Appendix 4D

For the half-year ended 31 December 2016

Simonds Group Limited

ACN: 143 841 801

This half-year report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3.A.

SIMONDS GROUP LIMITED (ASX: SIO)

APPENDIX 4D

HALF-YEAR ENDED 31 DECEMBER 2016

Results for Announcement to the Market for the half-year ended 31 December 2016						
Revenue from ordinary activities ($m)	Down	(26.2)	by	(8.2)%	to	292.1
Loss from ordinary activities before tax ($m)	Down	2.2	by	100%	to	(0.8)
Loss from ordinary activities after tax ($m)	Down	1.5	by	100%	to	(0.7)

Net tangible asset backing per ordinary share	Amount per share
As at 31 December 2016 (cents)	(6.26)
As at 31 December 2015 (cents)	0.13

Dividends	Amount per share	Franked amount per share
For the half-year ended 31 December 2016 (cents)	-	-
For the half-year ended 31 December 2015 (cents)	-	-

Simonds Group Limited

ACN: 143 841 801

Half-year report for the half-year ended 31 December 2016

Simonds Group Limited
Financial Report for half-year ended 31 December 2016

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Directors' report

The directors of Simonds Group Limited ('the Company") submit herewith the financial report of the consolidated entity consisting of the Company and the entities it controlled (the "Group") for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the directors

The names of the directors of the Company during or since the end of the half-year are:

Name	**Date appointed**	**Current Position**
Vallence Gary Simonds	24 May 2010	Chairman
Susan Oliver	6 October 2014	Deputy Chair
Matthew Chun	25 September 2014	Managing Director & Chief Executive Officer
Leon Gorr	25 September 2014	Non-Executive Director
Rhett Simonds	20 April 2016	Non-Executive Director

Operating and Financial Review

Business Overview

Simonds Group Limited is an ASX listed integrated homebuilder (Simonds Homes), Registered Training Organisation (Builders Academy Australia) and niche land developer (Discover Developments).

With over 67 years of continual operations, Simonds Homes operate a number of display homes across the Australian eastern seaboard and South Australia, and remains one of Australia's largest home builders with an annual construction in excess of 2,500 homes. The core product of Simonds Homes is single storey detached homes, with a target market being first and second home families in the outer-metropolitan areas of capital and large regional cities.

Builders Academy Australia is a Registered Training Organisation with a focus on offering nationally accredited qualifications in building and construction. Embedded within one of Australia's leading home builders, BAA is 'builders training builders'. Completion of courses offered enables successful students to increase their career and employment opportunities; as well as provide a well-trained network of employees, suppliers and contractors for Simonds Homes.

The Group maintains a small development land portfolio via direct land ownership, and participation in other development land projects via indirect holdings. During the 2016 financial year, the Group acquired Chun Property Advisory Unit Trust (a related party of Mr Matthew Chun) to complement the Land segment with project management services. In December 2016, the Group sold the balance of the development land lots located in the Evergreen Waters Estate in Bendigo, Victoria.

On 31 August 2016, the Group announced a Scheme Implementation Agreement with SR Residential Pty Ltd (SR Residential) (which is jointly owned by entities associated with Roche Holdings Pty Ltd and Simonds Family Office Pty Ltd (SFO)) under which it was proposed that SR Residential would acquire all shares in the Company not already owned by associates of the Consortium by way of the Scheme. On 28 November 2016, the Group announced that the Scheme Implementation Agreement had been terminated by mutual agreement of the Group and SR Residential. During this process, the Group incurred transaction costs of $2.048m, which have been disclosed as a significant item for half-year ended 31 December 2016.

Reconciliation of statutory financial statements to pro forma results

Pro forma EBITDA is reported to give information to shareholders that provides a greater understanding of the underlying performance of the Company's operations.

Reconciliation of statutory financial statements to pro forma results (cont'd)

In accordance with ASIC Regulatory Guidance 230, a reconciliation of the 2017 statutory to pro forma half-year results is summarised below as follows:

Half-year ended 31 December 2016 (1H17)	Sales ($m)	Gross Profit ($m)	EBITDA[1] ($m)	NPAT ($m)
1H17 statutory results from continuing operations	**285.9**	**61.4**	**2.7**	**(0.7)**
Impairment of non-core development land and other current assets	-	-	0.8	0.6
Transaction costs associated with proposed Scheme of Arrangement	-	-	2.0	1.4
1H17 pro forma results	**285.9**	**61.4**	**5.5**	**1.3**

1 Pro forma EBITDA is Net Loss after Tax ($0.706m) before financing items ($0.861m), tax benefit ($0.107m), depreciation and amortisation ($2.602m) and other significant items ($2.881m).

