appointed 27 April 2005

Mr Hangchi is a practising lawyer and has experience in providing advice to directors of listed and unlisted public companies in relation to directors' duties, the Corporations Act, the Listing Rules and corporate governance.

Prior to joining the company, Mr Hangchi was a senior associate at a national law firm where he specialised in capital raisings, mergers and acquisitions and regulated takeovers. He has also worked as a solicitor with the Australian Securities and Investments Commission.

Corporate information

Corporate structure

Navitas Limited is a company limited by shares that is registered and domiciled in Australia. Navitas Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as listed in note 26 of the financial statements.

Nature of operations and principal activities

The principal activities during the financial year of the Group were of the provision of educational services to domestic and overseas students. There have been no significant changes in the nature of those activities during the year.

Operating and financial review

A review of the consolidated entities' operations and financial performance has been provided for on pages 1 to 20.

Dividends

	Cents	$000s
Final dividends recommended		
- on ordinary shares	12.0	45,028
Interim dividends paid during the year		
- on ordinary shares	8.7	32,134
Final for 2010 shown as recommended in the 2010 report		
- on ordinary shares	10.7	36,633

Significant changes in the state of affairs

There has been no significant change in the state of affairs of the Company.

Significant events after the balance sheet date

Subsequent to balance sheet date, the directors of the Company declared a final dividend on ordinary shares in respect of the 2011 financial year. The total amount of dividend is $45.028m, which represents a fully franked dividend of 12.0 cents per share. The dividend has not been provided for in the 30 June 2011 financial statements.

Future developments

Likely developments in, and expected results of the operations of the Group in subsequent years are referred to elsewhere in this report, particularly on pages 1 to 20 In the opinion of the directors, further information on those matters could prejudice the interests of the company and the Group and has therefore not been included in this report.

Environmental regulation and performance

The Group's operations are not subject to any significant environmental regulations under the government legislation of the countries it operates in. The board believes that the consolidated entity has adequate systems in place for the monitoring of environmental regulations and is not aware of any such regulations that apply to the consolidated entity.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Non audit services

Details of the amounts paid to the auditor of the Company, Deloitte Touche Tohmatsu, and its related practices for audit and non audit services provided during the year are set out in note 29.

Auditor's independence declaration

The auditor's independence declaration is set on page 102 and forms part of the directors' report for the financial year ended 30 June 2011.

Remuneration report

This report outlines the remuneration arrangements in place for the key management personnel (directors and executives) of Navitas Limited (the company).

The following were key management personnel at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

(i) Directors

Harvey Collins	Non-Executive Chairman
Rod Jones	Chief Executive Officer and Managing Director
Peter Campbell	Non-Executive Director
Ted Evans	Non-Executive Director
James King	Non-Executive Director
Dr Peter Larsen	Non-Executive Director

(ii) Executives

Tony Cullen	Group General Manager – Marketing and Sales
Lyndell Fraser	Executive General Manager – Workforce
Hugh Hangchi	Company Secretary & Group General Counsel
Neil Hitchcock	Group General Manager – IT and Facilities
Bryce Houghton	Chief Financial Officer
Scott Jones	Executive General Manager – Student Recruitment
Jenny Michel	Group General Manager – Human Resources
John Wood	Executive General Manager – University Programs
Helen Zimmerman	Executive General Manager – English

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to Shareholder value
- Have a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks;
- Mandatory requirement for senior executives of the Company to take at least 50% of all incentive payments in the form of ordinary shares in the Company (until such executives hold a beneficial interest in shares in the Company equal to the value of their fixed remuneration); and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the Chief Executive Officer (CEO) and the senior management team.

The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors should be determined from time to time by a general meeting. The latest determination was made at the company's annual general meeting on 23 November 2010 where shareholders approved an aggregate remuneration of $900,000. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The Board considers advice from external consultants as well as fees paid to non-executive directors of comparable companies when determining the remuneration. The amount of aggregate remuneration and the manner of apportionment will be reviewed periodically, and the quantum will be subject to approval by Shareholders.

Each Director receives a fee for being a director of the Company. An additional fee is also paid for each board committee on which a Director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by Directors which serve on one or more committees.

