

28 August 2020

Appendix 4E

The Directors of Site Group International Limited ("Site", ASX:SIT) are pleased to announce the release of:

- Appendix 4E – Preliminary Final Report for the year ended 30 June 2020

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Media and Investors

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Appendix 4E

(Unaudited)

Site

SITE GROUP INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 73 003 201 910

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE
2020

Report for the year ended 30 June 2020

This report includes results for Site Group International Limited and its controlled entities for the year ended 30 June 2020 (current period) compared with the year ended 30 June 2019 (prior period).

The financial results of Site Group International Limited and its controlled entities are prepared in accordance with requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The preliminary final report is unaudited and contains disclosures which are extracted or derived from the Annual Financial Report for the year ended 30 June 2020. The Annual financial report is in the process of being audited.

Key Information

Results for announcement to the market

	30-Jun		Change 19-20	
	2020	2019	%	
Revenue from ordinary activities	27,259,059	30,913,290	(12%)	Decrease
(Loss) Profit after tax from ordinary activities attributable to members	(10,264,692)	(4,742,968)	116%	Increase of loss
Net (Loss) Profit attributable to members	(10,264,692)	(4,742,968)	116%	Increase of loss
EBITDA*	(5,476,962)	(4,495,157)	22%	Increase of loss
EBITDA before non recurring items	(4,380,962)	(4,495,157)	(3%)	Decrease of loss

*refer to pages below for EBITDA reconciliation to net profit after tax

Explanation of key information

Results for Site Group International Limited show a revenue line of \$27,259,059 compared to \$30,913,290 in the prior corresponding period.

The earnings before interest, taxes, depreciation and amortisation (EBITDA) was a loss of \$5,476,962 (\$4,380,962 excluding non recurring impairment) compared to a loss of \$4,495,157 in the prior corresponding period.

Both of these results have included material expenditure on legal fees and significant executive time dealing with the associated proceedings.

In a year where Site reached the milestone of 200,000 enrolments, the results continue to be impacted by the ongoing legal action with the regulator, the associated legal costs and the impact on some customers. Additionally, the unexpected impact of COVID-19 on industries around the world have substantially impacted face to face contact. As a provider of essential services to industry, Site has continued with significant training albeit at reduced numbers and margins.

Site remains confident in its position surrounding its commitment to continuous improvement and meeting industries needs for a suitably trained workforce.

Audit

The financial statements accompanying this Appendix 4E have not been audited. The audit process is currently taking place and it is likely that the Independent Auditor's Report will include a paragraph drawing attention to the going concern disclosure in the financial report that indicates a material uncertainty in relation to going concern. This disclosure is shown below

Going Concern

For the financial year ended 30 June 2020 the Group made a net loss of \$10,264,692 (2019: loss of \$4,742,968) and the cash outflow from operating activities for the year was \$3,771,644 (2019: \$2,696,230). At 30 June 2020, the Group had deficiencies in net assets and net current assets of \$7,453,494 and \$4,858,302 respectively. Notwithstanding the reported results, this financial report has been prepared on a going concern basis as the directors consider that the company and the consolidated entity will be able to realise their assets and settle their liabilities in the normal course of business and at amount stated in the financial report.

The directors have made enquiries of management, examined the group current financial position and financial forecasts. Despite any material uncertainty that may cast doubt about the Group's ability to continue as a going concern, the directors have a reasonable expectation that the company and the group has adequate financial resources to continue as a going concern.

Significant matters identified by the directors include:-

- The reported loss is not considered by the directors to reflect the expected future performance of the group. These results were significantly impacted by legal costs incurred and reputational harm arising from ongoing regulatory action. Additionally the unexpected impact of COVID-19 on industries around the world have substantially impacted face to face contact and revenues for the year.
- During the COVID-19 period the group has made significant changes to its international and domestic businesses to reflect the lessening revenues caused by the pandemic. This has included non-recurring restructuring costs, impairments and redundancies.
- The group continues to maintain the support of its existing debt providers to manage any maturing debt facilities within the best interest of the group.

The continuation of the company and the group as a going concern is dependent on the ability to achieve the following objectives:-

- Forecast cash flow from operations:
- Proposed capital expenditure management: and
- Support of its investors through capital raising by way of debt or equity.

Should the above actions not generate the expected cash flow, the company may not be able to meet its debts as and when they become due and payable, and it may be required to realise assets and extinguish liabilities other than in the course of business and at amount different from those stated in the financial statements. The report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the group not continue as a going concern.

Dividends paid

There have been no dividends paid.

Dividend reinvestment plan

There was no dividend reinvestment plan in operation during the year.

Net tangible assets per share

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	(1.12) cents	(0.62) cents

Control gained or lost over entities during the year

Control Gained: None

Control Lost: None

Associates and joint ventures

The Group has no associates or joint ventures

Other significant information

Commentary on the results for the year

For comparability with the trading result in the prior period, the below table shows the result for the Group including the discontinued operations over the last 4 years.

	30-Jun			30-Jun		30-Jun	
	2020 \$	2019 \$	Change 20-19 %	2018 \$	Change 19-18 %	2017 \$	Change 18-17 %
Revenue	27,259,059	30,913,290	(12%)	30,306,134	2%	29,213,400	4%
Net profit / (loss)	(10,264,692)	(4,742,968)	116%	(6,042,212)	(22%)	(50,466,491)	(88%)
add back							
Depreciation and amortisation	2,580,836	1,413,716	83%	2,033,252	(30%)	2,355,412	(14%)
Interest expense	2,182,472	415,197	426%	55,744	645%	307,304	(82%)
Income tax (benefit) / expense	48,713	(1,514,919)	-	247,641	-	(1,025,209)	-
deduct							
Interest income	24,291	66,183	(63%)	16,197	309%	16,930	(4%)
EBITDA*	(5,476,962)	(4,495,157)	22%	(3,721,772)	21%	(48,845,914)	(92%)
Non recurring items							
Impairment of PP&E, intangibles and right of use assets	1,096,000	-		3,797,413		23,570,460	
Write down / (reversal of write down) of DET debtor	-	-		(4,990,113)		33,944,396	
EBITDA before non recurring items	(4,380,962)	(4,495,157)	(3%)	(4,914,472)	(9%)	8,668,942	-
Operating cash inflow /(outflow)	(3,771,644)	(2,696,230)	40%	(727,824)	270%	(93,722)	677%

* Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS measure which is readily calculated and has broad acceptance and is used by regular users of published financial statements as a proxy for overall operating performance.

