28 February 2017

Appendix 4D and Half year Financial Statements to 31 December 2016

The Directors of Site Group International Limited ("Site", ASX:SIT) are pleased to release the 6 monthly report for the period to 31 December 2016.

In the 6 months to 31 December 2016, Site revenues were $24.7 m ($35m corresponding period last year) with EBITDA of $6m (up from $4.1m corresponding period last year) excluding non-recurring adjustments.

Significant changes made by Government to vocational student funding arrangements announced at the end of 2016 have led to an uncertain platform for 2017 as new rules and programs are initiated. As such Site will focus on its many other areas of business, both domestic and international, until certainty prevails on the opportunity in this sector. Whilst this will result in changes to revenue make up over the 2017 calendar year management is confident of the ongoing growth of other funded areas, organic growth and the release of new products over the following months, particularly in the online and international markets.

As announced previously Site continues its focus on growing its `high barrier to entry` products in demand from industry and governments, in particular in the International markets. The focus of Site`s business model to industry driven services, products and partnerships is gaining traction and the announcement of further projects in Philippines, KSA, Singapore and opportunities around the SLPP with its related engineering training capability can be expected through 2017.

Revenue in the international and emerging markets continues to grow with increasing services and capability contributing significantly to Site's growing international reputation. This will be further enhanced by the introduction of new training and language online products in the remainder of the financial year.

AUSTRALIA

As previously announced the trade training and licensing areas of Site Skills Training have seen a reduction in numbers of new entrants and therefore softening of enrolments for the first quarter since the global commodity price crunch. Management have been successful in mitigating this reduction through the introduction of new products with improved margin.

The Australian operations experienced softening in the Christmas period, especially January. There is strong growth expected through its trades centres and oil & gas subsidiary, Wild Geese.

New initiatives launched in Queensland are showing returns with an uptick in revenues. Management expect to grow and maintain revenue from these initiatives throughout the year. They include industry safety programs such as ISI ticketing which has seen an increased interaction with industry.

OFFSHORE

The monthly performance of International continues to provide confidence in the growth of business in the regions we have selected and invested in. After a long gestation period, results are indicating significant support for the Competency based approach training methodology and buy-in from industry. New developments are expected to be announced in several International markets this financial half that support management's confidence of the growth strategy.

2015 RECONCILIATION PAYMENT

As previously stated, Site and its wholly owned subsidiary, Productivity Partners Pty Ltd continue to work with the Department of Education and Training to finalise the Calendar Year 2015 Reconciliation payment. Productivity Partners have provided the department with very substantial information for its audit process including evidence of enrolment, learning materials, participation rates, facilities and staffing.

Site recently provided the Department's Audit process with further substantial evidence which in Site's view will confirm the process has reached a stage where the reconciliation can be finalised.

The Department is yet to commit to a timeframe for finalisation of the process, however has advised that they are awaiting the findings of the finalised further audit report which they will take into account in reaching a view on the reconciliation payment.

Without foreshadowing any action the board may take, the board and management believe that Productivity Partners is entitled to the 2015 Reconciliation payment in full and that the monies outstanding are legitimately owing.

--- **END** ---

Media and Investors

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Site Group International Limited
ABN 73 003 201 910

ASX Half-Year Information – 31 December 2016

Lodged with the ASX under Listing Rule 4.2A

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Site Group International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

APPENDIX 4D
HALF-YEAR REPORT TO THE AUSTRALIAN STOCK EXCHANGE

Name of entity	Site Group International Limited
ABN	73 003 201 910
Half-Year Ended	31 December 2016
Previous corresponding reporting period	31 December 2015

Results for Announcement to the Market

	$'000	**Percentage increase / (decrease) over previous corresponding period**
Revenue from ordinary activities	$24,678	31% decrease
Profit / (loss) from ordinary activities after tax attributable to members	$1,088	68% decrease
Net Profit / (loss) for the period attributable to members	$1,088	68% decrease

Dividends	**Amount per security**	**Franked amount per security**
Final dividend	Nil	Not applicable
Interim dividend	Nil	Not applicable
Record date for determining entitlements to the dividends (if any)	Not applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to directors' report on page 7.

Dividends

Date the dividend is payable	Not applicable
Record date to determine entitlement to the dividend	
Amount per security	
Total dividend	
Amount per security of foreign sourced dividend or distribution	
Details of any dividend reinvestment plans in operation	
The last date for receipt of an election notice for participation in any dividend reinvestment plans.	

NTA Backing

	Current Period	**Previous corresponding period**
Net tangible asset backing per ordinary security	4.77 cents	3.64 cents

APPENDIX 4D
HALF-YEAR REPORT TO THE AUSTRALIAN STOCK EXCHANGE

Foreign Entities Accounting Framework

Same accounting principles have been applied for the overseas subsidiaries as the Australian entities.

Audit / Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	X
If the accounts are subject to audit dispute or qualification, a description of the dispute or qualification: Not Applicable			

Attachments Forming Part of Appendix 4D

Attachment #	Details
Signed by (Director / Company Secretary)	
Print Name	Vernon Wills
Date	28 February 2017

Site Group International Limited
ABN 73 003 201 910

Financial Statements for the Half-Year ended 31 December, 2016

Site Group International Limited
ABN 73 003 201 910

Financial Statements for the Half-Year ended 31 December, 2016

Contents

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2016.

