

# Appendix 4E

For the year ended 30 June 2022

**Simonds Group Limited**

ACN: 143 841 801

This report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

# SIMONDS GROUP LIMITED (ASX: SIO)

## APPENDIX 4E

### YEAR ENDED 30 JUNE 2022

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross referenced to the 2022 Consolidated Financial Report as at 30 June 2022 and the accompanying notes in accordance with Listing Rule 4.3A.

#### Company Details and Reporting Period

Simonds Group Limited

ACN: 143 841 801

Reporting period: Year ended 30 June 2022

Previous reporting period: Year ended 30 June 2021

| Results for Announcement to the Market for the year ended 30 June 2022      |      |           |    |          |              |
|-----------------------------------------------------------------------------|------|-----------|----|----------|--------------|
| Revenue from ordinary activities from continuing operations (\$m)           | Up   | \$25.9m   | by | 3.9%     | to \$687.5m  |
| Profit from ordinary activities before tax from continuing operations (\$m) | Down | (\$24.6m) | by | (410.0%) | to (\$18.6m) |
| Profit from ordinary activities after tax from continuing operations (\$m)  | Down | (\$15.9m) | by | (429.7%) | to (\$12.2m) |
| Profit after tax from discontinued operations (\$m)                         | Up   | \$1.5m    | by | 150.0%   | to \$2.5m    |
| Net Profit after tax (\$m)                                                  | Down | (\$14.4m) | by | (306.4%) | to (\$9.7m)  |
| Net Profit attributable to members (\$m)                                    | Down | (\$14.4m) | by | (306.4%) | to (\$9.7m)  |

| Dividends                       | Amount per share (cents) | Franked amount per share (cents) |
|---------------------------------|--------------------------|----------------------------------|
| For the year ended 30 June 2022 | Nil                      | Nil                              |
| For the year ended 30 June 2021 | Nil                      | Nil                              |

| Net tangible asset backing per ordinary share      | Amount per share (cents) |
|----------------------------------------------------|--------------------------|
| As at 30 June 2022 (including right-of-use assets) | 6.01                     |
| As at 30 June 2021 (including right-of-use assets) | 9.67                     |

Net assets backing per share at 30 June 2022 was 9.16 cents (30 June 2021: 15.47 cents).

#### Other Information

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

For a brief explanation of the results presented in this Appendix 4E, please refer to the ASX announcement on the results for the year ended 30 June 2022 and the financial report.

# Simonds Group Limited

ACN: 143 841 801

Financial Report for the year ended 30 June 2022



Simonds Group Limited  
Financial Report for year ended 30 June 2022

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## Directors' report

The directors of Simonds Group Limited (the "Company") submit herewith the annual financial report of the consolidated entity consisting of the Company and the entities it controlled (the "Group") for the financial year ended 30 June 2022. 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 financial year are:

| Current Directors        |                   |                                                                   |
|--------------------------|-------------------|-------------------------------------------------------------------|
| Name                     | Date appointed    | Current Position                                                  |
| Rhett Simonds            | 20 April 2016     | Chief Executive Officer (CEO) and Executive Chairman <sup>1</sup> |
| Mark Simonds             | 20 September 2017 | Executive Director                                                |
| Iain Kirkwood            | 20 September 2017 | Independent Non-Executive Director <sup>2</sup>                   |
| Piers O'Brien            | 20 September 2017 | Non-Executive Director                                            |
| Andrew Bloore            | 27 July 2021      | Non-Executive Director                                            |
| David Denny <sup>3</sup> | 1 November 2021   | Independent Non-Executive Director                                |

| Former Directors              |                   |               |                                    |
|-------------------------------|-------------------|---------------|------------------------------------|
| Name                          | Date appointed    | Date resigned | Position                           |
| Delphine Cassidy <sup>4</sup> | 20 September 2017 | 27 July 2021  | Independent Non-Executive Director |
| Neil Kearney <sup>4</sup>     | 20 September 2017 | 27 July 2021  | Independent Non-Executive Director |

The particulars of the directors are as follows:

| NAME          | EXPERIENCE AND DIRECTORSHIPS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rhett Simonds | <ul style="list-style-type: none"><li>Rhett is the Chief Executive Officer (CEO) and Executive Chairman of the Board.</li><li>Rhett holds a Bachelor of Commerce from Deakin University.</li><li>Rhett has been involved with the business since joining the Simonds Group of Companies in 2005. Rhett has a strong focus on the property and construction sector, where he sits on a number of private company boards.</li><li>In addition to his experience in the property and construction sector, Rhett is a director of and investor in a number of technology and finance related businesses.</li></ul> |
| Mark Simonds  | <ul style="list-style-type: none"><li>Mark holds a registered builder's licence in Victoria, NSW, Queensland and South Australia. Mark has spent over 40 years immersed in the volume home building industry.</li><li>Prior to Simonds Group Limited listing in 2014, Mark was fully engaged in the day-to-day executive management of Simonds Homes. From 1973 until its</li></ul>                                                                                                                                                                                                                            |

<sup>1</sup> On 27 July 2021, Rhett Simonds became Executive Chair of the Company's Board effective 27 July 2021 while retaining his role as CEO.

<sup>2</sup> On 27 July 2021, Simonds announced Iain Kirkwood stepped down as Chair of the Company's Board effective from the date of the announcement.

<sup>3</sup> On 1 November 2021, David Denny was appointed as an Independent, Non-Executive Director of the Company.

