Site

ASX RELEASE

28 February 2020

Appendix 4D and Half year Financial Statements

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

- Appendix 4D – Half Year Report for the 6 months ended 31 December 2019: and
- Half year financial statements

The attached half year report details the result of the group over the last 6 months.

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Media and Investors

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Site Group International Limited and Controlled Entities
ABN 73 003 201 910

ASX Half-Year Information – 31 December 2019

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 2019 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 2019
Previous corresponding reporting period	31 December 2018

Results for Announcement to the Market

	$'000	**Percentage increase / (decrease) over previous corresponding period**
Revenue from ordinary activities	$14,479	13.76% decrease
Profit / (loss) from ordinary activities after tax attributable to members	($6,489)	Increase in loss
Net Profit / (loss) for the period attributable to members	($6,489)	Increase in loss

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	(1.802 cents)	(0.058) 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 2020

Site Group International Limited and Controlled Entities
ABN 73 003 201 910

Financial Statements for the Half-Year ended 31 December 2019

Site Group International Limited
ABN 73 003 201 910

Financial Statements for the Half-Year ended 31 December 2019

Contents

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2019.

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
Peter Jones (Chairman)

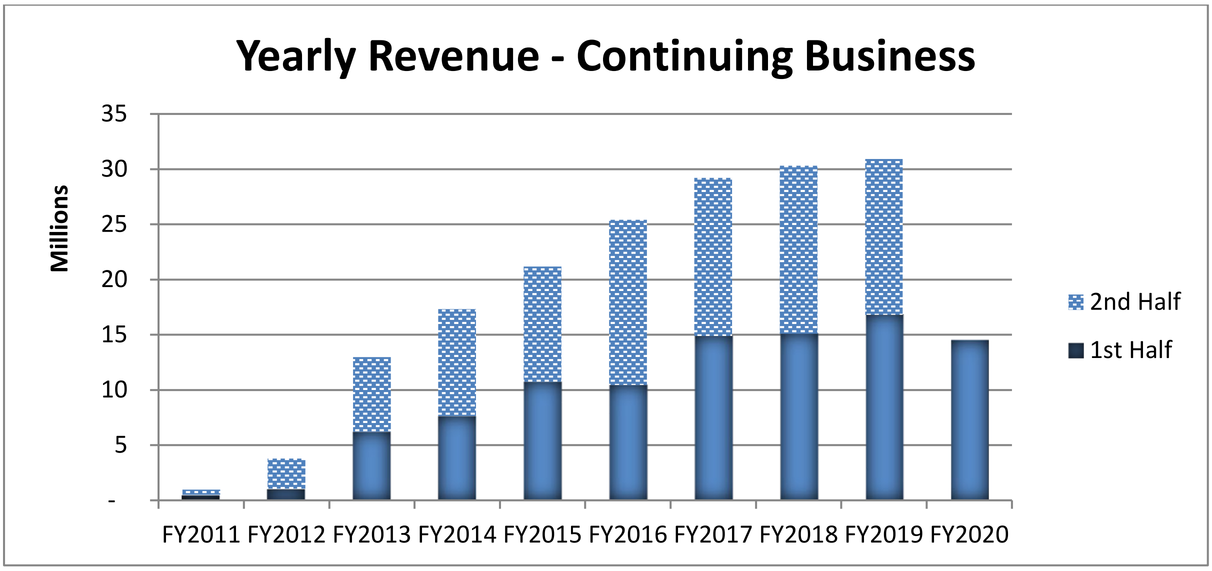
Principal activity

The principal activity of the Company during the half-year 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

Review of operations and results

Group

Site's yearly business growth in revenue is demonstrated in the below graph. However total revenue from operations was down 14% to $14,479,377 (2018: $16,790,482).



Graph 1: Half on Half revenue for the continuing business - December 2010 to December 2019

For the half-year ended 31 December 2019, Site Group International Limited reported a loss after tax from continuing operations of $6,232,680 compared to a $1,975,857 loss in the previous corresponding period. This result includes a non-cash $3,263,339 loss on the fair value adjustment of financial liabilities. Operating loss for the period was $6,488,721 compared to a $890,949 loss in the corresponding period in 2018.

Review of operations and results continued…

Site remains in dispute with Australian Skills Quality Authority (ASQA) in the Administrative Appeals Tribunal (AAT) and in the Federal Court with the pending Australian Competition and Consumer Commission (ACCC) litigation. These actions appear likely to continue for some time – the substantive issues of SSG operations have a final trial date in May 2020 and a trial date has been set for June 2020 for the Productivity Partners proceedings brought by the ACCC.

Site continues to expend significant operational resources ensuring the ongoing compliance of SSG and focus on the interests of clients and students. Unfortunately, the impact of customers postponing training continues while the appeal process is finalised.