Directors

The names of the directors of the Company in office during the half-year and until the date of this report are:

Vernon Wills (Managing Director and CEO)
Nicasio Alcantara
Darryl Somerville (Chairman)
Joseph Ganim

Principal Activities

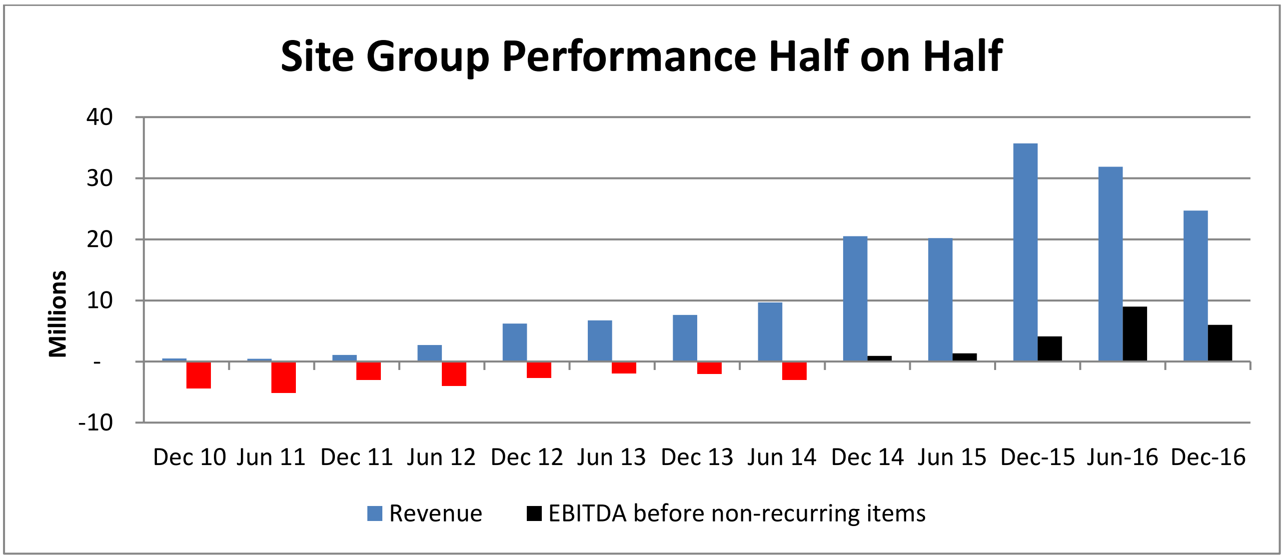
The principal activities of the consolidated entity during the half-year were the provision of training and education services in Australia and Internationally. The company is delivering these workforce solutions across a variety of industries to both a retail and corporate market.

There has been no significant change in the principal activities of the consolidated entity during the period.

Review of operations and results

Group

Total revenue and other income from operations was $24,677,999 (2015: $35,685,777) a 31% decrease over the prior comparative period. However, an increase in profitability led to an EBITDA before non-recurring items of $5,996,888 compared to $4,112,418 in the previous corresponding period, highlighting the continuous improvement achieved by the group. The changes to student funding arrangements under the federal VET FEE-HELP program, has allowed Site to increase its focus on the high "barrier to entry" products and industry driven services, products and partnerships. The half year result is illustrated in the following graph:



Graph 1: Reported revenue and EBITDA before non-recurring items - December 2010 to December 2016

Group continued…

There was also a measurable impact on the overall business from global commodity prices and the well reported impact on the resources, oil and gas sectors.

A summary of the result in comparison with prior periods is shown below: -

	31-Dec 2016	2015	Change 16-15 %	31-Dec 2014	Change 15-14 %	31-Dec 2013	Change 14-13 %
Revenue and other income	24,677,999	35,685,777	(31%)	20,536,151	74%	7,632,746	169%
Net profit / (loss)	1,087,983	3,359,148	(68%)	160,765	1,989%	(2,644,009)	106%
add back							
Depreciation and amortisation	1,219,095	1,432,241	(15%)	904,638	58%	672,656	34%
Interest paid	181,435	60,762	199%	31,175	95%	8,996	247%
Income tax expense / (benefit)	1,056,412	(130,045)	-	61,761	-	1,744	-
deduct							
Interest income	9,037	11,727	(23%)	16,074	(27%)	18,846	(15%)
EBITDA*	3,535,888	4,710,379	(25%)	1,142,265	312%	(1,979,459)	158%
Non-recurring items **	2,461,000	(597,961)	-	(214,491)	-	-	-
EBITDA before non-recurring items	5,996,888	4,112,418	46%	927,774	343%	(1,979,459)	147%
Operating cash inflow /(outflow)	2,793,623	(4,320,106)	165%	(2,542,699)	(70%)	(995,515)	(155%)

** EBITDA is a non-IFRS measure however the Directors believe that it is a readily calculated measure that 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/reviewed number.*
*** Non-recurring items consist of an impairment of goodwill in the tertiary education cash generating unit in the 6 months to December 2016 and a write back of contingent consideration in the 6 months to December 2015*

Table 1 Financial Summary

For the half-year ended 31 December 2016, Site Group International Limited reported profit after tax of $1,087,983 compared to a $3,359,148 profit after tax in the previous corresponding period. Operating profit before income tax was $2,144,395 for the period compared to a $3,229,103 profit before tax in the corresponding period in 2015.

The significant investment made in the expansion of the Group's capability, through expansion of the service offering, will enable Site to continue to maximise the return on its investment through its existing facilities and through leveraging the existing client base.

The earnings before interest, taxes, depreciation and amortisation (EBITDA*) before non-recurring items improved to $5,996,888 from $4,112,418 in the prior comparative period. The trend of improving EBITDA is shown in graph 1 above.

Site Skills Training - Domestic

Site Skills Training – Domestic division delivered revenue of $5,504,891 in the 6 months to 31 December 2016 (2015: $4,803,385) and an EBITDA* loss of $551,829 (2015: EBITDA* loss of $239,039). This result reflects the impact of commodity prices on this division which has been most significant in Queensland but also impacting WA and NT centres.

The trade training and licensing areas of Site Skills Training has seen a reduction in the number of new resource projects and therefore a softening of enrolments. Site Skills Training continues to service a broad range of clients in industries including construction, mining, logistics and energy.

In addition, areas such as the apprenticeship division and industry safety programs has seen an increased interaction with industry and governments leading to more opportunities.

Management remain focussed on improving the operating margin delivered by Site Skills Training through initiatives such as digital learning resources and revised pricing models.

Site Skills Training - International

After years of development the various areas of the international operations led by Clark are showing consistent trends leading to further optimism of the new projects in Philippines, PNG, Saudi Arabia, Myanmar and other emerging economies.

At the Clark Campus, Philippines, the focus remains on high impact training for selected industries which has allowed growth in training programs, with a focus in delivery methods expected to deliver improving margins.