<sup>4</sup> On 27 July 2021 Simonds announced both Neil Kearney and Delphine Cassidy had resigned as non-executive directors effective 27 July 2021.

| NAME          | EXPERIENCE AND DIRECTORSHIPS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               | <p>listing, Mark worked alongside his father Gary Simonds, and understands what is required for a successful volume building business.</p> <ul style="list-style-type: none"> <li>• Mark is the Deputy Chairman of Simonds Consolidated, which is primarily focussed on venture capital, private equity, building and construction and the broader real estate sector.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Iain Kirkwood | <ul style="list-style-type: none"> <li>• Iain was educated at Glenalmond College in Scotland and holds a Master of Arts from Oxford University. Iain is a Fellow of CPA Australia (FCPA).</li> <li>• Iain is the Chair of the Group's Audit &amp; Risk Committee and is a member of the Nomination &amp; Remuneration Committee.</li> <li>• Iain is an experienced listed company Non-Executive Director &amp; Chairman and has worked as a senior Executive and Non-Executive Director across a range of industries, including auditing, resources, manufacturing and latterly healthcare in Australia, the USA and Britain.</li> <li>• Iain is Chairman of Bluechiip Ltd, former Chairman of Novita Healthcare Limited and has held Non-Executive Director roles with Medical Developments International Ltd and Vision Eye Institute Ltd.</li> <li>• Iain began his business career with Arthur Andersen &amp; Co in London and went on to hold several senior financial and general management positions in Woodside Petroleum Ltd, Santos Ltd, Pilkington Plc, F.H Faulding &amp; Co Ltd and Clinuvel Pharmaceuticals Ltd.</li> </ul>                                            |
| Piers O'Brien | <ul style="list-style-type: none"> <li>• Piers is a qualified lawyer with over 20 years' professional experience.</li> <li>• Piers is a member of the Group's Audit &amp; Risk Committee and Nomination &amp; Remuneration Committee.</li> <li>• Piers is the Chief Operating Officer of the Simonds Family Office before which he spent the previous 12 years working in in-house legal roles as both General Manager Legal and General Counsel. During this time, he managed the legal function at ASX 200 company Skilled Group Limited for approximately 8 years.</li> <li>• Piers started his career in private practice with K&amp;L Gates Lawyers (and its predecessor firms) where he spent 8 years specialising in mergers and acquisitions, corporate transactions and board advisory work.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                      |
| Andrew Bloore | <ul style="list-style-type: none"> <li>• Andrew is an experienced Non-Executive Director, Entrepreneur, and farmer. He has designed, built and sold a number of businesses focussed on the development of key disruptive technologies and distribution services in traditional markets, to create business efficiencies including Smartsuper, SuperIQ and Class Super.</li> <li>• Andrew has worked on a range of Senate and Treasury Committees, and with the Australian Taxation Office Regulations Committee on regulation of the superannuation industry.</li> <li>• In 2016, Andrew sold his superannuation administration business to AMP, stepped down from the Senate and Treasury Committees and is now focussed on contributing to the organisations as a Non-Executive Director.</li> <li>• Andrew is currently Chairman of Guild Group and an independent, Non-Executive Director of Insignia Financial Limited. Andrew is also a Non-Executive Director of Simonds Family Office Pty Ltd.</li> <li>• Andrew has been appointed as the Chair of the Group's Nomination &amp; Remuneration Committee and as a member of the Group's Audit &amp; Risk Committee.</li> </ul> |

| NAME             | EXPERIENCE AND DIRECTORSHIPS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| David Denny      | <ul style="list-style-type: none"> <li>David was appointed as an Independent, Non-Executive Director of Simonds Group Limited on 1 November 2021.</li> <li>David was a Partner of PriceWaterhouseCoopers (PwC) for 21 years, including as the practice leader of PwC's Mergers &amp; Acquisition advisory and Corporate Finance advisory businesses in Australia and the Asia-Pacific region.</li> <li>David has extensive international experience, including cross-border transactions, international leadership roles and a secondment to Asia.</li> </ul>                                                                                                                      |
| Neil Kearney     | <ul style="list-style-type: none"> <li>Neil holds a Bachelor of Economics from Monash University, has completed the Advanced Management Program at INSEAD and is a Graduate of the Australian Institute of Company Directors.</li> <li>Neil has held senior executive roles in Australian and International companies, including Goodman Fielder Limited and National Foods Limited (including as Chief Financial Officer &amp; Chief Strategy Officer).</li> <li>Neil is currently Chairman of Huon Aquaculture Group Ltd, Chairman of Youfoodz Holdings Ltd, Chairman of Felton, Grimwade &amp; Bosisto's Pty Ltd and a Non-Executive Director of Craig Mostyn Group.</li> </ul> |
| Delphine Cassidy | <ul style="list-style-type: none"> <li>Delphine is an accountant with over 20 years' experience specialising in financial, accounting and treasury roles.</li> <li>Delphine has become an investor relations expert, working as a senior executive in this field for several ASX 200 Companies.</li> <li>Delphine has been a member of the Australasian Investor Relations Association (AIRA) Issues Committee and the ASX Issuer Services Working Group.</li> <li>Delphine is currently Chief Communications Officer at Orica Limited.</li> </ul>                                                                                                                                 |

## Directors' Shareholding

The following table sets out each of the directors' relevant interest in shares and rights or options on shares of the Company or related body corporate as at the date of this report:

| Directors        | Fully Paid Ordinary shares<br>(Number) | Share options<br>(Number) |
|------------------|----------------------------------------|---------------------------|
| Rhett Simonds    | 14,044                                 | 633,824 <sup>1</sup>      |
| Mark Simonds     | 56,741                                 | -                         |
| Iain Kirkwood    | 75,000                                 | -                         |
| Piers O'Brien    | -                                      | -                         |
| Andrew Bloore    | -                                      | -                         |
| David Denny      | -                                      | -                         |
| Neil Kearney     | 90,000                                 | -                         |
| Delphine Cassidy | 30,000                                 | -                         |

## Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

<sup>1</sup> These rights may be settled in either shares in the Company or the equivalent value in cash, at the discretion of the Board.