For comparability with the trading result in the prior periods, the below table shows the results for the Group including the discontinued operation over the last 4 periods: -

	31-Dec 2019	31-Dec 2018	Change 19-18 %	31-Dec 2017	Change 18-17 %	31-Dec 2016	Change 17-16 %
Revenue	14,479,377	16,790,482	(14%)	15,088,627	11%	14,877,557	1%
Net profit / (loss)	(6,488,721)	(890,949)	(628%)	1,015,214	-	(1,731,232)	-
add back							
Depreciation and amortisation	1,161,647	755,886	54%	1,073,275	(30%)	1,143,531	(6%)
Interest paid	719,095	115,576	522%	24,683	368%	179,363	(86%)
Income tax expense / (benefit)	19,590	(1,471,558)	-	86,959	-	(1,216,883)	-
deduct							
Interest income	7,580	7,061	7%	7,003	1%	9,037	(23%)
EBITDA*	(4,595,969)	(1,498,106)	(207%)	2,193,128	-	(1,634,258)	-
Non-recurring items							
Fair value adjustment of financial liabilities	3,263,339	-		-		-	
Reversal of write down of DET debtor	-	-		(4,990,113)		-	
Impairment of intangibles	-	-		500,000		-	
EBITDA before non-recurring items	(1,332,630)	(1,498,106)	11%	(2,296,985)	35%	(1,634,258)	(41%)
Operating cash inflow /(outflow)	(2,100,295)	(1,438,612)	(46%)	1,438,358	-	2,793,623	49%

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

Table 1 Financial Summary

The earnings before interest, taxes, depreciation and amortisation (EBITDA*) was a loss of $1,332,630 compared to a loss of $1,498,106 in the prior comparative period.

The announcement on 22 November 2019 of the completion of the Conceptual Scoping Study for the Clark asset by Urban renewal specialists ‘Palafox and Associates’ is demonstrated on the company’s website. The financing agreement with Lucerne Investment Partners has secured funding through to 2021 for Site’s plans regarding the Clark asset optimisation and International Business expansion.

Site Skills Training - Domestic

Site Skills Training (SST) – Domestic division delivered revenue totalling $6,230,580 in the 6 months to 31 December 2019 (2018: $6,643,534) and an EBITDA* loss of $517,139 (2018: EBITDA* loss of $795,681) reflecting the ongoing compliance and legal costs incurred within this division.

Site Skills Training continues to service a broad range of clients in industries including construction, mining, logistics and energy industries. In addition to its corporate customers, SST delivers training to individuals using Western Australia, Queensland and Northern Territory subsidised training regimes.

SST has invested substantially in compliance resources and systems over the past 24 months and 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.

Review of operations and results continued…

Site Skills Training - International

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 facility hosts OceanaGold's underground training mine, G.E.'s gas turbine and rotational motors and the build of the latest Site Safe Live Process Plant (SLPP).

Additionally, the company continues to expand its operations and college with Abdulali Al-Ajmi Company for crane and heavy equipment training college in Saudi Arabia with growing numbers and opportunities for expansion into other colleges and areas being tendered.

Revenue for the 6 months decreased to $5,354,295 (2018: $7,244,524) with an EBITDA* of $726,407 (2018: $1,151.193).

Energy Services

The Energy services division incorporates the Wild Geese International business in Perth and the international based Site Group International Energy division, provide specialist training and consultancy services to the Oil and Gas industry.

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

The Site Group International Energy division's Singapore and Malaysian operation continue to build client relationships with expanded operation at Myanmar and PNG as wll as exploring new opportunities throughout the region.

Revenue for the 6 months for the business was $1,146,869 (2018: $1,675,377) with an EBITDA* loss of $12,072 (2018: $1.022).

Tertiary Education

This segment provides tertiary education for international students seeking to develop careers in a range of different disciplines

This division reported revenue of $1,796,303, up from $1,435,134 in 2018 and an improved EBITDA* of $247,727 (2018: $79,394) as the business continues to build out on the back of growing student numbers and enrolments.

International student numbers continue to grow with over 330 current enrolments in CRICOS registered courses. Revenues are expected to continue to grow as international students take the opportunity to study engineering and manufacturing technology courses with Site Institute.

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

Cash position

At 31 December 2019, the company had cash reserves of $2,835,815 and a net current asset deficiency of $1,681,011. 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 it is entitled to the funds. The Company has a financing facility with Punta Properties for US$4,000,000 which is drawn to US$2,900,000 and on 31 December 2019 drew down the first A$2,000,000 of the facility agreement with Lucerne Investment Partners of up to A$15,000,000.

Dividends

Subsequent to 31 December 2019 the Directors have not recommended the payment of an interim dividend.

Earnings per share

Basic earnings (losses) per share for the financial half-year is (0.85) cents (2018: 0.13 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 2020.

....
Vernon Wills - Director

PITCHER PARTNERS

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The Directors
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BRISBANE QLD 4000

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2019, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act* 2001; and

(ii) no contraventions of APES110 *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 period.

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland
28 February 2020

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Independent Auditor's Review Report
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 ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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.

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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ("ASRE 2410"), 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 Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with AASB 134 *Interim Financial Reporting* ("AASB 134") and the *Corporations Regulations 2001*. As the auditor of the Group, 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Site Group International Limited would be in the same terms if given to the directors as at the time of this auditor's report

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: giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with AASB 134 and *Corporations Regulations 2001*.

