

# **Appendix 4D**

For the half year ended 31 December 2021

**Simonds Group Limited**

ACN: 143 841 801

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

**SIMONDS GROUP LIMITED (ASX: SIO)**  
**APPENDIX 4D**  
**HALF YEAR ENDED 31 DECEMBER 2021**

**Half year ended:** 31 December 2021  
**Previous corresponding period:** 31 December 2020

<b>Results for Announcement to the Market for the half year ended 31 December 2021</b>					
Revenue from ordinary activities from continuing operations	Up	\$20.0m	by	6.3%	to \$338.1m
Profit / (loss) from ordinary activities before tax from continuing operations	Down	(\$6.5m)	by	(541.7%)	to (\$5.3m)
Profit / (loss) from ordinary activities after tax from continuing operations	Down	(\$3.6m)	by	(514.3%)	to (\$2.9m)
Profit / (loss) after tax from discontinued operations	Up	\$3.1m	by	775.0%	to \$3.5m
Profit / (loss) after tax	Down	(\$0.6m)	by	(54.5%)	to \$0.5m
Net profit / (loss) attributable to members	Down	(\$0.6m)	by	(54.5%)	to \$0.5m

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

<b>Net tangible asset backing per ordinary share</b>	<b>Amount per share (cents)</b>
As at 31 December 2021 (including right-of-use assets)	12.58
As at 30 June 2021 (including right-of-use assets)	9.67
Net assets backing per share as at 31 December 2021 was 16.07 cents (30 June 2021: 15.47 cents)	

<b>Dividends</b>	<b>Amount per share</b>	<b>Franked amount per share</b>
For the half year ended 31 December 2021 (cents)	-	-
For the half year ended 31 December 2020 (cents)	-	-

**Other Information**

This report is based on the financial report which has been reviewed by Deloitte Touche Tohmatsu.

For a brief explanation of the results presented in this Appendix 4D, please refer to the ASX announcement on the results for the half year ended 31 December 2021 and the financial report.



**Simonds Group**  
31 December 2021

# Simonds Group Limited

ABN 54 143 841 801

Interim Financial Report for the half year ended 31 December 2021



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**Simonds Group Limited**  
**Interim Financial Report for the half year ended 31 December 2021**

<b>Contents</b>	<b>Page</b>
Directors' report	5
Auditor's independence declaration	9
Independent Auditor's Review Report to the Members of Simonds Group Limited	10
Directors' declaration	12
Condensed consolidated statement of profit or loss and other comprehensive income	13
Condensed consolidated statement of financial position	14
Condensed consolidated statement of changes in equity	15
Condensed consolidated statement of cash flows	16
Notes to the condensed consolidated financial statements	17

## 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 2021. 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:

Current Directors			
Name	Date appointed	Current Position	
Rhett Simonds	20 April 2016	Chief Executive Officer (CEO) and Executive Chairman	
Mark Simonds	20 September 2017	Executive Director	
Iain Kirkwood	20 September 2017	Independent Non-Executive Director	
Piers O'Brien	20 September 2017	Non-Executive Director	
Andrew Bloore	27 July 2021	Non-Executive Director	
David Denny	1 November 2021	Independent Non-Executive Director	

  

Former Directors			
Name	Date appointed	Date resigned	Position
Delphine Cassidy	20 September 2017	27 July 2021	Independent Non-Executive Director
Neil Kearney	20 September 2017	27 July 2021	Independent Non-Executive Director

### Operating and financial review

#### Principal activities

The Group's principal activities during the half year were the design, sales and construction of residential dwellings and providing registered training courses.

#### Business Overview

Building homes 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 (BAA) 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's 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. On 30 November

2021 the Group sold its wholly owned BAA business to Up Education Australia Pty Ltd for an adjusted cash consideration of \$8.980m<sup>1</sup>.

The Group maintains a small development land portfolio via direct land ownership, and participation in other development land projects via indirect holdings.