The construction of the OceanaGold sponsored underground mine training environment at Clark, has led to Site and OceanaGold running and developing programs for the safe competency based training of new and experienced miners and expect strong industry support going forward.

The new training services agreement with Granite Services International is designed to develop Granite's in-region specialist workforce around maintenance of heavy duty rotating equipment in power generation and other industrial applications. Additionally, an agreement has been reached with Abdulali Al-Ajmi Company for a second crane and heavy equipment training college in Saudi Arabia resulting in a significant ramp up of operations.

The significant level of activity led to greatly improved results with revenue for the 6 months being $4,091,649 (2015: $1,448,848) with an EBITDA* of $273,644 (2015: EBITDA* loss of $1,855,220).

Energy Services

Domestically the Energy services division has had a strong 6 months with the inclusion Oil and Gas Specialist Wild Geese International.

The development of the `Safe Live Process Plant` (SLPP) In Myanmar with Uniteam and the soon to be commissioned SLPP for Papua New Guinea in conjunction with Kumul Petroleum (formerly National Petroleum Company of PNG) Enga Children's Fund and Orion Group creates a region first for tackling the issue of competency based, outcome driven employment. Working collectively with Government and Industry the benefits of this project will flow for many years for all involved.

Revenue for the 6 months for the business was $5,954,960 (2015: $3,495,872) with an EBITDA* of $1,493,269 (2015: $124,058).

Tertiary Education

The Tertiary education was substantially impacted by the changes in student funding models. Revenue for the division was $10,111,216 (2015: $26,113,944) and EBITDA* was $5,357,647 (2015: $7,571,059).

Investment in the 6 months has also focused on the CRICOS and ELICOS approvals with an extension of the offering for international inbound students.

Site continues its investment in a range of TESOL and other conference opportunities with relationships agreements being formed to take this capability beyond Clark into the Korean, Chinese and Japanese markets.

Cash position

At 31 December 2016, the company had cash at bank of $2,644,720 and available drawn debt facilities of $1,923,000. Given the expected operating results in the second half of the year, the company has sufficient funding to meet its medium term funding requirements.

Dividends

Subsequent to 31 December 2016 the Directors have not recommended the payment of an interim dividend.

Earnings per share

Basic earnings per share for the financial half-year is 0.20 cents (2015: 0.68 cents).

Auditor independence

The Auditor's Independence Declaration to the Directors of Site Group International Limited, which forms part of the Directors' Report, is set out on page 11 of this report.

Signed in accordance with a resolution of the Directors this 28th day of February 2017.

....
Vernon Wills - Director

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Auditor's Independence Declaration to the Directors of Site Group International Limited

As lead auditor for the review of Site Group International Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

Mike Reid
Partner
28 February 2017

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To the members of Site Group International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Site Group International Limited, which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Site Group International Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Site Group International Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Mike Reid
Partner
Brisbane
28 February 2017

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Directors' Declaration

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

In the opinion of the directors:

(a) The financial statements and notes of Site Group International Limited for the half-year ended 31 December 2016 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
   ii. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Vernon Wills
Director
28 February 2017

Statement of Comprehensive Income

	Notes	Consolidated Group Half-year ended 31-Dec-16 $	Consolidated Group Half-year ended 31-Dec-15 $
Continuing operations			
Revenue	4	24,677,999	35,087,816
Other income		-	597,961
Interest income		9,037	11,727
Total income		24,687,036	35,697,504
Contractor and other service providers		(2,237,036)	(2,190,741)
Other direct fees and costs		(3,487,714)	(3,566,038)
Employee benefits expense		(8,562,816)	(9,368,224)
Depreciation and amortisation expense		(1,219,095)	(1,432,241)
Finance costs	2	(181,435)	(60,762)
Other expenses	3	(4,586,587)	(13,248,176)
Occupancy expenses		(2,135,440)	(2,311,913)
Foreign currency gain / (loss)		(132,518)	(290,306)
Profit /(loss) before tax		2,144,395	3,229,103
Income tax benefit / (expense)	12	(1,056,412)	130,045
Profit /(loss) for the period from continuing operations		1,087,983	3,359,148
Profit /(loss) for the period		1,087,983	3,359,148
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation of foreign operations		(195,394)	222,463
Total other comprehensive income /(loss)		(195,394)	222,463
Total comprehensive income /(loss)		892,589	3,581,611
Earnings /(loss) per share			
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the parent.			
Basic and diluted (cents per share)		0.20	0.68

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

Statement of Financial Position

		Consolidated Group	
	Notes	31-Dec-16 $	30-Jun-16 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,644,720	2,982,679
Trade and other receivables	6	37,861,823	46,642,900
Inventories		49,180	47,524
Prepayments		533,870	403,424
TOTAL CURRENT ASSETS		41,089,593	50,076,527
NON-CURRENT ASSETS			
Property, plant and equipment		8,822,297	9,136,853
Intangible assets		27,347,832	30,301,714
Security deposits		623,724	680,063
Other non-current financial assets		97,209	107,070
Deferred income tax asset		2,452,749	262,784
TOTAL NON-CURRENT ASSETS		39,343,811	40,488,484
TOTAL ASSETS		80,433,404	90,565,011
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		8,665,564	8,682,194
Unearned income		1,625,385	13,055,269
Interest bearing debt	8	2,103,728	5,510,234
Current tax liabilities		4,599,508	1,809,767
Provisions		8,050,744	8,129,253
Contingent consideration liability	11	70,742	1,637,825
TOTAL CURRENT LIABILITIES		25,115,671	38,824,542
NON-CURRENT LIABILITIES			
Provisions		2,428,268	2,298,703
Interest bearing debt		72,245	94,784
TOTAL NON-CURRENT LIABILITIES		2,500,513	2,393,487
TOTAL LIABILITIES		27,616,184	41,218,029
NET ASSETS		52,817,220	49,346,982
EQUITY			
Issued capital	5	71,690,680	69,293,031
Reserves		2,318,322	2,333,716
Retained earnings /(losses)		(21,191,782)	(22,279,765)
TOTAL EQUITY		52,817,220	49,346,982