Pitcher Partners

PITCHER PARTNERS

NIGEL BATTERS
PARTNER

Brisbane, Queensland
28 February 2020

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 2019 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's financial position as at 31 December 2019 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 2020

Consolidated Statement of Profit or Loss & Other Comprehensive Income

	Notes	Half-year ended 31-Dec-19 $	Half-year ended 31-Dec-18 $
Continuing operations			
Revenue from contracts with customers	4	14,479,377	16,790,482
Interest income		7,580	7,061
Total income		14,486,957	16,797,543
Contractor and other service providers		(2,476,551)	(2,613,595)
Other direct fees and costs		(2,670,739)	(4,146,232)
Employee benefits expense		(6,646,958)	(6,405,072)
Depreciation and amortisation expense		(1,161,647)	(752,455)
Finance costs	2	(722,642)	(120,072)
Other expenses	3	(5,685,593)	(2,508,458)
Occupancy expenses		(1,401,073)	(1,969,553)
Foreign currency loss		63,989	(127,659)
Loss before tax from continuing operations		(6,214,257)	(1,845,553)
Income tax expense	12	(18,423)	(130,304)
Loss for the period from continuing operations		(6,232,680)	(1,975,857)
Discontinued operations			
Profit / (loss) for the period from discontinued operations	15	(256,041)	1,084,908
Loss for the period		(6,488,721)	(890,949)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation of foreign operations		76,638	410,980
Total comprehensive income		(6,412,083)	(479,969)
Earnings per share			
Earnings per share for (loss) attributable to the ordinary equity holders of the parent			
Basic and diluted (cents per share)		(0.85)	(0.13)
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the parent.			
Basic and diluted (cents per share)		(0.82)	(0.29)

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

Consolidated Statement of Financial Position

	Notes	31-Dec-19	30-Jun-19
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,835,815	606,148
Trade and other receivables	6	3,720,239	4,378,367
Inventories		29,742	32,002
Prepayments		842,697	481,137
Current tax assets		44,761	37,249
TOTAL CURRENT ASSETS		7,473,254	5,534,903
NON-CURRENT ASSETS			
Property, plant and equipment		8,591,740	8,700,694
Right-of-use assets		7,045,826	-
Intangible assets		1,587,436	1,509,216
Security deposits		800,393	775,703
Other non-current financial assets		197,257	105,748
Deferred income tax asset		911,505	875,929
TOTAL NON-CURRENT ASSETS		19,134,157	11,967,290
TOTAL ASSETS		26,607,411	17,502,193
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	4,920,469	6,080,122
Contract liabilites	8	405,342	390,458
Interest bearing debt	9	2,839,495	142,519
Current tax liabilities		54,576	96,878
Provisions		643,402	592,326
Financial liabilities at fair value through profit or loss	13	290,981	-
TOTAL CURRENT LIABILITIES		9,154,265	7,302,303
NON-CURRENT LIABILITIES			
Trade and other payables	7	5,595,083	5,595,083
Provisions		333,486	2,921,005
Interest bearing debt	9	13,760,079	4,238,419
Financial liabilities at fair value through profit or loss	13	3,190,989	218,630
TOTAL NON-CURRENT LIABILITIES		22,879,637	12,973,137
TOTAL LIABILITIES		32,033,902	20,275,440
NET ASSETS/(LIABILITIES)		(5,426,491)	(2,773,247)
EQUITY			
Issued capital	5	81,829,123	78,085,284
Reserves		2,746,829	2,655,191
Accumulated losses		(90,002,443)	(83,513,722)
TOTAL EQUITY		(5,426,491)	(2,773,247)

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

Consolidated 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 2018	78,085,284	(78,712,583)	570,383	1,511,675	1,454,759
Comprehensive income					
Profit for the period	-	(890,949)	-	-	(890,949)
Other comprehensive loss for the period	-	-	410,980	-	410,980
Total comprehensive income / (loss) for the period	-	(890,949)	410,980	-	(479,969)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the period	-	-	-	-	-
Transaction costs	-	-	-	-	-
Share-based payments	-	-	-	30,000	30,000
Total transactions with owners and other transfers	-	-	-	30,000	30,000
Balance at 31 December 2018	78,085,284	(79,603,532)	981,363	1,541,675	1,004,790
Balance at 1 July 2019	78,085,284	(83,513,722)	1,134,288	1,520,903	(2,773,247)
Comprehensive income					
Loss for the period	-	(6,488,721)	-	-	(6,488,721)
Other comprehensive income for the period			76,638	-	76,638
Total comprehensive income for the period	-	(6,488,721)	76,638	-	(6,412,083)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the period	3,760,000	-	-	-	3,760,000
Transaction costs	(16,161)	-	-	-	(16,161)
Share-based payments	-	-	-	15,000	15,000
Total transactions with owners and other transfers	3,743,839	-	-	15,000	3,758,839
Balance at 31 December 2019	81,829,123	(90,002,443)	1,210,926	1,535,903	(5,426,491)