## Company Secretary

Amanda Jones was appointed Company Secretary of Simonds Group Limited on 27 June 2022. Amanda is a member of the Executive Leadership Team and the Group's General Counsel and Company Secretary. Amanda holds a Bachelor of Arts /Bachelor of Laws (Hons) from Monash University and is a Fellow of the Governance Institute of Australia. Prior to joining the Group, Amanda held the roles of General Counsel & Company Secretary and General Manager Corporate Services at MaxiPARTS Limited (ASX:MXI, formerly MaxiTRANS Industries Limited).

## Operating and Financial Review

### *Principal activities*

The Group's principal activities during the financial year were the design, sale and construction of residential dwellings and providing registered training courses through Registered Training Organisation which has now been discontinued.

### *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 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. In previous years, the Simonds Group consisted of Simonds Homes and BAA which was embedded into the company as a registered training organisation. On 30 November 2021 the Group sold its wholly owned BAA business to UP Education Australia Pty Ltd for an adjusted cash consideration of \$8.980 million<sup>1</sup>.

The Group also 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 \$687.493 million compared to the previous corresponding period of \$661.586 million. Simonds Homes recorded 2,376 site starts for the period, 343 or 13% down on the previous corresponding period. The increase in Group revenue reflects the impact of increased site start values of jobs going to site. However, this was offset by the cost impact of the challenges faced by the construction industry during this period.

### *Earnings per share*

The calculation of earnings per share (EPS) is presented in Note 11.

EPS has been calculated in accordance with the requirements of Accounting Standards based on:

- profit after tax attributable to shareholders (Statutory profit); and
- the weighted average number of ordinary shares outstanding during the year ended 30 June 2022 of 146,258,855 (2021: 143,841,655).

|                                       |      | 30 June<br>2022 | 30 June<br>2021 |
|---------------------------------------|------|-----------------|-----------------|
|                                       | Note | cents per share | cents per share |
| <b>EPS from continuing operations</b> |      |                 |                 |
| Basic                                 | 11   | (8.33)          | 2.59            |

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



## ***Balance sheet***

The Group working capital position continues to reflect the effective management of resources despite the unprecedented challenges faced by the construction industry. The financial results were materially impacted by the cost implications of government imposed COVID shutdown in October 2021 and the subsequent worksite restrictions. The construction industry also faced supply delays, high supply cost inflation and trade labour shortages impacting productivity. In addition, severe weather events impacted operations in Queensland and New South Wales. These factors negatively impacted profitability which resulted in the net assets of the Group reducing from \$22.249 million at 30 June 2021 to \$13.452 million at 30 June 2022.

The Group's financial position remains strong, enabling it to trade through these short-term challenges and management is re-aligning the operations to be more efficient and profitable in the near future.

Despite a negative operating result, the Group maintained a relatively strong net cash position (measured by cash and cash equivalents) of \$11.133 million at 30 June 2022, achieved through the sale of BAA and effective working capital management.

During the year, the Group continued to operate within its banking covenants. Refer to Note 3 for further details.

## ***Operating cash flows***

The lower operating result for the financial period is reflected in the reduced operating cash flows of (\$2.335) million (2021: surplus of \$13.731 million). Collections from customers remained strong but was offset by the significant increases in supply and labour input costs during the period.

The lower operating cash position was offset by an inflow of cash from investment activities through the receipt of \$8.972 million from the disposal of BAA.

## ***Future developments***

Near term challenges remain and the industry still experiences land title delays, but this is expected to improve during the first half of FY23. Management is working closely with suppliers to diversify the supply base and reduce the risk of further building cost inflation.

As part of its strategic response to the current market conditions, the Group is refocusing its approach to strengthen core operations and is actively taking steps to improve profitability through the right sizing of the entire cost base. Although these decisions are never taken lightly, given the impact it will have on our people, it will result in a healthy and sustainable business that can continue to support its employees and customers for years to come.

## ***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, in particular the potential ongoing impact of supply chain and trade labour shortages.

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.

### **Supply chain delays**

Supply chains continue to remain under pressure due to demand pressure and external international factors such as the war in Ukraine and the impact of COVID lockdowns in China. The local industry is facing a severe shortage in trade labour due to the impact of reduced migration during the COVID period. The Group seeks to reduce the impact of supply constraints by leveraging its long-term relationships and is pro-actively expanding its supply base to ensure competitive pricing and continued allocation of supplies across the jobs going to site.

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

There are several general economic conditions, such as interest rate movements, overall levels of demand for housing because of the reduced migration of the last 2 years, 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 has a strong pipeline of jobs that were generated over the last 12 months and is being processed to site start over the next 12 months. Management continues 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.

### **Subsequent events**

Subsequent to year end, the Group has obtained conditional approval on a new borrowing facilities term sheet of \$34.500 million, dated 26 August 2022, including revised related debt covenants, which aims to extend the Group's current borrowing facilities from September 2023 until 31 December 2023. The Directors expect to sign the final borrowing documentation in the coming weeks in substantially the same form as the conditionally approved term sheet.

Apart from this, there are no other events that occurred subsequent to the reporting date that may significantly affect Group's operations, results or state of affairs in future periods.

### **Dividends**

Given the financial results of the Group for the current financial year combined with the ongoing industry related challenges, the directors have determined that no dividend will be paid in relation to the 2022 financial year (2021: nil). Future dividends will be subject to the directors' assessment of the Company's financial position at the appropriate time.