### ***Operations***

Group revenue from continuing operations for the period was \$338.072 million compared to the previous corresponding period of \$318.064 million. Simonds Homes recorded 1,177 site starts for the period, an increase of 5 or 0.4% on the previous corresponding period. The increase in Group revenue is due to increased job numbers on site (2H21 starts increased), however the full benefit has not been recognised due to impact of COVID-19 restrictions on site productivity.

### ***Balance sheet***

The Group's operating results were impacted by the effects of significant government restrictions on worksites, particularly in Victoria, as well as supply and trade constraints and rate increases in response to heightened demand in the industry.

Although operating results remain under pressure in a COVID-19 environment, the Group has tightened cash flow management that has enabled the Group to maintain its strong net cash position (measured by cash and cash equivalents less borrowings) with net cash of \$20.627 million at 31 December 2021 compared with \$21.227 million net cash at 30 June 2021. The net assets of the Group remain strong and have improved from \$22.249 million at 30 June 2021 to \$23.661 million at 31 December 2021, predominantly as a result of the sale of BAA, and a tightening of overhead and display spend in response to COVID-19 and margin impacts.

### ***Operating cash flows***

The Group generated net operating cash flows of (\$1.433) million, a decrease of \$15.146 million on the net operating cash flows recorded for the comparative half year period ended 31 December 2020 of \$13.713 million. This reflected the increased jobs under construction, the impact of increased costs of trades and supplies for jobs under construction, lower deposit receipts (due in part to increased deposits for the Home Builder initiative received in the prior comparative period), and fewer display sales than the comparative period.

### ***Impacts of COVID-19***

During the first half of the 2022 financial year the global economy continued to suffer the effects from the COVID-19 pandemic. In Victoria the building industry was subject to a two week shutdown in September 2021 which due to the relative strength of the Group's balance sheet, high lead times associated with building homes and the Group's strong relationship with key suppliers and sub-contractors the business was able to withstand this impact. In order to manage impacts on the business, the Group has maintained its vigilance on cost control and continued working capital management practices.

### ***Future developments***

Challenges remain in some areas with delays in registration of land by developers as well as customer financing. The Group continues to leverage its strategic relationships with land developers to enable its customers to procure land in key growth zones.

During the first half of FY2022 the Group has continued investing in digital sales channels to broaden and diversify the Group's offerings to customers.

COVID-19 is expected to continue to impact the Group in the second half of FY22 as infection rates increase and staff and trades/suppliers are required to isolate for a period of time. Whilst further lockdowns are not expected to the extent of FY21 and 1H22, it is still possible there could be some restrictions on access to sites, our display centres and other potential impacts across the supply chain should they occur. Management have taken a range of mitigating actions to reduce the impact of these factors on our business.

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<sup>1</sup> Consideration of \$10.300m less net debt of the divested business of \$1.320m.

There are many uncertainties associated with the ongoing COVID-19 pandemic which make forward-looking statements problematic. Heightened demand created by the HomeBuilder stimulus has created pressure on trades that have prolonged build times and impacted trade rates. While the Group expects some volatility in the future because of COVID-19 and the impact of the cessation of government stimulus programs such as HomeBuilder, it has processes in place to manage these challenges as they arise.

### ***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, particularly the potential ongoing impact of the COVID-19 pandemic may adversely affect the performance of the business.

There are some risks, specific to the Group's home building business, as well as external risks, such as 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 impacts on the financial results. Risks are assessed across the business and reported to the Audit & Risk Committee and to the Board where required under the Group's Risk Management Framework.

#### Deterioration in economic conditions resulting in a fall in demand:

There are a number of general economic conditions, such as interest rate movements, overall levels of demand for housing, economic and political stability, and state and federal government fiscal and regulatory policies that can impact the level of consumer confidence and demand, thereby affecting revenue from sales to customers.

While general economic conditions are outside the Group's control, the Group seeks to reduce its exposure to these risks by monitoring closely both internal and external sources of information that provide insights to changes in demand within the markets and regions in which it operates.

