

Appendix 4D

For the half year ended 31 December 2017

Simonds Group Limited

ACN: 143 841 801

This half year report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2.A.

SIMONDS GROUP LIMITED (ASX: SIO)
APPENDIX 4D
HALF YEAR ENDED 31 DECEMBER 2017

Half year ended: Half year ended 31 December 2017
Previous corresponding period: Half year ended 31 December 2016

Results for Announcement to the Market for the half year ended 31 December 2017						
Revenue from ordinary activities from continuing operations (\$m)	Up	5.8	by	2.0%	to	291.7
Profit from ordinary activities before tax from continuing operations (\$m)	Up	2.6	by	325.0%	to	1.8
Profit from ordinary activities after tax from continuing operations (\$m)	Up	1.8	by	257.1%	to	1.1
Loss after tax from discontinued operations (\$m)	unchanged	-	by	-	to	-
Net Profit after tax (\$m)	Up	1.8	by	257.1%	to	1.1
Net profit attributable to members (\$m)	Up	1.8	by	257.1%	to	1.1

Refer to the Simonds Group Limited Interim Financial Report and the Director's Report for commentary on the above results.

Net tangible asset backing per ordinary share	Amount per share
As at 31 December 2017 (cents)	(4.83)
As at 31 December 2016 (cents)	(6.26)

Dividends	Amount per share	Franked amount per share
For the half year ended 31 December 2017 (cents)	-	-
For the half year ended 31 December 2016 (cents)	-	-



Simonds Group
31 December 2017

Simonds Group Limited

ACN: 143 841 801

Interim Financial Report for the half year ended 31 December 2017

Amamoor with Oakland Facade, Helensvale Display, Queensland



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Simonds Group Limited
Interim Financial Report for half year ended 31 December 2017

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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 2017. 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
Iain Kirkwood	20 September 2017	Independent Non-Executive Director and Chairman
Neil Kearney	20 September 2017	Independent Non-Executive Director
Delphine Cassidy	20 September 2017	Independent Non-Executive Director
Rhett Simonds	20 April 2016	Non-Executive Director (20 April 2016 to 5 October 2017) Interim Chief Executive Officer (CEO) and Executive Director (since 6 October 2017)
Mark Simonds	20 September 2017	Executive Director
Piers O'Brien	20 September 2017	Non-Executive Director
Scott Mahony	20 September 2017	Non-Executive Director
Vallence Gary Simonds ¹	24 May 2010	Former Non-Executive Director and Chairman
Susan Oliver ²	6 October 2014	Former Independent Non-Executive Director and Deputy Chair
Michael Humphris ³	29 March 2017	Former Independent Non-Executive Director
Matthew Chun ⁴	25 September 2014	Former Managing Director and CEO

¹ Vallence Gary Simonds retired from the Board on 20 September 2017

² Susan Oliver resigned on 20 September 2017.

³ Michael Humphris resigned on 20 September 2017.

⁴ Matthew Chun resigned as Managing Director and Group CEO on 6 October 2017.

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 continual operations since 1949, Simonds Homes is one of Australia's largest volume homebuilders, with display homes located across the Australian eastern seaboard and South Australia. Simonds Homes product range includes single and double storey detached homes, with a target market being first and second home families in the metropolitan areas of state 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 core offering 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.

Operations

Group pro forma revenue for the period was \$291.1m compared to the previous corresponding period of \$285.9m. The increase is largely due to changes in product mix combined with a shift away from highly customised, low margin product.

Investment in increased advertising and marketing was offset by the reduction in significant items compared to the previous corresponding period that predominantly related to costs incurred on the Scheme of Arrangement in November 2016 that did not proceed.

Divestment of Non-Core Operations

Following the review of operations commissioned by the new Board, on 19 December 2017 the Group divested its investment in the Hub Group for \$0.188m, realising a loss on disposal of \$0.285m.

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 Simonds Group Limited's operations.

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

	Sales	Gross Profit	EBITDA⁽¹⁾	NPAT
Half year ended 31 December 2017 (1H18)	(\$m)	(\$m)	(\$m)	(\$m)
1H18 statutory results from continuing operations	291.7	64.4	5.2	1.1
Remove activity of divested business	(0.6)	(0.5)	0.4	0.3
Business review and management restructure	-	-	1.2	0.8
1H18 pro forma⁽²⁾ results	291.1	63.9	6.8	2.2

¹ Pro forma EBITDA is net profit/(loss) after tax from continuing operations (\$1.146m) before financing items (\$0.719m), tax expense (\$0.620m), depreciation and amortisation (\$2.683m), activity relating to the divested Hub business (\$0.400m) and significant items (\$1.190m).