Balance sheet

During the 2016 financial year the Group encountered a number of challenges that adversely impacted the performance of the business that has led to a deterioration of the balance sheet. During the half-year ended 31 December 2016, the Group's net working capital ratio decreased, as measured by current assets less current liabilities.

Operating cash flows

The Group's operating cash flows during the half-year ended 31 December 2016 improved from the prior year comparative primarily as a result of decisions made from a review that commenced in April 2016 to accelerate the sale of display homes, non-core development land and construction holdings from inventory.

The Group has reduced its cash flows in investing activities as a number of IT projects were stopped during the second half of the 2016 financial year which had resulted in cash outflows from its investing activities in the comparative 2015 half-year.

During the comparative 2015 half-year the Group paid a cash dividend of $8.030m in respect of the 30 June 2015 financial year, and bought back 7,570,613 shares at a total cash consideration of $7.883m, both of which negatively impacted the cash flows from financing activities.

Outlook

The Victorian and South Australian operations of Simonds Homes Australia (SHA) continue to perform well, while challenges remain with the New South Wales and Queensland businesses. With greater focus on building strategic relationships in partnership with land developers, the location of display homes in key growth zones and the consolidation of our product range, the Group expects to improve market penetration and ultimately site starts in the future.

Builders Academy Australia continues to focus on delivering high quality trade qualifications that meet the needs of the Australian workforce. Through diversifying funding sources, delivery modes and market segments including expanded delivery in states other than Victoria, Builders Academy Australia and City-Wide Building and Training Services continue to prepare graduates to realise sustainable career outcomes. The business is focusing on the increased demands that have been placed on it from the ever changing regulatory environment in this sector and that continues to be a major risk and opportunity for the group. In December 2016, BAA received confirmation that it has been offered a

Victorian 2017 Standard VET Funding Contract that allows for students to access government subsidised training under the new Victorian "Skills First" Scheme.

The Group expects to realise the benefits from the organisational management and operational restructure completed in 2016 delivering a reduction in overheads, and a stronger focus on developing a more flexible overhead base that is better able to respond to changes in our key markets.

Summary of key business risks

The Board remains optimistic about the Group's future trading performance but acknowledges there are certain factors that may pose a risk to the achievement of the Group's business strategies and future performance.

Every business faces risks with the potential to impair its ability to execute its strategy or achieve its objectives. There are a number of key risks, both specific to the Group's home building, provision of training courses, and land and project management services, and external risks, for example the economic environment, over which the Group has no control. The Group's risk management approach is to identify, evaluate, and mitigate or manage its financial, operational and business risks. Our risk assessment approach includes an estimation of the likelihood of risk occurrence and potential impact on the financial results. Risks are assessed across the business and reported to the Audit and Risk Committee and to the Board where required under our Risk Management Framework.

Set out in the Annual Report are the key risks which may materially impact the execution and achievement of the Group's business strategies and prospects for the Group in future financial periods. These key risks should not be taken to be a complete or exhaustive list of risks faced by the Group. An update on the key risks associated with BAA is included below:

Regulatory actions affecting Registered Training Organisations (RTO):

Wholly owned subsidiaries, House of Learning Pty Ltd (trading as Builders Academy Australia, or BAA) and City-Wide Building Training Services Pty Ltd (CWBTS), are nationally accredited RTOs under the Australian Skills Quality Authority (ASQA) and hold funding contracts across multiple states.

Both CWBTS and BAA continue to focus on embedding a quality framework across operations recognising that RTO providers in this sector continue to face major risk due to an ever changing regulatory environment and adaptions to state and federal funding models.

As part of the ongoing accreditation process and approval process for RTO's and for approved delivery under state and federal funding regimes, it is now reasonably expected that RTO's will be subject to more regular compliance monitoring activity and audits.

It is recognised that any adverse findings from National or State regulators and/or funding bodies have the potential to have a material adverse impact on the Group's RTO operations, financial performance and financial position.