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

Consolidated Statement of Cash Flows

	Notes	Half-year ended 31-Dec-19 $	Half-year ended 31-Dec-18 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		15,180,758	16,676,541
Payments to suppliers and employees		(17,170,428)	(18,001,259)
Interest received		8,303	6,766
Finance costs		(12,217)	(12,904)
Income tax paid		(106,711)	(107,756)
Net cash used in operating activities		(2,100,295)	(1,438,612)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of property, plant and equipment	11	(271,543)	(954,634)
Receipt for sale of property, plant and equipment		5,719	-
Payment for intangible assets		(297,630)	(206,115)
Payment for investments		(91,509)	-
Cash backed performance bonds		-	(150,065)
Net cash used in investing activities		(654,963)	(1,310,814)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,750,000	-
Proceeds from exercise of employee share plan		10,000	-
Repayment of principal on lease liabilities		(745,782)	-
Proceeds from borrowings		2,000,000	2,588,491
Repayment of borrowings from related parties		(40,212)	(82,180)
Payment of transaction costs on shares		(16,160)	-
Net cash provided by financing activities		4,957,846	2,506,311
Net increase / (decrease) in cash held		2,202,588	(243,115)
Effect of exchange rates on cash holdings in foreign currencies		27,079	35,440
Cash and cash equivalents at beginning of the period		606,148	1,533,437
Cash and cash equivalents at end of the period		2,835,815	1,325,762

The above consolidated 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 2019

1 Significant accounting policies

Reporting entity

Site Group International Limited (parent) is a company limited by shares incorporated in Australia whose shares are publicly 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 2019 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 2020.

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 2019 annual financial report for the financial year ended 30 June 2019.

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.

New accounting standard – 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.

New accounting standard – AASB 16 Leases 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 7.0%.

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 30 June 2019	13,818,152
Discounted using lessee's incremental borrowing rate at the implementation of AASB 16	(1,837,671)
Less: short-term leases not recognised as a liability	(1,674,190)
Lease liability	**10,306,291**

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

	$
Lease liability as at 1 July 2019	10,306,291
Straight-lining liability on date of transition	(2,746,082)
Right-of-use assets as at 1 July 2019	7,560,209
Amortisation during the period	(514,383)
Right-of-use assets (net) as at 31 December 2019	**7,045,826**

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.

The below table summarises the impact of the adoption on the balance sheet as at 1 July 2019:

	As reported 30 June 2019 $	AASB 16 transition adjustments $	Opening Balance 1 July 2019 $
Right-of-use assets	-	7,560,209	7,560,209
Lease liabilities (current and non-current)	-	(10,306,291)	(10,306,291)
Provisions (straight-lining)	(2,746,082)	2,746,082	-

New accounting standard – AASB 16 Leases continued

The deferred tax impact of the initial adoption of AASB 16 has been assessed to be insignificant.

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 31 December 2019 as a result of the adoption of the new leases standard is set out below.

	$
Reported loss before tax	**(6,214,257)**
Expense adjustments related to application of AASB 16:	
Add: depreciation	514,383
Add: interest expense	359,441
Less: operating lease expense	(701,601)
AASB 16 profit before tax impact	172,223
Loss before tax pre AASB 16	**(6,042,034)**
Reported EBITDA	**(4,595,969)**
Expense adjustments related to application of AASB 16:	
Less: depreciation	(514,383)
Less: interest expense	(359,441)
Add: AASB 16 profit before tax impact	172,223
EBITDA pre AASB 16	**(5,297,570)**

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 7.0%;
- 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.

Notes to the Financial Statements for the Half-Year Ended 31 December 2019 continued

New accounting standard – AASB 16 Leases continued

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.

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 2019.

Going concern

The half year financial report has been prepared on the basis that the Group will continue to meet its financial obligations as and when they fall due and can therefore continue 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 2019 the Group made a net loss of $6,488,721 (2018: net loss $890,949) and the cash outflow from operating activities for the year was $2,100,295 (2018: $1,438,358). These results were significantly impacted by legal costs incurred and reputational harm arising from ongoing regulatory action. At 31 December 2019, the group had a deficiency in net assets and net current assets of $5,426,491 and $1,681,011 respectively.

Site remains in dispute with the Australian Skills Quality Authority (ASQA) in the Administrative Appeals Tribunal (AAT), and in the Federal Court with the pending Australian Competition and Consumer Commission (ACCC) litigation. These actions appear likely to continue for some time, The substantive issue of SSG operations remains before the AAT with a final trial date in May 2020. A trial date has been set (June 2020) for the Productivity Partners proceedings brought by the ACCC.

As a consequence of the impairment taken in the previous financial year, no amount has been reflected in the balance sheet for the receivable ($20,977,645 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.

The recently announced funding agreement with Lucerne has secured funding of a further $13,000,000 through to 2021 for the groups plan regarding the Clark asset optimisation and international business expansion.

