



2017
TAX TRANSPARENCY REPORT

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This inaugural Tax Transparency Report provides stakeholders with information concerning Navitas' tax activities in Australia and internationally for the 2017 financial year.



On behalf of the Board, I am pleased to present Navitas' inaugural Tax Transparency Report

Navitas is an Australian headquartered global education company operating in 31 countries.

It is our vision to be one of the most trusted learning organisations in the world. Transparency is a key element in building and maintaining trust, so being transparent about our tax strategy and tax position is an important contribution to our vision.

Our Board also believes that a high level of governance and transparency is critical in fostering a productive corporate culture and business practices. Operating in accordance with high standards is essential to achieving sustainable long-term performance and value creation.

We take our tax obligations seriously, and strongly support initiatives by revenue authorities and large corporations to provide additional tax transparency to stakeholders and the community.

This is our first tax transparency report. It provides information regarding Navitas' Australian and international tax activities for the 2017 financial year, including transactions with international related parties and our approach to tax strategy and governance.

Navitas has adopted the Australian Board of Taxation's Voluntary Tax Transparency Code (the 'Code') and other comparable initiatives being adopted across the globe. The information in this report has been prepared in accordance with the requirements of the Code and should be read in

conjunction with Navitas' 2017 Annual Report, which can be found on our website at www.navitas.com.

We are proud of the significant social and economic contribution Navitas makes to the communities in which we operate in.

A handwritten signature in black ink, appearing to read 'D Buckingham', written in a cursive style.

David Buckingham
Chief Executive Officer

Navitas is an Australian headquartered global education company with operations, and therefore a tax presence, in 31 countries. The group provides high quality academic outcomes to students through more than 120 education and training operations in the post-secondary education sector.

Navitas operates across the following main divisions, supported by a shared corporate function:

University Partnerships provides pre-university, managed campus and university pathway programs that increase students' access to higher education and prepares them for future success.

Careers and Industry delivers vocational and higher education programs in the creative, government services, human services and health sectors. (This division was formed in FY17 by the merger of the former SAE and Professional and English Programs divisions).

Further detail on the activities of these divisions can be found in our [Annual Report](#).

The geographic footprint of Navitas' operations is shown in the adjacent table and the map overleaf, and revenue by geography and EBITDA by division is shown in the adjacent diagram and table.

Global operations	
Jurisdiction	Nature of operations
Australia	Head office of Navitas Group. University partnership and SAE campuses operated by Australian subsidiaries. English language and vocational educational training courses.
Canada	University partnership campuses
China	Student recruitment
Continental Europe (Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Spain, Sweden, Switzerland, Slovenia, Turkey)	SAE campuses
India	Student recruitment operations
New Zealand	University partnership and SAE campuses
Singapore	University partnership and SAE campuses
United Kingdom	University partnership and SAE campuses
United States of America	University partnership and SAE campuses

Revenue Distribution



Divisional EBITDA

Year ended 30 June \$m	2017
University Partnerships ¹	131.2
Professional and English Programs (PEP)	31.1
SAE	29.9
Careers & Industry	61.0
Divisional EBITDA	192.2
Corporate costs	(37.2)
Reported Group EBITDA	155.0

NAVITAS' GLOBAL FOOTPRINT – COLLEGES, CAMPUSES AND OFFICES

Navitas offers an extensive range of educational services via more than 120 colleges and campuses across its global network.

More information about education opportunities at these locations is available at navitas.com.

Colleges and Campuses (Region)

Offshore Marketing Offices (Region)

China, India, Japan, Middle East, Nigeria, Pakistan, Russia, South Korea, Turkey, UK, Vietnam

Colleges and Campuses (City)

Offshore Marketing Offices (City)

Bangalore, Beijing, Beyoglu, Chengdu, Dubai, Guangzhou, Hanoi, Ho Chi Minh City, Hong Kong, Jakarta, Kuala Lumpur, Lagos, Lahore, London, Moscow, New Delhi, Pune, Riyadh, Seoul, Shanghai, Singapore, Taipei, Tokyo

North America

Atlanta, Boca Raton, Boston, Chicago, Dartmouth, Durham, Emeryville, Los Angeles, Lowell, Miami, Moscow, Nashville, New York, Petersburg, San Francisco, San Jose, Vancouver, Winnipeg

Mexico
Mexico City

South America
Bogota, Curacao

United Kingdom

Aberdeen, Birmingham, Cambridge, Edinburgh, Glasgow, Hertfordshire, Liverpool, London, Northampton, Oxford, Plymouth, Portsmouth, Swansea

