

# Site

Site Group International Limited  
and Controlled Entities

ABN 73 003 201 910

Annual report – 30 June 2020

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## Annual General Meeting

The Annual General Meeting of the Company will be held at

Time: 11:00am

Date: Thursday, 26 November 2020

Location: 488 Queen Street,  
Brisbane QLD 4000.

## Managing Director and CEO Letter

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 compared to a loss of \$4,495,157 in the prior corresponding period.

Both of these years' 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 across the group, 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.

## Regulatory Actions

Litigation with regulatory bodies ACCC in the Federal Court in June and ASQA in the Administrative Appeals Tribunal in July remain in process with decisions expected possibly this year. Site has no view as towards outcome or possible further actions or appeals by any parties involved.

## COVID-19

As previously announced and as shareholders are aware, COVID-19 has had significant effects in economies around the world.

Site continues to provide services in most jurisdictions albeit in reduced or intermittent delivery in some places such as Philippines, Myanmar and PNG. Overall International revenues have decreased by 24%, however recent renewals of contracts in Kingdom of Saudi Arabia for 2 years providing revenues of circa AUD\$7.5m and likely renewal of Engineering Work Experience Program (EWEP) in Myanmar are encouraging. Site has also renewed negotiations with GE for Clark based technician programs throughout FY2021.

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Site has reasonable expectations of further significant training contracts in Kingdom of Saudi Arabia and Bahrain with additional early stage discussions in several other countries in the region. Expectations are that the Middle East and North Africa (MENA) regions will lead to significant growth for the international business including the delivery of a Safe Live Process Plant (SLPP) in FY2021.

Site has also renewed negotiations with GE for Clark based technician programs throughout FY2021

In Australia, the essential nature of the Industry based programs is seeing significant return towards previous levels of training required to service Australia's largest resources projects.

### **Clark Property**

As previously announced Site is pursuing the potential development of its Clark leasehold 30 hectare property as part of its strategy to maximise international assets values. Whilst the progress has been interrupted by COVID-19 and the closure of Government offices in the region, there are now signs of the agencies located outside Metro Manila returning to work. There is also a return to commercial discussions around the property and Clark in general with several parties renewing discussions around partnering and investing in the project.

I would like to thank our ongoing directors Peter Jones (Chairman of Site Group International Limited) and Nicasio Alcantara (Chairman of Site's International Operations), CFO and Company Secretary Craig Dawson, all management and staff and equally all shareholders for their ongoing support.



Vernon Wills  
Managing Director and CEO

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## Corporate Directory

<b>Directors</b>	Peter Jones (Chairman) Vernon Wills Nicasio Alcantara
<b>Company Secretary</b>	Craig Dawson
<b>Chief Executive Officer</b>	Vernon Wills
<b>Principal registered office in Australia</b>	Site Group International Limited Level 4, 488 Queen Street Brisbane Qld 4000 Telephone: +61 7 3114 5188
<b>Principal place of business</b>	Site Group International Limited Level 4, 488 Queen Street Brisbane Qld 4000 Telephone: +61 7 3114 5188
<b>Share registry</b>	Computershare Investor Services Pty Limited Level 1, 200 Mary Street Brisbane QLD 4000, Australia Telephone: +61 7 3237 2100
<b>Auditor</b>	Pitcher Partners Level 38, 345 Queen Street Brisbane QLD 4000, Australia Telephone: +61 7 3222 8444
<b>Solicitors</b>	Hopgood Ganim Level 8, 1 Eagle Street Brisbane Qld 4000 Telephone: +61 7 3024 0000
<b>Bankers</b>	National Australia Bank Cnr. Adelaide and Creek Streets Brisbane QLD 4000  Westpac Banking Corporation 45 Adelaide Street Fremantle WA 6160
<b>Stock exchange listing</b>	Site Group International Limited shares are listed on the Australian Securities Exchange (code: SIT)
<b>Web site address</b>	<a href="http://www.site.edu.au">www.site.edu.au</a>

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# SITE GROUP INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 73 003 201 910

Financial Report for the Year Ended  
30 June 2020

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## Directors' Report

Your Directors submit herewith the financial report of Site Group International Limited (the Company) and its controlled entities (the Group) for the year ended 30 June 2020.

### Directors

The directors in office at any time during or since the end of the financial year, together with their qualifications and experience are:

#### **Vernon Wills – Managing Director and CEO**

Vern established Site to provide skills training and workforce planning solutions by initially developing a 300,000m<sup>2</sup> Philippines facility at the Expo Filipino site at Clark Freeport, after he identified a market gap in Australian training providers delivering international training for industry and major projects.

Prior to Site, Vern has had an extensive career in investment and finance as well as building start up and early stage companies such as Go Talk Ltd and Dark Blue Sea Ltd. Additionally he serves as a Director of Eumundi Group Ltd (since September 2004) and was previously a director of the Greg Norman Golf Foundation, CITEC, and Deputy Chair of the Queensland Government's Major Sports Facilities.

#### **Nicasio Alcantara BA, MBA – Non-Executive Director**

Mr Alcantara was appointed Director of the company on 12 October 2010 and has been a director of Site Group Holdings Pty Ltd since June 2009. Mr Alcantara is an experienced director with over 40 years' experience in both public and private companies and his diverse industry experience includes manufacturing, banking & finance, property, information technology, agriculture and power & energy.

Mr Alcantara is currently a director of Alsons Corporation, Alsons Development & Investment Corporation, C. Alcantara & Sons Inc., Lima Land Inc., Sarangani Agricultural Co. Inc, Seafront Resources Corporation (appointed 1995), the Philodril Corporation (appointed 1991), Indophil Resources NL (appointed 29 December 2011) and BDO Private Bank Inc.

Mr Alcantara has also previously been Chairman and President of Alsons Consolidated Resources Inc., Iligan Cement Corporation, Alsons Cement Corporation, Northern Mindanao Power Corporation and Refractories Corporation of the Philippines. He was also previously Chairman and Chief Executive Officer of Petron Corporation and a director of Bank One Savings and Bancasia Capital Corporation.

#### **Peter Jones ACA – Chairman and Non-Executive Director - Appointed director 29 May 2017 and appointed Chairman 30 June 2019**

Mr. Jones is a Chartered Accountant and was formerly a founding director of Investor Group Limited (now Crowe Horwath), a listed financial services company.

Mr Jones has a strong track record as a successful investor in public and private companies. He was previously also a director of ASX listed Biotech Capital Limited (resigned 26 November 2019).



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## Directors' Report continued

### Company Secretary

#### Craig Dawson BCom, ACA

Mr Dawson is the Chief Financial Officer of the Group. He brings extensive financial management experience gained in ASX listed entities with both local and international operations in a variety of industries including media, financial services, gaming and wagering and most recently in the rapidly growing online sector.

Most notably, Mr Dawson was CFO of Wotif.com for over 4 years as the group experienced rapid earnings growth, greatly extended its geographical reach and expanded its brands and products through both organic and acquisition growth. Prior to that, Mr Dawson was Queensland General Manager – Corporate Services at Tatts Group Limited heading up the finance and administration divisions of Tatts Queensland operations.

Mr Dawson holds a Bachelor of Commerce and is a Chartered Accountant.

### Committee membership

As at the date of this report, the company had an Audit and Risk committee and a Nomination and Remuneration committee of the board of directors. Members acting on the committees of the board during the year and up to the date of this report were:

#### Audit and Risk Committee (AC)

- Peter Jones (c)
- Nicasio Alcantara

Mr Jones is a Chartered Accountants and Mr Alcantara has extensive corporate experience and is qualified to serve on this Committee.

#### Nomination and Remuneration Committee (NRC)

- Peter Jones (c)
- Nicasio Alcantara

(c) Designates the chairman of the committee.

### Meetings of Committees

	Board No.	Attended No.	AC No.	Attended No.	NRC No.	Attended No.
Vernon Wills	5	5	2	2*	1	1**
Nicasio Alcantara	5	5	2	2	1	1
Peter Jones	5	5	2	2	1	1

\* ex officio attendance

\*\* The CEO attended part of the Nomination and Remuneration Committee meeting before excluding himself from the meeting.

All directors were eligible to attend all meetings held.

### Principal activity

The principal activity of the company during the period was the provision of training and education services in Australia and Internationally. The company is delivering workforce solutions across a variety of industries to both retail and corporate clients. There has been no significant change in the principal activities of the consolidated entity during the period.

The company has adopted expansion plans via both organic growth and through prudent acquisition activity with a view to diversifying funding sources and diversifying course and program offerings.

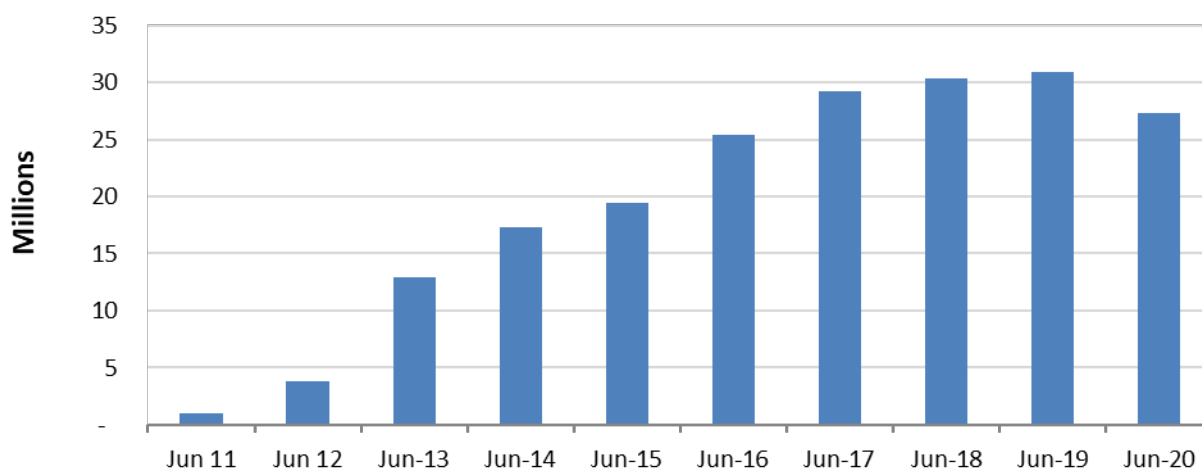
## Directors' Report continued

### Operating and financial review

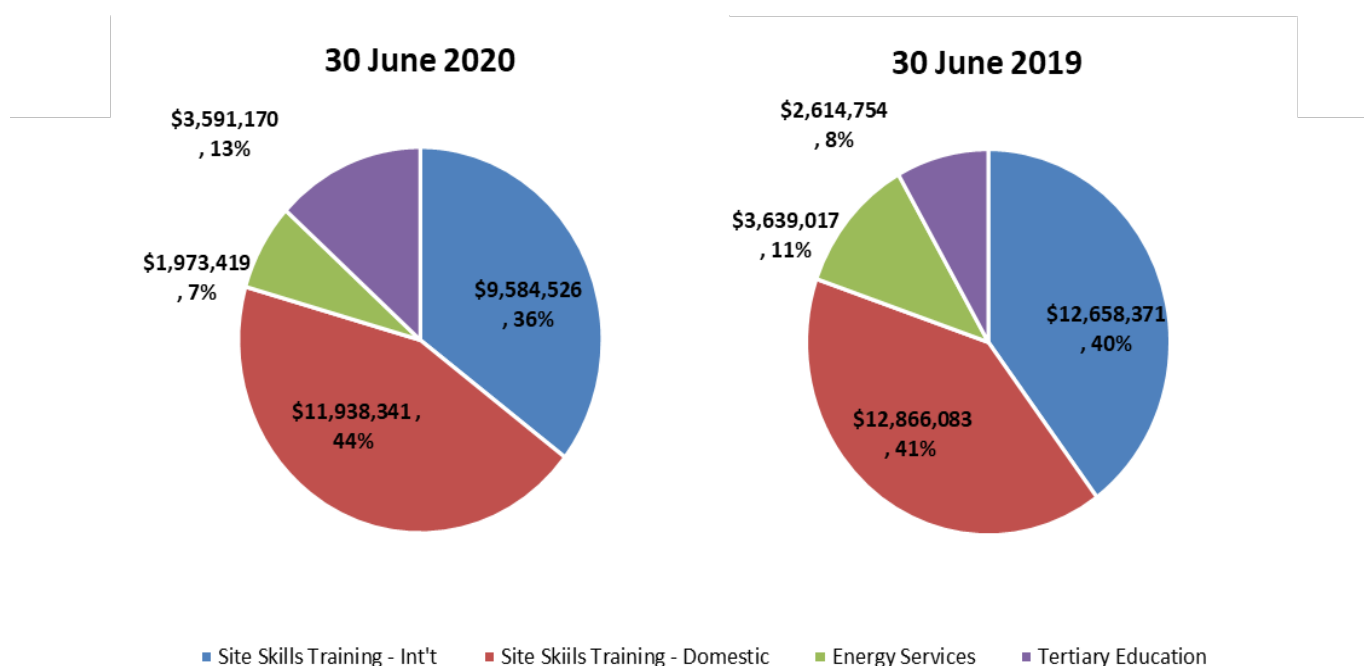
#### Group

Site business growth in revenue is demonstrated in the below graph. Total revenue from operations for the year ended 30 June 2020 was down 12% to \$27,259,059 (2019: \$30,913,290).

#### Yearly Revenue



Revenue contribution and activity by each segment is illustrated in the two charts below. This highlights the growing revenue from the tertiary education business, and the decline in the revenue of the other business units.



*Gross Revenue by Segment 30 June 2020 versus 30 June 2019 (excludes eliminations)*

A fall in revenues in excess of \$2,000,000 was recorded in the June quarter alone as a result of the COVID-19 pandemic.

## Directors' Report continued

### Operating and financial review continued

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)	-	( 727,824)	-	( 93,722)	-

\* 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. EBITDA is not an audited number.

\*\*This a non-IFRS measure and is not an audited number.

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 (\$4,380,962 excluding non-recurring impairment) compared to a loss of \$4,495,157.

These results include material expenditure on legal fees and significant executive time dealing with the associated proceedings. Site's dispute with the Australian Skills Quality Authority (ASQA) in the Administrative Appeals Tribunal (AAT) was recently heard, as well as the Federal Court hearing with the Australian Competition and Consumer Commission (ACCC) litigation. Site is waiting the outcomes of both hearings.

As a consequence of the impairment taken in the previous financial years, no amount has been reflected in the balance sheet for the receivable (\$20,977,645 – refer note 7) due from the Commonwealth Government Department of Education and Training (DET), even though the Group maintains the position that it is entitled to the funds. Non-current trade and other payables \$5,595,083 will not result in an outflow of funds from the Group unless the DET receivable is collected.

Site has expended and continues to expend significant operational resources ensuring that SSG remains compliant to achieve the favourable outcome in the AAT and focus on ensuring the best interests of clients and students. SSG continues to be impacted with customers postponing training until the appeal process is finalised.

Following the initial announcement in June 2018 to separate the responsibility for the Domestic and International business, the group continues to investigate growth and utilisation options of its leasehold in Clark Freeport Zone ("Clark") Philippines. The optimisation of the Clark asset remains a core focus however the development timetable has been extended due to the impact of COVID-19 on the global and Philippines economy.

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## Directors' Report continued

### Operating and financial review continued

#### 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 SST 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, SST 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 Nairyah 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.

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## Directors' Report continued

### Operating and financial review continued

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.

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## Directors' Report continued

### Operating and financial review continued

#### Cash position

At 30 June 2020, the Company had cash reserves of \$1,246,819 and a net current asset deficiency of \$4,858,302. No amount is reflected in the balance sheet for the receivable due from the Commonwealth Government Department of Education and Training (DET), even though the group maintains the position that it is entitled to the funds. The Company has a financing facility with Punta Properties for \$US4,000,000 which is drawn to \$US2,900,000 and on 31 December 2019 drew down the A\$2,000,000 of the facility agreement with Lucerne Investment Partners.

#### Risks

Risk management is overseen by the Audit and Risk Committee for the Group via the maintenance and review of a risk register.