In addition, the group has access to a further $US1,100,000 ($AUD1,658,000) in undrawn facilities at balance date under the loan arrangement with Punta Properties. The loan terms will not result in a cash outflow in settlement of the loan unless there is a significant cash inflow to fund such settlement.

Going concern continued

Although the directors expect results and operating cash flows to continue to be negatively impacted by the ongoing regulatory actions described above, current forecasts of operational performance and capital expenditure requirements indicate that the Group will be cash flow positive in the 2020 financial year having regard to undrawn financing facilities.

The directors are of the opinion 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 Group will continue to operate as a going concern in the foreseeable future.

2 Finance costs

	Half-year ended 31-Dec-19 $	Half-year ended 31-Dec-18 $
Finance costs		
Interest expense - third parties	12,580	12,654
Interest expense - related parties	346,916	102,672
Interest expense - lease liabilities	359,441	-
Facilities fee	3,705	4,746
	722,642	120,072

3 Other expenses

	Half-year ended 31-Dec-19 $	Half-year ended 31-Dec-18 $
Other Expenses		
Legal, accounting and other professional fees	357,420	322,932
Travel and accommodation	422,512	474,884
Marketing expense	839,151	914,055
Consultants cost	316,882	310,551
Impairment of receivables	128,625	-
Fair value loss on financial liabilities at fair value through profit or loss	3,263,339	-
Other operating expenses	357,664	486,036
	5,685,593	2,508,458

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, Sunshine Coast 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^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.

- **Energy Services** provides 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:

4 Segment information continued

Period ended 31 December 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	6,230,580	5,342,418	1,084,836	1,796,303	14,454,137	25,240	14,479,377
Revenue from contracts with customers - inter-segment	-	11,877	62,033	-	73,910	(73,910)	-
Total segment revenue	6,230,580	5,354,295	1,146,869	1,796,303	14,528,047	(48,670)	14,479,377
Segment net operating profit/(loss) before tax	**(929,723)**	**23,765**	**(55,986)**	**169,649**	**(792,295)**	**(5,421,962)**	**(6,214,257)**
Interest revenue	-	(2,864)	(8)	-	(2,872)	(4,708)	(7,580)
Interest expense	26,199	272,821	283	9,321	308,624	414,018	722,642
Depreciation and amortisation	386,385	432,685	43,639	68,757	931,466	230,181	1,161,647
EBITDA	**(517,139)**	**726,407**	**(12,072)**	**247,727**	**444,923**	**(4,782,471)**	**(4,337,548)**
Segment assets as at 31 December 2019	4,204,732	15,080,013	648,129	1,423,464	21,356,338	5,046,371	26,402,709
Segment liabilities as at 31 December 2019	2,271,368	9,015,256	205,966	1,001,194	12,493,784	13,585,887	26,079,671
Capital expenditure as at 31 December 2019	259,393	199,667	801	50,366	510,227	21,942	532,169

Period ended 31 December 2018

	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	6,643,534	7,204,834	1,477,630	1,435,134	16,761,132	29,350	16,790,482
Revenue from contracts with customers - inter-segment	-	39,690	197,747	-	237,437	(237,437)	-
Total segment revenue	6,643,534	7,244,524	1,675,377	1,435,134	16,998,569	(208,087)	16,790,482
Segment net operating profit/(loss) before tax	**(1,092,724)**	**869,403**	**(129,459)**	**64,895**	**(287,885)**	**(1,557,668)**	**(1,845,553)**
Interest revenue	-	(2,699)	(75)	-	(2,774)	(4,287)	(7,061)
Interest expense	2,091	5,560	-	-	7,651	107,675	115,326
Depreciation and amortisation	294,952	278,929	130,556	14,499	718,936	33,519	752,455
EBITDA	**(795,681)**	**1,151,193**	**1,022**	**79,394**	**435,928**	**(1,420,761)**	**(984,833)**
Segment assets as at 31 December 2018	3,940,203	10,067,003	1,189,888	936,133	16,133,227	2,701,874	18,835,101
Segment liabilities as at 31 December 2018	2,406,464	3,913,955	376,874	565,638	7,262,931	4,928,441	12,191,372
Capital expenditure as at 31 December 2018	305,217	801,122	6,805	37,182	1,150,326	49,431	1,199,757

The segment disclosures above do not include the discontinued operations. Refer to note 15 for more information.