Table 1 Financial Summary

For the year ended 30 June 2020, Site Group International Limited reported a loss after tax of \$10,264,692 compared to an after tax loss of \$4,742,968 in the previous corresponding period. The earnings before interest, taxes, depreciation and amortisation (EBITDA) was a loss of \$5,476,962 compared to a loss of \$4,495,157.

Site Skills Training - Domestic

Site Skills Training (SST) is an Australian Registered Training Organisation with six large training facilities across Australia, in Western Australia, Northern Territory and Queensland. These Australian facilities with a combined footprint of approximately 33,500sqm have become hubs for some of Australia's largest projects in Mining, Construction and Oil and Gas including; Curtis Island Coal Seam Gas (CSG) to Liquefied Natural Gas (LNG) projects; Western Australia Northwest Shelf LNG projects; and Darwin Onshore and Offshore LNG projects; and effectively most major mine project sites across Western Australia, Northern Territory and Queensland.

The Australian operations have been impacted primarily by ongoing regulatory uncertainty between SSG and the ASQA and the global occurrence of COVID-19. While SSG revenue has been negatively impacted, with a year-on-year reduction of 7% to \$11,938,341 from \$12,866,083 in the previous period, primarily as a result of contracts suspended or missed due to the regulatory uncertainty, SSG continues to receive exceptional customer engagement, satisfaction and completion rates amongst individual and corporate clients which all outperform industry targets.

SST has invested substantially in compliance resources and systems over the past 36 months and Site has full confidence in the independent executive and management team to continue to deliver above and beyond the expectations of its tens of thousands of students and hundreds of corporate clients across high risk and nationally critical industries. In June, SST reached the milestone of 200,000 enrolments in Australia.

EBITDA was a loss of \$1,518,195 compared to an EBITDA loss of 1,728,678 in the previous year reflecting the lower revenue but also the additional compliance and legal costs incurred within this division.

In addition to its corporate customers, SST delivers training to individuals using Western Australia, Queensland and Northern Territory subsidised training regimes. In Queensland, Vocational Education and Training (VET) in Schools students has expanded and will provide further growth in the next financial year.

SST continues to invest in its systems and delivery platforms including expanding the number and amount of courses being delivered fully or partially online.

Site Skills Training – International

Site Skills Training – International division provides training and competency assurance services to organisations and governments in countries where local workforces require additional skills to meet global standards. The segment, based at Site's major training facility in Clark Freeport Zone near Manila in the Philippines, delivered a 24% reduction in revenue to \$9,584,526 in the 12 months to June 2020, compared with \$12,658,371 in the prior year. EBITDA was \$847,389 compared with an EBITDA of \$682,394 in the prior year. The reduction in revenues a direct result of the impact of COVID-19.

To date SST International has provided education and training services to countries including the Philippines, PNG, Myanmar, Saudi Arabia, Bahrain, China, Singapore, Malaysia and has delivered services to governments and companies in locations including Timor-Leste, UAE, Azerbaijan, Africa and others.

The Clark operations continue to provide the platform for our international expansion with existing customers OceanaGold, FieldCore (a GE Company), Orica, Lychapodium, and Clough receiving regular services. Additionally, Site WorkReady is increasing the provision of skilled trades people for markets in Australia, New Zealand and Africa.

The National Construction Training Center (NCTC) in Nairiyah has been operating since September 2017 servicing the training needs of construction companies across the Kingdom of Saudi Arabia. The College delivered courses online through 2020 in response to the COVID-19 Pandemic and shut down. A 2 year extension on the contract is currently being negotiated and will allow for the continued delivery and output aligns well with the Kingdom's Vision 2030. So far well over 1,000 graduates are now in meaningful long term employment.

Energy Services

The Energy services segment incorporating the Wild Geese International business in Perth and the internationally based Site Group International Energy division ("SGI") provides specialist training services to the oil and gas industry including workforce design and identification, skills training and competency assessment and assurance.

Revenue for the 12 months for the business fell to \$1,973,419 (2019: \$3,639,017) with an EBITDA loss of \$292,210 (2019: EBITDA \$211,651). The reduction in commodity prices and COVID-19 contributed to the significant reduction in EBITDA and revenue.

Wild Geese International's involvement with the Queensland Natural Gas Exploration and Production Industry forum for the delivery of Queensland wide Industry Safety Inductions has provided services to growing numbers of contractor and operator companies in Queensland.

Site continues to investigate expansion of its Safe Live Process Plant (SLPP) and technician development plan in Singapore, Bahrain and KSA as new opportunities arise. Training in Myanmar is expected to return in the last quarter of the calendar year.

Additionally, Site has announced the signing of a Memorandum of Understanding with Bahrain Polytechnic for an important program to develop the skills and graduates of the Polytechnic as well as major Bahrain industries. Programs will be jointly developed through utilisation of Site Safe Live Process Plant.

Tertiary Education

This segment provides tertiary education for international students seeking to develop careers in a range of different disciplines. Students can choose from a range of diploma and certificate level courses in Australia.

This division reported an increase in revenue of 37% to \$3,591,170 in 2020, up from \$2,614,754 in 2019. EBITDA improved by 468% to \$625,282 compared to an EBITDA of \$110,138 in 2019, as the scale of the business improves on the back of increased student number and enrolments

Student numbers studying in Australia continue to grow with over 300 current enrolments in CRICOS registered courses. Future revenues are expected to continue to grow during the 2020 financial year as international students take the opportunity to study engineering and manufacturing technology courses with Site Institute. Export market networks have been established for receiving inbound students from countries across Asia, Americas and Europe, with the CRICOS division now training students from countries including Argentina, Brazil, Chile, Colombia, Mexico, Peru and South Korea.

In addition, TESOL Asia is a training and industry focussed organisation for Teachers in the English as a Second Language (ESL) sector. It provides access to training, consulting, industry conferences and academic journals around the world. Teaching English to Speakers of Other Languages (TESOL) focusses on bringing English language acquisition academics together with professional teachers to support and develop the industry globally. During the financial year, TESOL management focused on online courses conferences and seminars. The investment in online TESOL courses and conferences, and a number of strategic alliances are expected to further grow revenues with new emerging markets interested in online delivery.