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

Statement of Changes in Equity

	Share Capital		Reserves		
	Ordinary	Retained earnings / (losses)	Foreign currency translation reserve	Share based payments reserve	Total
Consolidated Group	$	$	$	$	$
Balance at 1 July 2015	57,374,746	(31,660,257)	1,062,858	1,102,120	27,879,467
Comprehensive income					
Profit for the period	-	3,359,148	-	-	3,359,148
Other comprehensive income / (loss) for the period	-	-	222,463	-	222,463
Total comprehensive income / (loss) for the period	-	3,359,148	222,463	-	3,581,611
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the period	13,096,526	-	-	-	13,096,526
Transaction costs	(78,240)	-	-	-	(78,240)
Share-based payments	-	-	-	180,000	180,000
Total transactions with owners and other transfers	13,018,286	-	-	180,000	13,198,286
Balance at 31 December 2015	70,393,032	(28,301,109)	1,285,321	1,282,120	44,659,363
Balance at 1 July 2016	69,293,031	(22,279,765)	1,102,725	1,230,991	49,346,982
Comprehensive income					
Profit for the period	-	1,087,983	-	-	1,087,983
Other comprehensive income / (loss) for the period	-	-	(195,394)	-	(195,394)
Total comprehensive income / (loss) for the period	-	1,087,983	(195,394)	-	892,589
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the period	2,397,649	-	-	-	2,397,649
Transaction costs	-	-	-	-	-
Share-based payments	-	-	-	180,000	180,000
Total transactions with owners and other transfers	2,397,649	-	-	180,000	2,577,649
Balance at 31 December 2016	71,690,680	(21,191,782)	907,331	1,410,991	52,817,220

Statement of Cash Flows

		Consolidated Group	
		Half-year ended	Half-year ended
	Notes	31-Dec-16 $	31-Dec-15 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		21,874,619	21,905,226
Payments to suppliers and employees		(18,336,803)	(25,642,339)
Interest received		9,037	8,942
Finance costs		(295,286)	(14,394)
Income tax paid		(457,944)	(577,541)
Net cash provided by/(used in) operating activities		2,793,623	(4,320,106)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(621,896)	(716,463)
Purchase of intangible assets		-	(320,416)
Cash backed performance bonds		52,993	306,550
Payment for business / subsidiary, net of cash acquired	11	(475,200)	(1,385,405)
Net cash provided by/(used in) investing activities		(1,044,103)	(2,115,734)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	5,174,089
Proceeds from borrowings		-	2,544,931
Repayment of borrowings		(2,048,864)	-
Transaction costs on shares		-	(78,240)
Net cash provided by/(used in) financing activities		(2,048,864)	7,640,780
Net increase(decrease) in cash held		(299,344)	1,204,940
Effect of exchange rates on cash holdings in foreign currencies		(38,615)	(25,304)
Cash and cash equivalents at beginning of the period		2,982,679	2,275,179
Cash and cash equivalents at end of the period		2,644,720	3,454,815

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

Notes to the Financial Statements for the Half-Year Ended 31 December 2016

1 Significant accounting policies

Reporting entity

Site Group International Limited (parent) is a company limited by shares incorporated in Australia whose shares are publically traded on the Australian Stock Exchange (ASX Code: SIT). The consolidated interim financial report of the company as at and for the six months ended 31 December 2016 comprises the parent company and its subsidiaries (together referred to as 'the consolidated entity' or 'Group').

Statement of compliance

The half-year financial report is an interim financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The consolidated interim financial report was approved by the Board of Directors on 28 February 2017.

Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016, except for the impact described below.

The Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective: New standards mandatory for the first time for the financial year beginning 1 July 2016 have not affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The adoption of these amendments has not resulted in any major changes to the Group's accounting policies and has not had any effect on the financial position and performance of the Group for the half-year ended 31 December 2016.

The financial statements provide comparative information in respect of the previous period. Where required, this information has been reclassified to comply with current period presentation.

Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2016.

Going concern

The half year financial report has been prepared using the going concern basis of accounting as the consolidated entity is continuing to meet its financial obligations as and when they fall due and continuing normal activities, including the settlement of liabilities and the realisation of assets in the ordinary course of business.

In the six months to 31 December 2016 the company made a net profit of $1,087,983 (2015: 3,359,148) and a cash inflow from operating activities of $2,793,674 (2015: $4,320,106 cash outflow). The directors believe that the overdue trade debtors amount of $34m from the Australian Governments Department of Education and Training will be recovered in the near term. Current forecasts of operational performance and capital expenditure requirements indicate that the company will continue to be cash flow positive in the 2017 financial year.

At 31 December 2016, the company had positive net current assets of $15,973,922. The company had cash reserves of $2,644,720. In February 2017, the company has extended the Wayburn facility of $1,323,009 until the earlier of collection of the overdue receivable from the Government Department of Education and Training or February 2018.

The directors believe that at the date of the signing of the financial statements there are reasonable grounds to believe that, having regard to the matters set out above, the entity will meet its operational cash flow forecasts. However, should this not be the case the directors expect the company to continue to have the support of its investors and raise sufficient funds (if needed) to meet the company's anticipated cash flow requirements so that it can meet its obligations as and when they fall due.

No adjustment has been made to the current asset and liability amounts and classifications should the entity be unable to continue as a going concern.

Notes to the Financial Statements for the Half-Year Ended 31 December 2016 continued

2 Finance costs

	Half-year Ended 31-Dec-16 $	Half-year Ended 31-Dec-15 $
Finance costs		
Interest expense - third parties	92,902	13,454
Interest expense - related parties	86,539	45,116
Facilities fee	1,994	2,192
	181,435	60,762

3 Other expenses

	Half-year Ended 31-Dec-16 $	Half-year Ended 31-Dec-15 $
Other Expenses		
Legal, accounting and other professional fees	320,936	320,994
Travel and accommodation	484,672	555,917
Marketing expense	332,374	11,354,699
Consultants cost	432,650	426,185
Impairment of intangibles (Note 14)	2,461,000	-
Other operating expenses	554,955	590,381
	4,586,587	13,248,176

The significant reduction in marketing expense is due the reduction in commission expense, a result of decreased student uptake during the period.

4 Segment information

For management purposes Site Group International Limited 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 company, 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.