The remuneration of key management personnel, including non-executive Directors, for the year ending 30 June 2011 is detailed on page 99.

Senior manager and executive Director remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of Shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure remuneration is competitive by market standards.

Structure

In determining the level and make up of executive remuneration, the Nomination and Remuneration Committee considers the market levels of remuneration paid to executives of comparable companies and has engaged an external consultant to provide independent advice on an incentive scheme.

Remuneration consists of the following key elements:
- Fixed Remuneration
- Variable Remuneration (ValueShare Incentive Scheme)

The proportion of fixed remuneration and variable remuneration is established for each senior manager by the Nomination and Remuneration Committee or the Chief Executive Officer (as the case may be). The fixed and variable components of the remuneration of the key management personnel, and the most highly remunerated executives of the Company, are detailed on page 99.

Fixed Remuneration

Objective

The level of fixed remuneration will be reviewed annually accordingly to ensure it is commensurate with Company and individual performance, as well as consistent with market rates for comparable executive roles.

Structure

Fixed remuneration can be received in a variety of forms, including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration

Objective

The objective of the ValueShare Incentive Scheme is to link the achievement of sustainable growth in Shareholder value with the remuneration received by all employees (including key management) and to encourage an ownership mindset.

Structure

The ValueShare Incentive Scheme is based on the sustained growth in Economic Value Added (EVA®) achieved by the Group and its major lines of business. EVA measures the profits earned by the business after charging for the funds invested by both lenders and shareholders. Importantly, it helps our managers think about not just the profits that they generate but the amount of investor's money that they have tied up in the business in order to generate those profits. The result is 'shareholder value' – how much profit we have achieved after taking into account what investors could have earned if their funds had been invested elsewhere at similar levels of risk.

EVA® is calculated as the earnings before interest, tax and amortisation of the Group less taxes and a capital charge. The capital charge is derived by applying the Group's weighted average cost of capital (WACC) to the funds employed in the business.

Each participant in the ValueShare Incentive Scheme is assigned a level of target variable pay (TVP) which is based on a percentage of their fixed remuneration. The Group's TVP percentages range from 10% to 75% of fixed remuneration, depending on the level of responsibility held by the participant.

On an annual basis, after consideration of the EVA® growth achieved by an individual business unit and the Group against pre-determined targets, an incentive declaration for each participant is approved by the Board. 70% of the incentive declaration is allocated directly to the participant while 30% is at risk or can be supplemented depending on individual performance at the discretion of the business unit managing director, Chief Executive Officer or Board (as the case may be). Performance is measured against each individual's performance agreement, position description statement, position competencies and relevant business plan goals.

The Board has given consideration to the range of potential outcomes under the ValueShare Incentive Scheme and has set in place rules that govern payouts in certain circumstances. Where rewards under the scheme fall within 0% - 100% of the individual's TVP, the reward is paid out in full. Where rewards are in excess of 100% of TVP, 100% of TVP is paid out plus one third of the amount above 100% of TVP. The balance is deferred and carried in a Contingent Incentive Reserve (CIR) and paid out over future years, depending on future performance. Where rewards fall below 0% of TVP, the negative amount is also carried in the CIR; future rewards under the Incentive Scheme are offset against any negative balance in the CIR before payments are made in that year. The balance of the Contingent Incentive Reserve does not vest in the employee and is not paid on the termination of their employment.

This structure rewards participants in the Incentive Scheme for sustained increases in EVA®. Accordingly, payments made under the scheme may reflect performance over more than just the current financial year.

The aggregate of annual ValueShare Incentive Scheme payments to Group executives is subject to the approval of the Board. Payments are made in cash in the following reporting period.

EVA® Is a registered trademark of Stern Stewart & Co.

For executive key management personnel, an additional step is taken with the aim of further strengthening the alignment of managers and shareholders. For those executives, at least 50% of the incentive payment will be used to pay for ordinary shares in the Company (at an issue price calculated as a volume weighted average market price for the 5 trading days immediately before the date of issue) until such executives hold a beneficial interest in shares in the Company equal to the value of their fixed remuneration. This ensures all executive key management personnel have a meaningful exposure to the performance of the shares, funded out of the proceeds of their incentive payments.