The following sets out a summary of some of the key risks relevant to the Company and its operations:

Risk	Details
Regulatory risk	The Group operates in a highly regulated market and the Group is regulated by the Australian Federal and State Governments and the Philippine Government. Failure to meet regulatory requirements may impact materially on the business.
Financing	The ability to implement its business strategy may be dependent upon the Group's capacity to raise additional capital. There is a risk that the Group may not be able to secure such funding on satisfactory terms or at all.
Sovereign risk	The Group has significant operations in the Philippines. Those operations are potentially subject to a degree of political risk and civil disobedience, although the location of Clark Education City within the Clark Freeport Zone helps mitigate such risks.
Cultural unrest	Any cultural unrest or perceived cultural unrest in the location of the campuses may result in decreased client interest.
Competition	The market for education services in Australia and worldwide is highly competitive and the group is likely to encounter strong competition from other entities as well as other countries for training and education.
Industry downturn	The industries to which the Group provides services may be affected by factors outside the Group's control.
Limited operating history	Site's business model is relatively new, and Site is yet to generate recurring profits from its group activities. The Group will be subject to all of the business risks and uncertainties associated with any developing business enterprise.
Material contracts	The Group has entered into various contracts which are important to the future of the Group. Any failure by counterparties to perform their job, or obligations could have an adverse effect on the Group.
CDC lease	The Group has entered a long term lease with Clark Development Corporation ( <b>CDC</b> ). There are a number of circumstances in which the CDC lease may be terminated (subject to compliance with provisions enabling certain breaches to be remedied) by CDC in which case Site does not have any rights to compensation or reimbursement for funds expended on the leased land, improvements and moveables on the leased property pass to CDC on

<b>Risk</b>	<b>Details</b>
	termination. Such termination may occur where Site has breached a provision of the CDC lease or where there is an insolvency event. The CDC lease may also be terminated in the event of any governmental expropriation of the leased property. In the event that the CDC lease was terminated, Site would no longer be in a position to operate its Philippines facility which would have significant impact on the Group and the Group's ongoing operations.
Currency	Some of Site's revenue streams and expenses are denominated in currencies other than the Australian Dollar. It is possible that foreign exchange rates could move in a manner which would be unfavourable to the Company.
Large holdings by some shareholders	The two most significant existing shareholders (and their associates) have combined holdings of approximately 30% of the shares which may impact on liquidity in the public market for the sale of shares which may adversely affect the market price.
Key employees	A small number of key employees are responsible for the day to day and strategic management of the Group. The Company has sought to mitigate the risk associated with this structure through entering service and employment agreements.
Natural catastrophe	The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, drought, volcanic eruption and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Group's operations.
Foreign judgements	Whilst there are procedures for recognising foreign laws and judgements in the Philippines, the Philippine courts may reject the applicability of foreign law or judgment when the foreign law, judgment or contract is contrary to a sound and established public policy of the forum. Additionally, Philippine prohibitive laws concerning persons, their acts or property, and those which have for their object public order, public policy and good customs shall not be rendered ineffective by laws or judgments promulgated, or by determinations or conventions agreed upon in a foreign country. Accordingly, the enforcement of rights of the Group within the Philippines with respect to foreign judgments and laws may be adversely affected by observance of Philippine procedural laws.
Material arrangements	The Group has and expects to continue to enter into arrangements which are important to the future of the Group. It may be the case that these arrangements are non-binding and therefore unenforceable. The Group is also reliant upon third parties maintaining appropriate qualifications and accreditations and to the extent that these are not maintained, there may be an adverse impact on the Group.
Geographic concentration	The Group's expansion plans include the Philippines, Western Australia, Northern Territory and Queensland as well as potentially other national and international jurisdictions. If there are circumstances which impact negatively on these jurisdictions, this may adversely affect the Group's continuing operations.



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## Directors' Report continued

### Operating and financial review continued

#### 2021 Outlook

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 suitable trained workforce.

The leasehold land held by Site's wholly owned subsidiary Site Group Holdings (SGH) is currently approved as a mixed-use educational campus and related training facilities with the ability to sublease for mixed use purposes. As previously announced Site is investigating the potential development of its Clark leasehold 30 hectare property. Whilst the progress has been interrupted by COVID-19 and the closure of Government offices there is now signs of return to work in agencies located outside Metro Manila. There is also a return to commercial discussions around the property and Clark in general with several parties renewing discussions around partnering and investing in the project.

### Directors' shareholdings as of the date of this report

Director	Shares
Vernon Wills	123,395,630
Peter Jones	56,819,466
Nicasio Alcantara	8,371,325

### Significant changes in state of affairs

During the year the group was involved in the following significant transactions:

#### Capital Management

- In August 2019, the company successfully completed the issue of 93,750,000 shares under a private placement at 4 cents per share to raise 3,750,000.
- In 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 that expired as their condition were not met.
- In December 2019 the company announced a \$15,000,000 financing facility with Lucerne Investment Partners and drew down an initial \$2,000,000 of the facility. In March 2020 the company announced that due to market conditions brought on through the COVID-19 pandemic, all further planned drawdowns have ceased and the arrangement suspended.
- In 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 3.1 cents per share.
- In May 2020 the company successfully completed the issue of 25,000,000 shares under a private placement at the issue price of 3 cents per share to raise \$750,000.



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## Directors' Report continued

### After balance date events

In July 2020 the company successfully completed a share purchase plan raising \$353,400 via the issue of 11,780,000 shares at 3 cents per share.

Other than as noted elsewhere in this report there has been no other significant events post balance date.

### Dividends paid

There have been no dividends paid.

### Environmental issues

The Group's operations are not regulated by any significant environment regulation under a law of the Commonwealth or of a State or Territory.

### Share options

As at the date of this report there were no unissued shares under options.

In November 2011 the Shareholders approved the establishment of an Employee Share Plan that would enable employees, directors and eligible associates to subscribe for shares in the Company. Under the terms of the plan an eligible person is offered shares in the Company at a price determined by the board with a corresponding interest free loan to assist the person to subscribe for the shares. The shares are escrowed in two tranches with 50% being escrowed for 12 months and 50% being escrowed for 24 months. Subsequent to these minimum restriction periods, the shares are available for release from escrow on the repayment of the loan, and subject to continuation of employment (or acting as an associate or director) at the time of repayment.

During the prior year the company issued 7,700,000 shares under the employee share plan with a loan amount payable (option exercise price) of 4 cents per share. Details of these shares are outlined in note 20 to the financial report.

As at 3 September 2020, there are 7,450,000 ordinary shares subject to escrow restrictions.

### Indemnification and insurance of directors and officers

During the financial year, the Company paid premiums for directors' and officers' liability insurance in respect of Directors and officers, including executive officers of the Company and Directors, executive officers and secretaries of its controlled entities as permitted by the *Corporations Act 2001*. The terms of the policy prohibit disclosure of details of the insurance cover and premiums.

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Pitcher Partners, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Pitcher Partners during or since the financial year.

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## Directors' Report continued

### Non-audit services

Non-audit services were provided by the company's auditor, Pitcher Partners, in the current financial year and in the comparative financial year. The Directors are satisfied that the provision of non-audit services is compatible with the general standards of independence for the auditor imposed by the *Corporations Act 2001*. Refer to note 25 Auditor's Remuneration in the financial reports for details and amounts for the provision of non-audit services.



Vernon Wills  
Director  
29 September 2020

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## Directors' Report continued

### Remuneration Report (audited)

This remuneration report for the year ended 30 June 2020 outlines the remuneration arrangements of Site Group International Limited (the Company) and its controlled entities (the Group) in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term "executive" includes the Chief Executive Officer (CEO), executive directors and other senior executives of the Group.

#### *Nomination and Remuneration Committee*

The directors established a Nomination and Remuneration Committee in 2012 and have agreed a charter and process. The committee convened once during the 2020 financial year with final discussions about remuneration or appointments being approved by the full board. The Nomination and Remuneration committee comprises two independent Non-Executive Directors (NEDs).

The Nomination and Remuneration Committee has delegated decision making authority for some matters related to the remuneration arrangements for NEDs and executives and is required to make recommendations to the board on other matters.

Specifically, the board approves the remuneration arrangements of the CEO and other executives. The board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval, and NED fee levels.

The board did not seek advice from external remuneration consultants during the year.

The remuneration of the Executive Directors and Non-Executive Directors is set by the Chairman of Directors and ratified by the Board of Directors.

#### **Directors**

The following persons were directors of the Company during the financial year:

- Vernon Wills – Managing Director and Chief Executive Officer
- Nicasio Alcantara – Non-Executive Director
- Peter Jones – Non- Executive Director

#### **Executives (other than directors) with the greatest authority for strategic direction and management**

The following person was the executive with the greatest authority for the strategic direction and management of the Group ("specified executives") during the financial year;

- Craig Dawson – Chief Financial Officer

This executive was also considered part of the Key Management Personnel of the Group.

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## **Directors' Report continued**

### **Remuneration Report (audited) continued**

#### **Remuneration of directors and executives**

##### **Principles used to determine the nature and amount of remuneration**

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

##### **Relationship between remuneration and financial performance**

The Group is still in the build phase and has incurred additional costs during the build out. Therefore, there is no direct relationship between the Group's financial performance and either the remuneration of directors and executives or the issue of shares and options to the directors and executives. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives.

##### **Executive and non-executive directors**

Fees and payments to executives and non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Executive and non-executive directors' fees and payments are reviewed annually by the Board.

##### **Directors' fees**

There were Directors' fees paid during the year to the NEDs with the executive director receiving a fixed salary of a full-time employee.

##### **Executive pay**

The executive pay and reward framework has the following components:

- Base pay benefits
- Other remuneration such as fringe benefits and superannuation
- STI payable based on predetermined KPI's
- Eligibility to participate in the Employee Share Plan

The combination of these comprises the executive's total remuneration.

##### **Base pay**

Base pay is structured as a total employment cost package which is delivered in cash. Executives are offered a competitive base pay that comprises the fixed component of pay. Base pay for senior executives is reviewed annually. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases fixed in any senior executives' contracts.

##### **Retirement benefits**

Retirement benefits are delivered under a range of different superannuation funds. These funds provide accumulated benefits. Where applicable, statutory amounts are contributed to super funds for all Australian based Directors and Executives.

##### **Executive contractual arrangements**

As Non-Executive Directors are not employees of the company, there are no contractual agreements with these parties.

Vernon Wills is employed as the Chief Executive Officer through a services contract with Wayburn Holdings Pty Limited on consistent terms with other executives. No sign on shares were granted.

Escrowed shares are issued at the discretion of the Remuneration Committee from time to time.

## Directors' Report continued

### Remuneration Report (audited) continued

Remuneration arrangements for other executives are formalised in employment agreements. Details of these contracts are provided below. All other executives have contracts with unspecified ending dates. The contracts are continuing unless terminated by either party. Executive termination provisions are as follows:

	<i>Employer initiated termination</i>	<i>Termination for cause</i>	<i>Employee initiated termination</i>
<i>CEO notice period</i>	3 Months	None	3 Months
<i>CFO notice period</i>	6 months	None	3 Months

### Details of remuneration

Details of the remuneration of each director of the Company and the specified executive of the Group, including their personally related entities, are set out in the following tables.

#### Directors

The board seeks to set NED fees at a level which provides the Group with an ability to attract and retain NEDs with the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Group's constitution and ASX listing rules specifies the NED maximum aggregate fee pool shall be determined from time to time at a general meeting. The latest determination was at the 2010 AGM held on 22 November 2010 when shareholders approved an aggregate fee pool of \$350,000 per year.

NED fees consist of base fees and committee fees recognising the additional time commitment required by NEDs who serve on Board committees. The NEDs may be reimbursed for expenses reasonably incurred for attending to the Group's affairs. NEDs do not receive retirement benefits beyond applicable superannuation contributions.

2020	Short Term Benefits			Post-employment	Long Term Benefits	Share-based Payments		
Name	Cash Salary	Directors Fees	Non-monetary benefits	Super-annuation	Long Service Leave	Options	Shares	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Vernon Wills	400,000	-	47,592	-	-	-	-	447,592
Nicasio Alcantara	-	88,912	-	-	-	-	-	88,912
Peter Jones	-	65,700	-	-	-	-	-	65,700
Total	400,000	154,612	47,592	-	-	-	-	602,204

2019	Short Term Benefits			Post-employment	Long Term Benefits	Share-based Payments		
Name	Cash Salary	Directors Fees	Non-monetary benefits	Super-annuation	Long Service Leave	Options	Shares	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Vernon Wills	400,000	-	44,189	-	-	-	-	444,189
Nicasio Alcantara	-	83,501	-	-	-	-	-	83,501
Peter Jones	-	65,700	-	-	-	-	-	65,700
Total	400,000	149,201	44,189	-	-	-	-	593,390

## Directors' Report continued

### Remuneration Report (audited) continued

#### Specified executives of the consolidated entity

2020	Short Term Benefits		Post-employment	Long Term Benefits	Termination Benefits	Share-based Payments		
Name	Cash Salary	Non-monetary	Super-annuation	Long Service Leave		Options	Shares	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Craig Dawson	273,973	25,360	26,027	5,250	-	1,812	-	332,422
Total	273,973	25,360	26,027	5,250	-	1,812	-	332,422

2019	Short Term Benefits		Post-employment	Long Term Benefits	Termination Benefits	Share-based Payments		
Name	Cash Salary	Non-monetary	Super-annuation	Long Service Leave		Options	Shares	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Craig Dawson	274,952	24,588	26,027	5,247	-	4,781	-	335,595
Total	274,952	24,588	26,027	5,247	-	4,781	-	335,595

#### Short term incentive (STI)

Under the STI plan, executives have the opportunity to earn an annual incentive award which is delivered in cash or shares at the discretion of the Remuneration Committee. The STI recognises and rewards short term performance. The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures.

Group EBITDA and business unit EBITDA are the measures against which management and the remuneration committee assess the short term financial performance of the Group. Both V. Wills and C. Dawson had a maximum STI opportunity of 30% of their fixed remuneration. For FY20 and FY19 0% was earned and 100% forfeited because the service criteria were not met.

#### Director and key management personnel options and rights holdings

There were no options over ordinary shares held during the financial year by each KMP of the Group, other than in respect of the employee share plan below.

#### Director and key management personnel participation in the employee share plan

In November 2011 the Shareholders approved the establishment of an Employee Share Plan that would enable employees, directors and eligible associates to subscribe for shares in the Company. Under the terms of the plan an eligible person is offered shares in the Company at a price determined by the board with a corresponding interest free loan to assist the person to subscribe for the shares. The shares are escrowed in two tranches with 50% being escrowed for a minimum of 12 months and 50% being escrowed for a minimum of 24 months. Subsequent to these minimum restriction periods, the shares are available for release from escrow (i.e. vested and exercisable option) on the repayment of the loan, and subject to continuation of employment (including acting as an associate or director) at the time of repayment.

## Directors' Report continued

### Remuneration Report (audited) continued

For accounting purposes these shares are treated as if these were share options, as whilst the shares have been issued to the employee their rights to access the shares are subject to both a time based requirement (continued employment to escrow dates) and valuation uncertainty (share price exceeds issue price at date of escrow release). Accordingly, shares issued under the plan are valued using a Black Scholes Option Valuation model with the expense being recognised over the escrow period as a share based payment.

Mr Dawson was awarded 1,000,000 shares under the plan during the prior year, with a grant date of 8 March 2019 and a loan price (option exercise price) of 4 cents per share with 500,000 escrowed to 29 March 2019 and 500,000 escrowed to 29 March 2020. No amount has been paid by Mr Dawson in respect of these shares. The related options have a grant date fair value of 0.64 cents per share and 0.97c per share respectively for each tranche. There are no performance conditions attached to the shares other than the employee remaining with the group during the escrow period. The shares have an expiry date (last option exercise date) of 29 March 2022.

The number of ordinary shares held by each KMP of the group under the plan is as follows:

Name	Balance 1 July 2019	Granted as remuneration	Shares sold	Forfeited	Balance 30 June 2020	Tradable	Escrowed	Vested and Exercisable
Vern Wills	2,000,000	-	-	(2,000,000)	-	-	-	-
Nicasio Alcantara	1,000,000	-	-	(1,000,000)	-	-	-	-
Craig Dawson	1,000,000	-	-	-	1,000,000	-	1,000,000	1,000,000
Total	4,000,000	-	-	(3,000,000)	1,000,000	-	1,000,000	1,000,000

### Director and key management personnel share holdings

The number of ordinary shares held by each KMP, other than shares under the Employee Share plan, is as follows:

Name	Balance 1 July 2019	Granted as remuneration	Shares sold	Capital Raising <sup>#</sup>	Balance 30 June 2020
Vern Wills	122,395,630	-	-	-	122,395,630
Nicasio Alcantara	8,371,325	-	-	-	8,371,325
Peter Jones	56,819,466	-	-	-	56,819,466
Craig Dawson	1,000,000	-	-	-	1,000,000
Total	188,586,421	-	-	-	188,586,421

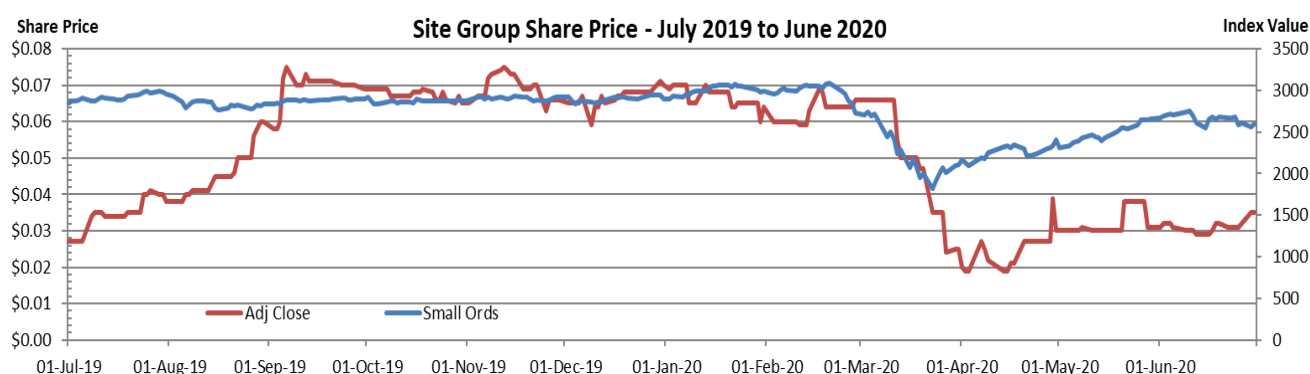
## Directors' Report continued

### Remuneration Report (audited) continued

#### Executive remuneration outcomes for 2020

As noted earlier the company is actively developing its core business in Asia and Australia in addition to the maximisation of the Clark property. Executive Remuneration is targeted at attracting and retaining quality people to lead the Company through this phase and on to profitability. The Company has incurred losses since 2017 however there are a number of metrics that may be used to judge the effectiveness of the leadership team during this period.