### **Indemnification of officers and auditors**

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 9 Board meetings, 3 Nomination & Remuneration Committee meetings and 4 Audit & Risk Committee meetings were held.

| Directors        | Board of Directors |          | Nomination & Remuneration Committee |          | Audit & Risk Management Committee |          |
|------------------|--------------------|----------|-------------------------------------|----------|-----------------------------------|----------|
|                  | Held*              | Attended | Held*                               | Attended | Held*                             | Attended |
| Rhett Simonds    | 9                  | 9        | 2                                   | 2        | 2                                 | 2        |
| Mark Simonds     | 9                  | 8        | 2                                   | 2        | 2                                 | 2        |
| Iain Kirkwood    | 9                  | 9        | 3                                   | 3        | 4                                 | 4        |
| Piers O'Brien    | 9                  | 9        | 3                                   | 3        | 3                                 | 3        |
| Andrew Bloore    | 9                  | 9        | 3                                   | 3        | 3                                 | 2        |
| David Denny      | 4                  | 4        | 1                                   | 1        | 1                                 | 1        |
| Neil Kearney     | -                  | -        | -                                   | -        | 1                                 | 1        |
| Delphine Cassidy | -                  | -        | -                                   | -        | 1                                 | 1        |

\* Meetings held has been adjusted to reflect the number of meetings since the date of appointment, and to exclude meetings where there was conflict of interest for each director.

## Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 32 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditors own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## Remuneration report

Dear Shareholder,

On behalf of the Board I am pleased to present our Remuneration Report for the 2022 financial year.

2022 started with much promise as we hoped to see easing of restrictions and a more normal existence. The year was one of varied and significant challenges, with supply issues, rapid and significant price rises as well as the continuing effects of COVID on our work force. Simonds, of course was not alone in this. Simonds recognises the strains this has put on our customers, our staff and our shareholders.

People are at the heart of everything we do. To us, “our people” is an all-encompassing term, reflecting the commitments we make to each other, our shareholders, customers, suppliers, and other stakeholders. It is this premise that shapes this year’s remuneration report.

During FY22, we adapted our targeted COVID-19 pandemic response constantly to work with the ongoing needs of our stakeholders, ensuring COVID-safe operations and workplace safety generally remained our primary focus throughout the year.

The increase in stimulus-driven sales through FY21 has been positive for the business in FY22.

As a result there has been a strong focus on the retention of appropriate people and the development of high performing talent in the business to ensure a positive culture that has had to adapt and change to the conditions faced during FY22.

This effort has resulted in a strong, continual focus on our customers, process improvements, and agile and practical responses to look after our people.

### FY22 Remuneration

No amounts were paid as STI payments for FY22, given the financial performance of the Company during the financial year.

There were no increases in directors’ fees in FY22 and none have been recommended for FY23.

The Board continues to review our approach to executive remuneration, to ensure it is fit for purpose.

The directors believe that the Company's remuneration framework and levels are appropriate for a company of its size and nature.

Yours sincerely



R A Bloore

Chair, Nomination & Remuneration Committee

## Introduction

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Key Management Personnel (KMP) for the year ended 30 June 2022. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The KMP of the Group for the year ended 30 June 2022 disclosed in this report are listed in the table below:

### Non-Executive Directors (NED)

| Name                     | Position                                        | Appointment Date  |
|--------------------------|-------------------------------------------------|-------------------|
| Iain Kirkwood            | Independent Non-Executive Director <sup>1</sup> | 20 September 2017 |
| Piers O'Brien            | Non-Executive Director                          | 20 September 2017 |
| Andrew Bloore            | Non-Executive Director                          | 27 July 2021      |
| David Denny <sup>2</sup> | Independent Non-Executive Director              | 1 November 2021   |

### Former Non-Executive Directors (NED)

| Name             | Position                           | Appointment Date  | Resignation Date |
|------------------|------------------------------------|-------------------|------------------|
| Delphine Cassidy | Independent Non-Executive Director | 20 September 2017 | 27 July 2021     |
| Neil Kearney     | Independent Non-Executive Director | 20 September 2017 | 27 July 2021     |

### Executive Directors (ED)

| Name          | Position                                                              | Appointment Date  |
|---------------|-----------------------------------------------------------------------|-------------------|
| Rhett Simonds | Group Chief Executive Officer (CEO) & Executive Chairman <sup>3</sup> | 1 January 2021    |
| Mark Simonds  | Executive Director                                                    | 20 September 2017 |

### Current Senior Executives

| Name           | Position                                    | Appointment Date            |
|----------------|---------------------------------------------|-----------------------------|
| Bertus Strydom | Interim Group Chief Financial Officer (CFO) | 3 June 2022                 |
| Tim Bradfield  | Group Chief Financial Officer (CFO)         | 4 October 2021 <sup>4</sup> |
| Cameron Worth  | Chief Experience Officer (CXO)              | 1 August 2021               |
| Duncan Brand   | Chief Operating Officer (COO)               | 1 June 2022                 |

### Former Senior Executives

| Name          | Position                            | Appointment Date | Resignation Date |
|---------------|-------------------------------------|------------------|------------------|
| Michael Myers | Group Chief Financial Officer (CFO) | 30 May 2016      | 1 October 2021   |

<sup>1</sup> On 27 July 2021, Simonds announced Iain Kirkwood stepped down as Chair of the Company's Board effective from the date of the announcement.

<sup>2</sup> On 1 November 2021, David Denny was appointed as an Independent, Non-Executive Director of the Company.

<sup>3</sup> On 27 July 2021 Simonds announced Rhett Simonds became Executive Chair of the Company's Board effective 27 July 2021 while retaining his role as CEO.

<sup>4</sup> On 3 June 2022 Simonds announced Tim Bradfield will be leaving on 3 September 2022.

### ***Remuneration Policy Summary***

The Simonds Group Limited remuneration policy has been designed to ensure its remuneration practices attract, motivate and retain top talent from a diverse range of backgrounds with the experience, knowledge, skills and judgment to drive the Group's performance and appropriately reward their contribution towards shareholder wealth creation.