As the COVID-19 pandemic's adverse impact on global and domestic economic conditions could cause a decline in demand for new housing within Australia, management continue to monitor the situation and ensure the Group has plans in place to respond appropriately.

#### Information Technology ("IT") security and data security breaches:

The potential failure of IT security measures may result in loss, inability to access information, destruction or theft of customer, supplier, and financial or other commercially sensitive information including intellectual property. This has the potential to adversely affect operating results and potentially damage the reputation of the Simonds Homes brands, and/or create other liabilities for the Group.

There are a number of key controls either planned or already in place aligned to improving the security posture; the implementation, maintenance and supervision of operational policies intended to preserve the integrity of the IT systems and supporting infrastructure; regular independent audit and review of IT security; and the ongoing review, practice and updating of a disaster/crisis management plan relating to IT systems.

***Subsequent events***

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

***Dividends***

The directors have determined that no dividend will be declared in relation to the 31 December 2021 half year (31 December 2020: 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 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



Rhett Simonds  
Chairman  
Melbourne, 22 February 2022



22 February 2022

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

## 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 report of Simonds Group Limited for the half-year ended 31 December 2021, 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



Paul Schneider  
Partner  
Chartered Accountants

## Independent Auditor's Review Report to the Members of Simonds Group Limited

### *Conclusion*

We have reviewed the accompanying half-year financial report of Simonds Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 5 to 26.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) Giving a true and fair view of the Group's financial position as 31 December 2021 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*.

### *Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### *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 Responsibilities for the Review of the Half-Year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.



DELOITTE TOUCHE TOHMATSU



Paul Schneider  
Partner  
Chartered Accountants  
Melbourne, 22 February 2022

## Directors' declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Group 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 Group.

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



Rhett Simonds  
Chairman  
Melbourne, 22 February 2022



## Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2021

	Notes	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Continuing operations</b>			
Revenue	2	338,072	318,064
Cost of sales		(266,718)	(243,991)
<b>Gross profit</b>		<b>71,354</b>	<b>74,073</b>
Expenses	4	(65,516)	(62,052)
<b>Profit before financing items, depreciation and amortisation</b>		<b>5,838</b>	<b>12,021</b>
Depreciation and amortisation charges		(10,095)	(10,061)
<b>(Loss) / Profit before financing items and tax</b>		<b>(4,257)</b>	<b>1,960</b>
<i>Financing items</i>			
Interest expense		(1,002)	(752)
<b>Net financing cost</b>		<b>(1,002)</b>	<b>(752)</b>
<b>(Loss) / Profit before tax</b>		<b>(5,259)</b>	<b>1,208</b>
Income tax benefit / (expense)		2,324	(480)
<b>(Loss) / Profit from continuing operations after tax</b>		<b>(2,935)</b>	<b>728</b>
<b>Discontinued operations</b>			
Income from discontinued operations after tax	5	3,475	409
<b>Profit after tax for the half year</b>		<b>540</b>	<b>1,137</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
<b>Total comprehensive income for the half year</b>		<b>540</b>	<b>1,137</b>
<b>Earnings per share</b>			
		<b>Cents per share</b>	<b>Cents per share</b>
<b>From continuing operations</b>			
Basic	9	(2.02)	0.51
Diluted	9	(2.02)	0.50
<b>From continuing and discontinued operations</b>			
Basic	9	0.37	0.79
Diluted	9	0.36	0.78

The accompanying notes form part of these financial statements. Comparative figures have been re-presented to classify discontinued operations consistently with current year disclosure.