The Board will consider the ValueShare Incentive Scheme payments for the year ended 30 June 2011 in September 2011 and payments will be made subsequent to this, and in any event, by 31 October 2011. Cash bonuses have been provided for in the financial statements for 30 June 2011, but are subject to review and confirmation by the Board prior to payment.

Relationship of rewards to performance

In the opinion of the directors the Company's remuneration policies have contributed to the Company's success in creating shareholder value since listing, as demonstrated by the following table which has key measures of the Group's earnings and shareholder returns.

	2011	**2010**	**2009**	**2008**	**2007**	**2006**
Economic Value Added (EVA)	$58.63m	$54.53m	$40.64m	$27.29m	$20.59m	$18.34m
Dividends per share - paid and proposed (cents)	20.7c	18.8c	14.3c	10.9c	9.3c	9.5c
Dividends paid	$68.7m	$57.8m	$40.1m	$33.7m	$31.5m	$39.5m
Closing share price (at 30 June)	$4.03	$4.66	$2.73	$2.09	$1.89	$1.88
Earnings per share before amortisation and impairment (cents)	22.9c	19.4c	14.6c	12.2c	10.6c	10.2c
Net profit after tax attributable to members of the Company	$77.3m	$64.2m	$49.2m	$37.43m	$32.25m	$31.49m
Return on capital employed (%)	50%	59%	47%	34%	27%	40%

During the year ended 30 June 2011 the Company cancelled its on-market share buy back programme. During the year no shares were purchased.

Employment Contracts

A summary of the key employment contract terms for the executive key management personnel is provided below. None of the non-executive Directors have an employment contract with the Company.

Executive	**Tony Cullen*, Lyndell Fraser, Hugh Hangchi, Neil Hitchcock*, Scott Jones, John Wood***
Term	No term is specified
Notice Period	Either party may terminate by providing 3 months' written notice. The employee may terminate by giving 2 months' written notice if there is a material diminution in the employee's responsibilities, or the employee is required to relocate outside their home state ("Material Change"). The Company may terminate within 6 months of a Material Change occurring. The Company may terminate without notice if the employee is guilty of any criminal or indictable offence, breaches any law in relation to the performance of the employee's duties, commits any serious breach of faith, or act of serious neglect or gross misconduct. The Company may also terminate without notice if the employee is unable to perform duties due to illness, injury or incapacity. * For these executives, a Material Change also includes where a third party acquires a controlling interest in the Company.
Termination Provisions	If the employee or the Company terminates due to a Material Change, a final termination payment equivalent to 3 months' remuneration is payable. If the Company terminates for illness, injury or incapacity, the employee is entitled to any amounts owing as compensation under the employment agreement to the extent earned on a pro-rata basis together with compensation (without loading, bonuses or profit share) that would otherwise have been paid to the end of the then current term of employment, plus reimbursement for any properly incurred (and fully documented) costs.
Executive	**Jenny Michel and Helen Zimmerman**
Term	No term specified.
Notice Period	Either party may terminate by providing 1 month's written notice in the case of Ms Michel and 6 months written notice in the case of Ms Zimmerman. The company may terminate without notice if the employee commits misconduct, is convicted of any criminal offence which brings the company into disrepute or is continually or significantly neglectful of the employee's duties.
Termination Provisions	None