The key principles that support the remuneration policy are as follows:

- employees are rewarded fairly and competitively according to job level, market trends and individual skills, experience and performance;
- the reward strategy is in line with the overall business strategy in relation to acquisition, growth and retention of talent;
- the reward strategy encompasses elements of salary, benefits, recognition and incentives to support talent management for business and shareholder outcomes;
- it is simple, flexible, consistent and scalable across the business allowing for sustainable business growth;
- it supports the business strategy whilst reinforcing our culture and values; and
- it is regularly reviewed for relevance and reliability.

### ***Executive Remuneration Principles and Strategy***

A key principle of the Group's approach to executive remuneration is that it should demonstrate strong links with Group performance and shareholder returns. Remuneration is aligned with Group performance by requiring a significant portion of remuneration to vary with short-term and long-term performance.

The remuneration of KMP is structured considering the following factors:

- the principles highlighted above;
- the level and structure of remuneration paid to executives of other comparable publicly listed Australian companies of a similar size;
- the position and responsibilities of each executive; and
- other appropriate benchmarks and targets to reward senior executives of the Group and individual performance.

### ***Remuneration Governance***

The Board reviews its remuneration policy and practices on a regular basis. The objectives of the Board's remuneration policy are to:

- create a consistent and sustainable system of determining the appropriate level of remuneration of all levels of the Group, including KMP;
- encourage KMP to perform to their highest level; and
- align the remuneration of KMP with the performance of the business.

The policy details the types of remuneration to be offered by the Group and factors to be considered by the Board, Nomination & Remuneration Committee (the Committee) and executives in determining the appropriate remuneration strategy.

### ***The Board's Role in Remuneration***

The Board approved the Nomination & Remuneration Committee Charter on 17 November 2014. The decisions of the Committee are subject to approval by the Board. The Board also has the authority to directly seek independent, professional and other advice as required for the Board to carry out its responsibilities. The Board appoints, removes and/or replaces members of the Committee at its discretion.

### ***The Nomination & Remuneration Committee (the Committee)***

The role of the Committee is to assist the Board by providing advice in relation to the remuneration packages for KMP, which includes non-executive directors. It also oversees management succession planning, performance targets and the remuneration of employees generally.

The Committee also reviews and makes recommendations to the Board on the Group's overall remuneration strategy, policies, and practices, and monitors the effectiveness of the Group's overall remuneration framework in achieving the Group's remuneration strategy.

The Committee reviews the remuneration strategy and policy on a regular basis and has the authority to engage external professional advisers with the approval of the Board.

Any remuneration recommendations have been made free from undue influence by members of the Group's KMP.

The Committee engages external remuneration consultants from time to time to provide advice on remuneration related issues. During the year ended 30 June 2022, no remuneration recommendations were provided (as defined by the *Corporations Act 2001*).

The Committee met three times during the year. The Executive Chair and Group CEO, and the remaining directors who were not members of the Committee, are also regularly invited to attend meetings. No individuals are present during any discussions related to their own remuneration arrangements.

During the period from 1 July 2021 to September 2021, the Committee was at all times comprised of at least two non-executive directors. From September 2021, all Directors are now members of the Committee.

Further details of the Committee's responsibilities are outlined in the Corporate Governance Statement, available from the Group's website at [www.simondsgroup.com.au](http://www.simondsgroup.com.au).

### ***Non-Executive Director Remuneration***

Non-executive directors are remunerated by way of fixed fees in the form of cash and superannuation in accordance with Recommendation 8.2 of the ASX Corporate Governance Council's Principles and Recommendations (4<sup>th</sup> Edition).

During the year ended 30 June 2022, fees paid to non-executive directors totalled \$378,392 (exclusive of superannuation and cash salary and fees). There were no increases in director's fees in FY22 and none have been recommended for FY23.

Shareholdings of non-executive directors are set out on page 26 of the directors' report.

The Company and each of the non-executive directors have agreed terms of appointment (in accordance with Recommendation 1.3 of the ASX Corporate Governance Council's Principles and Recommendations (4<sup>th</sup> edition)). Non-executive directors are not appointed for a specific term and their appointment may end by notice from the individual director or otherwise pursuant to section 203B or 203D of the *Corporations Act 2001* and the Company's constitution.

The maximum annual aggregate for fees paid to Non-Executive Directors is \$750,000. This limit was approved at the Annual General Meeting of Simonds Group Limited held on 2 October 2014.

Remuneration tables for non-executive directors for the year ended 30 June 2022 are set out commencing on page 19 of this remuneration report.

### ***KMP Remuneration Framework***

The KMP remuneration framework comprises three principal elements:

- a total fixed remuneration (TFR) comprising a fixed component, consisting of a base salary, superannuation contributions and other related allowances;
- a performance based, variable 'at risk' component, comprising cash and/or equity settled short-term incentives (STI); and
- a performance and service based, variable 'at risk' component, comprising of options and/or performance rights and/or cash equivalents referred to as long-term incentives (LTI).

### ***Executive Remuneration Components***

#### TFR overview

TFR is benchmarked against the market median, also known as the 50th percentile, referencing market practice and comparable and similar sized organisations. While comparative levels of remuneration are monitored on a periodic basis, there is no contractual requirement or expectation that any adjustments will be made.

#### STI overview

Given the financial results of the Group for FY22, no STI payments were made in relation to FY22.

#### LTI overview

The Group's LTI Plan ensures that a proportion of remuneration is linked to Group performance over the long term and measured annually in line with the financial year. Executives can only realise their LTI at-risk component if challenging pre-determined objectives are achieved.

This aligns executive interests with shareholder interests and focuses executive performance on sustainable shareholder wealth. LTI's consists of the granting of Performance Rights and/or options and/or cash equivalents that vest after a defined period, subject to Group and individual financial and non-financial performance hurdles. Vesting conditions may be waived at the absolute discretion of the Board.