Europe

Amsterdam, Athens, Belgrade, Barcelona, Berlin, Bochum, Brussels, Bucharest, Cologne, Frankfurt, Geneva, Hamburg, Leipzig, Madrid, Milan, Munich, Paris, Stockholm, Stuttgart, Vienna, Zurich

Middle East
Amman, Dubai, Jeddah

Sri Lanka

Colombo

South East Asia

Bangkok, Jakarta, Singapore

Africa
Cape Town

Australia/New Zealand

Adelaide, Auckland, Brisbane, Byron Bay, Canberra, Christchurch, Geelong, Gold Coast, Darwin, Melbourne, Newcastle, Perth, Sydney

Each of the 31 countries in which Navitas operates has different tax rates and tax laws. Navitas regards its full compliance with all of its tax obligations as essential for it to be trusted by the communities in which it operates, and to achieve its broader objective of being a good corporate citizen.

Navitas has willingly adopted the Australian Board of Taxation's Voluntary Tax Transparency Code (the 'Code') and will similarly adopt comparable initiatives for any other countries in which it operates.

Attitude to tax planning and acceptable levels of risk

Navitas' approach to tax planning is to operate and pay tax in accordance with the tax law in each relevant jurisdiction. To mitigate the risk of an incorrect interpretation where the tax law is unclear or subject to interpretation, advice is obtained, and when necessary the ATO (or other relevant tax authority) is consulted for clarity.

Navitas only enters into transactions for which there is a clear commercial imperative, and not for the purpose of altering tax outcomes.

Navitas actively assesses and manages tax risk in line with its broader risk management framework. This includes the use of appropriate internal controls and a framework for escalation of tax matters to the Navitas Board.

Tax governance

Navitas' approach to tax governance is set out in the board-approved Navitas Tax Corporate Governance Board Policy.

The responsibilities set out in the policy are delegated to experienced tax professionals in the Group tax function, and to finance personnel in each Navitas business unit. Navitas also utilises external tax advisors in each of the jurisdictions in which it operates.

Navitas has an Audit and Risk Committee ('ARC') to oversee risk management and internal controls in relation to all risks across Navitas, including tax. There is regular reporting on tax matters to the ARC.

In addition, Navitas' internal auditors conduct periodic reviews of Navitas' controls, processes and systems for tax compliance.

Examples of recent investment in controls and processes include:

- Navitas is spending considerable time and resources in ensuring its ability to meet increased transparency disclosures arising from the OECD Base Erosion and Profit Shifting initiatives that are being introduced across the globe.
- Navitas has adopted technology to support the tax compliance function, and routinely utilises data verification technology to scrutinise its tax lodgments.

Engagement with revenue authorities

Navitas proactively seeks constructive and transparent engagement with the ATO and other revenue offices globally with which it interacts.

Navitas supports initiatives by revenue authorities to provide additional tax transparency to the community.

Effective Company Tax Rate

The effective tax rate (“ETR”) is calculated as income tax expense divided by accounting profit.

Navitas’ ETR on Australian and Global Operations

	2017
Effective Tax Rate	
Australian Operations	20.4%
Australian Operations (excluding Edith Cowan College establishment and non-assessable foreign dividends)	28.8%
Global Operations	38.2%
Global Operations (excluding Edith Cowan College establishment and de-recognition of tax losses)	30.0%

Australian operations

Navitas’ effective tax rate is generally lower than Australia’s company tax rate of 30%. This is due to various non-temporary adjustments, including research and development concessions and earnings from offshore operations that are taxed in the foreign jurisdiction and not subject to further tax when repatriated to Australia.

In 2017, the Australian effective tax rate was lower than usual due to an accounting gain Navitas recognized in respect of the establishment of a joint venture entity, Edith Cowan College, with Edith Cowan University. This gain is not subject to income tax until such time as Navitas realises the gain by disposing of its interest in the joint venture.

Global operations

Navitas’ global effective tax rate differs from that of its Australian operations due to the varied corporate tax rates applying in the countries in which it operates. Many of these have a lower corporate tax rate than Australia (e.g. United Kingdom 20%, Canada 28% and Germany 15%). By contrast, income derived in the United States is subject to a combined federal and state tax rate of 40%.

In 2017, Navitas global effective tax rate was greater than usual because Navitas has impaired its deferred tax asset balance by \$8.942m, following a review of the recoverability of \$26.3m in carry forward US Federal and State operating tax losses. The 2017 accounting profit also includes approximately \$20.3m of losses incurred across various foreign jurisdictions for which no deferred tax asset has been recognised for accounting purposes.

Other Tax Contributions

In addition to being a significant company tax payer, Navitas collects and remits to local revenue authorities various other taxes including PAYG withholding taxes on employee salaries, fringe benefits tax on non-monetary benefits provided to employees, and payroll taxes. The table below provides a summary of the material Australian tax contributions borne or collected by Navitas for FY17.