Notes to the Financial Statements for the Half-Year Ended 31 December 2016 continued

4 Segment information continued

- **Site Skills Training - International** operates a 300,000m^2 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. A facility in PNG is also being established with a consortium of the Enga Children's Fund and Orion group.

- **Energy Services** refers to the establishment of specialised energy training and services delivered to the Oil and Gas industry.

- **Tertiary Education** delivers Diploma level courses at a number of campuses around Australia through Captain Cook College and also specialist Tesol course and conferences.

Period ended 31 December 2016

	Site Skills Training (Domestic)	Site Skills Training (International)	Energy Services	Tertiary Education	Total Segments	Corporate and Eliminations	Total
	$	$	$	$	$	$	$
Revenue							
Sales revenue - External customer	5,504,891	4,062,234	5,954,960	10,111,216	25,633,301	(955,302)	24,677,999
Sales revenue - Inter-segment	-	29,415	-	-	29,415	(29,415)	-
Total segment revenue	5,504,891	4,091,649	5,954,960	10,111,216	25,662,716	(984,717)	24,677,999
Segment net operating profit/ (loss) before tax	(1,015,994)	(10,472)	1,143,641	2,809,079	2,926,254	(781,859)	2,144,395
Interest revenue	-	2,535	1,110	-	3,645	5,392	9,037
Interest expense	(3,194)	(2,843)	-	(515)	(6,552)	(172,889)	(179,441)
Depreciation and amortisation	(460,971)	(283,808)	(350,738)	(87,053)	(1,182,570)	(36,525)	(1,219,095)
Segment assets as at 31 December 2016	3,537,441	8,948,764	14,805,865	51,620,903	78,912,973	1,520,431	80,433,404
Segment liabilities as at 31 December 2016	1,627,470	3,529,422	490,081	13,249,996	18,896,969	8,719,215	27,616,184

4 Segment information continued

Period ended 31 December 2015

	Site Skills Training (Domestic)	Site Skills Training (International)	Energy Services	Tertiary Education	Total Segments	Corporate and Eliminations	Total
	$	$	$	$	$	$	$
Revenue							
Sales revenue - External customer	4,803,385	1,421,360	3,495,872	26,113,944	35,834,561	(148,784)	35,685,777
Sales revenue - Inter-segment	-	27,488	-	-	27,488	(27,488)	-
Total segment revenue	4,803,385	1,448,848	3,495,872	26,113,944	35,862,049	(176,272)	35,685,777
Segment net operating profit/ (loss) before tax	(679,134)	(2,102,787)	(463,940)	7,485,899	4,240,039	(1,010,936)	3,229,103
Interest revenue	-	2,558	2,033	1,180	5,772	5,956	11,727
Interest expense	(2,271)	(6,035)	(12)	(1,455)	(9,773)	(48,796)	(58,569)
Depreciation and amortisation	(437,824)	(244,090)	(590,019)	(84,885)	(1,356,819)	(75,423)	(1,432,241)
Segment assets as at 31 December 2015	3,387,245	8,266,311	17,293,126	52,366,991	81,313,673	5,284,544	86,598,217
Segment liabilities as at 31 December 2015	937,849	3,236,851	4,619,407	23,589,544	32,383,651	9,555,203	41,938,853

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.

	Half-year Ended 31-Dec-16	Half-year Ended 31-Dec-15
	$	$
Reconciliation of profit		
Segment profit	2,926,254	4,240,039
Inter-company management fees	1,812,000	804,000
Head office occupancy costs	(72,908)	(92,507)
Corporate employee benefits including directors costs	(1,387,157)	(1,353,689)
Legal accounting and other professional fees	(204,017)	(167,301)
Travel costs	(126,410)	(181,813)
Other corporate costs	(803,367)	(19,626)
Group profit before tax	2,144,395	3,229,103

4 Segment information continued

	Half-year Ended 31-Dec-16 $	Half-year Ended 31-Dec-15 $
Reconciliation of assets		
Segment operating assets	78,912,973	81,313,673
Cash at bank	135,674	1,923,029
Security deposits	348,168	401,600
Intangibles	198,161	2,697,035
Other assets	838,428	262,880
Group operating assets	80,433,404	86,598,217
Reconciliation of liabilities		
Segment operating liabilities	18,896,969	32,383,651
Corporate trade payables	1,701,267	1,076,215
Contingent consideration liability	70,742	3,315,000
Other liabilities	6,947,206	5,163,987
Group operating liabilities	27,616,184	41,938,853

5 Issued capital

Issued capital as at 31 December 2016 amounted to $71,690,680 (534,128,765 ordinary shares) (30 June 2016: $69,293,031 (522,792,229 shares)). Movement in ordinary shares on issue:

	No. Shares	$
30 June 2015 share capital	484,824,119	57,374,746
Share issue - 1 July 2015	5,714,286	2,000,000
Share issue - 10 July 2015	601,609	210,563
Share issue - 22 September 2015	382,973	-
Share issue - 19 October 2015	7,684,954	2,689,736
Share issue - 25 November 2015	10,805,033	3,025,409
Share issue - 3 December 2015	2,499,999	700,000
Share buy back - 8 December 2015	(200,000)	-
Share buy back - 21 December 2015	(2,615,000)	-
Share issue - 21 December 2015	884,285	247,600
Share issue - 21 December 2015	1,235,964	432,587
Share issue - 21 December 2015	7,398,719	2,589,551
Share issue - 30 December 2015	3,575,288	1,001,080
Write back of TESOL acquistion share issue	-	(1,100,000)
Payments received under exercise of employee share plan	-	200,000
Transaction costs relating to capital raising	-	(78,240)
30 June 2016 share capital	522,792,229	69,293,031
Share issue - 8 November 2016	730,000	-
Share issue - 8 November 2016	418,858	78,777
Share issue - 17 November 2016	4,865,348	915,027
Share issue - 17 November 2016	940,219	176,854
Share issue - 24 November 2016	4,382,111	1,226,991
31 December 2016 share capital	534,128,765	71,690,680