The LTI payment is cash based or in shares at the Board's discretion as part of the annual remuneration review after finalisation of the Group's audited results.

No LTIs were offered during FY22.



### Long term Incentive Key Features

| Award Structure                          |  | FY2021 Cash Rights                                                                                                                                                                                                              |                                                     |
|------------------------------------------|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Consideration for the Performance Rights |  | The Cash Rights will be granted for nil consideration.                                                                                                                                                                          |                                                     |
| Grant Date                               |  | 25 June 2021                                                                                                                                                                                                                    |                                                     |
| Vesting Period                           |  | Each right has a vesting period of approximately three years.                                                                                                                                                                   |                                                     |
| Performance Measure                      |  | <p>Vesting of Performance Rights is dependent on one discrete performance measure (hurdle):</p> <p><i>FY2023 EPS</i></p> <p>The performance measure is to achieve an EPS target for the financial year ending 30 June 2023.</p> |                                                     |
| CAGR EPS Vesting Schedule                |  | <i>FY2023 EPS</i>                                                                                                                                                                                                               | <i>Percentage of Performance Rights to vest:</i>    |
|                                          |  | Below 6.00 cps                                                                                                                                                                                                                  | None                                                |
|                                          |  | Between 6.01cps and 8.93 cps                                                                                                                                                                                                    | Straight line pro-rata vesting between 25% and 50%  |
|                                          |  | Between 8.94 cps and 9.58 cps                                                                                                                                                                                                   | Straight line pro-rata vesting between 51% and 100% |
|                                          |  | At or above 9.59 cps                                                                                                                                                                                                            | 100%                                                |
| Service Vesting Condition                |  | The Service Vesting Condition is continuous employment with the Company from Grant date to vesting date.                                                                                                                        |                                                     |
| Other conditions                         |  | These rights may be settled in either shares in the Company or the equivalent value in cash, at the discretion of the Board.                                                                                                    |                                                     |

| Award Structure                          |  | FY2020 Cash Rights                                                                                                                                                                                                                                                                                                                                                       |                                                  |
|------------------------------------------|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| Consideration for the Performance Rights |  | The Cash Rights will be granted for nil consideration.                                                                                                                                                                                                                                                                                                                   |                                                  |
| Grant Date                               |  | 9 March 2020                                                                                                                                                                                                                                                                                                                                                             |                                                  |
| Vesting Period                           |  | Each right has a vesting period of approximately three years.                                                                                                                                                                                                                                                                                                            |                                                  |
| Performance Measure                      |  | <p>Vesting of Performance Rights is dependent on one discrete performance measure (hurdle):</p> <p><i>CAGR EPS</i></p> <p>The Measurement Period for the Compound Annual Growth Rate (CAGR) EPS Hurdle is across the three financial years across the period 1 July 2019 to 30 June 2022.</p> <p>This performance measure was not met, and the rights will not vest.</p> |                                                  |
| CAGR EPS Vesting Schedule                |  | <i>CAGR in EPS</i>                                                                                                                                                                                                                                                                                                                                                       | <i>Percentage of Performance Rights to vest:</i> |
|                                          |  | Less than 7.5% per annum                                                                                                                                                                                                                                                                                                                                                 | None                                             |
|                                          |  | Between 7.5% and 10% per annum                                                                                                                                                                                                                                                                                                                                           | Straight line interpolation applies              |
|                                          |  | At or above 10.0% per annum                                                                                                                                                                                                                                                                                                                                              | 100%                                             |
| Service Vesting Condition                |  | The Service Vesting Condition is continuous employment with the Company from Grant date to vesting date.                                                                                                                                                                                                                                                                 |                                                  |
| Other conditions                         |  | These rights may be settled in either shares in the Company or the equivalent value in cash, at the discretion of the Board.                                                                                                                                                                                                                                             |                                                  |

## Remuneration Structure and Performance/Shareholder Wealth Creation

The Group's annual financial performance and indicators of shareholder wealth are summarised below.

| Financial Performance                   | FY2022                        | FY2021 <sup>4</sup>           | FY2020                        | FY2019                        | FY2018                        |
|-----------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                         | Statutory Actual <sup>2</sup> | Statutory Actual <sup>2</sup> | Statutory Actual <sup>2</sup> | Statutory Actual <sup>2</sup> | Statutory Actual <sup>2</sup> |
|                                         | \$m                           | \$m                           | \$m                           | \$m                           | \$m                           |
| Revenue                                 | 687.5                         | 661.6                         | 664.8                         | 687.7                         | 605.2                         |
| EBITDA                                  | 3.7 <sup>1</sup>              | 27.5                          | 31.5                          | 23.2                          | 13.7                          |
| NPAT                                    | (9.7)                         | 4.7                           | 5.5                           | 11.7                          | 4.8                           |
| Share Price at beginning of period (\$) | 0.60                          | 0.35                          | 0.33                          | 0.36                          | 0.31                          |
| Share Price at end of period (\$)       | 0.20                          | 0.60                          | 0.35                          | 0.33                          | 0.36                          |
| Dividends (cents per share)             | -                             | -                             | -                             | -                             | -                             |
| EPS (cents per share) <sup>3</sup>      | (8.33)                        | 2.59                          | 4.95                          | 8.16                          | 3.31                          |

<sup>1</sup> Statutory EBITDA is net loss after tax from continuing operations (\$12.190m) before financing items \$2.021m, tax benefit (\$6.440m), and depreciation and amortisation \$20.296m.

<sup>2</sup> The Madisson business was discontinued on 21 January 2016 and is classified as a discontinued operation after this date. As the Madisson business is a discontinued operation it is not reflected in the results presented above for FY2017-2022. The Group's wholly owned subsidiary, Builders Academy Australia was disposed 30 November 2021. BAA was classified as a discontinued operation for current financial year with comparative information re-presented.