Executive	**Bryce Houghton**
Term	3 years, from 1 January 2009
Notice Period	Either party may terminate by providing 1 month's notice in writing. The Company may terminate without notice if the employee is guilty of any criminal or indictable offence, breaches any law in relation to the performance of the employee's duties, commits any serious breach of faith, or act of serious neglect or gross misconduct. The Company may also terminate without notice if the employee is unable to perform duties due to illness, injury or incapacity.
Termination Provisions	If the Company terminates by giving 1 month's notice in writing, the employee is entitled to a final termination payment equivalent to the remuneration for the balance of the contract, or one year, whichever is the greater. If the Company terminates for illness, injury or incapacity, the employee is entitled to any amounts owing as compensation under the employment agreement to the extent earned on a pro-rata basis together with compensation (without loading, bonuses or profit share) that would otherwise have been paid to the end of the then current term of employment, plus reimbursement for any properly incurred (and fully documented) costs.
Executive	**Rod Jones**
Term	No term specified.
Notice Period	The Company may terminate at any time by giving the employee 6 months written notice. The employee may terminate his employment at any time by giving the company 6 months written notice. The Company may terminate the employee's employment immediately without notice, and without payment in lieu of notice, if the employee is guilty of, charged with, or under investigation for, any criminal or indictable offence, is disqualified from holding office under the Corporations Act, has breached any law in relation to the performance of the employee's duties, commits any serious breach of faith, or act of serious neglect or default, or performs any act, or is guilty of any omission, the likely result of which is that the company or the business will be brought into disrepute. The Company may also terminate immediately without notice and without payment in lieu of notice if the employee is unable to perform duties due to illness, injury or incapacity.
Termination Provisions	If the Company terminates by giving 6 months written notice, the employee has no claim against the company for compensation or damage in respect of the termination other than payment of 6 months of his remuneration.

Remuneration of directors and other key management personnel

The compensation of each member of key management personnel of the Group is set out on the following page:

(a) **Directors' and Executives' Remuneration**

2011	Short term benefits			Post employment		Other long term benefit	Share based payment	Total	Performance related %	Incentive Reserve ^
$	Salary & Fees	Cash bonus *	Non monetary benefits	Super-annuation	Other					
Non-executive Directors										
Harvey Collins	201,835	-	2,262	18,165	-	-	-	222,262	-	-
Peter Campbell	60,412	-	2,262	42,088	-	-	-	104,762	-	-
Ted Evans	115,000	-	2,262	-	-	-	-	117,262	-	-
James King	110,092	-	2,262	9,908	-	-	-	122,262	-	-
Dr Peter Larsen	43,808	-	2,262	51,192	-	-	-	97,262	-	-
	531,147	-	11,310	121,353	-	-	-	663,810	-	-
Executive Director										
Rod Jones #	708,243	611,886	4,197	50,000	-	144,328	-	1,518,654	40	641,401
Other Key Management Personnel										
Tony Cullen #	238,217	114,692	35,822	39,216	-	27,084	-	455,031	25	134,142
Lyndell Fraser , #	275,228	152,146	-	39,377	-	233	-	466,984	33	49,453
Hugh Hangchi #	248,065	101,600	1,935	40,268	-	12,641	-	404,509	25	113,788
Neil Hitchcock #	264,120	110,245	1,935	41,094	-	28,738	-	446,132	25	128,223
Bryce Houghton #	353,889	240,355	55,534	25,578	-	20,952	-	696,308	35	244,622
Scott Jones #	214,890	156,705	1,775	40,011	-	13,549	-	426,930	37	130,209
Jenny Michel #	206,422	82,085	-	31,365	-	4,794	-	324,666	25	94,964
John Wood #	370,790	483,563	1,935	47,272	-	8,210	-	911,770	53	240,633
Helen Zimmerman #	311,644	-	-	27,722	-	7,583	-	346,949	-	(122,767)
	3,191,508	2,053,277	103,133	381,903	-	268,112	-	5,997,933	34	1,654,668
	3,722,655	2,053,277	114,443	503,256	-	268,112	-	6,661,743	31	1,654,688

For notes *, # and ^ refer to page 101.

(a) Directors' and Executives' Remuneration (continued)