5 Issued capital continued…

- On 1 July 2015, under the terms of the acquisition agreement for Wild Geese International Pty Ltd, the company issued 5,714,286 shares to the vendor shareholder at the issue share price of $0.35 per share.
- On 10 July 2015, under the terms of the acquisition agreement for Site Institute Pty Ltd, the company issued 601,609 shares to the vendor shareholder at the issue share price of $0.35 per share.
- On 27 August 2015 the company received payment for the release of shares under the employee share scheme
- On 22 September 2015, the company issued 382,973 bonus shares at no cost to an employee in lieu of cash based remuneration, allowing management to participate in the growth of Site Group International Limited as shareholders.
- On 29 September 2015 the company received payment for the release of shares under the employee share scheme
- On 19 October 2015, under the terms of the acquisition agreement for Wild Geese International Pty Ltd, the company issued 7,684,954 shares to the vendor shareholder at the issue share price of $0.35 per share.
- On 25 November 2015, the company completed the issue of 10,805,033 shares under a private placement of shares at $0.28 per share.
- On 3 December 2015, the company completed the issue of 2,499,999 shares under a private placement of shares at $0.28 per share.
- On 3 December 2015 and 8 December 2015, the company completed a buy-back of shares issued under the Employee Share Plan and sign on shares forfeited by employees when they resigned from the group.
- On 21 December 2015, the company completed a buy-back of shares issued under the Employee Share Plan and sign on shares forfeited by employees when they resigned from the group.
- On 21 December 2015, the company completed the issue of 884,285 shares under a private placement of shares at $0.28 per share.
- On 21 December 2015, under the terms of the acquisition agreement for Competent Project Management Pte Ltd, the company issued 1,235,964 shares to the vendor shareholder at the issue share price of $0.35 per share.
- On 21 December 2015, under the terms of the acquisition agreement for Productivity Partners Pty Ltd t/a Captain Cook College, the company issued 7,398,719 shares to the vendor shareholder at the issue share price of $0.35 per share.
- On 30 December 2015, the company completed the issue of 3,575,288 shares under a private placement of shares at $0.28 per share.
- On 30 June 2016, the company wrote back for accounting purposes 7,857,143 shares issued at $0.14 in relation to TESOL Asia Group not achieving its milestone incentive.
- On 8 November 2016, the company issued 730,000 sign-on shares at no cost to employees in lieu of cash based remuneration and allowing management to participate in the growth of Site Group International Limited as shareholders.
- On 8 November 2016, the company issued 418,858 bonus shares at an issue price of 18.8 cents. The shares were issued at no cost to employees in lieu of cash based remuneration and allowing management to participate in the growth of Site Group International Limited as shareholders.
- On 17 November 2016, under the terms of the acquisition agreement for Wild Geese International Pty Ltd, the company issued 4,865,348 shares to the vendor shareholder at the issue share price of $0.19 per share.

5 Issued capital continued

- On 17 November 2016, under the terms of the acquisition agreement for Site Institute Pty Ltd, the company issued 940,219 shares to the vendor shareholder at the issue share price of $0.19 per share.
- On 24 November 2016, the company completed the issue of 4,382,111 shares to Directors at the issue share price of $0.28 per share.

6 Trade and other receivables and payables

Trade and other receivables

The significant decrease in trade and other receivables is mainly from the difference between scheduled monthly payments for income and the revised monthly income generated from the decrease in students in the period.

	31-Dec-16 $	30-Jun-16 $
Current		
Trade receivables	37,476,164	45,992,100
Provision for impairment	(73,099)	(80,219)
	37,403,065	45,911,881
Other receivables	458,758	731,019
Total current trade and other receivables	37,861,823	46,642,900

Trade receivables include an amount of $34 million receivable from the Government Department of Education and Training in relation to VET-FEE Help. The Directors believe the amount is legitimately owing and are seeking its recovery.

7 Acquisition in period ending 30 June 2016

Wild Geese International Pty Ltd

On 1 July 2015, the Group acquired 100% of the shares in Wild Geese International Pty Ltd (Wild Geese), a Registered Training Organisation delivering training and competency development, consultancy and personnel services to the Oil and Gas Industry. The Group acquired Wild Geese because it significantly enlarged the scope of the energy services division. The acquisition was accounted for using the acquisition method.

The fair value of the identifiable assets and liabilities of Wild Geese International Pty Ltd as at the date of acquisition was:

	Fair value recognised on acquisition **$**
Assets	
Cash	1,471,428
Debtors	1,146,868
Security deposits	31,823
Property, plant and equipment	14,978

Intangibles – intellectual property including training materials	72,213
Brand	60,000
Customer contracts	2,000,000
	4,797,310
Liabilities	
Trade and other payables	355,250
Provisions	438,132
Deferred income tax liability	600,000
	1,393,382
Fair value of identifiable net assets	3,403,928
Goodwill arising from acquisition	7,237,413
Purchase consideration	**10,641,341**
Acquisition date fair value of purchase consideration transferred:	
Shares in Site Group International Limited, at fair value	4,689,736
Cash paid	2,344,868
Contingent consideration	2,000,000
Working capital - cash paid	270,000
Working capital - loan payable	1,336,737
Total purchase consideration	**10,641,341**
Net cash acquired with the subsidiary	1,471,428
Cash paid	(2,614,868)
Net cash outflow	**(1,143,440)**

The fair value of trade receivables amounted to $1,146,868. The gross amount of trade receivables was $1,146,868. None of the trade receivables were impaired and it was expected that the full contractual amount would be collected.

The goodwill recognised on the acquisition of Wild Geese International Pty Ltd was attributed to the expected benefits of combining its existing Oil and Gas operations with Site's existing offering in this area at the time of acquisition. It was allocated to the Energy Services CGU and none of the recognised goodwill was expected to be deductible for income tax purposes.

From the date of acquisition (1 July, 2015) to 30 June 2016, Wild Geese International Pty Ltd had contributed $4,848,310 of revenue and $630,596 of net profit before tax to the Group.

Transaction costs ($24,357) associated with the acquisition of Wild Geese were expensed and included in other expenses in the statement of comprehensive income and were part of operating cash flows in the statement of cash flows in the year ended 30 June 2016.