**Condensed consolidated statement of financial position****As at 31 December 2021**

	Notes	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>Assets</b>			
<i>Current Assets</i>			
Cash and bank balances		21,493	22,781
Trade and other receivables		22,448	33,368
Tax receivable		-	2,266
Accrued revenue		59,169	50,698
Inventories	8	23,668	27,311
Other assets		3,592	1,213
<b>Total current assets</b>		<b>130,370</b>	<b>137,637</b>
<i>Non-Current Assets</i>			
Property, plant and equipment		5,636	5,795
Intangible assets		5,138	8,342
Right-of-use assets	11	27,294	21,867
<b>Total non-current assets</b>		<b>38,068</b>	<b>36,004</b>
<b>Total assets</b>		<b>168,438</b>	<b>173,641</b>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Trade and other payables		69,295	78,513
Deferred revenue		1,945	404
Customer deposits		18,401	21,153
Tax payable		553	-
Borrowings	7	-	312
Lease liability		11,731	10,042
Provisions		15,889	16,671
<b>Total current liabilities</b>		<b>117,814</b>	<b>127,095</b>
<i>Non-Current Liabilities</i>			
Lease liability		16,326	12,052
Provisions		10,045	10,895
Deferred tax liability		592	1,350
<b>Total non-current liabilities</b>		<b>26,963</b>	<b>24,297</b>
<b>Total liabilities</b>		<b>144,777</b>	<b>151,392</b>
<b>Net Assets</b>		<b>23,661</b>	<b>22,249</b>
<b>Equity</b>			
Issued capital		13,505	12,911
Reserves	10	21,644	22,830
Accumulated losses		(11,488)	(13,492)
<b>Total equity</b>		<b>23,661</b>	<b>22,249</b>

The accompanying notes form part of these financial statements.

## Condensed consolidated statement of changes in equity

*For the half year ended 31 December 2021*

	Issued capital \$'000	Share buy-back reserve \$'000	Share based payments reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2020	12,911	(7,204)	29,725	(18,185)	17,247
Employee share plan	-	-	108	-	108
Profit for the period	-	-	-	1,137	1,137
Transfer to accumulated losses	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>12,911</b>	<b>(7,204)</b>	<b>29,833</b>	<b>(17,048)</b>	<b>18,492</b>
Balance at 1 July 2021	12,911	(7,204)	30,034	(13,492)	22,249
Employee share plan	594	-	(342)	620	872
Profit for the period	-	-	-	540	540
Transfer to accumulated losses	-	-	(844)	844	-
<b>Balance at 31 December 2021</b>	<b>13,505</b>	<b>(7,204)</b>	<b>28,848</b>	<b>(11,488)</b>	<b>23,661</b>

The accompanying notes form part of these financial statements.

## Condensed consolidated statement of cash flows

*For the half year ended 31 December 2021*

	Notes	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		377,512	375,777
Payments to suppliers and employees		(380,557)	(361,858)
Cash generated from operations		(3,045)	13,919
Finance costs		(1,256)	(206)
Income taxes refund/ (paid)		2,868	-
<i>Net cash (used in) / generated from operating activities</i>		(1,433)	13,713
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		209	22
Payments for property, plant and equipment		(1,740)	(1,648)
Payments for intangible assets		(1,618)	(1,865)
Net cash from disposal of subsidiary	12	8,972	-
<i>Net cash generated from / (used in) investing activities</i>		5,823	(3,491)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(312)	(931)
Repayment of lease liability	11	(6,276)	(6,487)
Proceeds from issue of equity		910	-
<i>Net cash used in financing activities</i>		(5,678)	(7,418)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(1,288)	2,804
Cash and cash equivalents at the beginning of the period		22,781	28,282
<b><i>Cash and cash equivalents at the end of the period</i></b>		<b>21,493</b>	<b>31,086</b>

The accompanying notes form part of these financial statement





## Notes to the condensed consolidated financial statements

### 1 Significant accounting policies

#### **Statement of compliance**

This half year financial report is a general purpose condensed consolidated half year financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*' ("AASB 134"). 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 should be read in conjunction with the most recent annual financial report.

#### **Basis of preparation**

The condensed 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 and in the most recent annual financial report.

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 are determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 '*Share-based Payment*' ("AASB 2"), leasing transactions that are within the scope of AASB 16 '*Leases*' ("AASB 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 '*Inventories*' ("AASB 102") or value in use in AASB 136 '*Impairment of Assets*' ("AASB 136").