² The Directors' Report includes references to pro forma results to exclude the impact of one-off costs in the current half year as detailed above. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this Financial Report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review.

Balance sheet

The turnaround in the Group's result in financial year 2017 and first half financial year 2018 has re-stabilised the business and created a solid working capital basis to ensure sustainable growth for the business in future years.

During the period the Group continued to operate within its banking covenants. The Group has extended its existing banking facilities to 25 February 2019.



Improved operating results and cash flow management has enabled the Group to reduce its net indebtedness (measured by cash and equivalents less borrowings) from \$5.020m at 30 June 2017 to \$3.569m at 31 December 2017. At the end of the current period, the net asset deficiency had also been reduced from \$3.125m at 30 June 2017 to a deficit of \$1.559m at 31 December 2017.

Operating cash flows

The Group's operating cash flows during the half year ended 31 December 2017 improved, in comparison with the prior corresponding period, as a result of a change in the timing of customer billings that meant the amount billable to customers in the early stages of construction was reduced. This was offset by the lower tax refund received in first half financial year 2018 compared with the prior corresponding period.

Cash was invested in upgrades to leasehold offices, in particular the South Australian gallery and state office, as well as the continued investment in course materials by Builders Academy Australia.

As a result of the improved operating results and cash flow management, the Group was able to repay borrowings and reduce net debt during the period, representing a \$9.800m improvement in Group finance.

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 that may impair its ability to execute its strategy or achieve its objectives. There are some 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.



Dividends

As announced on 21 February 2018, the directors have declared \$nil dividend in relation to the half year ended 31 December 2017 (2016: \$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 Class Order 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

A handwritten signature in black ink, appearing to read 'Iain Kirkwood', with a horizontal line underneath.

Iain Kirkwood
Chairman
Melbourne, 21 February 2018



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21 February 2018

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

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 2017, 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

Geneva Cavallo
Partner
Chartered Accountant

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 2017, 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.

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 2017 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 2017 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, 21 February 2018



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

A handwritten signature in black ink, appearing to read 'Iain Kirkwood', with a horizontal line underneath.

Iain Kirkwood
Chairman
Melbourne, 21 February 2018



Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2017

	Notes	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Continuing operations			
Revenue	2	291,730	285,884
Cost of sales		(227,329)	(224,493)
Gross profit		64,401	61,391
Expenses	3	(58,043)	(55,860)
Profit before significant items, financing items, depreciation and amortisation		6,358	5,531
Significant items	5	(1,190)	(2,881)
Profit before financing items, depreciation and amortisation		5,168	2,650
Depreciation and amortisation charges		(2,683)	(2,602)
Profit before financing items and tax		2,485	48
Financing items			
Interest income		1	1
Interest expense		(720)	(862)
Net financing cost		(719)	(861)
Profit / (Loss) before tax		1,766	(813)
Income tax benefit / (expense)		(620)	107
Profit / (Loss) from continuing operations after tax		1,146	(706)
Discontinued operations			
Loss from discontinued operations after tax	4	-	-
Profit / (Loss) after tax for the half year		1,146	(706)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Net fair value gain on available for sale financial asset		308	-
Total comprehensive income for the half year		1,454	(706)
Earnings per share			
		Cents per share	Cents per share
From continuing operations			
Basic	9	0.80	(0.49)
Diluted	9	0.80	(0.49)
From continuing and discontinued operations			
Basic	9	0.80	(0.49)
Diluted	9	0.80	(0.49)

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of financial position****As at 31 December 2017**