2010	Short term benefits			Post employment		Other long term benefit	Share based payment	Total	Performance related %	Incentive Reserve ^
$	Salary & Fees	Cash bonus *	Non monetary benefits	Super-annuation	Other					
Non-executive Directors										
Harvey Collins	146,789	-	2,376	13,211	-	-	-	162,376	-	-
Peter Campbell	-	-	2,376	70,355	-	-	-	72,731	-	-
Ted Evans	72,477	-	2,376	-	-	-	-	74,853	-	-
James King	74,312	-	2,376	6,688	-	-	-	83,376	-	-
Dr Peter Larsen	14,691	-	2,376	49,718	-	-	-	66,785	-	-
	308,269	-	11,880	139,972	-	-	-	460,121	-	-
Executive Director										
Rod Jones #	652,621	1,012,176	1,920	65,454	-	14,096	-	1,746,267	58	956,045
Other Key Management Personnel										
Tony Cullen #	207,298	202,267	29,379	65,705	-	19,826	-	524,475	39	199,912
Lyndell Fraser #	256,879	149,495	-	26,656	-	260	-	433,290	35	24,770
Hugh Hangchi #	225,353	173,340	1,920	32,686	-	6,532	-	439,831	39	169,561
Neil Hitchcock #	240,511	193,450	2,082	48,795	-	16,177	-	501,015	39	191,077
Bryce Houghton #	332,421	386,364	58,000	25,579	-	10,231	-	812,595	48	365,815
Scott Jones #	225,351	172,689	1,920	32,104	-	47,003	-	479,067	36	165,430
Jenny Michel #	192,661	146,708	-	26,207	-	4,199	-	369,775	40	144,939
John Wood #	352,623	187,237	1,920	35,454	-	2,484	-	579,718	32	326,546
Helen Zimmerman #	272,011	161,776	-	40,420	-	8,699	-	482,906	34	60,311
	2,957,729	2,785,502	97,141	399,060	-	129,507	-	6,368,939	44	2,604,406
	3,265,998	2,785,502	109,021	539,032	-	129,507	-	6,829,060	41	2,604,406

For notes *, # and ^ refer to page 101.

Remuneration of directors and other key management personnel (continued)

* Cash bonus comprises the annual incentive, ValueShare Incentive Plan, payments payable in September of each financial year. Under the terms of the plan payments will only be made if the participant is an employee at the date of payment. Cash bonuses have been provided for in the financial statements for 30 June 2011, but are subject to review and confirmation by the Board prior to payment.

For these executives, at least 50% of the incentive payment will be used to pay for ordinary shares in the Company (at an issue price calculated as a volume weighted average market price for the 5 trading days immediately before the date of issue) until such executives hold a beneficial interest in shares in the Company equal to the value of their fixed remuneration. This requirement will be determined based on share and option holdings in the Company as disclosed by these executives in August of each financial year. It is therefore not currently possible to quantify the component of the cash bonus that will be used to buy ordinary shares in the Company.

^ As noted on page 95 of the Directors' Report, the Incentive Reserve is the balance of unpaid incentive payments under the ValueShare Incentive Scheme. The Incentive Reserve does not vest with the executive unless the Group has achieved its performance objectives and the executive is an employee at the date of declaration of the incentive payment. The executive is not entitled to any balance of the incentive reserve upon termination. For the purposes of the remuneration report the incentive reserve does not form part of compensation for the year.

Independent Audit and Remuneration Report

The required disclosures as included on pages 93 to 101 of this remuneration report have been audited by Deloitte Touche Tohmatsu.

The directors' report, including the remuneration report, is signed in accordance with a resolution of the Directors.

R Jones
Chief Executive Officer and Managing Director

Perth, Western Australia, 1 August 2011

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Navitas Limited
Level 2, Kirin Centre
15 Ogilvie Road
Mt Pleasant WA 6153

1 August 2011

Dear Directors

Auditors Independence Declaration to 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 audit of the financial statements of Navitas Limited for the financial year ended 30 June 2011, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants

Directors' Declaration

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

1. In the opinion of the Directors:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position as at 30 June 2011 and the performance for the year ended on that date of the consolidated entity; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements; and

(c) there are reasonable grounds to believe that the Company will be able to pays its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 26 will, as a group, be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

R Jones
Chief Executive Officer and Managing Director

Perth, Western Australia, 1 August 2011

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of Navitas Limited

Report on the Financial Report

We have audited the accompanying financial report of Navitas Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 31 to 86 and 103.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Navitas Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 93 to 101 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Navitas Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants
Perth, 1 August 2011