#### Share price performance



The graph above illustrates the relative performance of the Company share price over the past 12 months. The blue line is the performance of the small ordinaries index – in comparative terms the Company's share price has been significantly negatively impacted due to the regulatory actions currently in progress and the COVID-19 pandemic

#### Revenue growth

The following table details reported revenue of the core business for the past seven years:

	2020	2019	2018	2017	2016	2015	2014
Total revenue (\$)	27,259,059	30,913,290	30,306,134	29,213,400	25,406,177	19,467,233	17,314,375
Growth %	(12%)	2%	4%	15%	31%	12%	34%

Until 2020 and the impact of COVID-19, the group maintained growth of the business, consistent with the company's strategy of growing revenue in the vocational training and assessment field.

#### Net profit/ (loss) and earnings/ (loss) per share

The following table details the net profit/ (loss) and earnings/ (loss) per share including the discontinued operation for the past seven years:

	2020	2019	2018	2017	2016	2015	2014
Total profit/(loss)	(10,264,692)	(4,742,968)	(6,042,212)	(50,466,491)	9,404,816	1,946,454	(6,487,117)
Change %	(116%)	22%	88%	(637%)	383%	130%	(11%)
Earnings/(loss) per Share (cents)	(1.32)	(0.69)	(0.92)	(9.50)	1.84	0.40	(1.81)
Share price at year end	\$0.035	\$0.027	\$0.025	\$0.04	\$0.19	\$0.35	\$0.15



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## Directors' Report continued

### Remuneration Report (audited) continued

The impact of the impairments reported in 2020, 2018 and 2017, closure of the PP business and action currently taken by the regulator, the associated legal costs and the impact on some customers continue to significantly impact the share price and reported earnings per share. Additionally, the unexpected impact of COVID-19 on industries around the world has substantially impacted face to face delivery of training.

The leadership team are focused on continuing to grow the core business revenue, adapting to the current market environment, controlling costs and growing earnings.

#### Approval of the FY19 Remuneration Report

At the Annual General Meeting of the Company on 28 November 2019, the FY19 remuneration report was adopted by the shareholders with a vote of 98.9% in favour.

#### Loan from Director related entity – Wayburn Holdings Pty Ltd

During the current and comparative periods, the group made use of an unsecured loan facility with Wayburn Holdings Pty Ltd, a company associated with Managing Director and CEO Mr Vernon Wills.

The loan facility limit was \$2.35m to 31 December 2016, and \$1.32m from that point, repayable on the earlier of collection of the receivable from the Commonwealth Department of Education and Training (refer note 7) or February 2018.

During the current period the facility interest rate was reviewed and updated from a fixed rate of 7% per annum to 10% per annum. The rate change brings the loan facility interest rate in line with the interest rate applied to other related party loans. The rate change was applied to the lifetime of the loan resulting in an interest accrual totalling \$241,763.

The remaining loan balance was paid in full resulting in \$nil owing at period end.

Movements in the loan balance during the year are as follows:

	30-Jun-20	30-Jun-19
	\$	\$
Opening Balance	38,907	266,922
Interest accrued during the year	243,067	14,102
Principal repayments (cash)	-	(233,189)
Interest repayments (cash)	(281,974)	(8,928)
Closing Balance	-	38,907

#### Loan from Director related entity – Punta Properties Inc

On 21 June 2018, the Group announced a financing facility of US\$4million with Punta Properties, a company associated with Non-Executive Director Nicasio Alcantara. Repayment of funds drawn under the facility will be via cash or equity to be issued at the last issue price of 4 cents per share subject to approval of shareholders. Interest charged on the loan will be at a fixed rate of 10% per annum.

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## Directors' Report continued

### Remuneration Report (audited) continued

Movements in the loan balance during the year are as follows:

	30-Jun-20 \$	30-Jun-19 \$
Opening Balance	4,167,276	-
Drawdowns	-	4,006,980
Interest accrued during the year	708,976	368,090
Recognition of embedded derivative	-	(335,128)
Foreign Currency movement	94,720	127,332
Closing Balance	4,970,972	4,167,276

#### Other transaction with Directors and Key Management Personnel

In addition to the financing facility discussed above, the Group and Punta Properties agreed to a performance based incentive to develop and execute an optimisation plan for the Group's Philippines assets, associated businesses and international expansion. This incentive is payable on the total project value achieved from the optimisation plan at 5% of the total project value achieved. Should the plan reach a total project value of US\$30m a further 5% fee of the gross value is payable to Mr Alcantara. There is no retainer applicable or payable to this agreement. The agreement was approved by shareholder at the annual general meeting of shareholders on 22 November 2018.

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## Corporate Governance Statement

The Australian Securities Exchange Limited (ASX) listing rules require a listed Company to provide in its annual report a statement of the main corporate governance practices that it had in place during the reporting period. The ASX listing rules also require a listed Company to report any instances where it has failed to follow the recommendations issued by the ASX Corporate Governance Council (“the Principles of Good Corporate Governance and Best Practice Recommendations, 3<sup>rd</sup> Edition”) and the reasons for not following them.

The best practice recommendations of the ASX Corporate Governance Council are differentiated between eight core principles that the council believes underlie good corporate governance. The board’s statements to each core area are noted below:

### **Principle 1: Lay solid foundations for management and oversight**

*The ASX Corporate Governance Council guidelines recommend that the board recognise and publish the respective roles and responsibilities of the board and management and how their performance is monitored and evaluated. The framework of responsibilities should be designed to:*

- *enable the board to provide strategic guidance for the Company and effective oversight of management;*
- *clarify the respective roles and responsibilities of board members and senior executives in order to facilitate board and management accountability;*
- *undertake appropriate background checks on proposed new directors and ensure sufficient material information about a director being re-elected is provided to security holders;*
- *ensure a balance of authority so that no single individual has unfettered powers;*
- *ensure the Company enter in to written agreements with each director and senior executive setting out the terms of their appointment;*
- *ensure the company secretary be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board;*
- *establish a policy concerning diversity, that should include a requirement for the board to:*
  - *establish measurable objectives for gender diversity;*
  - *assess annually the objectives set for achieving gender diversity; and*
  - *assess annually the progress made towards achieving the objectives set; and*
- *evaluate the performance of senior executives, the board, committees and individual directors.*

The board of Site Group International Limited are responsible for:

- establishment of long term goals and strategic plans to achieve those goals;
- the review and adoption of the annual business plan and budgets for the financial performance of the Company and monitoring the results on a monthly basis;
- appointment and removal of the chief executive officer;
- ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- the approval of the annual and half yearly financial statements and reports.

These and other responsibilities are detailed in the approved Board Charter approved in February 2012.

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## Corporate Governance Statement continued

The board meets on a regular basis to review the performance of the Company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled board meetings, each board member is provided with a formal board package containing appropriate management and financial reports.

Written agreements are entered in to with each director clearly setting out their roles and responsibilities. The responsibilities of the management including the chief executive officer and chief financial officer are contained in letters of appointment and job descriptions given to each executive on appointment and updated from time to time, usually annually.

The board has not established formal evaluation criteria for the review of itself or its committees and has not undertaken a specific performance evaluation. The Site Group International Limited board uses a personal evaluation review to review the performance of Directors. Individual Directors are asked to communicate to the Chairman on a confidential basis to comment on their own performance, and the performance of the board and its committee. Key executives are reviewed periodically against the business objectives and their own contractual obligations, including their personal KPIs.

Appropriate background checks are conducted on proposed new Directors and material information about a director being re-elected is provided to security holders.

The company secretary work directly with the chair on the functioning of all board and committee procedures.

The board approved and issued a Diversity Policy in January 2012. The nature of the Site Skills Training part of the business providing high risk licencing and trades training results in a high proportion of the trainers being male however the company actively encourages the recruitment of female staff/contractors where available.

No specific measurable objectives have been established at this stage. As noted above, as the nature of the company's business is quite specific, setting measurable objectives may restrict the company's development at this stage. Notwithstanding this, the company actively encourages the recruitment of female staff/contractors where available and will continue to recruit and promote regardless of gender, age, ethnicity or cultural background.

The following table indicates the current gender mix of employees: -

	Male	Female	Male	Female	Total
Board	3	0	100%	0%	3
Executive and Senior Managers	10	1	91%	9%	11
All other	136	66	67%	33%	202
<b>Total</b>	<b>149</b>	<b>67</b>	<b>69%</b>	<b>31%</b>	<b>216</b>

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## Corporate Governance Statement continued

### Principle 2: Structure the board to add value

*The ASX Corporate Governance Council guidelines recommend that the board be structured in such a way that it:*

- is of an effective composition, size and commitment to adequately discharge its responsibilities;*
- has a proper understanding of, and competence to deal with, the current and emerging issues of the business; and*
- has an appropriate number of independent non-executive directors who can challenge management and represent the best interests of security holders as a whole.*

*To achieve best practice the Council recommends that:*

- the board should establish a nomination committee;*
- listed entities should disclose a board skills matrix;*
- a majority of the board be “independent” Directors;*
- the chairperson be an “independent” Director and should not be the same person as the CEO; and*
- listed entities have a program for inducting new directors and provide appropriate professional development opportunities.*

The Company has a Nomination and Remuneration Committee (the Committee) and the board has approved the charter for the Nomination and Remuneration Committee. The Committee charter is set out on the Company's website.

The number of meetings of the Committee held during 2020 is set out in the Directors' Report.

In 2020 the Committee comprised Mr Peter Jones and Mr Nicasio Alcantara. The Council recommends that remuneration committees be comprised of at least three independent directors. Despite both directors being non-executive directors, Mr Jones is not considered independent due to being a substantial shareholder. Due to Messrs Jones and Alcantara extensive corporate history and experience, the company believes that given the size and nature of its operations, non-compliance has not been detrimental.

The Company is developing an appropriate board skills matrix. Comprehensive details about each director's experience and skills are set out in the Directors' Report.

Site Group International Limited's current board consists of two non-executive Directors and one executive Director. The Chairman of the Board Mr Peter Jones is not considered to be independent due to being a substantial security holder. In accordance with the Council's definition of independence, Mr Vernon Wills is not considered independent as he is employed in an executive capacity and is a substantial security holder of the Company.

Directors have the right to seek independent professional advice and are encouraged to undertake appropriate professional development opportunities in the furtherance of their duties as Directors at the Group's expense. Informal induction is provided to any new Directors.

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## Corporate Governance Statement continued

### Principle 3: Act ethically and responsibly

*The ASX Corporate Governance Council guidelines recommend that the Company should:*

- *clarify the standards of ethical behaviour of Directors and executives by establishing a code of conduct and encourage the observance of those standards; and*
- *the policy or a summary of that policy is to be disclosed.*

Site Group International Limited has a published code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices; and
- responsibilities to the environment and the community.

### Principle 4: Safeguard integrity in corporate reporting

*The ASX Corporate Governance Council guidelines recommend that the Company have formal and rigorous processes that independently verify and safeguard the integrity of the company's corporate reporting.*

*To achieve best practice the Council recommends that:*

- *the board should establish an audit committee;*
- *CEO and CFO sign declarations attesting to the accuracy of the Company's accounts and that appropriate internal controls are in place; and*
- *the Company ensure the external auditor attends the AGM.*

The Company has an Audit Committee and the number of meetings of the committee held during the 2020 year is set out in the Directors' Report. In 2020 the committee comprised Mr Peter Jones and Mr Nicasio Alcantara with the CEO attending on an ex officio basis. The Council recommends that audit committees be comprised of at least three independent directors. Despite the two directors being non-executive directors, Mr Jones is not considered to be independent due to being a substantial security holder of the Company. Due to Messrs Jones and Alcantara extensive corporate history and experience in financial matters, the company believes that given the size and nature of its operations, non-compliance has not been detrimental.

Audit committee meetings are attended, by invitation, by the engagement partner (or their nominee) from the Company's external auditor and such other senior staff or professional people as may be appropriate from time to time.

Each year the Chief Executive Officer and Chief Financial Officer sign declarations in accordance with section 295A of the Corporations Act, to confirm that the accounts are correct and in accordance with relevant legislation and that appropriate financial controls are in place.

The external auditors are required to attend the annual general meeting and are available to answer any questions from security holders relevant to the audit.

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## Corporate Governance Statement continued

### Principle 5: Make timely and balanced disclosure

*The ASX Corporate Governance Council guidelines recommend that a Company make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities. It recommends that it put in place mechanisms designed to ensure all investors have equal and timely access to material information concerning the Company (including its financial position, performance, ownership and governance), and that a Company's announcements are factual and presented in a clear and balanced way.*

The board and senior management team at Site Group International Limited are conscious of the ASX Listing Rule continuous disclosure requirements and have processes in place to ensure compliance. Company policy requires:

- all announcements be reviewed by the Chairman and all directors; and
- all media comment is by the Chairman, Managing Director and Chief Financial Officer.

### Principle 6: Respect the rights of security holders

*The ASX Corporate Governance Council guidelines recommend that a Company respects the rights of security holders by providing them with appropriate information and facilitates to allow them to exercise those rights effectively.*

*To achieve best practice, the Council recommends that Companies:*

- *Provide information about themselves and their governance on their website;*
- *Design and implement a suitable investor relations program to facilitate effective two-way communication with investors;*
- *Disclose policies and processes to encourage participation at meetings of security holders; and*
- *Provide security holders with the option to receive communications electronically.*

Site Group International Limited promotes effective communication with shareholders and encourages effective participation at general meetings by providing information to shareholders:

- Through the release of information to the market via the ASX;
- Through the distribution of the Annual Report and notices of annual general meeting;
- Through shareholder meetings and investor presentations; and
- By posting relevant information on Site Group International's website: [www.site.edu.au](http://www.site.edu.au)

The company's website has a dedicated investor relations section for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

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## Corporate Governance Statement continued

### Principle 7: Recognise and manage risk

*The ASX Corporate Governance Council guidelines recommend that the Company establish a sound risk management framework to identify and manage risk on an ongoing basis. It recommends that the system be designed to identify, assess, monitor and manage risk; and inform investors of material changes to the Company's risk profile. It suggests that to achieve "best practice", the board or an appropriate board committee should establish policies on risk oversight and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

The Audit and Risk Committee has in its Charter the requirement to consider risks that the Company has to manage.

The Company has established a Risk Register that is reviewed by the Audit and Risk Committee annually. Risks are assessed and ranked in accordance with generally accepted risk management practices with appropriate mitigation strategies adopted where possible.

The Company does not have a separate internal audit function. The board considers that the Company is not currently of the size or complexity to justify a separate internal audit function, and that appropriate internal financial controls are in place. Such controls are monitored by senior financial management and the Audit and Risk Committee.

In addition, the board does consider the recommendations of the external auditors and other external advisers and where considered necessary, appropriate action is taken to ensure that an environment is in place that key risks, as identified, are managed.

The Director's Report sets out some of the key risks relevant to the Company and its operations. Although not specifically defined as such, the risks include economic, environmental and social sustainability risks. As noted above, the Company regularly reviews risks facing the Company and adopts appropriate mitigation strategies where possible.



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## Corporate Governance Statement continued

### Principle 8: Remunerate fairly and responsibly

*The ASX Corporate Governance Council guidelines recommend that the Company ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. In this regard it recommends that companies adopt remuneration policies that:*

- *attract and retain high quality Directors;*
- *attract, retain and motivate high quality senior executives; and*
- *to align their interests with the creation of value for security holders.*

The Company has a Nomination and Remuneration Committee and the board has approved the charter for the Nomination and Remuneration Committee. The Committee charter is set out on the Company's website.

The number of meetings of the committee held during the 2020 year is set out in the Directors' Report.

In 2020 the Committee comprised Mr Peter Jones and Mr Nicasio Alcantara. The Council recommends that remuneration committees be comprised of at least three independent directors. Despite the two directors being non-executive directors, Mr Jones is not considered to be independent due to being a substantial security holder in the Company. Due to Messrs Jones and Alcantara extensive corporate history and experience, the company believes that given the size and nature of its operations, non-compliance has not been detrimental.

All matters of remuneration and executive appointments were also considered by the full board. At this stage it is reasonable that the board be accountable for setting their own remuneration and that of senior executives.

The remuneration of the board's non-executive and executive directors is set out in the relevant section of the Annual Report. Details of the nature and amount of each element of the remuneration of each director of the Company and the key management personnel of the Company are disclosed in the relevant section of the Annual Report. There is no retirement benefit scheme for directors other than payment of statutory superannuation.

The Company has adopted a Trading Policy that includes a prohibition on hedging, aimed at ensuring participants do not enter into arrangements which would have the effect of limiting their exposure to risk relating to an element of their remuneration.

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**p.** +61 7 3222 8444

The Directors  
Site Group International Limited  
Level 4, 488 Queen St  
BRISBANE QLD 4000

### **Auditor's Independence Declaration**

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Site Group International Limited and the entities it controlled during the year.