4 Segment information continued

	Half-year ended 31-Dec-19 $	Half-year ended 31-Dec-18 $
Reconciliation of loss		
Segment loss	(792,295)	(287,885)
Inter-company management fees	570,000	570,000
Head office occupancy costs	(127,557)	(84,225)
Corporate employee benefits including Directors costs	(1,260,869)	(1,237,165)
Legal accounting and other professional fees	(72,622)	(66,991)
Travel costs	(95,056)	(82,053)
Other corporate costs	(4,391,896)	(444,860)
Corporate income	(43,962)	(212,374)
Group loss before tax from continuing operations	**(6,214,257)**	**(1,845,553)**
Reconciliation of assets		
Segment operating assets	21,356,338	16,133,227
Corporate assets		
Cash at bank	2,008,864	1,124
Security deposits	466,331	485,008
Intangibles	197,366	197,631
Other assets	2,372,427	329,151
Current tax asset	1,383	1,688,960
Group operating assets	**26,402,709**	**18,835,101**
Assets of discontinued operations (note 15)	204,702	214,580
Total assets per statement of financial position	**26,607,411**	**19,049,681**
Reconciliation of liabilities		
Segment operating liabilities	12,493,784	7,262,931
Corporate liabilities		
Corporate trade payables	1,050,270	1,452,170
Interest bearing debt	8,260,854	2,804,776
Other current financial liabilites	3,481,970	225,374
Other liabilities	792,793	446,121
Group operating liabilities	**26,079,671**	**12,191,372**
Liabilities of discontinued operations (note 15)	5,954,231	5,853,519
Total liabilities per statement of financial position	**32,033,902**	**18,044,891**

4 Segment information continued

Disaggregation of revenues

As disclosed in note 1, the group derives its revenue from the transfer of services over time and at a point in time. The following table provides a disaggregation of revenue by major revenue class and by geographical location.

Period ended 31 December 2019

	Australia	Asia	Corporate and Eliminations	Total
	$	$	$	$
Revenue from contracts with customers - external				
Course fees	7,131,924	4,247,548	-	11,379,472
Placement services	-	1,030,665	-	1,030,665
Government subsidies received	915,401	-	-	915,401
Project income	34,520	895,753	-	930,273
Other revenue	57,647	140,679	25,240	223,566
Total revenue from contracts with customers - external	**8,139,492**	**6,314,645**	**25,240**	**14,479,377**
Revenue from contracts with customers - inter segment	-	73,910	(73,910)	-
Total revenue from contracts with customers	**8,139,492**	**6,388,555**	**(48,670)**	**14,479,377**
Timing of revenue recognition				
Goods transferred at a point in time	-	4,785	5,625	**10,410**
Services transferred over time	8,139,492	6,383,770	(54,295)	**14,468,967**
Total revenue from contracts with customers	**8,139,492**	**6,388,555**	**(48,670)**	**14,479,377**

Period ended 31 December 2018

	Australia	Asia	Corporate and Eliminations	Total
	$	$	$	$
Revenue from contracts with customers - external				
Course fees	7,024,889	5,405,768	-	12,430,657
Placement services	-	1,813,901	-	1,813,901
Government subsidies received	1,111,700	-	-	1,111,700
Project income	19,648	1,180,203	-	1,199,851
Other revenue	74,623	130,400	29,350	234,373
Total revenue from contracts with customers - external	**8,230,860**	**8,530,272**	**29,350**	**16,790,482**
Revenue from contracts with customers - inter segment	1,300	236,137	(237,437)	-
Total revenue from contracts with customers	**8,232,160**	**8,766,409**	**(208,087)**	**16,790,482**
Timing of revenue recognition				
Goods transferred at a point in time	-	10,792	8,204	18,996
Services transferred over time	8,232,160	8,755,617	(216,291)	16,771,486
Total revenue from contracts with customers	**8,232,160**	**8,766,409**	**(208,087)**	**16,790,482**

5 Issued capital

Issued capital as at 31 December 2019 amounted to $81,829,123 (780,207,154 ordinary shares) (30 June 2019: $78,085,284 (691,457,154 ordinary shares). Movements in ordinary shares on issue during the half-year ended 31 December 2019 were as follows:

a) Ordinary Shares

	No. Shares	$
30 June 2018 share capital	688,552,154	78,085,284
Share Issue - 8 March 2019	7,700,000	-
Share buy back - 27 March 2019	(4,795,000)	-
30 June 2019 share capital	691,457,154	78,085,284
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)	-
Payments received under exercise of employee share plan	-	10,000
Transaction costs relating to capital raising	-	(16,161)
31 December 2019 share capital	780,207,154	81,829,123

- 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 issued under the Employee Share Plan to employees and forfeited when they when they resigned from the Group.
- On 12 August 2019 – the Company issued 75,000,000 under a share placement at the issue price of $0.04 per share.
- On 19 August 2019 – the Company issued 18,750,000 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.

b) Options

i. Employee share plan:

The table below shows the movement in employee shares on issue during the half-year. No new employee shares were issued during the period. For accounting purposes these shares are treated as if they 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. All shares are exercisable at 4 cents per share.

5 Issued capital continued

	2019 No of shares	2018 No of shares
Outstanding at the beginning of the period	12,700,000	9,795,000
Granted during the period	-	-
Exercised during the period	(250,000)	-
Expired during the period	(5,000,000)	-
Outstanding at the end of the period	7,450,000	9,795,000
Exercisable (vested) at the end of the period	3,600,000	9,795,000

ii. Other Options:

No options were issued to key management personnel during the half year ended 31 December 2019.

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.