Pursuant to the agreement, the consideration for the acquisition comprised:

- Upfront: 3 x FY15 normalised EBITDA and;
- Earn out: 1 x FY16 normalised EBITDA

The normalised FY15 EBITDA of WGI was $2,344,868. The consideration was a combination of 1/3 cash and 2/3 equity (escrowed for up to 3 years). The Upfront equity consideration was issued at 35 cents being the 30 day VWAP to 30 June 2015 and the Earn out equity consideration was issued at the 30 day VWAP to 30 June 2016. Thus total consideration consisted of: -

7 Acquisition in period ending 30 June 2016 continued

(a) an initial payment at completion of $7,034,604 adjusted in accordance with the terms of the Wild Geese Agreement and payable by way of:
 (1) the issue of 13,399,240 Shares to the Wild Geese Vendors in proportion to their existing shareholding in Wild Geese; and
 (2) a cash payment of $2,344,868 in addition to a working capital payment of $1,606,737, payable to the Wild Geese vendors in proportion to their existing shareholding in Wild Geese; and

(b) an earn out payment equal to the EBITDA of Wild Geese for the 12 months ending 30 June 2016.

As at the acquisition date, the fair value of the contingent consideration was estimated to be $2,000,000. Significant unobservable valuation inputs (level 3) were assumed including budgeted EBIT of Wild Geese International Pty Ltd of $2,200,000 and a discount rate of 12%.

As at 30 June 2016, the fair value of the contingent consideration was adjusted to reflect the performance of the business over the last 12 months and a re-measurement gain was recognised through profit or loss of $627,458. The fair value was measured using a DCF model.

In November 2016, the contingent consideration was paid (refer to Note 11).

Site Institute Pty Ltd (Formerly Innovium Pty Ltd)

On 1 July 2015, the Group acquired 100% of the shares in Site Institute Pty Ltd, a Registered Training Organisation which delivered a range of programs across project management and business for individuals and corporate clients. The Group acquired Site Institute because it complemented the tertiary education operations. The acquisition was accounted for using the acquisition method.

The fair value of the identifiable assets and liabilities of Site Institute Pty Ltd as at the date of acquisition was:

	Fair value recognised on acquisition $
Assets	
Cash	65,614
Debtors	22,654
Security deposits	20,263
	108,531
Liabilities	
Trade and other payables	60,656
Provisions	13,044
	73,700
Fair value of identifiable net assets	34,831
Goodwill arising from acquisition	490,732
Purchase consideration	**525,563**

Acquisition date fair value of purchase consideration transferred:	
Shares in Site Group International Limited, at fair value	210,563
Contingent consideration	315,000
Total purchase consideration	**525,563**
Net cash acquired with the subsidiary	65,614
Cash paid	-
Net cash inflow	**65,614**

The fair value and gross amount of trade receivables was the same and it was expected that the full contractual amounts could be collected.

The goodwill recognised on the acquisition of Site Institute was attributed to the expected benefits of combining its existing course offering and management expertise with Site's existing training and assessment infrastructure. It was allocated to the Tertiary Education CGU and none of the recognised goodwill was expected to be deductible for income tax purposes.

From the date of acquisition (1 July 2015) to 30 June 2016, Site Institute Pty Ltd had contributed $1,032,963 of revenue and $150,289 of net profit before tax to the Group.

Transaction costs ($7,253) associated with the acquisition of Site Institute were expensed and included in other expenses in the statement of comprehensive income and were part of operating cash flows in the statement of cash flows in the year ended 30 June 2016.

Pursuant to the agreement, the consideration for the acquisition comprises:

- Upfront: 1 x FY15 EBITDA being $210,563 (Equity);
- Earn out: 1 x FY16 EBITDA (2/3 Equity and 1/3 Cash); and
- Earn out: 0.5 x FY17 EBITDA (2/3 Equity and 1/3 Cash). No liability was recorded at 30 June 2016 for this component

The Upfront equity consideration was issued at 35 cents being the 30 day VWAP to 30 June 2016 and the Earn out equity consideration was issued at the 30 day VWAP to 30 June 2016 on 17 November 2016, with the exception of $70,742 of the cash component which is to be paid in June 2017.

As at the acquisition date, the fair value of the contingent consideration was estimated to be $315,000. Significant unobservable valuation inputs were assumed probability-adjusted EBIT of Site Institute Pty Ltd of $350,000 and a discount rate of 12%. The fair value was measured using a DCF model.

As at 30 June 2016, the fair value of the contingent consideration was adjusted to reflect the performance of the business over the last 12 months and a re-measurement gain was recognised through profit or loss of $49,717.

7 Acquisition in period ending 30 June 2016 continued

No further re-measurement was recorded in the half-year to 31 December 2016. Total cash outflows for the period arising from payments for business / subsidiary, net of cash acquired is as follows

Contingent consideration cash payment (Wild Geese International)	(457,514)
Contingent consideration cash payment (Site Institute)	(17,686)
Total Net Cash (Outflows)	**(475,200)**

8 Interest bearing debt

	Consolidated Group	
	31-Dec-16	30-Jun-16
Current	$	$
Finance lease liability due within 12 months	91,395	87,649
Unsecured related party loans due within 12 months	1,346,072	2,673,066
Unsecured loans due within 12 months	666,261	2,749,519
	2,103,728	5,510,234

	Consolidated Group	
	31-Dec-16	30-Jun-16
Non-Current	$	$
Finance lease liability	45,338	67,199
Unsecured loan	26,907	27,585
	72,245	94,784

9 Related party transactions

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

i. **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.

(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.

9 Related party transactions continued

(c) Loans from related parties:

	31-Dec-16 $	30-Jun-16 $
Interest bearing loan payable – Wayburn Holdings Pty Ltd	1,331,203	2,464,308
Interest bearing loan payable – Non-Executive Directors	14,869	208,758
Interest paid for the period – Wayburn Holdings Pty Ltd	80,428	114,308
Interest paid for the period – Non-Executive Directors	6,111	8,758

On 24 November 2016, the company made a repayment the Wayburn Holdings Pty Ltd with the issue of 3,667,825 shares at the issue share price of $0.28 per share. At 31 December 2016 the company owed $1,331,203 to Wayburn Holdings Pty Ltd at an interest rate of 7% per annum.