Both BAA and CWBTS have experienced compliance monitoring audits and reviews over the 2016 calendar year from both funding bodies and ASQA. All audit activity has now concluded with previous outstanding matters that were requiring further clarification or investigation now closed.

Loss of Funding Arrangements:

BAA and CWBTS hold various funding contracts in Victorian, New South Wales, Queensland and the Australian Capital Territory. They also hold VET FEE-HELP contracts with the Federal Department of Education and Training. These funding contracts which allow students to access subsidised training or take out government loans to pay for their training are the primary source of revenue for both BAA and CWBTS. BAA is pleased to have been offered a Victorian 2017 Standard VET Funding Contract that allows for students to access government subsidised training under the new Victorian 'Skills First' scheme. From 1 January 2017 this scheme replaces that currently in place being the Victorian Training Guarantee. BAA must reapply for this contract on an annual basis.

It is recognised that if either entity was to lose these contracts for material breaches or non-compliance, or not be granted future approval when applications are required for extensions of these contracts the funding currently received would no longer be available. This could have a material adverse impact on BAA and/or CWBTS and the Group's operations, financial performance and financial position.

Non-IFRS financial information

The financial measures included in the Directors' Report have been calculated to exclude the impact of various costs and adjustments associated with the proposed Scheme of Arrangement and impairment of non-core development land and other current assets during the half-year ended 31 December 2016.

Subsequent events

There have been no events that have occurred subsequent to the reporting date that have significantly affected or may significantly affect the Group's operations, results or state of affairs in future years.

Dividends

As announced on 24 February 2017, the directors have declared $nil dividend in relation to the half-year ended 31 December 2016 (2015: $nil).

Auditor's independence declaration

The auditor's independence declaration is included after this report on page 9.

Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that ASIC Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors

Vallence Gary Simonds
Director

Melbourne, 24 February 2017

Deloitte.

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The Board of Directors
Simonds Group Limited
Level 4, 570 St Kilda Road
Melbourne VIC 3000

24 February 2017

Dear Board Members

Simonds Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Simonds Group Limited.

As lead audit partner for the review of the financial statements of Simonds Group Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
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Independent Auditor's Review Report to the Members of Simonds Group Limited

We have reviewed the accompanying half-year financial report of Simonds Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 22.

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 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 Simonds Group Limited, 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.

Auditor's Independence Declaration

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 Simonds Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review 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 Simonds Group 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 24 February 2017

Directors' declaration

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with *the Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Vallence Gary Simonds

Director

Melbourne, 24 February 2017

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2016

	Notes	Half-year ended 31/12/16 $'000	Half-year ended 31/12/15 $'000
Continuing operations			
Revenue	2	285,884	294,322
Cost of sales		(224,493)	(228,985)
Gross profit		61,391	65,337
Expenses	3	(55,860)	(55,758)
Profit before significant items, financing items, depreciation and amortisation		5,531	9,579
Significant items	5	(2,881)	(742)
Profit before financing items, depreciation and amortisation		2,650	8,837
Depreciation and amortisation			
Depreciation and amortisation charges		(2,602)	(2,141)
Profit before financing items and tax		48	6,696
Financing items			
Interest income		1	31
Interest expense		(862)	(491)
Net financing cost		(861)	(460)
(Loss) / Profit before tax		(813)	6,236
Income tax benefit / (expense)		107	(1,948)
(Loss) / Profit from continuing operations after tax		(706)	4,288
Discontinued operations			
Loss from discontinued operations after tax	4	-	(6,482)
Loss after tax for the half-year		(706)	(2,194)

		Half-year ended 31/12/16	Half-year ended 31/12/15
Earnings per share		Cents per share	Cents per share
From continuing operations			
Basic		(0.49)	2.80
Diluted	9	(0.49)	2.80
From continuing and discontinued operations			
Basic		(0.49)	(1.46)
Diluted	9	(0.49)	(1.46)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position as at 31 December 2016