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 annual financial report for the financial year ended 30 June 2021. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **Application of new and revised accounting standards**

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

There are no new standards effective in the current financial that have a material effect on the financial statements of the Group.

##### **Standards and interpretations in issue not yet adopted**

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

## Notes to the consolidated financial statements (continued)

### 2 Revenue

The following is an analysis of the Group's revenue for the half-year (excluding interest income).

	Notes	31 Dec 2021 \$'000	31 Dec <sup>1</sup> 2020 \$'000
<b>Continuing operations</b>			
Revenue from residential construction contracts		338,072	318,064
		<b>338,072</b>	<b>318,064</b>
<b>Discontinued operations</b>	3	<b>6,357</b>	<b>6,957</b>

### 3 Segment information

#### *Products and services from which reportable segments derive their revenue*

Information on segment performance focuses on the types of products and services the Group provides.

No operating segments have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable segments under AASB 8 'Operating Segments' are as follows:

- *Residential construction* - this includes activities relating to contracts for residential home construction, speculative home building and the building of display home inventory.
- *Development* - this includes activities relating to land development and sales.
- *Discontinued operations*
  - House of Learning Pty Ltd and City-Wide Building and Training Services Pty Ltd previously formed the registered training segment which was divested on 30 November 2021 and as such are presented as a discontinued operation in this half year financial report (refer note 5 for more information).
  - 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 (refer note 5 for more information).

<sup>1</sup> Comparative information has been re-presented due to the disposal of BAA.

## Notes to the consolidated financial statements (continued)

### Segment revenues and results

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

	Segment revenue		Segment profit / (loss) before tax	
	Half year ended	Half year ended	Half year ended	Half year ended
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>				
Residential construction	338,072	318,064	(5,265)	1,213
Land developments	-	-	6	(5)
	<b>338,072</b>	<b>318,064</b>	<b>(5,259)</b>	<b>1,208</b>
<b>Discontinued operations</b>				
Registered Training	6,357	6,957	5,624	1,607
Residential Construction	-	-	(660)	(1,023)
	<b>6,357</b>	<b>6,957</b>	<b>4,964</b>	<b>584</b>
<b>Consolidated segment revenue and profit before tax for the period</b>	<b>344,429</b>	<b>325,021</b>	<b>(295)</b>	<b>1,792</b>

### Segment assets and liabilities

	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<b>Segment assets</b>		
Residential construction	166,336	168,836
Land developments	2,091	1,128
	<b>168,427</b>	<b>169,964</b>
Discontinued operations	11	3,677
<b>Total segment assets</b>	<b>168,438</b>	<b>173,641</b>
<b>Segment liabilities</b>		
Residential construction	120,153	126,485
Land developments	9,221	8,262
	<b>129,374</b>	<b>134,747</b>
Discontinued operations	15,403	16,645
<b>Total segment liabilities</b>	<b>144,777</b>	<b>151,392</b>

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)****4 Expenses for the half year**

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Continuing operations</b>		
Profit / (loss) on disposal of property, plant and equipment and intangibles	104	(41)
Marketing and selling expenses	(12,964)	(11,804)
Corporate and administrative expenses	(10,346)	(9,438)
Employee benefits expense	(42,310)	(40,769)
	<u>(65,516)</u>	<u>(62,052)</u>

**5 Discontinued Operations*****Madisson Business***

Following a comprehensive review initiated 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 were completed.