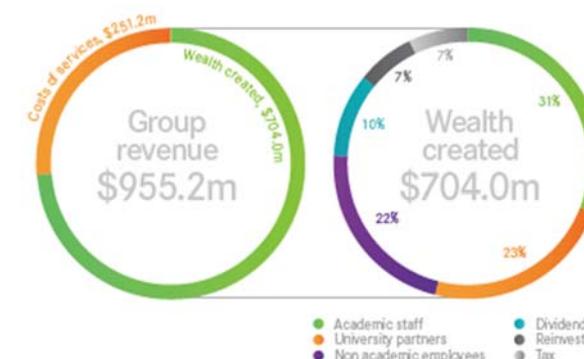
Australian Tax Contributions for FY17

Taxes borne by Navitas	\$000s
Income tax paid in FY17	21,317
Payroll tax	12,641
Fringe benefits tax	668
Taxes collected by Navitas	
PAYG withholding	56,311

Navitas has not borne any material GST as Navitas is able to claim input tax credits for the GST it is charged by suppliers. Navitas has not collected any material GST as the vast majority of its education services are not subject to GST.

Economic contribution

Navitas makes an economic contribution to the communities in which it operates beyond the payment of taxes. In FY17, the wealth generated by Navitas was distributed as follows:



Reconciliation of Accounting Profit to Income Tax Expense

The reconciliation of accounting profit to income tax expense is provided in the table below. This reconciliation was previously published in the Navitas 2017 Annual Report in note 3.4 on pages 68 to 70 and reflect the position for global accounting consolidated group.

	2017 \$000s
Accounting Profit before tax	130,941
Income tax at the statutory tax rate of 30%	39,282
Adjustments in respect of current income tax of previous years	(70)
Non-taxable gain on disposal of controlled entities (1)	(4,279)
Other non-taxable items	100
Change in the carrying value of carry forward tax losses (2)	8,942
Effect of local tax rates not at 30% (3)	6,097
Income Tax Expense	50,072

Reconciliation of Income Tax Expense to Income Tax Payable

A reconciliation of Navitas' income tax expense to income tax payable is set out in the table below.

	2017 \$000s
Income Tax Expense	50,072
Change in the carrying value of carry forward tax losses (2)	(8,942)
Other temporary differences	(3,753)
Total temporary differences	(12,695)
Income Tax Payable	37,377

Notes to reconciliations

1. This is an accounting gain in respect of the establishment of a joint venture entity, Edith Cowan College, with Edith Cowan University. This gain is not subject to income tax until such time as Navitas realises the gain by disposing of its interest in the joint venture.
2. Navitas has impaired (reduced) its deferred tax asset balance by \$8.942m, following a review of the recoverability of \$26.3m in carry forward US Federal and State operating tax losses. This impairment does not reflect any change to Navitas' entitlement to recoup these tax losses against future taxable income.
3. The 2017 accounting profit includes approximately \$20.3m of losses incurred across various foreign jurisdictions for which no deferred tax asset has been recognised for accounting purposes. Navitas continues to be entitled to recoup these tax losses against future taxable income in the relevant jurisdiction.

Navitas is a multinational group with varied operations around the globe. Its ability to successfully expand and grow depends on it being able to redeploy in new markets the intellectual property it has developed, and achieve synergies by centralising various internal functions. These result in the payment of related party charges between entities within the Navitas group.

Navitas undertakes a comprehensive analysis of related party transactions to ensure that they reflect arm's length dealings. This is a regulatory requirement of many of the jurisdictions in which we operate, and ensures that tax is paid across those jurisdictions in proportion to the value being added in each jurisdiction. Navitas does not use international related party dealings to artificially shift profits between jurisdictions.

Details of related party transactions are routinely disclosed to revenue authorities.

The principal transactions within the Navitas group are:

- Royalties: University Pathway operations outside Australia use, and pay a royalty to Australia for, intellectual property developed by Navitas in Australia.
- Royalties: SAE subsidiaries operating around the globe use, and pay a royalty to Navitas United Kingdom for, intellectual property held and maintained in the United Kingdom.

- Service charges: various administrative and support services are provided centrally by Navitas in Australia and other divisional parents, as this is more efficient than duplicating these functions in each jurisdiction.
- Interest charges: various intercompany loans are made between entities within the Navitas group. It is more efficient for companies with surplus cash to lend this directly to a Navitas company with funding requirements than for each to deposit with / borrow from an external bank.

A summary of material group operations by jurisdiction can be seen on the map on page 5.