**SITE GROUP INTERNATIONAL LIMITED ABN: 73 003 201 910
AND CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2020**

Statement of Comprehensive Income

	Note	2020 \$	2019 \$
Continuing operations			
Revenue from contracts with customers	3	27,259,059	30,913,290
Interest income		24,291	66,183
Total income		27,283,350	30,979,473
Contractor and other service providers		(4,506,087)	(5,099,795)
Other direct fees and costs		(5,228,716)	(6,962,778)
Employee benefits expense	4	(12,727,257)	(12,755,067)
Depreciation and amortisation expense		(2,580,836)	(1,413,716)
Finance costs	4	(2,182,472)	(415,197)
Other expenses	4	(7,079,379)	(5,469,756)
Occupancy expenses		(2,185,687)	(3,812,470)
Foreign currency gain (loss)		109,998	(114,432)
Loss before tax from continuing operations		(9,097,086)	(5,063,738)
Income tax (expense) / benefit	5	(48,713)	1,514,919
Loss for the year from continuing operations		(9,145,799)	(3,548,819)
Loss for the year from discontinued operations		(1,118,893)	(1,194,149)
Total loss for the year		(10,264,692)	(4,742,968)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in subsequent years (net of tax):</i>			
Translation of foreign operations		296,867	563,905
<i>Items not to be reclassified to profit or loss in subsequent years (net of tax):</i>			
Remeasurement gain/(loss) on defined benefit plan		(7,237)	(58,171)
Total other comprehensive income (loss)		289,630	505,734
Total comprehensive loss		(8,856,169)	(3,043,085)
Earnings per share			
ordinary equity holders of the parent			
Basic and diluted (cents per share)	2	(1.32)	(0.69)
Earnings per share for continuing operations			
attributable to the ordinary equity holders of the parent			
Basic and diluted (cents per share)	2	(1.18)	(0.52)

The above statement should be read in conjunction with the accompanying notes.
The financial statements are in the process of being audited.

**SITE GROUP INTERNATIONAL LIMITED ABN: 73 003 201 910
AND CONTROLLED ENTITIES AS AT 30 JUNE 2020
Statement of Financial Position**

	Note	Consolidated Group	
		2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,246,819	606,148
Trade and other receivables	6	2,656,525	4,061,072
Contract assets	7	496,950	317,295
Inventories		18,823	32,002
Prepayments		431,835	481,137
Current tax asset		37,261	37,249
TOTAL CURRENT ASSETS		4,888,213	5,534,903
NON-CURRENT ASSETS			
Property, plant and equipment	8	8,339,642	8,700,694
Right-of-use assets	19	6,100,739	-
Intangible assets	9	1,250,608	1,509,216
Security deposits		1,033,030	775,703
Other non-current financial assets		226,233	105,748
Deferred income tax asset	5	921,060	875,929
TOTAL NON-CURRENT ASSETS		17,871,312	11,967,290
TOTAL ASSETS		22,759,525	17,502,193
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	4,420,245	6,080,122
Contract liabilities	11	812,474	390,458
Interest bearing debt	12	2,015,680	142,519
Lease liabilities	19	1,461,187	-
Current tax liabilities		84,082	96,878
Provisions	13	628,241	592,326
Financial instruments at fair value through profit and loss	14	324,606	-
TOTAL CURRENT LIABILITIES		9,746,515	7,302,303
NON-CURRENT LIABILITIES			
Trade and other payables	10	5,595,083	5,595,083
Provisions	13	611,303	2,921,005
Interest bearing debt	12	4,970,972	4,238,419
Lease liabilities	19	8,373,206	-
Financial instruments at fair value through profit and loss	14	915,940	218,630
TOTAL NON-CURRENT LIABILITIES		20,466,504	12,973,137
TOTAL LIABILITIES		30,213,019	20,275,440
NET ASSETS		(7,453,494)	(2,773,247)
EQUITY			
Issued capital	15	83,366,140	78,085,284
Reserves	16	2,966,017	2,655,191
Retained losses	16	(93,785,651)	(83,513,722)
TOTAL EQUITY		(7,453,494)	(2,773,247)

The above statement should be read in conjunction with the accompanying notes.
The financial statements are in the process of being audited.

**SITE GROUP INTERNATIONAL LIMITED ABN: 73 003 201 910
AND CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2020**

Statement of Changes in Equity

	Share Capital (note 15)	Retained earnings / (losses) (note 16)	Foreign currency translation reserve (note 16)	Share based payments reserve (note 16)	Total
	\$	\$	\$	\$	\$
Consolidated Group					
Balance at 30 June 2018	78,085,284	(78,712,583)	570,383	1,511,675	1,454,759
Comprehensive income					
Loss for the year	-	(4,742,968)	-	-	(4,742,968)
Other comprehensive income for the year	-	(58,171)	563,905	-	505,734
Total comprehensive income / (loss) for the year	-	(4,801,139)	563,905	-	(4,237,234)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year		-	-	-	-
Shares to be issued					-
Transaction costs		-	-	-	-
Share-based payments	-	-	-	9,228	9,228
Total transactions with owners and other transfers	-	-	-	9,228	9,228
Balance at 30 June 2019	78,085,284	(83,513,722)	1,134,288	1,520,903	(2,773,247)
Comprehensive income					
Loss for the year	-	(10,264,692)	-	-	(10,264,692)
Other comprehensive income for the year	-	(7,237)	296,867	-	289,630
Total comprehensive income / (loss) for the year	-	(10,271,929)	296,867	-	(9,975,062)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year	5,297,017	-	-	-	5,297,017
Transaction costs	(16,161)	-	-	-	(16,161)
Share-based payments	-	-	-	13,959	13,959
Total transactions with owners and other transfers	5,280,856	-	-	13,959	5,294,815
Balance at 30 June 2020	83,366,140	(93,785,651)	1,431,155	1,534,862	(7,453,494)

The above statement should be read in conjunction with the accompanying notes.

The financial statements are in the process of being audited.

**SITE GROUP INTERNATIONAL LIMITED ABN: 73 003 201 910
AND CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2020**

Statement of Cash Flows

	Note	Consolidated Group	
		2020	2019
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		29,061,947	30,222,732
Payments to suppliers and employees		(32,491,836)	(34,544,077)
Interest received		18,546	63,641
Finance payments		(1,101,086)	(40,497)
Income tax refund received		-	1,688,960
Income tax paid		(111,169)	(86,989)
Government grants and tax incentives		851,954	-
Net cash (used in) operating activities	18	(3,771,644)	(2,696,230)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(554,205)	(1,323,382)
Payments for Investments		(116,147)	-
Proceeds from disposals		52,593	8,157
Purchase of intangible assets		(507,139)	(503,658)
Cash backed performance bonds		(76,690)	(132,512)
Net cash (used in) investing activities		(1,201,588)	(1,951,395)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,500,000	-
Proceeds from exercise of employee share plan		10,000	-
Proceeds from borrowings		2,000,000	4,006,980
Repayment of borrowings - related parties		(281,974)	(242,117)
Principal repayments - lease liabilities	19	(619,068)	(83,909)
Transaction costs on shares		(16,160)	-
Net cash provided by financing activities		5,592,798	3,680,954
Net (decrease) / increase in cash held		619,566	(951,080)
Effect of exchange rates on cash holdings in foreign currencies		21,105	23,791
Cash and cash equivalents at beginning of financial year		606,148	1,533,437
Cash and cash equivalents at end of financial year		1,246,819	606,148

The above statement should be read in conjunction with the accompanying notes.
The financial statements are in the process of being audited.