***Loss for the half year from Madisson business are summarised as follows:***

Revenue	-	-
Expenses	(660)	(1,023)
Loss before tax	(660)	(1,023)
Attributable income tax benefit	198	307
Net loss after tax for the period	<u>(462)</u>	<u>(716)</u>

***Cash flow from Madisson Business:***

Net cash inflows/ (outflows) from operating activities	<u>6</u>	<u>6</u>
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***Builders Academy Australia***

On 30 September 2021, the Group entered into a sale agreement to dispose its wholly owned subsidiaries, House of Learning Pty Ltd (HOL) and City-Wide Building & Training Services Pty Ltd (CWBTS), collectively referred to as Builders Academy Australia (BAA), which operated as a registered training organisation. The disposal was completed on 30 November 2021, on which date control of BAA passed to the acquirer Up Education Australia Pty Ltd. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 12.

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

The result of the discontinued operations, which have been included in the profit for the year, was as follows:

***Profit for the half year from Registered training operations are summarised as follows:***

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Revenue	6,357	6,957
Expenses	(6,974)	(5,350)
(Loss)/ profit before tax	(617)	1,607
Attributable tax benefit / (expense)	185	(482)
Profit from disposal of BAA	6,241	-
Attributable tax expense	(1,872)	-
Net profit after tax for the period	3,937	1,125

***Cash flow from Registered training operations during the period:***

Cash flow used in operating activities	(683)	(2,531)
Cash flow from investing activities	342	326
Cash flow from financing activities	347	2,206
<i>Net increase in cash and cash equivalents</i>	6	1
Cash and cash equivalents at the beginning of the period	2	(2)
<b><i>Cash and cash equivalents at the end of the period</i></b>	<b>8</b>	<b>(1)</b>

**6 Dividends**

During the half year ended 31 December 2021 the Group has not made any dividend payments (June 2021: \$nil) and no interim dividend has been declared for the half year ended 31 December 2021.

**7 Borrowings**

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Current</i>		
Other borrowings	-	312
	<b>-</b>	<b>312</b>

## Notes to the consolidated financial statements (continued)

### Summary of borrowing arrangements

Details of the Group's borrowing facilities as at 31 December 2021 are as follows:

Facility	Utilised \$'000	Unutilised \$'000	Interest Charge	Description	Maturity Date
Bank Guarantees	2,547	2,453	Fixed 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.	30 September 2023
Market Rate Loan Facility	-	3,000	Variable Market Rate		
Multi Option Facility	-	17,500	Overdraft Index Rate		
Business Corporate Credit Card Facility	1,560	-	Cash advance interest rate	Charged Card facility made available to Simonds Group	2 August 2022
Equipment Finance Facility	7,013	2,987	Fixed Market Rate	Asset under finance leases are secured by the assets leased with repayment periods not exceeding 5 years.	Repayment periods are not exceeding 5 years
<b>Total</b>	<b>11,120</b>	<b>25,940</b>			

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

Facility	Utilised \$'000	Unutilised \$'000	Interest Charge	Description	Maturity Date
Microsoft Financing	-	612	Fixed Interest Rate	The Group entered into a Master Instalment Payment Agreement with De Lage Landen Pty Ltd, which covers license subscription for Microsoft products.	31 December 2022

## 8 Inventories

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Display homes, land stock	23,718	27,427
Provision for impairment of inventories	(50)	(116)
	<b>23,668</b>	<b>27,311</b>

## Notes to the consolidated financial statements (continued)

The impairment provision of display homes above is based on recent market values. This assessment includes current independent valuations, current offers to purchase the display homes, and current asking prices to sell these display homes. For the assessment at 31 December 2021, current market conditions (including the current COVID-19 pandemic) have been considered and an adjustment to impairment made as appropriate.

### 9 Earnings per share

	31 Dec 2021 Cents per share	31 Dec <sup>1</sup> 2020 Cents per share
<i>From continuing operations</i>		
Total basic profit/(loss) per share	(2.02)	0.51
Total diluted profit/(loss) per share	(2.02)	0.50
<i>From continuing and discontinued operations</i>		
Total basic profit/(loss) per share	0.37	0.79
Total diluted profit/(loss) per share	0.36	0.78