PITCHER PARTNERS



JASON EVANS  
Partner

Brisbane, Queensland  
29 September 2020

**Brisbane Sydney Newcastle Melbourne Adelaide Perth**

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NETWORK MEMBER

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

**Statement of Profit or Loss and Other Comprehensive Income**

		Consolidated Group	
	Note	2020 \$	2019 \$
<b>Continuing operations</b>			
Revenue from contracts with customers	4	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	5	(12,727,257)	(12,755,067)
Sales and marketing expense		(1,634,103)	(1,757,962)
Occupancy expenses		(2,185,687)	(3,812,470)
Depreciation and amortisation expense	5	(2,580,836)	(1,413,716)
Impairment expense	11	(1,096,000)	-
Finance costs	5	(2,182,472)	(415,197)
Foreign currency gain (loss)		109,998	(114,432)
Fair value (loss) gain of financial liabilities at fair value through profit and loss	17	(1,021,916)	116,498
Other expenses	5	(3,327,360)	(3,711,794)
<b>Loss before tax from continuing operations</b>		(9,097,086)	(4,947,240)
Income tax (expense) / benefit	6	(48,713)	1,514,919
<b>Loss for the year from continuing operations</b>		(9,145,799)	(3,432,321)
<b>Loss for the year from discontinued operations</b>	24	(1,118,893)	(1,194,149)
<b>Total loss for the year</b>		(10,264,692)	(4,626,470)
<b>Other comprehensive income</b>			
<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	16	(7,237)	(58,171)
<b>Total other comprehensive income (loss)</b>		289,630	505,734
<b>Total comprehensive loss</b>		(9,975,062)	(4,120,736)
<b>Earnings per share</b>			
Earnings per share for (loss) / profit attributable to the ordinary equity holders of the parent			
Basic and diluted (cents per share)	3	(1.32)	(0.68)
<b>Earnings per share for continuing operations</b>			
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the parent			
Basic and diluted (cents per share)	3	(1.18)	(0.50)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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

**Statement of Financial Position**

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

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

**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 18)	Accumulated losses (note 19)	Foreign currency translation reserve (note 19)	Share based payments reserve (note 19)	Total
	\$	\$	\$	\$	\$
<b>Consolidated Group</b>					
<b>Balance at 30 June 2018</b>	78,085,284	(78,712,583)	570,383	1,511,675	1,454,759
<b>Comprehensive income</b>					
Loss for the year	-	(4,742,968)	-	-	(4,742,968)
Other comprehensive income for the year	-	(58,171)	563,905	-	505,734
<b>Total comprehensive income / (loss) for the year</b>	-	(4,801,139)	563,905	-	(4,237,234)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Shares issued during the year	-	-	-	-	-
Transaction costs	-	-	-	-	-
Share-based payments	-	-	-	9,228	9,228
<b>Total transactions with owners and other transfers</b>	-	-	-	9,228	9,228
<b>Balance at 30 June 2019</b>	78,085,284	(83,513,722)	1,134,288	1,520,903	(2,773,247)
<b>Comprehensive income</b>					
Loss for the year	-	(10,264,692)	-	-	(10,264,692)
Other comprehensive income for the year	-	(7,237)	296,867	-	289,630
<b>Total comprehensive income / (loss) for the year</b>	-	(10,271,929)	296,867	-	(9,975,062)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Shares issued during the year	5,297,017	-	-	-	5,297,017
Transaction costs	(16,161)	-	-	-	(16,161)
Share-based payments	-	-	-	13,959	13,959
<b>Total transactions with owners and other transfers</b>	5,280,856	-	-	13,959	5,294,815
<b>Balance at 30 June 2020</b>	83,366,140	(93,785,651)	1,431,155	1,534,862	(7,453,494)

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

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

**Statement of Cash Flows**

		Consolidated Group	
	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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
Interest paid		(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	-
<b>Net cash (used in) operating activities</b>	25	(3,771,644)	(2,696,230)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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)
<b>Net cash (used in) investing activities</b>		(1,201,588)	(1,951,395)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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	12	(619,068)	(83,909)
Transaction costs on shares		(16,160)	-
<b>Net cash provided by financing activities</b>		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
<b>Cash and cash equivalents at end of financial year</b>		1,246,819	606,148

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

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

### **Note 1 Corporate Information**

The consolidated financial report of Site Group International Limited (the Company) and its controlled entities (the Group) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 29 September 2020.

Site Group International Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX Code: SIT). The Group is a for-profit entity for the purposes of preparation of this financial report.

The nature of the operations and principal activities of the Group are described in the directors' report.

### **Note 1a Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

#### **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*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has been prepared on an accruals basis and is based on historical costs unless otherwise stated.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report is presented in Australian dollars and unless otherwise stated are rounded to the nearest dollar.

#### **(a) Compliance with IFRS**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### **(b) 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.

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

### Note 1a Summary of significant accounting policies continued

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.

#### (c) New Accounting Standards and Interpretations

- (i) Changes in accounting policy and disclosures.

##### **AASB 16 Leases**

AASB 16 Leases ("AASB 16") supersedes AASB 117 Leases ("AASB 117"). AASB 16 introduces a single lessee accounting model and eliminates the classification between operating and finance leases. All leases are required to be accounted for "on balance sheet" by lessees, other than for short-term and low value asset leases. The standard also provides new guidance on the definition of a lease and on sale and leaseback accounting and requires new and different disclosures about leases.

The Group has adopted AASB 16 on 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings.

The Group leased assets include properties. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.



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

### Note 1a Summary of significant accounting policies continued

From 1 July 2019 the Group recognises a right-of-use asset and a lease liability at the commencement date which is initially measured on a present value basis.

On initial adoption of AASB 16, the Group:

- For leases previously classified as finance leases, the Group has recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at 1 July 2019;
- For leases previously classified as 'operating leases' under the principles of AASB 117, the Group has recognised a right-of-use asset and lease liabilities;
- The right-of-use assets have been recognised at the carrying amount as if AASB 16 had always applied, discounted using the Group's incremental borrowing rate; and
- The associated lease liabilities have been measured at the present value of future minimum lease payments, using the Group's incremental borrowing rate of 10%.

The reconciliation between the operating commitments disclosed in the 30 June 2019 financial statements and the lease liability recognised as at 1 July 2019 is detailed below:

	\$
Operating lease commitments disclosed as at 30 June 2019	13,818,152
Plus: lease payments included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	3,743,760
Discounted using lessee's incremental borrowing rate at the implementation of AASB 16	(7,234,005)
Less: Short-term leases not recognised as liability	(253,414)
Lease liabilities arising from operating commitments at 1 July 2019	<u>10,074,493</u>
Plus: Finance lease liabilities recognised at 30 June 2019	174,755
<b>Total lease liabilities as at 1 July 2019</b>	<b><u>10,249,248</u></b>

The right-of-use assets recognised on relate to lease of properties and is reconciled as follows:

	\$
Lease liabilities arising from operating commitments as at 1 July 2019	10,074,493
Finance lease assets recognised at 30 June 2019	175,651
Lease rental incentive	(2,453,828)
Prepaid lease payments arising from security deposits	18,162
Exchange rate differences	34,721
Right-of-use assets as at 1 July 2019	<u>7,849,199</u>

The right of use assets recognised on 1 July 2019 relate to the following asset classes:

	\$
Land	3,887,672
Building	3,785,876
Motor vehicle	175,651
	<u>7,849,199</u>

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

### Note 1a Summary of significant accounting policies continued

#### Impact on balance sheet on 1 July 2019

The impact on the Consolidated Statement of Financial Position on the initial adoption of the new leases standard is set out below.

The Group has adopted AASB 16 using the modified retrospective approach. As permitted under the specific transitional provisions of the standard, comparatives have not been restated for the 2019 reporting period. The reclassifications and adjustments arising from the adoption of the new leasing standard are recognised in the opening balance sheet on 1 July 2019.

	As reported 30 June 2019	AASB 16 transition adjustments	Opening Balance 1 July 2019
	\$	\$	\$
Right-of-use assets	-	7,849,199	7,849,199
Property, plant and equipment (motor vehicle under finance lease)	175,651	(175,651)	-
Lease liabilities (current and non-current)	-	(10,249,248)	(10,249,248)
Provisions (lease rental incentive / straight-lining)	(2,453,828)	2,453,828	-
Interest-bearing debt (finance leases)	(174,755)	174,755	-

#### Impact on earnings

The impact on the Consolidated Statement of Profit and Loss and Other Comprehensive Income and the Group's before tax earnings and earnings before interest, tax and depreciation (EBITDA) for the half year ended 30 June 2020 as a result of the adoption of the new leases standard is set out below.

	Note	\$
<b>Reported loss before tax</b>		<b>(9,097,086)</b>
<i>Expense adjustments related to application of AASB 16:</i>		
Add: depreciation		1,355,351
Add: interest expense		998,367
Less: rental payments		(1,617,435)
AASB 16 profit before tax impact		736,283
<b>Loss before tax pre AASB 16</b>		<b>(8,360,803)</b>
<b>Reported EBITDA</b>	2	<b>(5,476,962)</b>
<i>Expense adjustments related to application of AASB 16:</i>		
Less: depreciation		(1,355,351)
Less: interest expense		(998,367)
Add: AASB 16 profit before tax impact		736,283
<b>EBITDA pre AASB 16</b>		<b>(7,094,397)</b>

#### Practical expedients applied

In applying AASB 16 for the first time, the Group has applied the following practical expedients as permitted by the standard:

- Applied the exemption not to recognise right-of-use assets and lease liabilities for low value leases or leases with less than 12 months of lease term;
- Applied the use of a single discount rate to the portfolio of leases with similar characteristics. The rate applied was the Group's incremental borrowing rate of 10%;

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

### Note 1a Summary of significant accounting policies continued

- Applied the use on hindsight in determining the lease term where the contract contains options to extend the lease; and
- Relied on previous assessments on whether leases are onerous.

From 1 July 2019, leases are now recognised as a right-of-use asset with a corresponding lease liability. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the lease term on a straight-line basis or over the useful life where title to the asset transfers at the end of the lease. Assets and liabilities arising from a lease are initially measured on a present value basis.

Depreciation on right-of-use assets and interest on lease liabilities is recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

Payments associated with short term leases (generally less than 12 month terms) and leases of low value have continued to be recognised on a straight-line basis as an expense in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. Low value leases include office equipment and equipment on rental agreements which are utilised to cover peak operating periods.

The principal portion of the lease payments are recognised as a financing cash flow and the interest portion of the lease payments are recognised as an operating cash flow in the Consolidated Statement of Cash Flows.

The Group uses critical judgements in determining the lease term. Extension options are only included in the lease term where management considers that it is reasonably certain that the lease will be extended.

In addition, the group has elected to early adopt AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions in the current reporting period, with effect from 1 July 2019 (the beginning of the current reporting period).

AASB 2020-4 amends AASB 16 Leases to provide an optional practical expedient to lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

In accordance with AASB 2020-4, the group has elected to apply the practical expedient not to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications, and to account for any changes in lease payments resulting from the rent concessions as if the changes were not lease modifications. Gains arising from Covid-19 related rent concessions recognised in profit or loss amounts to \$5,585.

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

### Note 1a Summary of significant accounting policies continued

#### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at, and for the period ended, 30 June each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- The rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### (e) Foreign currency translation

Both the functional and presentation currency of Site Group International Limited and its Australian subsidiaries are Australian dollars (\$). The Philippines branch's functional currency is the Philippine Peso (PHP), Site Group International Pte Ltd's functional currency is Singapore Dollars (SGD) and Competent Project Management Sdn Bhd's functional currency is Malaysian Ringgit (MYR). Each of these is translated to the presentation currency.

On consolidation, the assets and liabilities of the Asian operations are translated into Australian Dollars at the rate of exchange prevailing at the reporting date and the statement of profit or loss and other comprehensive income is translated at the exchange rate prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

#### (f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and in the statement of cash flows 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.

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

### Note 1a Summary of significant accounting policies continued

#### (g) Financial instruments – initial recognition and subsequent measurement

##### Financial assets

###### *Initial recognition and measurement*

Financial assets within the scope of AASB 9 *Financial Instruments* are classified as at amortised cost, at fair value through profit and loss, or at fair value through other comprehensive income. The group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except financial assets recorded at fair value through profit or loss, on the basis of both the group's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset.

The Group's financial assets include cash and short-term deposits (amortised cost), receivables from contracts with customers (amortised cost), other receivables (amortised costs), and quoted and unquoted financial instruments (fair value through profit and loss).

Receivables from contracts with customers are recognised when the group has an unconditional right to consideration arising from the transfer of goods or services to the customer (i.e. only the passage of time is required before payment of the consideration is due). Where this is not the case, the resultant asset is a contract asset (refer note 1a (p)).

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset. Other financial assets are recognised if the entity becomes party to contract provisions of the asset.

###### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described below.

###### *Financial assets at amortised cost*

Subsequent to initial measurement, these assets are measured at amortised cost using the Effective Interest Rate (EIR) method, less allowances for credit losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest revenue in the statement of profit or loss and other comprehensive income.

###### *Financial assets at fair value through profit and loss*

Subsequent to initial measurement, these assets are measured at fair value with changes in fair value being recognised in profit or loss as they arise.

###### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

### Note 1a Summary of significant accounting policies continued

#### Impairment of financial assets at amortised cost

The group applies the simplified expected credit loss model prescribed in AASB 9 to determine an allowance for expected credit losses on receivables from contracts with customers and its other receivables measured at amortised cost. Under this approach, the lifetime expected credit losses are estimated using a provision matrix based on historical losses observed on similar assets, adjusted for the group's forecasts of future economic conditions. The measurement of expected credit losses reflects the group's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. The group has identified contractual payments more than 90 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the group's historical experience.

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities within the scope of AASB 9 *Financial Instruments* are classified as at amortised cost, at fair value through profit and loss, or as derivatives designated as hedging instruments as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables (amortised costs), loans and borrowings (amortised cost) and derivative financial instruments (fair value through profit and loss).

##### *Loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

##### *Derivative financial instruments*

Derivative financial instruments held by the group represent embedded conversion options on borrowing facilities. The embedded derivative component of the debt is required to be separated and accounted for as at fair value through profit and loss, with fair value gains and losses on remeasurement recognised in profit and loss.

##### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

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

### Note 1a Summary of significant accounting policies continued

#### (i) Property, plant, and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

##### *Leasehold Improvements*

Leasehold improvements are initially shown at their cost, less subsequent depreciation.

##### *Plant and Equipment*

Plant and equipment are measured on the cost basis, less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to profit and loss during the financial period when they are incurred.

##### *Depreciation*

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvement.

The estimated lives used for each class of depreciable assets are:

<b>Class of fixed asset</b>	<b>Estimated Life</b>
Leasehold improvements	2 – 25 years
Furniture and fittings	2 – 20 years
Computer equipment	3 – 5 years
Vehicles	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss.

#### (j) Leases

##### Accounting policy applied to the information presented for the current period under AASB 16 Leases:

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

##### *Lease assets*

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.



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

### Note 1a Summary of significant accounting policies continued

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

#### *Lease liabilities*

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

#### *Leases of 12-months or less and leases of low value assets*

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

#### *Covid-19 related rent concessions*

The group has elected to apply the practical expedient (as permitted by Australian Accounting Standards) not to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications, and to account for any changes in lease payments resulting from the rent concessions as if the changes were not lease modifications. Any gains arising from Covid-19 related rent concessions are recognised in profit or loss.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

#### *Accounting policy applied to the information presented for the prior period under AASB 117 Leases:*

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.



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

### Note 1a Summary of significant accounting policies continued

#### *Finance leases*

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the group are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the group's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss and other comprehensive income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely the group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period in accordance with the effective interest method.

#### *Operating leases*

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease. Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### **(k) Intangible assets**

#### *Goodwill*

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, and liabilities. After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

#### *Training Licences and Course Material*

Site Group acquires licenced course material with significant scope (approved courses) in high risk training. The economic potential of these licences and courses was assessed as part of the acquisition price and recorded as an intangible asset which is being amortised on a straight line basis over five years.

#### *Licences*

Site Group acquires licences to offer scope of training and access to government funding options. The economic potential of these licences was assessed as part of the acquisition price and recorded as an intangible asset and amortised on a straight line basis over 20 years.

#### *Customer Contracts*

Site group acquires customer contracts with significant value to be realised through the profit and loss in future periods. The economic potential of these contracts is measured as a risk adjusted discounted cash flow to be generated from these contracts and recorded as an intangible asset which is amortised on a straight line basis over the relevant contract period.

#### *Brand*

Site group acquires brands that are recognised by customers in relevant markets and generate future activity for the company.

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

### Note 1a Summary of significant accounting policies continued

The economic potential of these brands in the form of future revenue generating potential is assessed as a discounted cash flow and recorded as an indefinite useful life intangible and tested for impairment annually.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### (l) Impairment of non-financial assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where an individual asset does not independently generate cash flows, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (m) Provisions and employee benefits

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 cash or non-cash resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When 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 statement of profit or loss and other comprehensive income 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 reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### Employee leave benefits

##### (i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months of the reporting date are recognised 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. Based on historical evidence no discounting of annual leave has been applied. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Liabilities for wages, salaries and annual leave are recognised as current liabilities and the group does not have an unconditional right to defer settlement beyond 12 months.