**SITE GROUP INTERNATIONAL LIMITED ABN: 73 003 201 910
AND CONTROLLED ENTITIES**

Notes to the Financial Statements for the Year Ended 30 June 2020

Note 1 Operating Segments

An operating segment is a component of the Group 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.

The Group has organised its business into four separate units based on the products and services offered – the Chief Operating Decision Makers (“CODM”), being the directors and executive management of the Group, review the results on this basis.

The four reportable business segments of the Group are:

- **Site Skills Training - Domestic** which delivers vocational training and assessment services through five training facilities located at Perth, Gladstone, Darwin, Landsborough and Logan. At these locations our experienced team assesses, up-skills and trains industry experienced candidates in the mining and processing, oil and gas, construction, camp services, hospitality and logistic sectors.
- **Site Skills Training - International** operates a 300,000m² facility at Clark Freeport Zone in the Philippines allowing the company to deliver Australian standard training in a low cost and controlled environment. This facility has the capacity to complete large scale residential training programs customised to meet client specific requirements. This division also incorporates Site WorkReady being the recruitment and assessment division for international clients.
- **Energy Services** refers to the establishment of specialised energy training and services delivered to the Oil and Gas industry.
- **Tertiary Education** delivers Diploma and certificate level courses at Site's campuses in Australia through the Site Institute brand and also English language courses and conferences internationally through the TESOL Asia business.

The CODM monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit/loss consistent with the operating profit/loss in the consolidated financial statements. Group financing and corporate overheads are managed on a group basis and not allocated to operating segments. Transfer prices between the operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following is an analysis of the revenue and results for the period, analysed by reportable operating unit:

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 1 Operating Segments continued

Year ended 30 June 2020

	Site Skills Training (Domestic) \$	Site Skills Training (International) \$	Energy Services \$	Tertiary Education \$	Total Segments \$	Corporate and Eliminations \$	Total \$
Revenue from contracts with customers							
Revenue from contracts with customers - external customer	11,938,341	9,553,265	1,881,617	3,591,170	26,964,393	294,666	27,259,059
Revenue from contracts with customers - inter-segment	-	31,261	91,802	-	123,063	(123,063)	-
Total segment revenue	11,938,341	9,584,526	1,973,419	3,591,170	27,087,456	171,603	27,259,059
Segment net operating (loss) before tax	(2,624,136)	(759,025)	(391,106)	465,854	(3,308,413)	(6,907,566)	(10,215,979)
Interest revenue	-	16,132	15	-	16,147	8,144	24,291
Interest expense	(128,375)	(697,231)	(2,110)	(18,001)	(845,717)	(1,336,755)	(2,182,472)
Depreciation and amortisation	(977,566)	(925,314)	(96,801)	(141,428)	(2,141,109)	(439,727)	(2,580,836)
EBITDA	(1,518,195)	847,388	(292,210)	625,283	(337,734)	(5,139,228)	(5,476,962)
Segment assets as at 30 June 2020	3,716,666	13,965,550	563,580	1,254,760	19,500,556	3,258,969	22,759,525
Segment liabilities as at 30 June 2020	3,383,916	8,536,953	178,428	950,297	13,049,594	17,163,425	30,213,019
Capital expenditure as at 30 June 2020	574,078	352,774	793	73,513	1,001,158	60,186	1,061,344

Year ended 30 June 2019

	Site Skills Training (Domestic) \$	Site Skills Training (International) \$	Energy Services \$	Tertiary Education \$	Total Segments \$	Corporate and Eliminations \$	Total \$
Revenue from contracts with customers							
Revenue from contracts with customers - external customer	12,866,083	12,137,035	3,235,102	2,614,754	30,852,974	60,316	30,913,290
Revenue from contracts with customers - inter-segment	-	521,336	403,915	-	925,251	(925,251)	-
Total segment revenue	12,866,083	12,658,371	3,639,017	2,614,754	31,778,225	(864,935)	30,913,290
Segment net operating (loss) before tax	(2,326,460)	134,956	37,966	75,658	(2,077,880)	(4,180,007)	(6,257,887)
Interest revenue	-	11,784	82	-	11,866	54,317	66,183
Interest expense	(5,506)	(9,762)	(561)	(348)	(16,177)	(399,020)	(415,197)
Depreciation and amortisation	(592,276)	(549,460)	(173,206)	(34,132)	(1,349,074)	(64,642)	(1,413,716)
EBITDA	(1,728,678)	682,394	211,651	110,138	(724,495)	(3,770,662)	(4,495,157)
Segment assets as at 30 June 2019	4,122,861	10,069,113	1,732,117	1,111,430	17,035,521	466,672	17,502,193
Segment liabilities as at 30 June 2019	2,803,973	4,823,425	313,137	713,977	8,654,512	11,620,928	20,275,440
Capital expenditure as at 30 June 2019	591,517	1,119,065	6,877	107,743	1,825,202	79,503	1,904,705

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 1 Operating Segments continued

	Consolidated Group	
	2020	2019
	\$	\$
Reconciliation of loss		
Segment loss	(3,308,413)	(2,077,880)
Inter-company management fees	1,140,000	1,140,000
Head office occupancy costs	(206,745)	(76,482)
Corporate employee benefits including Directors costs	(2,368,569)	(2,579,527)
Legal accounting and other professional fees	(1,404,247)	(1,179,074)
Travel costs	(158,335)	(134,390)
Depreciation and amortisation expense	(439,727)	(64,642)
Finance costs	(1,336,755)	(399,020)
Fair value loss (gain) of financial liabilities at fair value	(1,021,916)	116,498
Other corporate costs	(1,282,875)	(1,440,442)
Corporate income	171,603	437,072
Group loss before tax	(10,215,979)	(6,257,887)
Reconciliation of assets		
Segment operating assets	19,500,556	17,035,521
<i>Corporate assets</i>		
Cash at bank	139,647	15,743
Security deposits	543,705	497,154
Intangibles	197,233	197,498
Other assets	2,378,384	731,658
Inter-segment receivables	-	(975,381)
Total assets per statement of financial position	22,759,525	17,502,193
Reconciliation of liabilities		
Segment operating liabilities	13,049,594	8,654,512
<i>Corporate liabilities</i>		
Corporate trade payables	6,739,157	6,730,071
Interest bearing debt	8,532,506	4,247,393
Other financial liabilities	1,240,546	218,630
Other liabilities	651,216	424,834
Total liabilities per statement of financial position	30,213,019	20,275,440

Disaggregation of Revenues

The group derives its revenue from the transfer of services over time and at a point in time. The following table provided a disaggregation of revenue by major revenue class and by geographical location.