6 Trade and other receivables

	31-Dec-19 $	30-Jun-19 $
Current		
Receivables from contracts with customers	24,628,301	25,347,821
Allowances for expected credit losses	(21,187,644)	(21,304,563)
	3,440,657	4,043,258
Other receivables	279,582	335,109
Total current trade and other receivables	3,720,239	4,378,367

Trade receivables includes an amount of $20,977,645 receivable from the Commonwealth Government Department of Education and Training (DET). In December 2017, the Group received $4,869,133 of the amount outstanding and was then advised by DET it would accept further submissions from the Group for the balance ($28,969,145).

Following the provision of these submissions, the Group was advised that DET had decided against making the payment. The Group is now considering remedies available to it through the court process to compel the DET to pay the outstanding amount.

6 Trade and other receivables continued

In light of the uncertain circumstances with regard to the reconciliation payment, Management took the decision to write down the full debtor value in the accounts at 30 June 2017. The provision will continue to 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

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 sales over a period of 3 years before 31 December 2019 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 has identified forecasts GDP growth conditions to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected change in this factor.

The tables below show the calculation of the expected credit loss provision at both 31 December 2019 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
31 December 2019						
Expected credit loss rate		0.7%	5.0%	10.0%	17.2%	
Estimated total gross carrying amount at default	**24,628,301**	1,703,771	790,031	598,453	558,400	20,977,645
Expected credit loss	**21,187,644**	11,885	40,029	60,645	97,440	20,977,645
30 June 2019						
Expected credit loss rate		0.7%	5.0%	10.0%	17.2%	
Estimated total gross carrying amount at default	**25,347,821**	1,564,176	1,073,953	402,556	1,329,491	20,977,645
Expected credit loss	**21,304,563**	10,793	53,698	40,256	222,171	20,977,645

7 Trade and other payables

	31-Dec-19 $	30-Jun-19 $
Current		
Unsecured liabilities		
Trade payables	2,544,749	3,509,922
Employee related payables	382,560	776,783
Accruals	1,480,090	1,715,062
Other payables	513,070	78,355
Total trade and other payables	4,920,469	6,080,122

	31-Dec-19 $	30-Jun-19 $
Non-current		
Unsecured liabilities		
Trade payables	4,581,310	4,581,310
Accruals	1,013,773	1,013,773
Total trade and other payables	5,595,083	5,595,083

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

The non-current accruals account also includes $475,535 representing executive STI bonuses payable on receipt of the reconciliation payment receivable from the DET.

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

8 Contract Liabilities

	31-Dec-19 $	30-Jun-19 $
At 1 July 2019	390,458	623,824
Deferred during the year	3,422,527	7,515,948
Released to statement of profit or loss	(3,407,644)	(7,749,314)
At 31 December 2019	405,342	390,458

8 Contract Liabilities continued

The amount of the contract liability recognised at the beginning of the period was recognised as revenue during the 2019 year. All contract liabilities outstanding at 31 December 2019 are expected to be recognised as revenue within the next twelve months

9 Interest bearing debt

	31-Dec-19	30-Jun-19
Current	$	$
Finance lease liability due within 12 months	64,899	103,612
Operating lease liablity - Right of Use Asset due within 12 months	774,075	-
Unsecured loans due within 12 months	2,000,521	-
Unsecured related party loans due within 12 months (note 10)	-	38,907
	2,839,495	142,519

	31-Dec-19	30-Jun-19
Non-Current	$	$
Finance lease liability	58,618	71,143
Operating lease liablity - Right of Use Asset	9,182,037	-
Unsecured related party loans (note 10)	4,519,424	4,167,276
	13,760,079	4,238,419

10 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 Ltd 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.

(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) Loans from related parties:
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.

10 Related party transactions continued

The loan facility limit was $2.35m to 31 December 2016, and is $1.32m from that point, repayable on the earlier of collection of the receivable from the Commonwealth Department of Education and Training (refer note 6), or February 2018. To date, revised terms have not been agreed for the facility and the outstanding balance has been fully repaid at 31 December 2019. Interest was charged on the loan at a fixed rate of 7% per annum.

	31-Dec-19	30-Jun-19
	$	$
Opening Balance	38,907	266,922
Drawdowns	-	-
Interest accrued during the year	1,304	14,102
Principal repayments (cash)	-	(233,189)
Interest repayments (cash)	(40,211)	(8,928)
Closing Balance	-	38,907

During the current and comparative period, the group made use of unsecured loan facilities with Non-Executive Directors and their related parties, as follows:

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. 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.