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

### Note 1a Summary of significant accounting policies continued

#### (ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees once an employee reaches five years of service. Expected future payments are discounted using market yields at the reporting date on the applicable corporate bonds with terms to maturity and currencies that match, the estimated future cash outflows. Where the group has an unconditional right to defer settlement of the liability beyond 12 months of the balance date, the provision is classified as non-current. Otherwise, the provision is classified as a current liability.

#### (n) Taxes

##### Income tax

###### Current 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 tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

###### Deferred Tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the reporting 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 that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- 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 difference can be controlled and it is probable that the temporary difference 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
- 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 difference can be utilised.

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

### Note 1a Summary of significant accounting policies continued

The carrying amount of deferred income tax assets is reviewed at each reporting 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 tax assets are reassessed each reporting date and are recognised to the extent it has become probable that future taxable profit will allow recovery of the deferred tax asset.

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 reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

#### *Tax consolidation legislation*

Site Group International Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Site Group International Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Site Group International Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any differences between the amounts assumed and the amounts receivable or payable under the tax funding agreement are recognised as contributions to (or distribution from) wholly owned tax consolidated entities.

#### *Goods and services tax (GST)*

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST. GST receivable and payable has been offset against one another. Commitments are shown net of GST.

In the statement of cash flows, receipts from customers are shown inclusive of GST and payments to suppliers and employees are shown inclusive of GST and GST recovered from the tax office is shown in receipts from customers.

#### **(o) Revenue recognition**

Revenue from contracts with customers is recognised either at a point in time or over time depending on the nature of the contract, including the timing of satisfaction of performance obligations and the transfer of control to the customer. The group's contracts with customers fall into the following categories:

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

### Note 1a Summary of significant accounting policies continued

Revenue Stream		Nature of Goods or Services Promised	Typical Performance Obligations	When Performance Obligation is Typically Satisfied	Method Used to Determine Progress Towards Complete Satisfaction of Performance Obligation
<i>Course fees and Government subsidies</i>		Training Service	Delivery of training course	Over time, being throughout the period of the course. For short-term (i.e. one day) courses the performance obligation may be satisfied at a point in time, being the date of course delivery.	An output method is used being contact days elapsed as a percentage of total contact days. This is considered the most appropriate basis for recognition of revenue as it is readily observable and sufficiently linked to the performance obligations specified in the contract.
<i>Project income</i>	<i>Specific projects with performance milestones &amp; project delivery indicators</i>	Construction of Safe Life Processing Plant (SLPP)	Specific project milestones as specified in each individual contract.	Performance obligation: Specific project milestones as specified in contract, with a transaction price allocated to each milestone. Project delivery in most instances will not extend over more than one financial period.	An input method is used, based on the amount of contract costs incurred as a percentage of budgeted contract costs
		Facility accommodation			
	<i>Ongoing project service income</i>	Facility Management of Safe Life Processing Plant (SLPP)	Delivery of a service over the length of the contract period.	Over time, being as the services are delivered over the duration of the contract.	An output method is applied based on either time elapsed, units delivered, or milestones reached dependent on the terms of the individual contracts. Control is considered to pass in a manner consistent with measurement provided by this method.
<i>Placement services</i>		Recruitment and labour hire services	1. Placement of personnel at inception 2. Provision of employee for a fixed period of time	Placement: At a point in time, being when the employee has been successfully placed (i.e. acceptance of placement by customer).  Provision of employee: Over time, being the period of time that staff are employed.	An output method (time elapsed on percentage of total time) is used. This reflects the expectation of consistency in transfer of services over the contract period for labour services.

Contracts with customers do not typically involve a significant financing component. Course fee contracts may specify an entitlement to receive a portion of the contract value in advance of services being provided, however the period of time between payment being received and course delivery is generally not greater than 12 months. Amounts received in advance of services being provided are recognised as contract liabilities (refer note 1a (p)).

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

### Note 1a Summary of significant accounting policies continued

The group was eligible for the Australian Job Keeper wage subsidy and cash flow boost schemes during the year. Revenue from these government grant and subsidy is recognised when the group is entitled to receive them.

No disclosure has been made within the financial statements of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, as these performance obligations relate to contracts that have an original expected duration of one year or less.

There are no elements of consideration under any of the above revenue streams that are variable in nature.

#### (p) Contract assets and contract liabilities

Contract assets represent the group's right to consideration (not being an unconditional right recognised as a receivable) in exchange for goods or services transferred to the customer. Contract assets are measured at the amount of consideration that the group expects to be entitled in exchange for goods or services transferred to the customer.

Contract liabilities represent the group's obligation to transfer goods or services to the customer for which the group has received consideration (or an amount of consideration is due) from the customer. Amounts recorded as contract liabilities are subsequently recognised as revenue when the group transfers the contracted goods or services to the customer.

#### (q) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy. Disclosure of the amounts and basis for such changes is made, where material, in note 1a(c)(i) and note 11.

#### (r) Share-based payment transactions

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). Site Group currently has an Employee Share Plan (ESP), which provides benefits to directors and all eligible employees. The cost of these equity-settled transactions with employees is 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 using a binomial model, further details of which are given in note 16.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of:

- The grant date fair value of the award;
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non- market performance conditions being met; and
- The expired portion of the vesting period.

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

### Note 1a Summary of significant accounting policies continued

The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity. The expense associated with equity-settled awards granted by Site Group to employees of subsidiaries are recorded as an expense in the subsidiary and funded by advances from the parent which eliminate on consolidation. The expense recognised by the Group is the total expense associated with all awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

#### (s) Contributed equity

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

#### (t) Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group measures derivative financial liabilities at fair value through profit and loss (refer note 1a(h)) on a recurring basis. The valuation of these derivatives involves the use of unobservable inputs (level 3), which are detailed together with a reconciliation of changes in the fair value of these liabilities throughout the period in note 17.

The carrying values of other financial assets and financial liabilities as disclosed in note 24 approximate their fair values.



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

### Note 1b Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result which form the basis of the carrying values of assets and liabilities that aren't readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details may be found in the relevant notes to the financial statements.

#### (a) Significant accounting judgements

##### *Determining the lease term of contracts with renewal and termination options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonable certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (eg construction of significant leasehold improvements).

##### *Recovery of deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent it is probable that future taxable profits will be available against which the losses can be utilised. . Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

A deferred tax asset has not been recognised for unused tax losses in the year of \$7,845,220 (tax effected: \$2,353,566); 2019: \$7,372,483 (tax effected: \$2,211,745). Due to the recent history of tax losses and no other evidence of recoverability in the near future.

##### *Impairment of non-financial assets other than goodwill and indefinite life intangibles*

The Group assesses impairment of assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period, refer below.



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

### Note 1b Significant accounting judgements, estimates and assumptions continued

#### (b) Significant accounting estimates and assumptions

##### *Impairment of non-current assets*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. Further, the Group considers whether other non-current assets are impaired whenever there is an indication that impairment may exist. This requires an estimation of the recoverable amount of the cash generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

An impairment expense of \$1,096,000 was recognised in the current year in respect of Right-of-use assets, property plant and equipment, and intangibles. (2019: \$nil). The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 11.

##### *Revenue recognition – Course fees*

The Group recognises the revenue earned from delivery of a course over the period of the course that the service is provided. Where the duration of the course goes over a reporting date this is recorded as a contract liability on the statement of financial position. In calculating the amount of contract liability, consideration is also given to the probability of reversals and student refunds and the impact on the level of income recorded.

##### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses the incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation. The Group estimates the IBR based on recent third party financing received and makes adjustments specific to the lease if required eg term, country currency and security.

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

### Note 2 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 300,000m<sup>2</sup> 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 2 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)	-
<b>Total segment revenue</b>	<b>11,938,341</b>	<b>9,584,526</b>	<b>1,973,419</b>	<b>3,591,170</b>	<b>27,087,456</b>	<b>171,603</b>	<b>27,259,059</b>
<b>Segment net operating profit / (loss) before tax</b>	<b>(2,624,136)</b>	<b>(759,025)</b>	<b>(391,106)</b>	<b>465,854</b>	<b>(3,308,413)</b>	<b>(6,907,566)</b>	<b>(10,215,979)</b>
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)
<b>EBITDA</b>	<b>(1,518,195)</b>	<b>847,388</b>	<b>(292,210)</b>	<b>625,283</b>	<b>(337,734)</b>	<b>(5,139,228)</b>	<b>(5,476,962)</b>
<b>Segment assets as at 30 June 2020</b>	<b>3,913,701</b>	<b>13,965,550</b>	<b>563,580</b>	<b>1,254,760</b>	<b>19,697,591</b>	<b>3,061,934</b>	<b>22,759,525</b>
<b>Segment liabilities as at 30 June 2020</b>	<b>3,383,916</b>	<b>8,536,953</b>	<b>178,428</b>	<b>950,297</b>	<b>13,049,594</b>	<b>17,163,425</b>	<b>30,213,019</b>
<b>Capital expenditure as at 30 June 2020</b>	<b>574,078</b>	<b>352,774</b>	<b>793</b>	<b>73,513</b>	<b>1,001,158</b>	<b>60,186</b>	<b>1,061,344</b>

#### 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)	-
<b>Total segment revenue</b>	<b>12,866,083</b>	<b>12,658,371</b>	<b>3,639,017</b>	<b>2,614,754</b>	<b>31,778,225</b>	<b>(864,935)</b>	<b>30,913,290</b>
<b>Segment net operating profit / (loss) before tax</b>	<b>(2,326,460)</b>	<b>134,956</b>	<b>37,966</b>	<b>75,658</b>	<b>(2,077,880)</b>	<b>(4,180,007)</b>	<b>(6,257,887)</b>
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)
<b>EBITDA</b>	<b>(1,728,678)</b>	<b>682,394</b>	<b>211,651</b>	<b>110,138</b>	<b>(724,495)</b>	<b>(3,770,662)</b>	<b>(4,495,157)</b>
<b>Segment assets as at 30 June 2019</b>	<b>4,319,896</b>	<b>10,069,113</b>	<b>1,732,117</b>	<b>1,111,430</b>	<b>17,232,556</b>	<b>466,672</b>	<b>17,502,193</b>
<b>Segment liabilities as at 30 June 2019</b>	<b>2,803,973</b>	<b>4,823,425</b>	<b>313,137</b>	<b>713,977</b>	<b>8,654,512</b>	<b>11,620,928</b>	<b>20,275,440</b>
<b>Capital expenditure as at 30 June 2019</b>	<b>591,517</b>	<b>1,119,065</b>	<b>6,877</b>	<b>107,743</b>	<b>1,825,202</b>	<b>79,503</b>	<b>1,904,705</b>

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

### Note 2 Operating Segments continued

	Consolidated Group	
	2020	2019
	\$	\$
<b>Reconciliation of loss</b>		
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
<b>Group loss before tax</b>	<b>(10,215,979)</b>	<b>(6,257,887)</b>
<b>Reconciliation of assets</b>		
Segment operating assets	19,697,591	17,232,556
<i>Corporate assets</i>		
Cash at bank	139,647	15,743
Security deposits	543,705	497,154
Intangibles	198	463
Other assets	2,378,384	731,658
Inter-segment receivables	-	(975,381)
<b>Total assets per statement of financial position</b>	<b>22,759,525</b>	<b>17,502,193</b>
<b>Reconciliation of liabilities</b>		
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
<b>Total liabilities per statement of financial position</b>	<b>30,213,019</b>	<b>20,275,440</b>

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

### Note 2 Operating Segments continued

#### Disaggregation of Revenues

As disclosed in note 1a(o), 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.

#### Year ended 30 June 2020

	Australia	Asia	Corporate and Eliminations	Total
	\$	\$	\$	\$
<b>Revenue from contracts with customers - external</b>				
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	2,532,215	-	2,580,000
Other revenue	14,025	335,531	73,666	423,222
<b>Total revenue from contracts with customers - external</b>	<b>15,762,617</b>	<b>11,201,776</b>	<b>294,666</b>	<b>27,259,059</b>
Revenue from contracts with customers - inter segment	-	123,063	(123,063)	-
<b>Total revenue from contracts with customers</b>	<b>15,762,617</b>	<b>11,324,839</b>	<b>171,603</b>	<b>27,259,059</b>
<b>Timing of revenue recognition</b>				
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
<b>Total revenue from contracts with customers</b>	<b>15,762,617</b>	<b>11,324,839</b>	<b>171,603</b>	<b>27,259,059</b>
	-	-	-	-

#### Year ended 30 June 2019

	Australia	Asia	Corporate and Eliminations	Total
	\$	\$	\$	\$
<b>Revenue from contracts with customers - external</b>				
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
<b>Total revenue from contracts with customers - external</b>	<b>16,053,754</b>	<b>14,799,220</b>	<b>60,316</b>	<b>30,913,290</b>
Revenue from contracts with customers - inter segment	1,300	923,951	(925,251)	-
<b>Total revenue from contracts with customers</b>	<b>16,055,054</b>	<b>15,723,171</b>	<b>(864,935)</b>	<b>30,913,290</b>
<b>Timing of revenue recognition</b>				
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
<b>Total revenue from contracts with customers</b>	<b>16,055,054</b>	<b>15,723,171</b>	<b>(864,935)</b>	<b>30,913,290</b>

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

### Note 3 Earnings per Share

	Consolidated Group	
	2020	2019
	\$	\$
<b>a) Earnings used in calculating earnings per share</b>		
<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	(10,264,692)	(4,742,968)
<b>b) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic and diluted earnings per share	No. 776,786,845	No. 681,183,181
<b>c) (Loss) / earnings per share (cents)</b>		
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)	(0.70)

Options outstanding are anti-dilutive and therefore were not considered in the calculation of diluted earnings per share for the year ended 30 June 2020 and 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 4 Revenue from Contracts with Customers from Continuing Operations

	Consolidated Group	
	2020	2019
	\$	\$
<b>Revenue from continuing operations</b>		
Course fees	19,941,186	23,438,500
Placement services	1,527,959	2,727,917
Government support and subsidies	2,786,692	1,867,431
Project income	2,580,000	2,445,490
Other revenue	423,222	433,952
	27,259,059	30,913,290

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

### Note 5 Expenses from Continuing Operations

	Note	Consolidated Group 2020 \$	2019 \$
<b>Employee benefits expense</b>			
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>
<b>Other expenses</b>			
Legal, accounting and other professional fees		774,655	1,073,304
Travel & accommodation		681,953	1,034,949
Consultants cost		879,572	841,168
Administrative expenses		991,180	878,871
		<u>3,327,360</u>	<u>3,828,292</u>
<b>Finance costs</b>			
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>
<b>Depreciation and amortisation</b>			
Depreciation of property, plant & equipment	9	767,676	952,884
Amortisation of intangible assets	10	457,809	460,832
Depreciation of right-of-use assets	12	1,355,351	-
		<u>2,580,836</u>	<u>1,413,716</u>

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

### Note 6 Taxation

	Consolidated Group	
	2020	2019
	\$	\$
<b>a) Income tax expense</b>		
The major components of income tax expense are:		
<i>Statement of profit or loss and other 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
<b>Income tax expense / (benefit) reported in the statement of profit or loss and other comprehensive income</b>	<b>48,713</b>	<b>(1,514,919)</b>

#### b) Numerical reconciliation of income tax expense to prima facie tax payable

Total loss 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	93,878	255,610
Non-assessable income	(3,121,931)	(3,411,523)
Non-deductible expenses	3,462,756	3,125,938
Utilisation of previously unrecognised tax losses	(11,553)	(130,363)
Adjustments in respect of current income tax of previous years	7,991	(1,688,960)
Impairment of PP&E, intangibles and right of use assets	328,800	-
Deferred tax asset not recognised	2,353,566	2,211,745
	<b>48,713</b>	<b>(1,514,919)</b>

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

In 2019, 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 an 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)
<b>Deferred tax benefit</b>			<b>(45,662)</b>	<b>81,057</b>
<b>Net deferred tax assets</b>	<b>921,060</b>	<b>875,929</b>		

#### Reconciliation of net deferred tax asset /(liability)

	2020	2019
	\$	\$
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	<b>921,060</b>	<b>875,929</b>



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

### Note 7 Trade and Other Receivables

	Note	Consolidated Group 2020 \$	2019 \$
<b>CURRENT</b>			
Receivables from contracts with customers		23,473,161	25,030,526
Allowances for expected credit losses	7(a)	(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.

The expected loss rate for this balance (refer below) has been set at 100% in light of the uncertain circumstances with regard to the reconciliation payment. The loss allowance will be re-assessed as the matter progresses and does not in any way alter the belief of the Board and Management that the Group is entitled to the full reconciliation amount of \$28,969,145 in full and that the monies are legitimately due and payable under the relevant legislation as it then applied.

#### a) Allowance for expected credit losses

As described in note 1a(h), the group applies the simplified expected credit loss model prescribed in AASB 9 to determine an allowance for expected credit losses on its receivables from contracts with customers (trade receivables) and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles for credit sales over a period of 3 years before 30 June 2020 and 30 June 2019 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identifies GDP growth conditions to be the most relevant factor and accordingly adjusts the historical loss rates based on the expected change in this factor. When considering macroeconomic factors, the Group has also taken into account the economic uncertainties associated with the COVID-19 pandemic.

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

### Note 7 Trade and Other Receivables continued

The tables below show the calculation of the expected credit loss provision at both 30 June 2020 and 30 June 2019.