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 1 Operating Segments continued

Year ended 30 June 2020

	Australia	Asia	Corporate and Eliminations	Total
	\$	\$	\$	\$
Revenue from contracts with customers - external				
Course fees	13,240,029	6,701,157	-	19,941,186
Placement services	-	1,527,959	-	1,527,959
Government subsidies received	2,460,778	104,914	221,000	2,786,692
Project income	47,785	1,541,834	-	1,589,619
Other revenue	14,025	1,325,912	73,666	1,413,603
Total revenue from contracts with customers - external	15,762,617	11,201,776	294,666	27,259,059
Revenue from contracts with customers - inter segment	-	123,063	(123,063)	-
Total revenue from contracts with customers	15,762,617	11,324,839	171,603	27,259,059
Timing of revenue recognition				
Goods transferred at a point in time	-	15,457	8,553	24,010
Services transferred over time	15,762,617	11,309,382	163,050	27,235,049
Total revenue from contracts with customers	15,762,617	11,324,839	171,603	27,259,059

Year ended 30 June 2019

	Australia	Asia	Corporate and Eliminations	Total
	\$	\$	\$	\$
Revenue from contracts with customers - external				
Course fees	14,077,635	9,360,865	-	23,438,500
Placement services	-	2,727,917	-	2,727,917
Government subsidies received	1,867,431	-	-	1,867,431
Project income	19,648	2,425,842	-	2,445,490
Other revenue	89,040	284,596	60,316	433,952
Total revenue from contracts with customers - external	16,053,754	14,799,220	60,316	30,913,290
Revenue from contracts with customers - inter segment	1,300	923,951	(925,251)	-
Total revenue from contracts with customers	16,055,054	15,723,171	(864,935)	30,913,290
Timing of revenue recognition				
Goods transferred at a point in time	-	15,782	14,251	30,033
Services transferred over time	16,055,054	15,707,389	(879,186)	30,883,257
Total revenue from contracts with customers	16,055,054	15,723,171	(864,935)	30,913,290

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 2 Earnings per Share

	Consolidated Group	
	2020	2019
	\$	\$
a) Earnings used in calculating earnings per share		
<i>For basic and diluted earnings per share:</i>		
Net loss excluding discontinued operations expense attributable to ordinary equity holders of the parent	(9,145,799)	(3,548,819)
Net loss attributable to ordinary equity holders of the parent	(9,145,799)	(3,548,819)
b) Weighted average number of shares		
Weighted average number of ordinary shares for basic and diluted earnings per share	No. 776,786,845	No. 686,183,949
c) (Loss) / earnings per share (cents)		
Loss per share excluding discontinued operations attributable to the ordinary equity holders of the parent	(1.18)	(0.52)
Loss per share attributable to the ordinary equity holders of the parent	(1.32)	(0.69)

There are no options outstanding at 30 June 2020 (Nil at 30 June 2019).

To calculate the EPS excluding discontinued operations expense, the weighted average number of ordinary shares is as per above. The following table provides the profit / (loss) amounts used.

	Consolidated Group	
	2020	2019
	\$	\$
Net (loss) from discontinued operations attributable to ordinary equity holders of the parent	(1,118,893)	(1,194,149)

Note 3 Revenue from Contracts with Customers from Continuing Operations

	Consolidated Group	
	2020	2019
	\$	\$
Revenue from continuing operations		
Revenue		
Course fees	19,941,186	23,438,500
Placement services	1,527,959	2,727,917
Government subsidies received	2,786,692	1,867,431
Project income	1,589,619	2,445,490
Other revenue	1,413,603	433,952
	<u>27,259,059</u>	<u>30,913,290</u>

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 4 Expenses from Continuing Operations

	Consolidated Group	
	2020	2019
Employee benefits expense	\$	\$
Wages and salaries	10,801,181	10,906,472
Superannuation expense	922,693	930,653
Payroll tax and workers compensation	520,053	600,033
Changes in provisions for annual and long-service leave	116,609	(10,268)
Other employment expenses	352,762	318,949
Share-based payment expense	13,959	9,228
	<u>12,727,257</u>	<u>12,755,067</u>
Other expenses		
Legal, accounting and other professional fees	774,655	1,073,304
Travel & accommodation	681,953	1,034,949
Sales and marketing expense	1,634,103	1,757,962
Consultants cost	879,572	841,168
Impairment of PP&E, intangibles and right of use assets	1,096,000	-
Fair value loss (gain) of financial liabilities at fair value through profit and loss	1,021,916	(116,498)
Other	991,180	878,871
	<u>7,079,379</u>	<u>5,469,756</u>
Finance costs		
Interest expense - third parties	118,399	24,907
Interest expense - related parties	952,043	382,191
Interest expense - lease liabilities	998,367	-
Facilities fee	113,663	8,099
	<u>2,182,472</u>	<u>415,197</u>

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 5 Taxation

	Consolidated Group	
	2020	2019
	\$	\$
a) Income tax expense		
The major components of income tax expense are:		
<i>Statement of comprehensive income</i>		
<i>Current income tax</i>		
Current income tax charge	86,384	92,984
Adjustments in respect of current income tax of previous years	7,991	(1,688,960)
<i>Deferred income tax</i>		
Relating to origination and reversal of timing differences	(45,662)	81,057
Income tax expense / (benefit) reported in the statement of comprehensive income	48,713	(1,514,919)
b) Numerical reconciliation between aggregate tax expense		
A reconciliation between tax expense and the product of accounting		
Total before income tax	(10,215,979)	(6,257,887)
At the parent entity's statutory income tax rate of 30% (2019 - 30%)	(3,064,794)	(1,877,366)
Differential in overseas tax rate to Australian tax rate	93,925	(121,490)
Non-deductible expenses	669,578	123,778
Utilisation of previously unrecognised tax losses	(11,553)	(162,626)
Adjustments in respect of current income tax of previous years	7,991	(1,688,960)
Deferred tax asset not recognised	2,353,566	2,211,745
	48,713	(1,514,919)

A deferred tax asset has not been recognised for unused tax losses amounting to \$7,845,220 (tax effected: \$2,353,566).