On 24 November 2016, the company made repayments to non-executive directors with the issue of 714,286 shares at the issue share price of $0.28 per share. At 31 December 2016 the company owed $14,869 to non-executive directors at an interest rate of 7% per annum.

10 Property, plant and equipment

During the six months ended 31 December 2016, the group acquired assets with a cost of $621,898 (2015: $716,463).

11 Contingent consideration liability

	31-Dec-16 $	30-Jun-16 $
Current		
Payable in equity	-	1,091,883
Payable in cash	70,742	545,942
	70,742	1,637,825

Movement in contingent consideration		**$**
Current		
At 1 July 2016		1,637,825
Earn out consideration paid equity	- Wild Geese	(915,028)
Earn out consideration paid cash	- Wild Geese	(457,514)
Earn out consideration paid equity	- Site Institute	(176,855)
Earn out consideration paid cash	- Site Institute	(17,686)
At 31 December 2016		70,742

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12 Taxation

	Consolidated Group	
	31-Dec-16 $	30-Jun-16 $
a) Income tax expense		
The major components of income tax expense are:		
Statement of comprehensive income		
Current income tax		
Current income tax charge	3,539,967	1,982,562
Adjustments in respect of current income tax of previous years	(293,602)	(50,858)
Deferred income tax		
Relating to origination and reversal of timing differences	(2,189,953)	(1,149,274)
Income tax expense / (benefit) reported in the statement of comprehensive income	1,056,412	782,430
b) Numerical reconciliation between aggregate tax expense		
A reconciliation between tax expense and the product of accounting		
Accounting profit/(loss) before tax from continuing operations	2,144,395	10,187,246
At the parent entity's statutory income tax rate of 30% (2015 - 30%)	643,319	3,056,174
Differential in overseas tax rate to Australian tax rate	(58,460)	759,601
Non-assessable income	(153,138)	(997,817)
Non-deductible expenses	179,993	521,150
Utilisation of previously unrecognised tax losses	-	(2,258,191)
Adjustments in respect of current income tax of previous years	(293,602)	(50,858)
Impairment of goodwill	738,300	764,915
Contingent consideration remeasurement	-	(1,012,541)
	1,056,412	782,430
Aggregate income tax expenses attributed to: Continuing operations	1,056,412	782,430
	1,056,412	782,430

12 Taxation continued

c) Deferred tax

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	31-Dec-16	30-Jun-16	31-Dec-16	30-Jun-16
	$	$	$	$
Accrued Expenses	372,529	509,927	137,398	(509,927)
Superannuation payable	54,197	39,172	(15,025)	(39,172)
Provision for leave balance	122,733	150,922	28,189	(150,922)
Provision for impairment of receivables	21,930	24,066	2,136	(24,066)
Provision for re-credits	2,282,788	-	(2,282,788)	-
Customer Contracts	(158,823)	(212,093)	(53,270)	(411,343)
Licences	(242,605)	(249,210)	(6,605)	(13,845)
Deferred tax expense (benefit)			**(2,189,965)**	**(1,149,274)**
Net deferred tax assets/(liabilities)	**2,452,749**	**262,784**		
Reflected in the statement of financial position as follows:				
Deferred tax assets	2,854,177	724,087		
Deferred tax liabilities	(401,428)	(461,303)		
Deferred tax assets, net	**2,452,749**	**262,784**		

Reconciliation of deferred tax asset /(liabilities) net	31-Dec-16 $	30-Jun-16 $
As of 1 July	262,784	(286,490)
Tax income /(expense) during the period recognised in profit or loss	2,189,965	1,149,274
Deferred taxes acquired in business combinations	-	(600,000)
As at 31 December	2,452,749	262,784

13 Financial instruments

The carrying values of all financial instruments approximate their fair values.

14 Impairment

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

The recoverable amount of non-current assets is determined 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 where applicable.

The cash-generating units with significant amounts of goodwill are the energy services and the tertiary education units. In the period to 31 December 2016, the regulatory environment for the tertiary education unit (refer Note 4 for a description) has changed such that the Group sought to reassess impairment for the non-current assets (primarily goodwill) in that cash-generating unit.

14 Impairment continued

Tertiary education cash-generating unit

The group used the cash-generating unit's value-in-use to determine the recoverable amount. The projected cash flows were updated to reflect the changing regulatory environment and the change in the nature of courses anticipated to be delivered. A pre-tax discount rate of 21% (30 June 2016: 16.6%) was used, the increase reflecting the additional risk of this cash-generating unit as a result of the changed regulatory environment. The terminal growth rate applied is 0% (30 June 2016: 0%). As a result of this analysis, management recognised an impairment charge of $2,461,000 against goodwill. The impairment charge is recorded in other expenses in the Statement of Comprehensive Income.

Energy services cash-generating unit

The group used the cash-generating unit's value-in-use to determine the recoverable amount, which exceeded the carrying amount. The projected cash flows were updated to reflect the latest budgets and a pre-tax discount rate of 16.6% (30 June 2016: 16.6%) was applied. The terminal growth rate applied is 0% (30 June 2016: 0%). All other assumptions remain consistent with those disclosed in the annual financial statements for the year ended 30 June 2016. As a result of the updated analysis, management did not identify any impairment for this cash-generating unit to which goodwill of $11,301,393 is allocated.

The calculation of value in use for the CGU's is most sensitive to the gross margins and the discount rates.

Gross margins
Gross margins are assumed to be maintained at historical levels for energy services (34%). The gross margin used for the tertiary education unit was 30% (June 2016: 37%). A decrease in demand can lead to a decline in the gross margin. A decrease in the gross margin to 27% would result in an impairment to the energy services unit. Any decrease in the gross margin would result in an impairment to the tertiary education CGU.

Discount rates
The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC). A rise in the discount rate to 27% would result in an impairment to the energy services unit. Any rise in the discount rate would result in an impairment to the tertiary education unit.

15 Subsequent events

On 22 February 2017, the company renewed its unsecured loan facility with Wayburn Holdings Pty Limited for $1.32m at an interest rate of 7%, with the amount repayable at the earlier of collection of the overdue receivable from the Government Department of Education and Training or February 2018.