	Notes	As at 31/12/16	As at 30/06/16
		$'000	$'000
Assets			
Current Assets			
Cash and bank balances		3,462	3,176
Trade and other receivables		23,389	43,630
Inventories	8	46,308	49,610
Tax receivable		1,441	4,109
Other assets		3,291	3,382
Total current assets		77,891	103,907
Non-Current Assets			
Property, plant and equipment		8,832	9,800
Intangible assets		4,779	4,798
Other financial assets		1,260	1,260
Deferred tax assets		4,417	3,946
Total non-current assets		19,288	19,804
Total assets		97,179	123,711
Liabilities			
Current Liabilities			
Trade and other payables		48,162	75,630
Borrowings	7	8,446	1,790
Provisions		11,857	14,658
Deposits and income in advance		12,513	12,484
Total current liabilities		80,978	104,562
Non-Current Liabilities			
Borrowings	7	7,398	9,500
Provisions		6,588	6,877
Deferred tax liabilities		6,442	6,097
Total non-current liabilities		20,428	22,474
Total liabilities		101,406	127,036
Net liabilities		(4,227)	(3,325)
Equity			
Issued capital		12,911	12,911
Share buy-back reserve		(7,204)	(7,204)
Share based payments reserve		30,052	30,248
Accumulated losses		(39,986)	(39,280)
Total deficit		(4,227)	(3,325)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2016

	Notes	Issued capital $'000	Share buy-back reserve $'000	Share based payments reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2015		13,590	-	29,424	(16,359)	26,655
Share buy-back		(679)	(7,204)	-	-	(7,883)
Employee share plan		-	-	291	-	291
Performance rights exercised		-	-	(156)	-	(156)
Dividends paid		-	-	-	(8,029)	(8,029)
Loss for the period		-	-	-	(2,194)	(2,194)
Balance at 31 December 2015		12,911	(7,204)	29,559	(26,582)	8,684
Balance at 1 July 2016		12,911	(7,204)	30,248	(39,280)	(3,325)
Employee share plan		-	-	(66)	-	(66)
Performance rights vested		-	-	(130)	-	(130)
Loss for the period		-	-	-	(706)	(706)
Balance at 31 December 2016		12,911	(7,204)	30,052	(39,986)	(4,227)

The accompanying notes form part of these financial statements.

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Condensed consolidated statement of cash flows for the half-year ended 31 December 2016

	Notes	Half-year ended 31/12/16 $'000	Half-year ended 31/12/15 $'000
Cash flows from operating activities			
Receipts from customers		311,446	318,386
Payments to suppliers and employees		(314,193)	(304,576)
Cash (outflow) / generated from operations		(2,747)	13,810
Finance costs		(862)	(491)
Income taxes refunded / (paid)		2,649	(12,193)
Net cash (used in) / generated from operating activities		(960)	1,126
Cash flows from investing activities			
Interest received		1	32
Payment to acquire subsidiary and its working capital, net of cash acquired		-	(1,154)
Proceeds from disposal of property, plant and equipment		45	67
Investment in land fund		-	(493)
Payments for property, plant and equipment and intangibles		(1,698)	(1,928)
Net cash used in investing activities		(1,652)	(3,476)
Cash flows from financing activities			
Proceeds from borrowings		5,280	14,115
Payment for finance leases		(687)	(882)
Transaction costs associated with proposed Scheme of Arrangement		(1,695)	-
Payments for share buy-back		-	(7,883)
Dividends paid to shareholders		-	(8,029)
Net cash generated from / (used in) financing activities		2,898	(2,679)
Net increase / (decrease) in cash and cash equivalents		286	(5,029)
Cash and cash equivalents at the beginning of the period		3,176	5,477
Cash and cash equivalents at the end of the period		3,462	448

The accompanying notes form part of these financial statements

Notes to the consolidated financial statements

1. Significant accounting policies

1.1 Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include any notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

1.2 Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, *dated 24 March 2016*, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.3 Amendments to AASBs and the new interpretation that are mandatorily effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'.
- AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'.
- AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'.

The application of these amendments has no material impact.

1.4 Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a net loss after tax for the half-year ended 31 December 2016 of $0.706m. The results include transaction costs of $2.048m (refer note 5) and impairment of non-core development land and other current assets of $0.833m (refer to note 5).

1. Significant accounting policies (Cont'd)

1.4 Going Concern (Cont'd)

At the date of this report, the Directors are of the opinion that the Group is a going concern for the following reasons:

- As described in note 7 the Group has $22.400m in unused facilities (excluding finance leases) available at 31 December 2016. The Group has complied with all financial covenants in its banking arrangements during the year and expects to operate within its covenants for the 12 months following the date of this report.
- The underlying businesses of Simonds Homes Australia, Builders Academy Australia and Discover Developments are profitable, after allowing for significant items.
- Management has prepared detailed financial forecasts for the 12 months following signing date. These forecasts indicate that the Group will have sufficient funds to continue to pay its debts as and when they become due and payable, based on all available information to management and the Directors at signing date. The unaudited management information to 31 January 2017 shows the Group is on track with the key assumptions in the forecasts such as housing starts, student enrolments and pipeline of work.
- Madisson projects have completed and any other costs are expected to be fully funded.