Consolidated Group	Trade receivables - Days past due					
	Total	0-30 days	31-60 days	61-90 days	+91 days	Discontinued Operation
<b>30 June 2020</b>						
Expected credit loss rate		1.3%	2.9%	8.9%	10.0%	
Estimated total gross carrying	<b>23,473,161</b>	836,658	459,803	458,289	740,766	20,977,645
Expected credit loss	<b>21,118,645</b>	10,565	13,198	40,984	76,253	20,977,645
<b>1 July 2019</b>						
Expected credit loss rate		0.7%	5.0%	10.0%	17.2%	
Estimated total gross carrying	<b>25,030,526</b>	1,246,881	1,073,953	402,556	1,329,491	20,977,645
Expected credit loss	<b>21,304,563</b>	10,793	53,698	40,256	222,171	20,977,645

The closing loss allowances for receivables from contracts with customers and contract assets as at 30 June 2020 reconcile to the opening loss allowances as follows:

	Consolidated Group	
	2020	2019
	\$	\$
Opening Balance - calculated under AASB 139	-	21,671,453
Adjustment on initial application of AASB 9	-	(471,897)
Opening balance – calculated under AASB 9	21,304,563	21,199,556
Increase/(reversal) of loss allowance recognised in profit or loss	(189,272)	105,007
Amounts written off	(2,043)	-
Foreign Exchange movement	5,397	-
Closing Balance	21,118,645	21,304,563

Other receivables are excluded from the above analysis as these represent balances due from taxation authorities for which the expected loss rate is 0%.

#### b) Related party receivables

For terms and conditions of related party receivables refer to note 21.

#### 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 fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

At 30 June 2020, Group receivables, before allowance for expected credit losses, included one customer that owed \$20,977,645 (as noted above).

#### d) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 26.

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

### Note 8 Contract Assets

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

### Note 9 Property, Plant and Equipment

	Consolidated Group	
	2020 \$	2019 \$
<b>Plant and equipment</b>		
<b>Leasehold improvements</b>		
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
<b>Capital works in progress</b>		
At cost	1,970,051	1,555,369
<b>Computer equipment</b>		
At cost	1,384,145	1,321,729
Accumulated depreciation	(1,272,757)	(1,194,898)
Net carrying amount - computers	111,388	126,831
<b>Furniture and fittings</b>		
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
<b>Vehicles</b>		
At cost	342,609	778,509
Accumulated depreciation	(338,581)	(584,001)
Net carrying amount - vehicles	4,028	194,508
<b>Total property, plant and equipment</b>	<b>8,339,642</b>	<b>8,700,694</b>

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

### Note 9 Property, Plant and Equipment continued

#### (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
	\$	\$	\$	\$	\$	\$
<b>Consolidated Group:</b>						
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
<b>Balance at 30 June 2019</b>	<b>6,302,253</b>	<b>1,555,369</b>	<b>126,831</b>	<b>521,733</b>	<b>194,508</b>	<b>8,700,694</b>
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
<b>Balance at 30 June 2020</b>	<b>5,843,439</b>	<b>1,970,051</b>	<b>111,388</b>	<b>410,736</b>	<b>4,028</b>	<b>8,339,642</b>

### Note 10 Intangible Assets

	Consolidated Group	
	2020 \$	2019 \$
<b>Non-Current</b>		
<b>Goodwill</b>		
Net carrying value	441,015	638,050
<b>Training licences and course material</b>		
Cost	3,518,016	3,242,515
Accumulated amortisation and impairment	(2,985,969)	(2,598,845)
Net carrying value	532,047	643,670
<b>Customer contracts</b>		
Cost	1,615,542	1,615,542
Accumulated amortisation	(1,615,542)	(1,615,542)
Net carrying value	-	-
<b>Software development</b>		
Cost	1,596,286	1,359,511
Accumulated amortisation	(1,318,740)	(1,132,015)
Net carrying value	277,546	227,496
<b>Total intangible assets</b>	<b>1,250,608</b>	<b>1,509,216</b>

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

### Note 10 Intangible Assets continued

#### (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	Software Development	Total
	\$	\$	\$	\$
<b>Consolidated Group:</b>				
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
<b>Balance at 30 June 2019</b>	<b>638,050</b>	<b>643,670</b>	<b>227,496</b>	<b>1,509,216</b>
Additions	-	270,364	137,880	408,244
Transfers in	-	-	98,895	98,895
Amortisation expense	-	(271,084)	(186,725)	(457,809)
Impairment expense	(197,035)	(112,688)	-	(309,723)
Exchange rate differences	-	1,785	-	1,785
<b>Balance at 30 June 2020</b>	<b>441,015</b>	<b>532,047</b>	<b>277,546</b>	<b>1,250,608</b>

### Note 11 Impairment Testing

An impairment expense is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The recoverable amount of property, plant and equipment and intangible assets is based on value-in-use calculations. Value-in-use is calculated based on the present value of future cash flow projections over a five-year period including a terminal value calculation.

The Group's five cash generating units are as follows:

- Site Skills Training - Domestic
- Site Skills Training - International
- Clark Property Development
- Tertiary Education
- Energy Services

During the year management added a new cash generating unit (CGU) to the group. The Clark Property Development CGU was created to separate the Clark lease and urban development project from the Site Skills Training (International) CGU.

Due to the impacts of COVID-19, the group sought to reassess the impairment of property, plant and equipment and intangible balances of all CGUs. As a result of testing, an impairment charge has been applied to the Site Skills Training (Domestic) CGU.

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

### Note 11 Impairment Testing continued

#### *Site Skills Training - Domestic cash-generating unit*

The recoverable amount of the *Site Skills Training - Domestic CGU* of \$1,145,252 as at 30 June 2020 has been determined based on the cash-generating unit's value-in-use calculation using projected cash flows from financial budgets covering a five year period.

Key inputs into the impairment model included a pre-tax discount rate of 14.93%, annual revenue growth rates over the 5-year forecast period of 11-20%, annual EBITDA margins of 4-8%, and a terminal growth rate of 0%.

As a result of this analysis management recognised an impairment loss totalling of \$1,096,000 and was allocated to this CGU's intangible assets (training licenses and course material - \$309,723), plant and equipment (leasehold improvements - \$345,072) and right-of-use assets (\$441,205). The group attributes the impairment charge to the impacts of ongoing regulatory uncertainty between SST and the ASQA and the global occurrence of COVID-19.

#### *Site Skills Training – International cash-generating unit*

The recoverable amount of the *Site Skills Training – International CGU* of \$8,312,589 as at 30 June 2020 has been determined based on the cash generating unit's value in use calculation using projected cash flows from financial budgets covering a 5-year period.

Key inputs into the impairment model included a pre-tax discount rate of 15.49%, annual revenue growth rate over the 5-year forecast period of 15-65%, annual EBITDA margins of 14-19%, and a terminal growth rate of 0%.

As a result of this analysis, management did not recognise an impairment charge.

#### *Clark Property development cash-generating unit*

The recoverable amount of the *Clark Property development CGU* of \$20,356,026 as at 30 June 2020 has been determined based on the cash generating unit's value in use calculation using projected cash flows from financial budgets covering a 5-year period.

Key inputs into the impairment model included a pre-tax discount rate of 15.49%, annual EBITDA margins of 71-72%, and a terminal growth rate of 0%.

As a result of this analysis, management did not recognise an impairment charge.

#### *Tertiary Education cash-generating unit*

The recoverable amount of the *Tertiary Education CGU* of \$977,837 as at 30 June 2020 has been determined based on the cash generating unit's value in use calculation using projected cash flows from financial budgets covering a 5-year period.

Key inputs into the impairment model included a pre-tax discount rate of 17.14% annual revenue growth rate over the 5-year forecast period of 10%, annual EBITDA margins of 6-8%, and a terminal growth rate of 0%.

As a result of this analysis, management did not recognise an impairment charge.

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

### Note 11 Impairment Testing continued

#### *Energy Services cash-generating unit*

The recoverable amount of the *Energy Services CGU* of \$498,306 as at 30 June 2020 has been determined based on the cash generating unit's value in use calculation using projected cash flows from financial budgets covering a 5-year period.

Key inputs into the impairment model included a pre-tax discount rate of 17.57, an annual revenue growth rate over the 5-year forecast period of 10%, annual EBITDA margin of 5-10%, and a terminal growth rate of 0%.

As a result of this analysis, management did not recognise an impairment charge.

#### **Sensitivity to changes in assumptions**

The calculation of value in use for the cash generating units is most sensitive to changes in the following assumptions:

- Revenue growth
- Gross Margins
- Discount rates

#### *Revenue growth*

Revenue growth is based on the specific circumstances of each CGU. A decrease in demand can lead to a decline in revenue growth. A decrease in the annual revenue growth rate by 0.5% would result in an impairment to the Site Skills Training – International and Energy Services CGUs. A decrease in the rate by 2.5% would result in an impairment to the Tertiary Education CGU. No reasonable possible change in forecast revenue growth would have resulted in an impairment to the Clark Property development CGU.

#### *Gross Margins*

Gross margins are assumed to be maintained at historical levels. A decrease in demand can lead to a decline in the gross margin. A decrease in the gross margin by 0.5% would result in an impairment to the Site Skills Training – International CGU. A decrease in the gross margin by 1% would result in an impairment to the Energy Services CGU. A decrease in the rate by 2.5% would result in an impairment to the Tertiary Education CGU. No reasonable possible change in the growth margin would have resulted in an impairment to the Clark Property development CGU.

#### *Discount rates*

The discount rate calculation is based on the specific circumstances of each CGU and is derived from its weighted average cost of capital (WACC). A rise in the discount rate to 16.07% would result in an impairment to the Site Skills Training – International CGU. A rise in the discount rate to 18.49% would result in an impairment to the Clark Property development CGU. A rise in the discount rate to 31.69% would result in an impairment to the Energy Services CGU. No reasonably possible change in the discount rate applied would have resulted in an impairment of the Tertiary CGU at 30 June 2020.

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

### Note 12 Right-of-Use Assets and Lease Liabilities

#### Lease arrangements (30 June 2020)

The following information relates to the current year only and is presented in accordance with AASB 16 Leases (which was applied by the group for the first time on 1 July 2019).

#### Lease assets

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



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

### Note 12 Right-of-Use Assets and Lease Liabilities continued

#### Lease liabilities

	2020 \$
<b>Lease liabilities - current</b>	
Land	173,046
Buildings	1,204,146
Motor vehicles	83,995
	<u>1,461,187</u>
<b>Lease liabilities - non-current</b>	
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 addition to the depreciation and interest disclosed above, the Group recognised the following expenses relating to leases for the year ended 30 June 2020:

	2020 \$
Expense relating to leases of 12-months or less (for which a lease asset and lease liability has not been recognised)	(613,026)
Expense relating to leases of low value assets (for which a lease asset and lease liability has not been recognised)	(133,925)
Gains recognised in profit or loss to reflect changes in lease payments arising from rent concessions occurring as a direct consequence of the Covid-19 pandemic	5,585

The total cash outflow for leases for the year ended 30 June 2020 was \$2,355,549.

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

### Note 12 Right-of-Use Assets and Leased Liabilities continued

#### Non-cancellable operating lease arrangements

	2020 \$	2019 \$
Future minimum lease payments to be made:		
- Not later than 1 year		1,884,134
- Later than 1 year and not later than 5 years		5,049,071
- Later than 5 years	-	6,884,947
Aggregate lease payments contracted for at reporting date	-	13,818,152

The Group has an operation through a subsidiary located in the Philippines. On 30 October 2009 the subsidiary entered into a lease agreement covering a parcel of land where its office and education facilities are located. The lease agreement is for a period of 25 years with an option to renew for another 25 years. The agreement includes an escalation in lease payments of ten per cent, compounded on every increase, starting on the fourth year and every three years thereafter.

In 2018 the Group entered into a five-year commercial lease for the head office location. This lease does not include any renewal options and there are no restrictions imposed by entering into these leases. In addition, the Group has entered into leases for training facilities at Belmont (Perth), Gladstone, Landsborough and Darwin. Competent Project Management has a two-year lease at Johor in Malaysia. All of the leases grant options for renewal at expiration of the current lease.

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for leases of 12 months or less.

#### 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

The Group entered into finance leases for the acquisition of motor vehicles during the year. These leases have renewal terms but no purchase options or escalation clauses.

From 1 July 2019, the Group has recognised right-of-use assets for these finance leases.

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

### Note 13 Trade and Other Payables

	Consolidated Group	
	2020	2019
	\$	\$
<b>Current</b>		
<b>Unsecured liabilities</b>		
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
<b>Total trade and other payables</b>	<b>4,420,245</b>	<b>6,080,122</b>

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

Non-current trade payables and accruals balances include commission payable to agents on receipt of the reconciliation payment receivable from the DET (see note 7).

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

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

### Note 13 Trade and Other Payables continued

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 7 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.

**(a) Fair value**

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

**(b) Related party payables**

For terms and conditions relating to related party payables refer to note 17.

**(c) Interest rate, foreign exchange and liquidity risk**

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 24.

### Note 14 Contract Balances

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.

	Consolidated Group	
	2020	2019
	\$	\$
Unearned revenue	812,474	390,458
	Consolidated Group	
	2020	2019
	\$	\$
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

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

### Note 15 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
Secured loans due within 12 months	2,015,680	-
	<b>2,015,680</b>	<b>142,519</b>

#### Non-current financial liabilities

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

Unsecured loans due within 12 months represent the financing agreement with Lucerne Investment Partners (Lucerne). The facility has been fully drawn to \$2,000,000, bears an interest rate of 9.5% and is repayable at call. The loan is secured by a first ranking general security deed over all the assets and undertaking of the group.

Non-current unsecured related party loans represent the current balance owed to Punta Properties Inc. (see Note 21). The loan is payable only upon occurrence of a capital transaction that provides a set minimum net cash amount to the group.

### Note 16 Provisions

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

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

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

### Note 16 Provisions continued

#### Movement in provisions

Movements in long service leave and lease rental provisions are set out below:

	Long Service Leave	Lease Rental*	Total
	\$	\$	\$
At 30 June 2018	163,044	2,306,200	163,044
Arising during the year	104,211	154,927	104,211
Utilised/provision released	-	(7,300)	-
At 30 June 2019	267,255	2,453,827	267,255
Adjustment to opening balance		(2,453,827)	
Arising during the year	74,961	-	74,961
At 30 June 2020	342,216	-	342,216

\* The carrying amount of the rental incentive was offset against the right-of-use assets recognised at 1 July 2019 under AASB 16 (refer to Note 1(a)).

#### Pension Liability

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. The defined benefit plan is unfunded and covers the majority of permanent employees.

The tables below summarise the amount of the defined benefit liability recognised in the statement of financial position and components of defined benefit expense and remeasurement losses on the defined benefit liability recognised in the statement of profit or loss and other comprehensive loss for the current and comparative period.

Movement in the defined benefit liability is as follows:

	2020 \$	2019 \$
Balance at beginning of the year	199,923	94,742
Defined benefits expense	80,118	47,010
Benefits paid	(18,191)	-
Remeasurement of losses recognised in other comprehensive income	7,237	58,171
Balance at end of the year	269,087	199,923

The defined benefit expense is as follows:

	2020 \$	2019 \$
Current service Cost	45,353	38,669
Interest cost	10,634	8,341
Settlement loss	24,131	-
	80,118	47,010

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

### Note 16 Provisions continued

The remeasurement of losses in the defined benefit liability is as follows:

	2020 \$	2019 \$
Actuarial losses due to:		
Changes in financial assumptions	62,427	64,860
Experience adjustments	(55,190)	(6,689)
	<u>7,237</u>	<u>58,171</u>

Movements in the present value of the defined benefit obligation are as follows:

	2020 \$	2019 \$
Present value of the defined benefit obligation at the beginning of the year	199,923	94,742
Current service cost	45,353	38,669
Benefits paid	(18,191)	-
Actuarial losses	7,237	58,171
Interest cost	10,634	8,341
Settlement loss	24,131	-
Present value of defined benefits obligation at end of year	<u>269,087</u>	<u>199,923</u>

The weighted average duration of the defined benefits liability is 16.3 years and 15.4 years as at 30 June 2020 and 2019, respectively.

As at 30 June 2020, the undiscounted benefits payments within 10 years amounted to \$178,732.

Shown below is the maturity analysis of the undiscounted benefit payments as at 30 June 2020:

Financial Year	Expected benefits payments \$
1	8,104
2	3,573
3	2,123
4	2,670
5	3,317
6 -10	158,562

The principal actuarial assumptions used in determining the defined benefits liability for the retirement plan are shown below:

	2020	2019
Discount rate	3.57%	5.28%
Salary increase rate	5.00%	5.00%

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

### Note 16 Provisions continued

The sensitivity analysis below has been determined based on reasonably possible changes of each significant actuarial assumption on the defined benefit liability as at the end of the reporting period, assuming all other actuarial assumptions were held constant.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another:

Actuarial assumption	2020		2019	
	Increase/ decrease in actuarial	Effect on defined benefit liability	Increase/ decrease in actuarial	Effect on defined benefit liability
Discount	1%	(39,153)	1%	(27,755)
	-1%	48,467	-1%	34,009
Salary increase rate	1%	47,233	1%	33,753
	-1%	(39,008)	-1%	(28,063)

### Note 17 Financial Liabilities at Fair Value Through Profit or Loss

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

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

The current derivative liability represents the fair value of the 16,666,667 options issued as part of the financing agreement with Lucerne Investment Partners (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 non-current derivative liability represents the fair value of the conversion feature of the loan with Punta Properties Inc (see Note 21).