	Notes	Consolidated	
		31 Dec 2017 \$'000	30 Jun 2017 \$'000
Assets			
<i>Current Assets</i>			
Cash and bank balances		4,613	10,204
Trade and other receivables		23,226	32,690
Inventories	8	57,080	48,185
Other financial assets		1,700	1,260
Tax receivable		-	1,441
Other assets		2,083	3,174
Total current assets		88,702	96,954
<i>Non-Current Assets</i>			
Property, plant and equipment		7,563	7,878
Intangible assets		5,393	5,676
Total non-current assets		12,956	13,554
Total assets		101,658	110,508
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables		51,446	61,168
Borrowings	7	1,684	3,875
Provisions		12,111	12,989
Deposits and income in advance		20,267	13,774
Total current liabilities		85,508	91,806
<i>Non-Current Liabilities</i>			
Borrowings	7	6,498	11,349
Provisions		7,853	7,878
Deferred tax liabilities		3,358	2,600
Total non-current liabilities		17,709	21,827
Total liabilities		103,217	113,633
Net liabilities		(1,559)	(3,125)
Equity			
Issued capital		12,911	12,911
Reserves	10	23,459	23,039
Accumulated losses		(37,929)	(39,075)
Total equity		(1,559)	(3,125)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2017

Consolidated	Notes	Issued capital \$'000	Share buy-back reserve \$'000	Share based payments reserve \$'000	Investment revaluation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2016		12,911	(7,204)	30,248	-	(39,280)	(3,325)
Employee share plan		-	-	(66)	-	-	(66)
Performance rights exercised		-	-	(130)	-	-	(130)
Loss for the period		-	-	-	-	(706)	(706)
Balance at 31 December 2016		12,911	(7,204)	30,052	-	(39,986)	(4,227)
Balance at 1 July 2017		12,911	(7,204)	30,243	-	(39,075)	(3,125)
Employee share plan		-	-	112	-	-	112
Profit for the period		-	-	-	-	1,146	1,146
Other comprehensive income for the year, net of income tax	10	-	-	-	308	-	308
Balance at 31 December 2017		12,911	(7,204)	30,355	308	(37,929)	(1,559)

The accompanying notes form part of these financial statements.

**Consolidated statement of cash flows****For the half year ended 31 December 2017**

	Notes	Consolidated	
		31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash flows from operating activities			
Receipts from customers		307,709	311,446
Payments to suppliers and employees		(304,529)	(314,193)
Cash (outflow) / generated from operations		3,180	(2,747)
Transaction costs associated with proposed Scheme of Arrangement		-	(1,695)
Finance costs		(720)	(862)
Income taxes refunded / (paid)		1,439	2,649
<i>Net cash (used in) / generated from operating activities</i>		3,899	(2,655)
Cash flows from investing activities			
Interest received		1	1
Proceeds from disposal of property, plant and equipment		84	45
Proceeds from sale of business	11	10	-
Payments for property, plant and equipment		(1,192)	(848)
Payments for intangibles		(1,142)	(850)
<i>Net cash used in investing activities</i>		(2,239)	(1,652)
Cash flows from financing activities			
Proceeds from borrowings		171	6,210
Repayment of borrowings		(6,726)	(930)
Payment for finance leases		(696)	(687)
<i>Net cash (used in) / generated from financing activities</i>		(7,251)	4,593
Net (decrease) / increase in cash and cash equivalents		(5,591)	286
Cash and cash equivalents at the beginning of the period		10,204	3,176
<i>Cash and cash equivalents at the end of the period</i>		4,613	3,462

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 consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

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 year. The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

1.4 Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Directors have reviewed all Standards and Interpretations on issue but not yet effective and with the exception of the following standards, do not expect these Standards and Interpretations to have a material effect on the financial statements of the Group.

(i) *AASB 15 'Revenue from Contracts with Customers', and the relevant amending standards (effective 1 January 2018)*

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue', AASB 111 'Construction Contracts' and the related Interpretations which it becomes effective.

(ii) *AASB 16 'Leases' (effective 1 January 2019)*

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 'Leases' and the related interpretations. AASB 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most lease onto their statements of financial position.

The Directors are in the process of completing their assessment of the potential impacts of these standards.



Notes to the consolidated financial statements (continued)

1.5 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.

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

- (i) The Group incurred a Net Profit after tax for the half year ended 31 December 2017 of \$1.146m.
- (ii) 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.
- (iii) 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.
- (iv) The net assets as at 31 Dec 2017 are negative \$1.559m (30 June 2017: negative \$3.125m) and continue to improve.

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:

- (i) *Residential Construction* - this includes activities relating to contracts for residential home construction, speculative home building and the building of display home inventory.
- (ii) *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.
- (iii) *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. Consistent with the prior reporting period, this business unit has been presented as a discontinued operation in note 4 as at 31 December 2017.

2.2 Segment revenues and results

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

Segment profit/(loss) represents the profit/(loss) before 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.