In the comparative year following review of the historical taxation treatment for the revenue derived by the PP business, management lodged amended income tax returns for the 2015, 2016 and 2017 income tax years resulting in income tax refund for \$1,688,960 being received in January 2019.

c) Deferred tax	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2020	2019	2020	2019
	\$	\$	\$	\$
Accrued expenses	446,522	626,572	180,050	61,960
Superannuation payable	32,163	18,527	(13,636)	3,126
Provision for leave balance	238,776	206,719	(32,057)	6,910
Provision for impairment of receivables	42,300	12,000	(30,300)	17,252
Provision for re-credits	23,717	23,717	-	-
Plant and Equipment under lease	149,718	-	(149,718)	-
Other foreign entity deferrals	(12,136)	(11,606)	(1)	(8,191)
Deferred tax benefit			(45,662)	81,057
Net deferred tax assets	921,060	875,929		
			2020	2019
Reconciliation of net deferred tax asset /(liability)			\$	\$
As of 1 July			875,929	959,251
Opening balance adjustment			(531)	(2,265)
Tax income during the period recognised in profit or loss			45,662	(81,057)
As at 30 June			921,060	875,929

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 6 Trade and Other Receivables

	Note	Consolidated Group	
		2020	2019
		\$	\$
CURRENT			
Receivables from contracts with customers		23,473,161	25,030,526
Allowances for expected credit losses		(21,118,645)	(21,304,563)
		2,354,516	3,725,963
Other receivables		302,009	335,109
Total current trade and other receivables		2,656,525	4,061,072

Trade receivables includes an amount of \$20,977,645, representing a portion of a total reconciliation payment of \$28,969,145 receivable from the Commonwealth Government Department of Education and Training (DET) for services performed prior to 30 June 2017. The difference of \$7,991,500 was impaired in an earlier period, which should not be taken as an assertion by the Group that the Group is not entitled to this amount.

Note 7 Contract Assets

	Consolidated Group	
	2020	2019
	\$	\$
Accrued revenue	496,950	317,295

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 8 Property, Plant and Equipment

	Consolidated Group	
	2020 \$	2019 \$
Plant and equipment		
Leasehold improvements		
At cost	9,573,434	9,123,658
Accumulated depreciation and impairment	(3,729,995)	(2,821,405)
Net carrying amount - leasehold improvements	5,843,439	6,302,253
Capital works in progress		
At cost	1,970,051	1,555,369
Computer equipment		
At cost	1,384,145	1,321,729
Accumulated depreciation	(1,272,757)	(1,194,898)
Net carrying amount - computers	111,388	126,831
Furniture and fittings		
At cost	4,689,755	4,504,353
Accumulated depreciation	(4,279,019)	(3,982,620)
Net carrying amount - furniture and fittings	410,736	521,733
Vehicles		
At cost	342,609	778,509
Accumulated depreciation	(338,581)	(584,001)
Net carrying amount - vehicles	4,028	194,508
Total property, plant and equipment	8,339,642	8,700,694

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold Improvements	Capital Works in Progress	Computers	Furniture & Fittings	Vehicles	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 30 June 2018	6,123,679	444,813	132,904	745,621	275,558	7,722,575
Additions	20,492	1,152,581	78,480	174,217	-	1,425,770
Transfers - in (out)	42,139	(84,751)	14,918	3,125	-	(24,569)
Disposals	-	-	-	(43,300)	-	(43,300)
Depreciation expense	(386,906)	-	(99,494)	(371,832)	(94,652)	(952,884)
Exchange rate differences	502,849	42,726	23	13,902	13,602	573,102
Balance at 30 June 2019	6,302,253	1,555,369	126,831	521,733	194,508	8,700,694
Additions	13,553	531,679	56,022	51,766	-	653,020
Transfers - in (out)	2,765	(197,544)	8,844	87,120	(175,651)	(274,466)
Disposals	-	-	-	(14,122)	-	(14,122)
Depreciation expense	(423,126)	-	(80,338)	(244,383)	(19,829)	(767,676)
Impairment expense	(345,072)	-	-	-	-	(345,072)
Exchange rate differences	293,066	80,547	29	8,622	5,000	387,264
Balance at 30 June 2020	5,843,439	1,970,051	111,388	410,736	4,028	8,339,642

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 9 Intangible Assets

	Consolidated Group	
	2020	2019
	\$	\$
Non-Current Goodwill		
Net carrying value	638,050	638,050
Training licences and course material		
Cost	3,518,016	3,242,515
Accumulated amortisation and impairment	(3,183,004)	(2,598,845)
Net carrying value	335,012	643,670
Customer contracts		
Cost	1,615,542	1,615,542
Accumulated amortisation	(1,615,542)	(1,615,542)
Net carrying value	-	-
Software development		
Cost	1,596,286	1,359,511
Accumulated amortisation	(1,318,740)	(1,132,015)
Net carrying value	277,546	227,496
Total intangible assets	1,250,608	1,509,216

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

Movements in carrying amounts for each class of intangible between the beginning and the end of the current financial year:

	Goodwill	Training Licences Courses	Customer Contracts	Brand	Software Development	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 30 June 2018	638,050	603,575	-	-	217,440	1,459,065
Additions	-	335,105	-	-	143,830	478,935
Transfers in	-	-	-	-	24,569	24,569
Amortisation expense	-	(302,489)	-	-	(158,343)	(460,832)
Exchange rate differences	-	7,479	-	-	-	7,479
Balance at 30 June 2019	638,050	643,670	-	-	227,496	1,509,216
Additions	-	270,364	-	-	137,880	408,244
Transfers in	-	-	-	-	98,895	98,895
Amortisation expense	-	(271,084)	-	-	(186,725)	(457,809)
Impairment expense	-	(309,723)	-	-	-	(309,723)
Exchange rate differences	-	1,785	-	-	-	1,785
Balance at 30 June 2020	638,050	335,012	-	-	277,546	1,250,608

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 10 Trade and Other Payables

	Consolidated Group	
	2020	2019
	\$	\$
Current		
Unsecured liabilities		
Trade payables	1,929,846	3,509,922
Employee related payables	664,759	776,783
Accruals	1,766,872	1,715,062
Other payables	58,768	78,355
Total trade and other payables	4,420,245	6,080,122

	Consolidated Group	
	2020	2019
	\$	\$
Non-current		
Unsecured liabilities		
Trade payables	4,581,310	4,581,310
Accruals	1,013,773	1,013,773
Total trade and other payables	5,595,083	5,595,083

Non-current trade payables and accruals balances include commission payable to agents on receipt of the reconciliation payment receivable from the DET (see note 6).