The above derivatives are valued using a black scholes model and are carried at fair value.

The following amounts were recognised in profit or loss in relation to derivatives:

	2020	2019
	\$	\$
Fair value gain / (loss) on options valued as part of the financing agreement with Lucerne	(324,606)	-
Fair value gain / (loss) on conversion feature of the loan with Punta Properties inc	(697,310)	116,498
	<u>(1,021,916)</u>	<u>116,498</u>



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

### Note 18 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	\$
<b>30 June 2018 share capital</b>	688,552,154	78,085,284
Share issue - 8 March 2019	7,700,000	-
Share buy back - 27 March 2019	(4,795,000)	-
<b>30 June 2019 share capital</b>	<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)
<b>30 June 2020 share capital</b>	<u>830,581,138</u>	<u>83,366,140</u>

- 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 \$0.031 per share.
- On 29 May 2020 – the Company issued 25,000,000 shares under a share placement at the issue price of \$0.03 per share.

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

### Note 18 Issued Capital continued

#### b) Options

- i. For information relating to the Site Group International Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 16: Share-based Payments.
- ii. 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 19 Accumulated Losses and Reserves

#### (a) Movement in accumulated 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	(93,785,651)	(83,513,722)

#### (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

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

### Note 19 Accumulated Losses and Reserves continued

#### (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. Refer to note 16 for further details.

### Note 20 Share Based Payments

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

	Consolidated Group	
	2020	2019
	\$	\$
<b>Share options expense</b>		
Expense/(write back) arising from equity-settled share-based payments	-	-
<b>Employee services</b>		
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
<b>Total expense arising from share based payment transactions</b>	<b>13,959</b>	<b>9,228</b>

#### (a) Employee share plan

In November 2011 the Shareholders approved the establishment of an Employee Share Plan that would enable employees, directors and eligible associates to subscribe for shares in the Company. Under the terms of the plan an eligible person is offered shares in the Company at a price determined by the board with a corresponding interest free loan to assist the person to subscribe for the shares.

The shares are escrowed in two tranches with 50% being escrowed for a minimum of 12 months and 50% being escrowed for a minimum of 24 months. Subsequent to these minimum restriction periods, the shares are available for release from escrow (i.e. a vested and exercisable option) on the repayment of the loan, and subject to continuation of employment (including acting as an associate or director) at the time of repayment.

For accounting purposes these shares are treated as if these were share options, as whilst the shares have been issued to the employee their rights to access the shares are subject to both a time based requirement (continued employment to escrow dates) and valuation uncertainty (share price exceeds issue price at date of escrow release). Accordingly, shares issued under the plan are valued using a Black Scholes Option Valuation model with the expense being recognised over the escrow period as a share based payment.

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

### Note 20 Share Based Payments continued

A summary of shares issued under the plan are below:

	2020 No. of shares	2020 Weighted average exercise price	2019 No. of shares	2019 Weighted average exercise price
Outstanding at the beginning of the period	12,700,000	\$0.10	9,795,000	\$0.20
Granted during the period	-	-	7,700,000	\$0.04
Exercised during the period	250,000	\$0.04	-	-
Expired during the period	5,000,000	\$0.20	4,795,000	\$0.20
Outstanding at the end of the period	7,450,000	\$0.04	12,700,000	\$0.10
Exercisable (vested) at the end of the period	7,450,000	\$0.04	8,850,000	\$0.13

The 5,000,000 shares that expired were exercisable at 20 cents per share. As these shares are to former and current directors, the board cancelled and bought back these shares following approval of shareholder at the 28 November 2019 general meeting.

The outstanding shares noted above were issued under the plan on 8 March 2019 had the following terms:

	Agreement date 29 March 2018 Issued 8 March 2019	
	Tranche 1 escrowed for 12 months to 29 March 2019	Tranche 2 escrowed for 24 months to 29 March 2020
Employee Share Plan		
Number of shares issued	3,850,000	3,850,000
Fair value	\$24,357	\$37,378
Price paid per share	\$0.040	\$0.040
Market price of shares at grant date	\$0.036	\$0.036
Expected volatility	52.25%	52.25%
Risk free interest rate	2.60%	2.60%
Dividend yield	0%	0%
Escrow period of shares	12 months	24 months

250,000 shares issued on 8 March 2019 (125,000 from each tranche) were exercised during the year. The 7,450,000 remaining shares issued have a remaining contractual life of 1.75 years (expiry date of 29 March 2022).

#### (b) Employee sign-on and bonus shares

From time to time the Group issues shares to employees as an incentive for accepting employment with the group. Shares are issued at the volume weighted average price (VWAP) of the Group's stock trading for the period prior to issuance. Shares are subject to escrow periods which vary depending on the contracts with the employee, and the value of the shares is recognised as an expense over the escrow period subject to continuing employment with the Group. No such shares have been issued in either the current or comparative financial years.

#### (c) Share-based payments to service providers

No share-based payment arrangements were entered into with service providers in the current or prior period.

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

### Note 21 Related Party Transactions

#### (a) The Group's main related parties are as follows:

- i. **Entities exercising control over the Group:**  
The ultimate parent entity, which exercises control over the group, is Site Group International Limited which is incorporated in Australia.
- ii. **Key Management Personnel:**  
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.  
For details of disclosures relating to remuneration of key management personnel, refer to Note 19.

#### (b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### (c) Amounts outstanding from related parties

As disclosed in the remuneration report, Directors and key management personnel participate in the employee share plan whereby they are offered shares in the Company with a corresponding interest free loan. The loan from the Company must be repaid prior to the shares being sold or transferred by the employee. The below table details the key management personnel participation:

Name	Shares Issued	Share Issue Price	Total Value	Loan from Company
Craig Dawson	1,000,000	\$0.04	40,000	40,000

#### (d) Other transactions with related parties

##### *Wayburn Holdings Pty Ltd*

During the current and comparative periods, the group made use of an unsecured loan facility with Wayburn Holdings Pty Ltd, a company associated with Managing Director and CEO Mr Vernon Wills.

The loan facility limit was \$2.35m to 31 December 2016, and \$1.32m from that point, repayable on the earlier of collection of the receivable from the Commonwealth Department of Education and Training (refer note 7) or February 2018.

During the current period the facility interest rate was reviewed and updated from a fixed rate of 7% per annum to 10% per annum. The rate change brings the loan facility interest rate in line with the interest rate applied to other related party loans. The rate change was applied to the lifetime of the loan resulting in an interest accrual totalling \$241,763.

The remaining loan balance was paid in full resulting in \$nil owing at period end.

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

### Note 21 Related Party Transactions continued

Movements in the loan balance during the year are as follows:

	2020	2019
	\$	\$
Opening Balance	38,907	266,922
Interest accrued during the year	243,067	14,102
Principal repayments (cash)	-	(233,189)
Interest repayments (cash)	(281,974)	(8,928)
Closing Balance	-	38,907

#### *Punta Properties Inc.*

On 21 June 2018, the Company announced a financing facility of US\$4million with Punta Properties, a company associated with Non-Executive Director Nicasio Alcantara. Repayment of funds drawn under the facility will be via cash or equity to be issued at the last issue price of 4 cents per share subject to approval of shareholders. The potential settlement of the loan balance (which is variable, based on the loan being denominated in a currency other than the group's functional currency of Australian dollars) through issuance of shares represents an embedded derivative liability. Interest charged on the loan will be at a fixed rate of 10% per annum.

On initial drawdown of the loan during the period, the group recognised the following derivative financial liabilities:

Date of drawdown	Drawdown amount (USD)	Drawdown amount (AUD)	Value of conversion option	No of securities	Total Value	Exercise Price	Share price @ drawdown	Risk Free rate	Stock volatility	Expected maturity
	\$	\$	\$		\$	\$	\$			
9/07/2018	1,000,000	1,346,149	0.0020	33,653,725	67,397	0.04	0.020	2%	52.25%	1/07/2020
30/09/2018	500,000	692,770	0.0037	17,319,250	64,832	0.04	0.026	2%	52.25%	1/07/2020
31/10/2018	200,000	275,562	0.0069	6,889,045	47,332	0.04	0.028	2%	52.25%	1/07/2020
23/11/2018	200,000	274,010	0.0067	6,850,254	45,814	0.04	0.033	2%	52.25%	1/07/2020
28/03/2019	200,000	279,003	0.0034	6,975,072	23,587	0.04	0.028	2%	52.25%	1/07/2020
11/04/2019	200,000	276,855	0.0045	6,921,373	31,460	0.04	0.031	2%	52.25%	1/07/2020
22/05/2019	400,000	577,284	0.0026	14,432,097	37,745	0.04	0.027	2%	52.25%	1/07/2020
24/06/2019	200,000	285,347	0.0024	7,133,685	16,961	0.04	0.027	2%	52.25%	1/07/2020
					<b>335,128</b>					

The conversion options were valued at inception using a Black Scholes model, with inputs as documented in the table above. Derivatives are carried at fair value through profit or loss and fall within level 2 of the fair value hierarchy. The fair value of the above options at 30 June 2020 was \$915,940 (30 June 2019: \$218,630). The following inputs were applied in deriving the fair value of these options:

Date of valuation	Drawdown amount (USD)	Drawdown amount (AUD)	Value of conversion option	No of securities	Total Value	Exercise Price	Share price @ valuation	Risk Free rate	Stock volatility	Expected maturity
	\$	\$	\$		\$	\$	\$			
30/06/2020	\$2,900,000	4,231,106	0.008659107	105,777,645	<b>915,940</b>	0.04	0.035	0%	75.00%	30/06/2021

A fair value loss of \$697,310 (2019: gain of \$116,498) has been recognised on revaluation of the embedded derivative at 30 June 2020 (see Note 17).

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

### Note 21 Related Party Transactions continued

Movements in the financing facility during the period were as follows:

	2020	2019
	\$	\$
Opening Balance	4,167,276	-
Drawdowns	-	4,006,980
Interest accrued during the year	708,976	368,090
Recognition of embedded derivative	-	(335,128)
Foreign Currency movement	94,720	127,332
Closing Balance	4,970,972	4,167,276

In addition, the Company and Punta Properties agreed to a performance based incentive to develop and execute an optimisation plan for the Group's Philippines assets, associated businesses and international expansion. This incentive is payable on the total project value achieved from the optimisation plan at 5% of the total project value achieved. Should the plan reach a total project value of US\$30m a further 5% fee of the gross value is payable to Mr Alcantara. There is no retainer applicable or payable to this agreement. The agreement will be subject to shareholder approval at the next general meeting of shareholders.

The incentive represents a contingent liability to the group, and the group's obligation in respect of the incentive will only be confirmed by the occurrence or non-occurrence of a future obligating event, being the execution of an optimisation plan. It is not considered possible to reliably estimate the amount of the possible obligation at this point in time, having regard to the degree of uncertainty in such estimation. Uncertainties relate to the amount of timing of any outflow include the type of optimisation transaction, time for such transaction occurring, and estimated total project value.

### Note 22 Controlled Entities

	Principle activities	Country of Incorporation	Percentage Owned (%) <sup>*</sup>	
			2020	2019
<b>Subsidiaries of Site Group International Limited:</b>				
Site Group Holdings Pty Ltd	Holding company	Australia	100%	100%
Site Education Australia Pty Ltd	Holding company	Australia	100%	100%
Site WorkReady Pty Ltd	Labour services	Australia	100%	100%
Study Corp Australia Pty Ltd (Formerly Site Labourhire Pty Ltd)	Holding company	Australia	100%	100%
Site Skills Group Pty Ltd	Education and training	Australia	100%	100%
Site Skills Academy Pty Ltd	Education and training	Australia	100%	100%
Site WorkReady (Philippines) Pty Ltd	Holding company	Australia	100%	100%
Axis Training Group Pty Ltd	Education and training	Australia	100%	100%
Romea Consulting Pty Ltd	Education and training	Australia	100%	100%
Site Group international Pte Ltd	Competency development	Singapore	100%	100%
Competent Project Management Sdn Bhd	Competency development	Malaysia	100%	100%
Productivity Partners Pty Ltd	Education and training	Australia	100%	100%
Wild Geese International Pty Ltd	Oil & Gas consultancy	Australia	100%	100%
Site Institute Pty Ltd (Formerly Innovium Pty Ltd)	Education and training	Australia	100%	100%

\* Percentage of voting power is in proportion to ownership

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

### Note 23 Interests of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2020.

The totals of remuneration paid to KMP of the Group during the year are as follows:

	Consolidated Group	
	2020	2019
	\$	\$
Short-term employee benefits	901,537	892,930
Post-employment benefits	26,027	26,027
Other long term benefits	5,250	5,247
Share-based payments	1,812	4,781
Termination benefits	-	-
	<u>934,626</u>	<u>928,985</u>

### Note 24 Discontinued Operations

In December 2016, the Group publicly announced the closure of Productivity Partners Pty Ltd's business, and the closure of VET FEE-HELP related campuses. The closure was a direct result of the Commonwealth Government passed legislative changes.

With Productivity Partners Pty Ltd being classified as a discontinued operation, the company is no longer included in the 'tertiary education' segment of the segment note. Expenses for the discontinued operation for the year are presented below.

	2020	2019
	\$	\$
Expenses		
Contractor and other service providers	(69,000)	(151,150)
Employee benefits expense	(19,159)	(5,897)
Legal, accounting and other professional fees	(1,030,734)	(1,037,102)
	<u>(1,118,893)</u>	<u>(1,194,149)</u>



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

### Note 25 Cash Flow Information

	Consolidated Group	
	2020	2019
	\$	\$
<b>Reconciliation of net (loss) / profit after tax to net cash flows from operations</b>		
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
<b>Net cash used in operating activities</b>	<b>(3,771,644)</b>	<b>(2,696,230)</b>

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

### Note 26 Financial Risk Management

The totals for each category of financial instruments as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group 2020 \$	2019 \$
<b>Financial assets</b>			
Cash and cash equivalents		1,246,819	606,148
Loans and receivables	7	2,656,525	4,378,367
Other non-current financial assets		226,233	105,748
<b>Total financial assets</b>		<b>4,129,577</b>	<b>5,090,263</b>
<b>Financial liabilities</b>			
Current			
— Trade and other payables	13	4,420,245	6,080,122
— Interest bearing debt	15	2,015,680	142,519
— Lease liabilities	12	1,461,187	-
— Financial liabilities at fair value through profit or loss	17	324,606	-
Non-current			
— Trade and other payables	13	5,595,083	5,595,083
— Interest bearing debt	15	4,970,972	4,238,419
— Lease liabilities	12	8,373,206	-
— Financial liabilities at fair value through profit or loss	17	915,940	218,630
<b>Total financial liabilities</b>		<b>28,076,919</b>	<b>16,274,773</b>

#### (a) Liquidity Risk

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities, reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables	4,420,245	6,080,122	5,595,083	5,595,083	-	-	10,015,328	11,675,205
Interest bearing debt								
- Principal	2,000,000	92,922	4,231,106	4,212,082	-	-	6,231,106	4,305,004
- Interest	15,680	47,583	1,074,994	372,945	-	-	1,090,674	420,528
Lease liabilities								
- Principal	1,461,187	-	3,066,996	-	5,306,210	-	9,834,393	-
- Interest	236,390	-	3,125,749	-	2,635,263	-	5,997,402	-
Other financial liabilities	324,606	-	915,940	218,630	-	-	1,240,546	218,630
Total expected outflows	8,458,108	6,220,627	18,009,867	10,398,740	7,941,473	-	34,409,448	16,619,367
<b>Financial assets - cash flows realisable</b>								
Cash and cash equivalents	1,246,819	606,148	-	-	-	-	1,246,819	606,148
Loans and receivables	2,656,525	4,378,367	-	-	-	-	2,656,525	4,378,367
Other non-current financial assets	-	-	226,233	105,748	-	-	226,233	105,748
	3,903,344	4,984,515	226,233	105,748	-	-	4,129,577	5,090,263
<b>Net (outflow) / inflow</b>	<b>(4,554,764)</b>	<b>(1,236,112)</b>	<b>(17,783,634)</b>	<b>(10,292,992)</b>	<b>(7,941,473)</b>	<b>-</b>	<b>(30,279,871)</b>	<b>(11,529,104)</b>

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

### Note 26 Financial Risk Management continued

The outflow indicated above within 1 year will be funded via drawdowns on the unused loan facility available at 30 June 2020 (refer financing arrangements below). The outflow in subsequent years is attributable to lease liabilities and financial liabilities which will only require settlement where a corresponding inflow of economic benefits is received in settlement of fully impaired receivables, as disclosed in note 7.

#### (i) Financing arrangements

The group had access to the following undrawn loan facility at the end of the reporting period:

	Consolidated Group	
	2020	2019
	\$	\$
Expiring beyond one year (unsecured related party loans)	1,604,902	1,658,000

The loan facility with Punta Properties may be drawn on at any time. Further terms are disclosed in note 21.

#### (b) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's holding of cash as borrowings are under fixed interest agreements. The following table depicts the sensitivity of the Group's results to reasonably possible changes in interest rates.