Glossary

ACAP	Australian College of Applied Psychology Pty Limited
ACBT	Australian College of Business and Technology Pvt Ltd
ACE	Australian College of English Pty Ltd
ACL	ACL Pty Ltd
AMEP	Adult Migrant English Program
AQTF	Australian Quality Training Framework
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
ASX Listing Rules	The official listing rules of the ASX
ATTC	Australian TESOL Training Centre
AUQA	Australian Universities Quality Agency
BAC	British Accreditation Council
Board	The board of directors of Navitas
CELUSA	Centre for English Language at the University of South Australia
CIR	Contingent Incentive Reserve
Constitution	The constitution of the Company
Corporations Act	*Corporations Act 2001* (Cth)
CRIC	Cambridge Ruskin International College Limited
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
Curtin College or CC	Colleges of Business and Technology Pty Ltd trading as Curtin College
Curtin Singapore or **Curtin Singapore Campus**	Curtin University of Technology Singapore Campus
Curtin Sydney or **CUS**	Curtin University of Technology Sydney Campus
Cytech	Cytech Intersearch Pty Limited
DEC	ACL Darwin English Centre
DEEWR	Department of Education, Employment and Workplace Relations
DIAC	Department of Immigration and Citizenship
Directors	Directors of Navitas
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EduGlobal	EduGlobal China Limited
ELICOS	English Language Intensive Courses for Overseas Students
EOL	Employment Overseas Limited
EPS	Earnings per share
ESOS Act	*Education Services for Overseas Students Act 2000* (Cth)
ETP	ELICOS and TESOL programs
EVA®	Economic Value Added®

Glossary

Eynesbury	Educational Enterprises Australia Pty Ltd trading as Eynesbury International
FEE-HELP	A government loan scheme to help eligible non-Commonwealth supported (fee paying) students pay their tuition fees
FIC	Fraser International College
Group or **Navitas Group**	Navitas and its subsidiary companies
GMAT	Graduate Management Admission Test
GRE	Graduate Record Examination
Hawthorn-Melbourne	Hawthorn Learning Pty Ltd trading as Hawthorn-Melbourne
HIBT	HIBT Limited
HSA	Health Skills Australia Pty Ltd
HSS	Humanitarian Settlement Services
HTS	Highly Trusted Sponsor
ICM	International College of Manitoba
ICP	International College Portsmouth Limited
ICWS	International College Wales Limited
IHSS	Integrated Humanitarian Settlement Strategy
KPI	Key Performance Indicator
LIBT	London IBT Limited
LLNP	Language, Literacy and Numeracy Program
LMT	LM Training Specialists Pty Ltd
MIBT	Melbourne Institute of Business and Technology Pty Ltd
MQC	Macquarie City Campus
NARI	Navitas Applied Research Institute
Navitas or **Company**	Navitas Limited ABN 69 109 613 309
NCH	Navitas College of Health Pty Ltd
NCPS	Navitas College of Public Safety Pty Ltd
NPAT	Net profit after tax
NQF	National Qualifications Framework
NWS	Navitas Workforce Solutions Pty Ltd
pcp	prior comparative period
PDIC	Plymouth Devon International College Limited
PIBT	Perth Institute of Business and Technology Pty Ltd
PIBT IEC	PIBT International English Centre
PY	Professional Year
QAA	Quality Assurance Agency for higher education
QIBT	Queensland Institute of Business & Technology Pty Ltd
RTO	Registered training organisation

Glossary

SEC	ACL Sydney English Centre
Shareholder	A holder of a Share
Shares	Fully paid ordinary shares in the capital of the Company
SIBT	Sydney Institute of Business and Technology Pty Ltd
SOL	Study Overseas Limited
SPP	Special Preparatory Program
StudyLink	Learning Information Systems Pty Ltd trading as StudyLink
TEQSA	Tertiary Education Quality and Standards Agency
TESOL	Teachers of English to Speakers of Other Languages
TVP	Target variable pay
UMass Boston	Navitas at University of Massachusetts Boston
UMass Dartmouth	Navitas at University of Massachusetts Dartmouth
UMass Lowell	Navitas at University of Massachusetts Lowell
UPD	University Programs Division
UKBA	UK Border Agency
VET	Vocational education and training
WACC	Weighted average cost of capital
WKU	Navitas at Western Kentucky University

Navitas Limited

Corporate Information

Directors

Executive Directors

Mr Rod Jones

Non-Executive Directors

Mr Harvey Collins

Mr Peter Campbell

Mr Ted Evans

Mr James King

Dr Peter Larsen

Company Secretary

Mr Hugh Hangchi

Registered Office

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Level 2, Kirin Centre
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Share Registrar

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Auditor

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