Accordingly, the directors have deemed it appropriate for the financial report to be prepared on a going concern basis.

2. Segment information

2.1 Products and services from which reportable segments derive their revenue

The Group reports segment information on the same basis as the internal management reporting structure. Management has determined the operating segments based on the types of products and services provided by the Group. The Group has three reportable segments under AASB 8 as follows:

- *Residential Construction* - this includes activities relating to contracts for residential home construction, speculative home building and the building of display home inventory.
- *Registered training* - this includes activities relating to registered training provided by House of Learning Pty Ltd trading as Building Academy Australia and City-Wide Building and Training Services Pty Ltd.
- *Land development* - this includes activities relating to land developments and sales.

Madisson Homes is a subsidiary of the Group and in the prior years formed part of the residential construction segment. Madisson Homes operated in the medium density market, building apartments and townhouses for commercial developers using the concepts, designs and specifications provided by the developers. Following an independent evaluation of the Madisson business, an announcement was made to the Australian Stock Exchange (ASX) on 16 November 2015 and 21 January 2016 that confirmed the intention to close these operations. For the period ended and as at 31 December 2016 this business unit has been presented as discontinued operations in the segment information below with its prior period comparatives.

2.2 Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

Segment loss represents the loss after tax generated by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

2.2 Segment revenues and results (cont'd)

Corporate overheads have been allocated to each of the segments in determining segment profit.

	Segment revenue (i)		Segment profit / (loss)	
	Half-year ended		Half-year ended	
	31/12/16	31/12/15	31/12/16	31/12/15
	$'000	$'000	$'000	$'000
Residential construction	274,825	281,684	7	3,458
Registered training	7,874	11,567	1,049	3,773
Land development	3,185	1,071	179	(853)
	285,884	**294,322**	**1,235**	**6,378**
Discontinued operations	6,194	23,905	-	(9,261)
Unallocated costs (ii)	-	-	(2,048)	(142)
	6,194	23,905	(2,048)	(9,403)
Consolidated segment revenue and profit/(loss) before tax for the period	**292,078**	**318,227**	**(813)**	**(3,025)**

(i) Segment revenue reported represents revenue generated from external customers. There was no inter-segment sales in the current year (2015: $nil).
(ii) Unallocated costs for the half-year ended 31 December 2016 include: transaction related costs of $2.048m (2015: $nil); and costs associated with initial public offering of $nil (2015: $0.142m).

2.3 Segment assets and liabilities

	As at 31/12/16	As at 30/06/16
	$'000	$'000
Segment assets		
Residential construction	87,641	110,434
Registered training	4,875	5,416
Land development	2,637	5,624
	95,153	121,474
Discontinued operations	2,025	2,237
Total segment assets	**97,178**	**123,711**
Segment liabilities		
Residential construction	99,126	118,006
Registered training	702	1,235
Land development	40	16
	99,868	119,257
Discontinued operations	1,538	7,779
Total segment liabilities	**101,406**	**127,036**

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments.

3. Expenses for the half-year

	Half-year ended 31/12/16	Half-year ended 31/12/15
	$'000	$'000
Profit on disposal of property, plant and equipment and intangibles	45	21
Marketing and selling expenses	(8,740)	(9,010)
Corporate and administrative expenses	(15,225)	(15,325)
Employee benefits expense	(31,940)	(31,444)
Total expenses	(55,860)	(55,758)

4. Discontinued Operations

Following a comprehensive review instigated by the Directors on 16 November 2015, the Group announced a plan for the orderly closure of the Madisson business unit of the Group on 21 January 2016 upon completion of the remaining projects.

All projects have been completed as at 31 December 2016 and any remaining costs to be incurred are expected to be within the provision balances remaining.