The non-current accruals account also includes \$475,352 representing executive STI bonuses payable on receipt of the reconciliation payment receivable from the DET.

Amounts have been classified as non-current as the Group has no contractual obligation to settle the liabilities unless payment of the outstanding receivable due from the Commonwealth Government as per note 6 is received. Although the Group intends to pursue recovery of the outstanding receivable in full, as such recovery action is at the discretion of the Group, the directors are satisfied that an unconditional right of deferral exists for the liabilities until such time as the debtor is received.

Note 11 Contract Liabilities

	Consolidated Group	
	2020	2019
	\$	\$
Unearned revenue	812,474	390,458
At 1 July 2019	390,458	623,824
Deferred during the year	6,008,719	7,515,948
Released to statement of profit or loss	(5,586,702)	(7,749,314)
At 30 June 2020	812,474	390,458

The amount of the contract liability recognised at the beginning of the period was recognised as revenue during the 2020 year. All contract liabilities outstanding at 30 June 2020 are expected to be recognised as revenue within the next twelve months.

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 12 Interest Bearing Debt

Current financial liabilities

	Consolidated Group	
	2020	2019
	\$	\$
Finance lease liability due within 12 months	-	103,612
Unsecured related party loans due within 12 months	-	38,907
Unsecured loans due within 12 months	2,015,680	-
	<u>2,015,680</u>	<u>142,519</u>

Non-current financial liabilities

	Consolidated Group	
	2020	2019
	\$	\$
Finance lease liability	-	71,143
Unsecured related party loans	4,970,972	4,167,276
	<u>4,970,972</u>	<u>4,238,419</u>

Note 13 Provisions

Current

	Consolidated Group	
	2020	2019
	\$	\$
Employee - annual leave	507,544	465,898
Other	120,697	126,428
	<u>628,241</u>	<u>592,326</u>

Non-current

	Consolidated Group	
	2020	2019
	\$	\$
Provision for pension liability	269,087	199,923
Provision for long service leave	342,216	267,254
Provision for lease rental incentive	-	2,453,828
	<u>611,303</u>	<u>2,921,005</u>

Movement in provisions

Movements in provisions are set out below:

	Lease Rental	Pension Liability *	Long Service Leave	Total
	\$	\$	\$	\$
At 30 June 2018	2,306,200	94,742	163,044	2,563,986
Arising during the year	154,927	-	104,211	259,138
Utilised/provision released	(7,300)	105,181	-	97,881
At 30 June 2019	<u>2,453,827</u>	<u>199,923</u>	<u>267,255</u>	<u>2,921,005</u>
Arising during the year	-	-	74,961	74,961
Utilised/provision released	(2,453,827)	69,164	-	(2,384,663)
At 30 June 2020	<u>-</u>	<u>269,087</u>	<u>342,216</u>	<u>611,303</u>

* The Group has an obligation in the Philippines to provide for the retirement obligations of staff after 5 years of service should that person reach retirement age.

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 14 Financial instruments at fair value through profit and loss

The carrying values of all financial instruments approximate their fair values at end of reporting period.

	Consolidated Group	
	2020	2019
	\$	\$
Current		
Derivative Liability	324,606	-
Non-Current		
Derivative Liability	915,940	218,630

As part of the financing agreement with Lucerne Investment Partners (Lucerne), and the drawdown of the initial \$2,000,000, 16,666,667 options were issued to Lucerne. These options have an exercise price of the lower of 12 cents per share or 20% discount of the price of any future equity raise and are exercisable for up to 4 years from the initial drawdown. The options are valued using a black scholes model and are carried at fair value through the profit or loss as a current liability.

Note 15 Issued Capital

	Consolidated Group	
	2020	2019
	\$	\$
830,581,138 fully paid ordinary shares; 1,116,000 partly paid ordinary shares (2019: 691,457,154 fully paid ordinary shares; 1,116,000 partly paid ordinary shares)	85,816,638	80,519,621
Cost of capital raising	(2,450,498)	(2,434,337)
	<u>83,366,140</u>	<u>78,085,284</u>

(a) Ordinary Shares

	No. Shares	\$
30 June 2018 share capital	688,552,154	78,085,284
Share issue - 8 March 2019	7,700,000	-
share buy back - 27 March 2019	(4,795,000)	-
30 June 2019 share capital	<u>691,457,154</u>	<u>78,085,284</u>
Share Issue -12 August 2019	75,000,000	3,000,000
Share Issue -19 August 2019	18,750,000	750,000
Share buy back - 4 December 2019	(5,000,000)	-
Share Issue - Advisory fee paid in Equity - 14 April 2020	25,373,984	787,017
Share Issue - 29 May 2020	25,000,000	750,000
Payments received under exercise of employee share plan	-	10,000
Transaction costs relating to capital raising	-	(16,161)
30 June 2020 share capital	<u>830,581,138</u>	<u>83,366,140</u>

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 15 Issued Capital continued

- On 8 March 2019 – the Company issued 7,700,000 employee loan shares, pursuant to the Company's employee share plan. Refer note 16 for further details on this share-based payment arrangement.
- On 27 March 2019 – the Company completed a buy-back of 4,795,000 shares under the Employee Share Plan and sign on shares forfeited by employees when they resigned from the Group.
- On 12 August 2019 – the Company issued 75,000,000 shares under a share placement at the issue price of \$0.04 per share.
- On 19 August 2019 – the Company issued 18,750,000 shares under a share placement at the issue price of \$0.04 per share.
- On 4 December 2019 – the Company completed a buy-back of 5,000,000 shares from current and former directors issued on terms consistent with the Employee Share Plan and expired as their conditions were not met.
- On 14 April 2020 – the Company issued 25,373,984 shares to legal counsel who agreed to be remunerated via equity. Shares were issued at the price of \$0.03 per share.
- On 29 May 2020 – the Company issued 25,000,000 shares under a share placement at the issue price of \$0.031 per share.

b) Options

- i. No options were issued to key management personnel during the financial year.

c) Capital Management

Management control the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

During 2020, the Group has not paid any dividends.