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	Fair Value at 30/6/19	Fair Value at 31/12/19
	$	$	$		$	$	$				$	$
9/07/2018	1,000,000	1,346,149	0.0020	33,653,725	67,397	0.04	0.020	2%	50%	1/07/2020	75,390	1,100,341
30/09/2018	500,000	692,770	0.0037	17,319,250	64,832	0.04	0.026	2%	50%	1/07/2020	37,695	550,170
31/10/2018	200,000	275,562	0.0069	6,889,045	47,332	0.04	0.028	2%	50%	1/07/2020	15,078	220,068
23/11/2018	200,000	274,010	0.0067	6,850,254	45,814	0.04	0.033	2%	50%	1/07/2020	15,078	220,068
28/03/2019	200,000	279,003	0.0034	6,975,072	23,587	0.04	0.028	2%	50%	1/07/2020	15,078	220,068
11/04/2019	200,000	276,855	0.0045	6,921,373	31,460	0.04	0.031	2%	50%	1/07/2020	15,078	220,068
22/05/2019	400,000	577,284	0.0026	14,432,097	37,745	0.04	0.027	2%	50%	1/07/2020	30,156	440,136
24/06/2019	200,000	285,347	0.0024	7,133,685	16,961	0.04	0.027	2%	50%	1/07/2020	15,078	220,068
					335,128						**218,630**	**3,190,989**

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.

10 Related party transactions continued

The fair value of the above options at 31 December 2019 was $0.0308. The following inputs were applied in deriving the fair value of these options:

- Spot price at 31 December 2019: $0.07
- Risk free rate: 2%
- Stock volatility: 50%
- Expected maturity date: 30/06/2020

A loss of $2,972,358 has been recognised on revaluation of the embedded derivative at 31 December 2019.

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

	31-Dec-19 $AUD	30-Jun-19 $AUD
Opening Balance	4,167,275	-
Drawdowns	-	4,006,980
Interest accrued during the year	345,612	368,090
Recognition of embedded derivative	-	(335,128)
Foreign Currency movement	6,537	127,333
Closing Balance	4,519,424	4,167,275

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 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.

11 Property, plant and equipment

During the six months ended 31 December 2019, the Group acquired assets with a cost of $271,543 (2018: $954,634)

Notes to the Financial Statements for the Half-Year Ended 31 December 2019 continued

12 Taxation

	Half-year ended 31-Dec-19 $	Half-year ended 31-Dec-18 $
Income taxes		
Current income tax		
Current income tax charge	55,276	84,854
Adjustments in respect of current income tax of previous years	-	-
Deferred income tax		
Relating to origination and reversal of timing differences	(36,853)	45,450
Income tax expense (benefit) reported in the statement of comprehensive income	18,423	130,304
Aggregate income tax expense attributed to: Continuing operations	18,423	130,304
Aggregate income tax (benefit) / expense attributed to: Discontinued operations	1,167	(1,601,862)
	19,590	(1,471,558)

13 Financial instruments at fair value through profit or loss

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

	31-Dec-19	30-Jun-19
Current	$	$
Derivative Liability	290,981	-
	290,981	-

	31-Dec-19	30-Jun-19
Non-Current	$	$
Derivative Liability	3,190,989	218,630
	3,190,989	218,630

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

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.

There were no significant changes to the assumptions in respect of cash generating units from those disclosed in the annual financial statements for the year ended 30 June 2019. No impairment charges have been recognised during the half-year.

15 Discontinued Operations

In December 2016, the Group publicly announced the closure of Productivity Partners Pty Ltd's business. 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. The results of Productivity Partners Pty Ltd for the year are presented below.

	Half-year ended 31-Dec-19 $	Half-year ended 31-Dec-18 $
Revenue and other income	-	-
Expenses	(254,874)	(516,954)
Operating income	(254,874)	(516,954)
Profit before tax from discontinued operations	(254,874)	(516,954)
Tax benefit / (expense)	(1,167)	1,601,862
Profit after tax from discontinued operations	(256,041)	1,084,908

During the year ended 30 June 2019, the group lodged amended returns for the Australian tax consolidated group for the 2015-2017 financial years. The basis of these amendments was a reasonably arguable position that revenue was not derived for tax purposes until the point of receipt. Historically, revenue was treated as derived at the point it was recognised for accounting purposes. Amended returns were lodged in September 2018, and a tax refund of $1.689m was received by the group in January 2019, which relates to income tax previously paid for the 2016 financial year.

The major classes of assets and liabilities of Productivity Partners Pty Ltd as at 31 December 2019 are as follows:

	31-Dec-19	31-Dec-18
Assets	$	$
Property, plant and equipment	-	2,212
Debtors	17,291	23,294
Cash & short term deposits	(2,231)	(2,440)
Deferred tax asset	157,565	159,365
Other assets	32,077	32,149
	204,702	214,580
Liabilities		
Creditors	5,873,713	(5,846,352)
Interest bearing debt	1,463	(7,167)
Provisions	79,055	-
	5,954,231	(5,853,519)

Notes to the Financial Statements for the Half-Year Ended 31 December 2019 continued

15 Discontinued Operations continued

The net cash flows incurred by Productivity Partners Pty Ltd are as follows:

	Half-year ended 31-Dec-19 $	Half-year ended 31-Dec-18 $
Operating	(658,864)	(460,006)
Investing	658,527	459,462
Net cash inflow / (outflow)	(337)	(544)

	Half-year ended 31-Dec-19	Half-year ended 31-Dec-18
Earnings per share		
Basic and diluted profit for the year from discontinued operations (cents per share)	(0.03)	0.16

16 Subsequent events

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