<sup>3</sup> EPS is based on Earnings for continuing operations only.

<sup>4</sup> Comparative figures have been re-presented to classify discontinued operations consistently with current year disclosure.

### Remuneration Tables – Details of KMP Remuneration

Details of the remuneration of KMP, including directors (as defined in AASB 124 'Related Party Disclosures') of the Group are set out in the following tables. Comparative information is also included below.

| FY2022                                 | Short Term Employee Benefits |                            |                            |                             |                    | Termination Benefits       | Post-employment benefits | Long-term benefits       | Share-based Payments (SBP)         |                  | Percentage of remuneration fixed and at risk |              |
|----------------------------------------|------------------------------|----------------------------|----------------------------|-----------------------------|--------------------|----------------------------|--------------------------|--------------------------|------------------------------------|------------------|----------------------------------------------|--------------|
|                                        | Directors Fees<br>\$         | Cash Salary and Fees<br>\$ | Short Term Incentive<br>\$ | Non-monetary benefits<br>\$ | Annual Leave<br>\$ | Termination Payments<br>\$ | Super<br>\$              | Long Service Leave<br>\$ | Performance Rights / Options<br>\$ | Total<br>\$      | Fixed<br>%                                   | At Risk<br>% |
| <b>Current Non-Executive Directors</b> |                              |                            |                            |                             |                    |                            |                          |                          |                                    |                  |                                              |              |
| I Kirkwood                             | 113,394                      | -                          | -                          | -                           | -                  | -                          | 11,339                   | -                        | -                                  | 124,733          | 100%                                         | 0%           |
| P O'Brien                              | 86,758                       | -                          | -                          | -                           | -                  | -                          | 8,676                    | -                        | -                                  | 95,434           | 100%                                         | 0%           |
| A Bloore                               | 102,137                      | -                          | -                          | -                           | -                  | -                          | 10,214                   | -                        | -                                  | 112,351          | 100%                                         | 0%           |
| D Denny                                | 57,839                       | -                          | -                          | -                           | -                  | -                          | 5,784                    | -                        | -                                  | 63,623           | 100%                                         | 0%           |
| <b>Former Non-Executive Directors</b>  |                              |                            |                            |                             |                    |                            |                          |                          |                                    |                  |                                              |              |
| D Cassidy                              | 9,132                        | -                          | -                          | -                           | -                  | -                          | 913                      | -                        | -                                  | 10,045           | 100%                                         | 0%           |
| N Kearney                              | 9,132                        | -                          | -                          | -                           | -                  | -                          | 913                      | -                        | -                                  | 10,045           | 100%                                         | 0%           |
| <b>Total</b>                           | <b>378,392</b>               | <b>-</b>                   | <b>-</b>                   | <b>-</b>                    | <b>-</b>           | <b>-</b>                   | <b>37,839</b>            | <b>-</b>                 | <b>-</b>                           | <b>416,231</b>   |                                              |              |
| <b>Current Executive Directors</b>     |                              |                            |                            |                             |                    |                            |                          |                          |                                    |                  |                                              |              |
| R Simonds <sup>1</sup>                 | -                            | 676,432                    | -                          | 9,384                       | 60,802             | -                          | 23,568                   | 11,457                   | (102,031)                          | 679,612          | 100%                                         | 0%           |
| M Simonds                              | 91,324                       | -                          | -                          | -                           | 8,085              | -                          | 9,132                    | 2,490                    | -                                  | 111,031          | 100%                                         | 0%           |
| <b>Total</b>                           | <b>91,324</b>                | <b>676,432</b>             | <b>-</b>                   | <b>9,384</b>                | <b>68,887</b>      | <b>-</b>                   | <b>32,700</b>            | <b>13,947</b>            | <b>(102,031)</b>                   | <b>790,643</b>   |                                              |              |
| <b>Current Senior Executives</b>       |                              |                            |                            |                             |                    |                            |                          |                          |                                    |                  |                                              |              |
| B Strydom                              | -                            | 23,074                     | -                          | 787                         | 1,959              | -                          | 1,247                    | 18                       | -                                  | 27,085           | 100%                                         | 0%           |
| T Bradfield <sup>2</sup>               | -                            | 298,269                    | -                          | 6,285                       | 22,944             | 127,046                    | 17,676                   | -                        | -                                  | 472,220          | 100%                                         | 0%           |
| C Worth                                | -                            | 373,036                    | -                          | 8,615                       | 42,444             | -                          | 19,894                   | 12,804                   | -                                  | 456,793          | 100%                                         | 0%           |
| D Brand                                | -                            | 39,703                     | -                          | 787                         | 3,537              | -                          | 3,970                    | 38                       | -                                  | 48,035           | 100%                                         | 0%           |
| <b>Former Senior Executives</b>        |                              |                            |                            |                             |                    |                            |                          |                          |                                    |                  |                                              |              |
| M Myers                                | -                            | 94,108                     | -                          | 2,307                       | 6,954              | 228,236                    | 5,892                    | (28,106)                 | (192,901)                          | 116,490          | 100%                                         | 0%           |
| <b>Total</b>                           | <b>-</b>                     | <b>828,190</b>             | <b>-</b>                   | <b>18,781</b>               | <b>77,838</b>      | <b>355,282</b>             | <b>48,679</b>            | <b>(15,246)</b>          | <b>(192,901)</b>                   | <b>1,120,623</b> |                                              |              |
| <b>TOTAL KMP</b>                       | <b>469,716</b>               | <b>1,504,622</b>           | <b>-</b>                   | <b>28,165</b>               | <b>146,725</b>     | <b>355,282</b>             | <b>119,218</b>           | <b>(1,299)</b>           | <b>(294,932)</b>                   | <b>2,327,497</b> |                                              |              |

<sup>1</sup> On 27 July 2021, Rhett Simonds became Executive Chair of the Company's Board while retaining his role as CEO. Rhett Simonds does not receive additional remuneration for becoming the Executive Chair.