The tables presented below show the loss incurred, inclusive of all costs associated with contractual obligations, impairments, and loss making projects relating to the Madisson business for the half-year ended 31 December 2016:

Loss for the half-year from the Madisson business

	Half-year ended 31/12/16	Half-year ended 31/12/15
	$'000	$'000
Revenue	6,194	23,905
Expenses (i)	6,194	(33,166)
Loss before tax	-	(9,261)
Attributable income tax benefit	-	2,779
Loss for the period	-	(6,482)

(i) Included within expenses are: employee benefits expense of $nil (2015: $2.925m) and corporate administrative expense of $nil (2015: $0.555m).

5. Significant items

	Half-year ended 31/12/16	Half-year ended 31/12/15
	$'000	$'000
Impairment of non-core development land and other current assets	(833)	(600)
Costs associated with initial public offering	-	(142)
Transaction costs associated with proposed Scheme of Arrangement (i)	(2,048)	-
Total significant items	(2,881)	(742)

(i) On 31 August 2016, the Group announced a Scheme Implementation Agreement with SR Residential Pty Ltd (SR Residential) (which is jointly owned by entities associated with Roche Holdings Pty Ltd and Simonds Family Office Pty Ltd (SFO)) under which it was proposed that SR Residential would acquire all shares in the Company not already owned by associates of the Consortium by way of the Scheme. On 28 November 2016, the Group announced that the Scheme Implementation Agreement has been terminated by mutual agreement of the Group and SR Residential. During this process, the Group has incurred transaction costs of $2.048m for half-year ending 31 December 2016.

6. Dividends

During the half-year ended 31 December 2016, the Company has not made any dividend payments (2015: $nil)

7. Borrowings

	As at 31/12/16	As at 30/06/16
	$'000	$'000
Current		
Commercial bills (i)	1,940	-
Finance lease liability (ii)	1,506	1,790
Display fund facility (iv)	5,000	-
	8,446	**1,790**
Non – current		
Commercial bills (i)	5,340	2,000
Finance lease liability (iii)	2,058	2,500
Display fund facility (iv)	-	5,000
	7,398	**9,500**

7. Borrowings (cont'd)

7.1 Summary of borrowing arrangements

The Group has a debt facility with the Commonwealth Bank of Australia (CBA). Details of the facility are as follows:

(i) The Groups facilities consist of a $7.280m (30 June 2016: $8.210m) market rate loan, a $0.500m (30 June 2016: $0.500m) business corporate credit card facility and a $24.500m (30 June 2016: $24.500m) Multi Option Facility incorporating a market rate loan, overdraft facility and bank guarantee facility. The term for all facilities is until 7 May 2018. The Group's facilities are secured by:

- Joint and several liability guarantee.
- First ranking charge over all present and after-acquired property for all Simonds Group Limited corporate entities and Jackass Flat Developments Pty Limited as trustee for Jackass Flat Developments Unit Trust, with exception for Display Homes which Simonds Homes Display Fund has the first ranking charge.
- The Group has unused facilities of $22.400m (30 June 2016: $24.342m).

(ii) Assets under finance lease are secured by the assets leased. The borrowings are at an average fixed rate of 6.44% (30 June 2016: 6.76%) with repayments periods not exceeding 5 years.

(iii) Unused finance lease facilities as at 31 December 2016 are $0.825m (30 June 2016: $0.256m).

(iv) On 15 September 2015, the Group entered into a mortgage facility with Simonds Homes Display Fund with an initial expiry of 15 September 2016. Details of the facility are as follows:

- A $5m mortgage facility secured by first mortgages over a number of display homes of the Group
- On 16 June 2016, the facility was extended to 15 September 2017.

(v) Financial guarantees of $1.945m (30 June 2016: $2.167m) for property rentals, project contracts, crossing deposits and merchant facility.

8. Inventories

	As at 31/12/16	As at 30/06/16
	$'000	$'000
Work in progress on construction contracts	22,223	23,391
Speculative & display homes, land stock	25,207	27,484
Provision for impairment of inventories	(1,122)	(1,265)
	46,308	**49,610**

9. Earnings per share

9.1 Diluted loss per share

Diluted loss per share is the same as basic loss per share for the half-year ended 31 December 2016. Potential ordinary shares are anti-dilutive as their conversion to ordinary shares will result in a decrease of loss per share. The calculation of diluted loss per share does not assume conversion, exercise or issue of potential ordinary shares that would have an anti-dilutive effect on loss per share.

10. Subsequent events

There have been no events that have occurred subsequent to the reporting date that have significantly affected or may significantly affect the Group's operations, results or state of affairs in future years.