	Consolidated Group	
	2020	2019
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	1,246,819	606,148

	Post Tax Profit		Other Comprehensive Income	
	higher / (lower)		higher / (lower)	
	2020	2019	2020	2019
Consolidated	\$	\$	\$	\$
+ 1% (100 basis points)	8,728	4,243	-	-
- .5% (50 basis points)	(4,364)	(2,122)	-	-

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

### Note 26 Financial Risk Management continued

#### (c) Foreign currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of change in foreign exchange rate. The Group is exposed to foreign currency risk on cash balances held in US Dollars (USD). At 30 June 2020 the Group had total cash and cash equivalents denominated in USD of \$198,140 (2019: USD \$117,693).

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations.

	Post Tax Profit		Other Comprehensive Income	
	higher / (lower)		higher / (lower)	
	2020	2019	2020	2019
	\$	\$	\$	\$
Consolidated				
USD Rate+15%	35,705	20,715	-	-
USD Rate-15%	(26,391)	(15,311)	-	-

#### (d) Price risk

The group is not materially exposed to price risk.

#### (e) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and short-term deposits, receivables from contracts with customers, other receivables, and quoted and unquoted financial instruments. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

Credit risk is managed on a group basis. For banks and financial institutions, only those with a long operating history and with a minimum rating of 'A' are accepted.

The Group does not hold any credit derivatives to offset its credit exposure.

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 receivables from contracts with customers and other receivables. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant. The group determines an allowance for expected credit losses at each reporting date. Details of this allowance and the basis on which it has been determined are outlined in note 7.

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

### Note 27 Auditors Remuneration

	Consolidated Group	
	2020	2019
	\$	\$
Remuneration of Pitcher Partners as current auditor of the parent entity for:		
— auditing or reviewing the financial report	104,500	100,000
— taxation services	17,180	32,450
Remuneration of entities affiliated with Pitcher Partners for:		
— auditing or reviewing the financial statements of subsidiaries	17,580	16,681
Remuneration of other auditors of subsidiaries for:		
— auditing or reviewing the financial statements of subsidiaries	11,166	10,382
— taxation services	11,435	11,975
	22,601	22,357

### Note 28 Events after the Reporting Period

In July 2020 the company successfully completed a share purchase plan raising \$353,400 via the issue of 11,780,000 shares at 3 cents per share.

Other than as disclosed elsewhere in this report, there have been no significant events after balance date.

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

### Note 29 Parent Company Information

The following information has been extracted from the books and records of the parent, Site Group International Limited, and has been prepared in accordance with the Accounting Standards.

	2020 \$	2019 \$
<b>Statement of Financial Position</b>		
Assets		
Current assets	21,600,698	20,307,215
Non-current assets	13,405,389	11,172,699
Total Assets	35,006,087	31,479,914.0
Liabilities		
Current liabilities	4,649,945	1,689,605
Non-current liabilities	7,151,216	4,525,900
Total liabilities	11,801,161	6,215,505
Net Assets	23,204,926	25,264,409
Equity		
Issued capital	72,893,418	67,612,562
Accumulated losses	(51,909,005)	(43,729,621)
Share based payments reserve	1,403,831	1,381,468
Total Equity	22,388,244	25,264,409
<b>Statement of Comprehensive Income</b>		
Total loss of the parent entity	(31,796,988)	(26,398,041)
Total comprehensive loss of the parent	(31,796,988)	(26,398,041)

The Parent entity has no commitments to purchase property, plant and equipment and has no contingent liabilities.

### Note 30 Contingencies

#### Legal claim contingency

As noted in the Directors report, the ACCC has commenced civil proceedings against Site, Productivity Partners and two former executives in relation to enrolment practices of Productivity Partners. An estimate of the financial effect of the matter has not been disclosed as it is not yet practicable to determine such an estimate, having regard to the timing of proceedings (the case was heard in June 2020), and the prevailing uncertainty surrounding the outcome of these proceedings.

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

### Note 31      Company Details

The registered office of the company is:

Site Group International Limited  
Level 4, 488 Queen Street,  
Brisbane Qld 4000

The principal places of business are:

Site Skills Training:

- 97 Flinders Parade, North Lakes Qld 4509
- 17-19 South Tree Drive, Gladstone Qld 4680
- 72-80 Belgravia Street, Belmont WA 6104
- 1 Campion Road, East Arm NT 0822
- 55 Mica Street, Carole Park QLD 4300
- Centennial Road, Clark Freeport Zone, Pampanga, Philippines 2023

Competent Project Management

- 112, Robinson Road #8-01, Singapore 068909
- 17G, Jalan Hijauan 3, Horizon Hills, 79100 Nusajaya, Johor

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## Directors' Declaration

In accordance with a resolution of the directors of Site Group International Limited, I state that:

1. In the opinion of directors:
  - a) the financial statements and notes of Site Group International Limited for the financial year ended 30 June 2020 are in accordance with the *Corporations Act 2001*, including:
    - i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
    - ii. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1a (a); and
  - c) subject to the matters discussed in Note 1a (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

On behalf of the Board



Vernon Wills  
Director

Brisbane, 29 September 2020



**Independent Auditor's Report to the Members of Site Group International Limited****Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of Site Group International Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1a(b) "Going Concern" in the Financial Report. The conditions disclosed in Note 1a(b) indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amount stated in the Financial Report. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<b>Application of the going concern assumption</b> <b>Refer to note 1a(b) going concern</b>	
<p>The Directors have concluded that in their opinion there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due and realise the value of the assets in the ordinary course of business.</p> <p>Accordingly they have prepared the financial statements on a going concern basis as disclosed in note 1a(b).</p> <p>The going concern assumption is fundamental to the basis of preparation of the financial statements. Assertions made by the Directors in forming their conclusion, including forecast cash flows and unused borrowing facilities, are key elements of this assessment and considerable audit attention was directed to verifying these.</p> <p>Accordingly, our consideration of this matter and the related disclosures is considered to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the entity level controls in place directed at ensuring the Group continues to operate as a going concern, and evaluating the design and implementation of those controls;</li> <li>• Evaluating whether the Directors' conclusions regarding the going concern assumption were supported by management's going concern assessment, including cash flow forecasts;</li> <li>• Agreeing the cash flow forecast used in the going concern assessment to the FY21 budget;</li> <li>• Assessing key inputs into the cash flow forecast by comparing them to historical actual results, assumptions and estimates used elsewhere in the preparation of the financial statements, and customer commitments, contracts, or other available information supporting forecast cash flows;</li> <li>• Confirming the amount of commitments for subscription of capital received by the group subsequent to balance date;</li> <li>• Considering the historical reliability of the Group's cash flow forecasting process;</li> <li>• Considering the range of cash flow sensitivities to the conclusion reached by the directors;</li> <li>• Assessing the possible mitigating actions identified by management in the event that actual cash flows are below forecast, including verification of unused financing facilities to loan agreements; and</li> <li>• Assessing the adequacy of the disclosures made by the Directors regarding the going concern assumption and available financing.</li> </ul>

## Key Audit Matters

Key Audit Matter	How our audit addressed the key audit matter
<b>Impairment testing of Cash-Generating Units ("CGUs")</b> <b>Refer to note 1b and note 11</b>	
<p>AASB 136 <i>Impairment of Assets</i> requires the Group to undertake an annual impairment assessment for all cash-generating units ("CGUs") to which goodwill or intangible assets with an indefinite useful life are allocated. Further, an impairment assessment is required to be completed for all other assets where indicators of impairment are present.</p> <p>Impairment testing of the Group's CGUs is a key audit matter due to the continued decline in the Group's operating results and the significant uncertainty that COVID-19 brings to the Group's ability to generate required revenue growth and produce sustainable operating cashflows.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the controls over the valuation of non-current assets, and evaluating the design and implementation of those controls;</li> <li>• Checking the mathematical accuracy of the Board approved FY21 cash flow forecasts and methodology of the impairment model;</li> <li>• Confirming consistency of the impairment testing calculations and inputs applied by the Group with the requirements of AASB 136;</li> <li>• Assessing the key assumptions within the impairment testing calculations including forecast cash flows, growth rates, discount rates and terminal values;</li> <li>• Applying our knowledge of the business and corroborated our work with external information where possible;</li> <li>• Performing sensitivity analysis in respect of the key assumptions and assessing the potential impact of reasonably possible change to those assumptions; and</li> <li>• Assessing the adequacy of disclosures.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the [Group] or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 19 to 26 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Site Group International Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Group 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.



PITCHER PARTNERS



JASON EVANS  
Partner

Brisbane, Queensland  
29 September 2020

## Shareholder Information

### 1 Twenty Largest Shareholders

#### (i) Ordinary Shares Inclusive of Escrowed Ordinary Shares

As at 3 September 2020, there are 833,795,127 ordinary shares and an additional 7,450,000 ordinary shares subject to escrow restrictions.

The names of the twenty largest holders of ordinary shares including the ordinary shares in escrow are listed below:

Name	No. of Ordinary Shares Held	% of Issued Capital
NATIONAL NOMINEES LIMITED	165,100,227	19.63%
ARMADA TRADING PTY LIMITED	62,500,000	7.43%
MR VERNON ALAN WILLS + MS JILLAIN PATRICE WILLS	44,140,703	5.25%
WAYBURN HOLDINGS PTY LTD	41,108,142	4.89%
CAMERON RICHARD PTY LTD <LPS PL NO 5 EXEC B/PLAN A/C>	37,797,730	4.49%
MR VERNON ALAN WILLS + MS JILLAIN PATRICE WILLS <WILLS FAMILY SUPER FUND A/C>	29,414,188	3.50%
MR NEVILLE WAYNE MORCOMBE + MR DANIEL ROBERT ANDREW MORCOMBE <NEVILLE MORCOMBE SUPER A/C>	28,478,484	3.39%
LINWIERIK SUPER PTY LTD <LINTON SUPER FUND A/C>	21,000,000	2.50%
SMITHLEY SUPER PTY LTD <SMITH SUPER FUND A/C>	20,100,000	2.39%
CITICORP NOMINEES PTY LIMITED	19,166,624	2.28%
JGC ASSETS PTY LTD <JUDI COOK A/C>	16,746,700	1.99%
STUART ANDREW PTY LTD <CAMPASPE FAMILY A/C>	14,682,068	1.75%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,889,113	1.65%
JGC ASSETS PTY LTD <JUDI COOK A/C>	12,581,201	1.50%
MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	11,449,056	1.36%
MR GARY LINTON + MRS CHERYL LINTON	10,200,000	1.21%
MR GRANT HARRY O'KEEFE + MRS CATHERINE MARIA O'KEEFE <THE O'KEEFE INVESTMENT A/C>	8,885,419	1.06%
NICASIO ALCANTARA	8,371,325	1.00%
PATRICIA HAWKEY PTY LTD <THE PATRICIA HAWKEY A/C>	7,717,294	0.92%
THE SUMMIT HOTEL BONDI BEACH PTY LTD	7,637,368	0.91%

#### (ii) Ordinary Shares

The names of the twenty largest holders of fully paid ordinary shares are listed below:

Name	No. of Ordinary Shares Held	% of fully paid shares
NATIONAL NOMINEES LIMITED	165,100,227	19.80%
ARMADA TRADING PTY LIMITED	62,500,000	7.50%
MR VERNON ALAN WILLS + MS JILLAIN PATRICE WILLS	44,140,703	5.29%
WAYBURN HOLDINGS PTY LTD	41,108,142	4.93%
CAMERON RICHARD PTY LTD <LPS PL NO 5 EXEC B/PLAN A/C>	37,797,730	4.53%
MR VERNON ALAN WILLS + MS JILLAIN PATRICE WILLS <WILLS FAMILY SUPER FUND A/C>	29,414,188	3.53%

## Shareholder Information continued

Name	No. of Ordinary Shares Held	% of fully paid shares
MR NEVILLE WAYNE MORCOMBE + MR DANIEL ROBERT ANDREW MORCOMBE <NEVILLE MORCOMBE SUPER A/C>	28,478,484	3.42%
LINWIERIK SUPER PTY LTD <LINTON SUPER FUND A/C>	21,000,000	2.52%
SMITHLEY SUPER PTY LTD <SMITH SUPER FUND A/C>	20,100,000	2.41%
CITICORP NOMINEES PTY LIMITED	19,166,624	2.30%
JGC ASSETS PTY LTD <JUDI COOK A/C>	16,746,700	2.01%
STUART ANDREW PTY LTD <CAMPASPE FAMILY A/C>	14,682,068	1.76%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,889,113	1.67%
JGC ASSETS PTY LTD <JUDI COOK A/C>	12,581,201	1.51%
MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	11,449,056	1.37%
MR GARY LINTON + MRS CHERYL LINTON	10,200,000	1.22%
MR GRANT HARRY O'KEEFE + MRS CATHERINE MARIA O'KEEFE <THE O'KEEFE INVESTMENT A/C>	8,885,419	1.07%
NICASIO ALCANTARA	8,371,325	1.00%
PATRICIA HAWKEY PTY LTD <THE PATRICIA HAWKEY A/C>	7,717,294	0.93%
THE SUMMIT HOTEL BONDI BEACH PTY LTD	7,637,368	0.92%

### (iii) Escrowed Shares

The names of the top twenty holders of the escrowed shares are listed below:

Name	No. of Escrowed Shares Held	% of escrowed shares
CRAIG ANTHONY DAWSON	1,000,000	13.42%
BRETT MCPHEE	750,000	10.07%
ISMAIL TAHIR	600,000	8.05%
JASON ANFIELD	500,000	6.71%
NOEL CHENEY	500,000	6.71%
MICHAEL WALLACE	500,000	6.71%
MIKE COSTELLOE	400,000	5.37%
NEIL COSTELLOE	400,000	5.37%
SUDHHER GOVINDPILLAI	400,000	5.37%
SHAAGUL HAMEETH	400,000	5.37%
MR JARROD PETER BELCHER	300,000	4.03%
MS KATIE HURSE	300,000	4.03%
MR JAMIE VERNON WILLS	300,000	4.03%
SITI SUZANA BT BASRI	250,000	3.36%
JAYSHEN RAMANAH	250,000	3.36%
MR BERESFORD PAUL ROBERTSON	250,000	3.36%
CHRISTOPHER LAMBERT	100,000	1.34%
MOHAMMED AKBERY	50,000	0.67%
RODNEY ANDERSON	50,000	0.67%
AARON BANDHOLZ	50,000	0.67%



## Shareholder Information continued

### (iii) Partly Paid Shares

There are 1,116,000 partly paid shares, paid to \$0.01, held by eight individual shareholders. \$0.24 per share may be called up in the event of winding up the company.

The names of the holders are listed below:

Name	No of partly paid shares held	% of Partly Paid Shares
BARON INVESTMENTS PTY LIMITED	488,376	43.76%
BARON NOMINEES PTY LTD	400,000	35.84%
QUEVY HOLDINGS PTY LTD	195,624	17.53%
M B HUNNIFORD	24,000	2.15%
ESTATE LATE PETER GAME	2,000	0.18%
ESTATE LATE PETER AYLWARD GAME <EST LATE B E GAME A/C>	2,000	0.18%
P C TOOMEY	2,000	0.18%
R TOOMEY	2,000	0.18%
<b>Total of partly paid shares issued</b>	<b>1,116,000</b>	<b>100%</b>

## 2 Distribution of Equity Securities

Analysis of numbers of holders by size of holding:

### (i) Fully paid ordinary shares

Distribution	Number of Holders	Number of Shares
1 - 1,000	87	44,308
1,001 - 5,000	53	152,859
5,001 - 10,000	70	623,909
10,001 - 100,000	196	9,823,095
Greater than 100,000	266	830,600,956
<b>Totals</b>	<b>672</b>	<b>841,245,127</b>

### (ii) Partly paid shares, paid to \$0.01

Distribution	Number of Holders	Number of Shares
1 – 1,000	-	-
1,001 – 5,000	4	8,000
5,001 – 10,000	-	-
10,001 – 100,000	1	24,000
Greater than 100,000	3	1,084,000
<b>Totals</b>	<b>8</b>	<b>1,116,000</b>



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## Shareholder Information continued

### (iii) Escrowed ordinary shares

Distribution	Number of Holders	Number of Shares
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	15	600,000
Greater than 100,000	16	6,850,000
<b>Totals</b>	<b>31</b>	<b>7,450,000</b>

### (iv) Unmarketable parcels

	Minimum parcel size	Holders	Shares
Minimum \$500 parcel at \$0.022 per share	22,728	253	1,560,729

## 3 Voting Rights

The voting rights attaching to each class of equity securities are set out below:

**Ordinary shares:** Subject to any rights or restrictions for the time being attached to any class of shares, at a meeting of shareholders each shareholder entitled to vote may vote in person or by proxy or attorney or, being a corporation, by representative duly authorised under the Corporations Law, and has one vote on a show of hands and one vote per fully paid share on a poll.

## 4 Substantial Shareholders

Substantial shareholder notices lodged with the Company:

Substantial Shareholder	Number of Shares
Mr Vernon Alan Wills, Ms Jillaine Patrice Wills and Wayburn Holdings Pty Ltd	123,395,630
EGP Capital Pty Ltd	107,700,000
Peter Jones, Helen Jones, Cameron Richard Pty Ltd and Stuart Andrew Pty Ltd	56,819,466
Armada Trading Pty Ltd	62,500,000