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

	31 Dec 2021 \$'000	31 Dec <sup>1</sup> 2020 \$'000
<i>From continuing operations</i>		
(Loss) / profit for the half year attributable to owners of the Company	(2,935)	728
<i>From continuing and discontinued operations</i>		
Profit for the half year attributable to owners of the Company	540	1,137
	<b>Shares</b>	<b>Shares</b>
Weighted average number of ordinary shares for the purposes of the basic earnings per share	145,294,103	143,841,655

### Diluted earnings per share

	31 Dec 2021 \$'000	31 Dec <sup>1</sup> 2020 \$'000
<i>From continuing operations</i>		
(Loss) / profit for the half year attributable to owners of the Company	(2,935)	728
<i>From continuing and discontinued operations</i>		
Profit for the half year attributable to owners of the Company	540	1,137

<sup>1</sup> The comparative information has been re-presented as a result of disposal of BAA.

## Notes to the consolidated financial statements (continued)

	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	145,294,103	143,841,655
Performance rights	6,070,417	2,047,773
Weighted average number of ordinary shares for the purposes of the diluted earnings per share	151,364,520	145,889,428

### 10 Reserves

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Share Buy-back Reserve	(7,204)	(7,204)
Share Based Payment Reserve	28,848	30,034
	<b>21,644</b>	<b>22,830</b>

### 11 Leases

The Group leases commercial offices, display homes, display home furniture, and motor vehicles. The leases are typically with an option to renew and lease payments are reviewed when approaching the lease expiry date to reflect market rentals.

The Group also leases equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The total cash outflow for leases amount to \$6.276 million (December 2020: \$7.572million).

#### **Right of use assets**

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>Opening written down value</b>	21,867	22,701
Additions	5,319	8,433
Disposals	(420)	(1,514)
Depreciation charge for the period	(6,829)	(13,696)
Changes in value from lease modification and cancellation	7,357	5,943
<b>Closing written down value</b>	<b>27,294</b>	<b>21,867</b>

#### **Amount recognised in profit or loss:**

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<i>Lease under AASB 16</i>		
Interest on lease liabilities	(757)	(502)
Depreciation expense on right-of-use assets	(6,829)	(6,958)
Expenses relating to short-term leases	(1,535)	(455)
Expense relating to low value assets	(6)	(9)
Profit on lease modification	22	114
	<b>(9,105)</b>	<b>(7,810)</b>



## Notes to the consolidated financial statements (continued)

### **Commitment for short-term leases and low value assets:**

Relating to leases classified as short-term and/or low value leases, the Group is committed to payments of \$0.158m for leases under 1 year in duration.

### **12 Disposal of subsidiaries**

On 30 November 2021, the Group announced that it completed the sale of its wholly owned BAA business to Up Education Australia Pty Ltd for an adjusted cash consideration of \$8.980m<sup>1</sup>.

#### **Consideration received**

	31 Dec 2021 \$'000
Consideration received in cash and cash equivalents	8,980
<b>Total Consideration</b>	<b>8,980</b>

#### **Net assets of BAA at the date of disposal**

##### **Current Assets**

Cash and cash equivalents	8
Trade receivables	933
Other Assets	143
Deferred Tax Assets	28

##### **Non - Current Assets**

Property, plant and equipment	150
Intangible assets	422
Goodwill	2,602

##### **Current Liability**

Trade and payables	(370)
Deposit and income in advance	(13)
Provisions	(1,663)

##### **Non - Current Liability**

Provisions	(155)
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##### **Net assets disposed**

**2,085**

#### **Profit on disposal of BAA**

Net consideration	8,980
Net assets disposed	(2,085)
<b>Profit on disposal</b>	<b>6,895</b>

<sup>1</sup> Consideration of \$10.300m less net debt of the divested business of \$1.320m.

## Notes to the consolidated financial statements (continued)

### *Net cash inflow on BAA*

	31 Dec 2021 \$'000
Consideration received in cash and cash equivalents	8,980
Less cash and cash equivalent balance disposed	(8)
	<hr/>
	8,972
	<hr/>

### **13 Subsequent events**

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