Notes to the consolidated financial statements (continued)

2.2 Segment revenues and results (Cont'd)

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

	Segment revenue		Segment profit / (loss)	
	Half year ended		Half year ended	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Continuing operations				
Residential construction	284,899	274,825	1,885	(2,041)
Registered training	6,154	7,874	127	1,049
Land development	677	3,185	(246)	179
	291,730	285,884	1,766	(813)
Discontinued operations	-	6,194	-	-
Consolidated segment revenue and profit/(loss) before tax for the period	291,730	292,078	1,766	(813)

2.3 Segment assets and liabilities

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Segment assets		
Residential construction	95,465	100,859
Registered training	2,793	4,573
Land development	2,603	4,968
	100,861	110,400
Discontinued operations	797	108
Total segment assets	101,658	110,508
Segment liabilities		
Residential construction	101,181	110,526
Registered training	1,632	1,150
Land development	100	12
	102,913	117,688
Discontinued operations	304	1,945
Total segment liabilities	103,217	113,633

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

**Notes to the consolidated financial statements (continued)****3 Expenses for the half year**

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Profit on disposal of property, plant and equipment and intangibles	55	45
Divestment of Hub Property Advisory Pty Ltd ⁽ⁱ⁾	(285)	-
Marketing and selling expenses	(9,770)	(8,740)
Corporate and administrative expenses	(14,829)	(15,225)
Employee benefits expense	(33,214)	(31,940)
Total expenses	(58,043)	(55,860)

- (i) On 19 December 2017, the Group disposed its interest in Hub Property Advisory Pty Ltd. The disposal is consistent with the Group's strategy to focus its activities in residential construction and registered training. Details of the business disposed is disclosed in note 11.

4 Discontinued Operations**4.1 Madisson Homes Pty Ltd discontinued operation**

Madisson Homes Pty Ltd operated in the medium density market, building apartments and townhouses for commercial developers using the concepts, designs and specifications provided by the developers. 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 had been completed as at 30 June 2017.

4.2 The profit/(loss) for the half year from discontinued operations are summarised as follows:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue	-	6,194
Expenses	-	(6,194)
Profit / (Loss) before tax	-	-
Attributable income tax benefit/loss	-	-
Profit / (Loss) for the period	-	-

4.3 Cash flow from discontinued operations:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Net cash inflows from operating activities	11	25

**Notes to the consolidated financial statements (continued)****5 Significant items**

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Business review and management restructure	(1,190)	-
Impairment of non-core development land and other current assets	-	(833)
Transaction costs associated with proposed Scheme of Arrangement ⁽ⁱ⁾	-	(2,048)
Total significant items	(1,190)	(2,881)

- (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 \$nil (2016: \$2.048m).

6 Dividends

During the half year ended 31 December 2017 the Group has not made any dividend payments (2016: \$nil) and no interim dividend has been declared for the half year ended 31 December 2017.

7 Borrowings

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
<i>Current</i>		
Insurance Finance	-	401
Commercial bills	-	1,995
Finance lease liability	1,684	1,479
	1,684	3,875
<i>Non – current</i>		
Commercial bills	-	4,330
Finance lease liability	1,498	2,019
Display fund facility	5,000	5,000
	6,498	11,349

Notes to the consolidated financial statements (continued)

7.1 Summary of borrowing arrangements

The Group has a debt facility with the Commonwealth Bank of Australia (CBA) which has been extended to 25 February 2019 during the half year ended 31 December 2017. Details of the facility are as follows:

Facility	Utilised \$'000	Unutilised \$'000	Interest Charge	Description	Maturity Date
Market Rate Loan	Nil	5,340	Variable Market Rate	The group's facilities are secured by all Simonds Group Limited corporate entities. Simonds have extended the existing corporate finance facility arrangements in place with Commonwealth Bank Australia to 25 February 2019.	25 Feb 2019
Business Corporate Credit Card Facility	500	Nil	Corporate Charge Card Facility Interest Rate		
Bank Guarantees	1,315	285	Fixed Market Rate		
Multi Option Facility	Nil	22,900	Variable Market Rate		
Finance Lease	3,000	1,000	Fixed Market Rate	Asset under finance leases are secured by the assets leased with repayments periods not exceeding 5 years.	
Total	4,815	29,525			

In addition to the debt facility outlined above, the Group has additional facilities as outlined below:

Facility	Utilised \$'000	Unutilised \$'000	Interest Charge	Description	Maturity Date
Finance Lease	182	Nil	Fixed Market Rate	Asset under finance leases are secured by the assets leased. These facilities are held with Westpac Banking Corporation and Global Rental & Leasing Pty Ltd.	Repayment periods are not exceeding 5 years.
Display Funds	5,000	Nil	Fixed Interest Rate	The Group entered in to a mortgage facility with Simonds Homes Display Fund with an initial expiry of 15 September 2016. The facility has been extended to 30 September 2019. Facility is secured by first mortgages over a number of display homes of the Group.	30 Sep 2019
Total	5,182	Nil			

**Notes to the consolidated financial statements (continued)****8 Inventories**

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Work in progress on construction contracts	31,290	28,226
Speculative & display homes, land stock ⁽ⁱ⁾	26,666	21,319
Provision for impairment of inventories	(876)	(1,360)
	57,080	48,185

- (i) The Group's obligations under Display Funds (Note 7) are secured by mortgages over 11 displays homes with a carrying value of \$5.085m.

9 Earnings per share

	31 Dec 2017 Cents per share	31 Dec 2016 Cents per share
<i>From continuing operations</i>		
Total basic profit/loss per share	0.80	(0.49)
Total diluted profit/loss per share	0.80	(0.49)
<i>From continuing and discontinued operations</i>		
Total basic profit/loss per share	0.80	(0.49)
Total diluted profit/loss per share	0.80	(0.49)

9.1 The earnings and weighted average number of ordinary shares used in the calculation of basic earnings are as follows:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<i>From continuing operations</i>		
Profit / (loss) for the half year attributable to owners of the Company	1,146	(706)
<i>From continuing and discontinued operations</i>		
Profit / (Loss) for the half year attributable to owners of the Company	1,146	(706)
	Shares	Shares
Weighted average number of ordinary shares for the purposes of the basic earnings per share	143,841,655	143,841,655

**Notes to the consolidated financial statements (continued)****9.2 Diluted earnings per share**

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<i>From continuing operations</i>		
Profit / (Loss) for the half year attributable to owners of the Company	1,146	(706)
<i>From continuing and discontinued operations</i>		
Profit / (Loss) for the half year attributable to owners of the Company	1,146	(706)
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	143,841,655	143,841,655
Performance rights ^{(i), (ii)}	-	-
Weighted average number of ordinary shares for the purposes of the basic earnings per share	<u>143,841,655</u>	<u>143,841,655</u>

- (i) For December 2017 there are 2,517,910 performance rights excluded from the diluted earnings per share calculation on the basis that the vesting conditions are unlikely to be met at the end of the vesting period.
- (ii) For December 2016 diluted loss per share is the same as basic loss per share for that half year ended. 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 Reserves

	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Share Buy-back Reserve	(7,204)	(7,204)
Share Based Payment Reserve	30,355	30,243
Investment Revaluation Reserve ⁽ⁱ⁾	308	-
	<u>23,459</u>	<u>23,039</u>

- (i) The investment revaluation reserve represents any unrealised gains / (losses) arising on the revaluation of available for sale assets that have been recognised in other comprehensive income.

Notes to the consolidated financial statements (continued)

11 Disposal of subsidiary

On 19 December 2017, the Group disposed Hub Property Advisory Pty Ltd, which carried out the project management service business.

11.1 Consideration received

	\$'000
Consideration received in cash and cash equivalents	17
Deferred consideration	171
Total Consideration	188

11.2 Net assets of Hub Property Advisory Pty Ltd at the date of disposal

	\$'000
Current Assets	
Cash and cash equivalents	7
Trade receivables	148
Other Assets	18
Deferred Tax Assets	7
Non- Current Assets	
Goodwill	373
Current Liability	
Trade and payables	(7)
Provisions	(73)
Net assets disposed	473

11.3 Loss on disposal of Hub Property Advisory Pty Ltd

	\$'000
Consideration	188
Net assets disposed	(473)
Loss on disposal	(285)

11.4 Net cash inflow on disposal of Hub Property Advisory Pty Ltd

	\$'000
Consideration received in cash and cash equivalents	17
Less cash and cash equivalent balance disposed	(7)
	10

12 Subsequent events

On 8 February 2018, the board announced the appointment of Kelvin Ryan as Managing Director and Group Chief Executive Officer of Simonds Group with effect 5 March 2018.

Other than reported in these accounts and noted above there are no other subsequent events as at the date of this report.