Note 16 Retained Earnings/ (Losses) and Reserves

(a) Movement in retained earnings/ (losses) and reserves

	Consolidated Group	
	2020	2019
	\$	\$
Balance 1 July	(83,513,722)	(78,712,583)
Net (loss) / profit for the period	(10,264,692)	(4,742,968)
Other comprehensive income / (loss)	(7,237)	(58,171)
Balance 30 June	<u>(93,785,651)</u>	<u>(83,513,722)</u>

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 16 Retained Earnings/ (Losses) and Reserves continued

(b) Other reserves

	Consolidated Group		
	Share based payments	Foreign currency translation	Total
	\$	\$	\$
At 30 June 2018	1,511,675	570,383	2,082,058
Foreign currency translation	-	563,905	563,905
Share based payment	9,228	-	9,228
At 30 June 2019	1,520,903	1,134,288	2,655,191
Foreign currency translation	-	296,867	296,867
Share based payment	13,959	-	13,959
At 30 June 2020	1,534,862	1,431,155	2,966,017

(c) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Share based payments reserve

The share based payments reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration.

Note 17 Share based payments

The expense recognised for services received during the year is shown in the table below:

	Consolidated Group	
	2020	2019
	\$	\$
Share options expense		
Expense/(write back) arising from equity-settled share-based payments	-	-
Employee services		
Expense arising from the amortisation of employee sign on and bonus shares	-	-
Expense arising from the amortisation of the employee share plan	13,959	9,228
Total expense arising from share based payment transactions	13,959	9,228

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 18 Cash Flow Information

	Consolidated Group	
	2020 \$	2019 \$
Reconciliation of net (loss) / profit after tax to net cash flows from operations		
Loss after income tax expense	(10,264,692)	(4,742,968)
<i>Non cash items</i>		
Depreciation and amortisation	2,580,836	1,413,716
Impairment Loss	1,096,000	-
Foreign exchange loss	(109,998)	114,432
Bad debts	60,550	83,436
Share based payments expense	13,959	9,228
Fair value loss (gain) on derivatives	1,021,916	(116,498)
Interest accrued	967,723	325,324
Net (profit) / loss on sale of plant & equipment	(38,471)	4,890
	(4,672,177)	(2,908,440)
Change in assets and liabilities		
Decrease / (Increase) in receivables	1,164,342	(895,628)
Increase / (Decrease) in contract assets	179,655	(34,468)
Decrease / (Increase) in inventory	16,485	4,370
Decrease / (Increase) in prepayments	49,573	113,732
Decrease / (Increase) in deferred tax assets	(45,663)	83,322
(Decrease) / Increase in payables and accruals	(879,699)	1,164,188
Increase / (Decrease) in contract liabilities	398,766	(233,366)
Increase / (Decrease) in provisions current	33,869	4,061
Increase / (Decrease) in current tax liabilities	(16,795)	5,999
Net cash used in operating activities	(3,771,644)	(2,696,230)

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 19 Leased assets and leased liabilities

Lease arrangements (30 June 2020)

The following information relates to the current reporting period only, and is presented in accordance with AASB 16 Leases (which was applied by the group for the first time in the current reporting period).

Lease assets

	2020
	\$
Carrying amount of leased assets :	
Buildings under lease arrangements	
At cost	3,837,569
Accumulated depreciation and impairment	<u>(1,484,583)</u>
	2,352,986
Land under lease arrangements	
At cost	3,887,672
Accumulated depreciation	<u>(253,300)</u>
	3,634,372
Vehicles under lease arrangements	
At cost	312,068
Accumulated depreciation	<u>(198,687)</u>
	113,381
Total carrying amount of leased assets	<u><u>6,100,739</u></u>

Movements in carrying amounts for each class of right-of-use asset between the beginning and the end of the current financial year are as follows:

	Land	Buildings	Motor Vehicles	Total
Balance at 30 June 2019	-	-	-	-
Impact of initial adoption of AASB 16	3,887,672	3,785,876	175,651	7,849,199
Additions	-	51,693	-	51,693
Depreciation	(248,697)	(1,044,384)	(62,270)	(1,355,351)
Impairment loss	-	(441,205)	-	(441,205)
Exchange rate differences	(4,603)	1,006	-	(3,597)
Balance at 30 June 2020	<u>3,634,372</u>	<u>2,352,986</u>	<u>113,381</u>	<u>6,100,739</u>

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 19 Leased Assets and Leased Liabilities continued

Lease liabilities

	2020
	\$
Lease liabilities - current	
Land	173,046
Buildings	1,204,146
Motor vehicles	83,995
	<u>1,461,187</u>
Lease liabilities - non-current	
Land	6,252,951
Buildings	2,113,012
Motor vehicles	7,243
	<u>8,373,206</u>
Total carrying amount of lease liabilities	<u>9,834,393</u>

Movements in lease liabilities for each class of right-of-use asset between the beginning and the end of the current financial year are as follows:

	Land	Buildings	Motor Vehicles	Total
Balance at 30 June 2019	-	-	-	-
Impact of initial adoption of AASB 16	6,211,650	3,862,843	174,755	10,249,248
Additions		51,693		51,693
Lease repayments	(570,378)	(954,703)	(92,353)	(1,617,435)
Interest	643,700	345,830	8,836	998,367
Exchange rate differences	141,025	11,495	-	152,520
Balance at 30 June 2020	<u>6,425,997</u>	<u>3,317,158</u>	<u>91,238</u>	<u>9,834,393</u>

In the financial year ended 30 June 2020, the Group incurred expenses of \$613,026 relating to leases of 12-months or less and low value items (for which a lease asset and lease liability has not been recognised).

Non-cancellable operating lease arrangements

	2020	2019
	\$	\$
Future minimum lease payments to be made:		
- Not later than 1 year	377,229	1,884,134
- Later than 1 year and not later than 5 years	298,125	5,049,071
- Later than 5 years	-	6,884,947
Aggregate lease payments contracted for at reporting date	<u>675,354</u>	<u>13,818,152</u>

Non-cancellable lease arrangements in 2020 represent lease commitments for leases of 12-months or less and low value items.

Notes to the Financial Statements for the Year Ended 30 June 2020 continued

Note 19 Leased Assets and Leased Liabilities continued

Finance Lease arrangements

The following is a reconciliation of the total undiscounted future lease payments to be made by the group in relation to finance leases to the carrying amount of finance lease liabilities.

	2020 \$	2019 \$
Undiscounted future lease payments to be made:		
- Not later than 1 year	-	111,837
- Later than 1 year and not later than 5 years	-	82,624
- Later than 5 years	-	-
Total undiscounted future lease payments to be made	-	194,461
Less: future finance charges	-	(19,707)
Carrying amount of finance lease liabilities	-	174,754