<sup>2</sup> On 3 June 2022 Simonds announced Tim Bradfield will be leaving on 3 September 2022.

| FY2021                                 | Short Term Employee Benefits |                         |                         |                          |                 | Termination Benefits    | Post-employment benefits | Long-term benefits    | Share-based Payments (SBP)      |                  | Percentage of remuneration fixed and at risk |           |
|----------------------------------------|------------------------------|-------------------------|-------------------------|--------------------------|-----------------|-------------------------|--------------------------|-----------------------|---------------------------------|------------------|----------------------------------------------|-----------|
|                                        | Directors Fees \$            | Cash Salary and Fees \$ | Short Term Incentive \$ | Non-monetary benefits \$ | Annual Leave \$ | Termination Payments \$ | Super \$                 | Long Service Leave \$ | Performance Rights / Options \$ | Total \$         | Fixed %                                      | At Risk % |
| <b>Current Non-Executive Directors</b> |                              |                         |                         |                          |                 |                         |                          |                       |                                 |                  |                                              |           |
| I Kirkwood <sup>1</sup>                | 141,552                      | -                       | -                       | -                        | -               | -                       | 13,448                   | -                     | -                               | 155,000          | 100%                                         | 0%        |
| P O'Brien <sup>1</sup>                 | 79,909                       | -                       | -                       | -                        | -               | -                       | 7,591                    | -                     | -                               | 87,500           | 100%                                         | 0%        |
| D Cassidy <sup>1</sup>                 | 110,000                      | -                       | -                       | -                        | -               | -                       | -                        | -                     | -                               | 110,000          | 100%                                         | 0%        |
| N Kearney <sup>1</sup>                 | 100,457                      | -                       | -                       | -                        | -               | -                       | 9,543                    | -                     | -                               | 110,000          | 100%                                         | 0%        |
| <b>Total</b>                           | <b>431,918</b>               | <b>-</b>                | <b>-</b>                | <b>-</b>                 | <b>-</b>        | <b>-</b>                | <b>30,582</b>            | <b>-</b>              | <b>-</b>                        | <b>462,500</b>   |                                              |           |
| <b>Current Executive Directors</b>     |                              |                         |                         |                          |                 |                         |                          |                       |                                 |                  |                                              |           |
| R Simonds <sup>2</sup>                 | -                            | 532,384                 | 450,000                 | -                        | 38,965          | -                       | 21,694                   | 7,864                 | 140,558                         | 1,191,465        | 50%                                          | 50%       |
| M Simonds <sup>1</sup>                 | 81,068                       | -                       | -                       | -                        | 6,393           | -                       | 8,242                    | 2,315                 | -                               | 98,018           | 100%                                         | 0%        |
| <b>Former Executive Director</b>       |                              |                         |                         |                          |                 |                         |                          |                       |                                 |                  |                                              |           |
| K Ryan                                 | -                            | 211,531                 | 150,000                 | -                        | 13,085          | -                       | 10,847                   | -                     | 456,395                         | 841,858          | 28%                                          | 72%       |
| <b>Total</b>                           | <b>81,068</b>                | <b>743,915</b>          | <b>600,000</b>          | <b>-</b>                 | <b>58,443</b>   | <b>-</b>                | <b>40,783</b>            | <b>10,179</b>         | <b>596,953</b>                  | <b>2,131,341</b> |                                              |           |
| <b>Current Senior Executives</b>       |                              |                         |                         |                          |                 |                         |                          |                       |                                 |                  |                                              |           |
| M Myers                                | -                            | 357,653                 | 125,000                 | 9,120                    | 30,907          | -                       | 21,694                   | 8,442                 | 167,333                         | 720,149          | 59%                                          | 41%       |
| <b>Total</b>                           | <b>-</b>                     | <b>357,653</b>          | <b>125,000</b>          | <b>9,120</b>             | <b>30,907</b>   | <b>-</b>                | <b>21,694</b>            | <b>8,442</b>          | <b>167,333</b>                  | <b>720,149</b>   |                                              |           |
| <b>TOTAL KMP</b>                       | <b>512,986</b>               | <b>1,101,568</b>        | <b>725,000</b>          | <b>9,120</b>             | <b>89,350</b>   | <b>-</b>                | <b>93,059</b>            | <b>18,621</b>         | <b>764,286</b>                  | <b>3,313,990</b> |                                              |           |

<sup>1</sup> Given the prolonged impact of COVID-19, the Director agreed to take a 25% reduction in Directors fees commencing 1 May 2020 to 31 December 2020.

<sup>2</sup> On 10 December 2020 Simonds announced the appointment of Rhett Simonds as Group CEO and Managing Director with effect from 1 January 2021. Prior to this date, Rhett Simonds was the Joint CEO and Managing Director and was a non-executive director appointed to the Board on 20 April 2016. On 27 July 2021, Simonds announced Rhett Simonds became Executive Chair of the Company's Board effective 27 July 2021 while retaining his role as CEO. Rhett Simonds does not receive additional remuneration for becoming the Executive Chair.

**Key terms of the Executive Services Agreement Group Chief Executive Officer (CEO) & Executive Chairman**

The material terms of the Executive Services Agreement between Rhett Simonds and the Company for the role of Group CEO & Managing Director are as follows:

|                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Term:</b>                                     | No fixed term. Ongoing until terminated by either party in accordance with the Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Total Fixed Remuneration (TFR):</b>           | \$700,000 per annum (including superannuation).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Short Term Incentive (STI) for FY21:</b>      | STI eligibility up to \$600,000 per annum, subject to performance.<br>No STI payment was made in relation to FY22.                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Long Term Incentive (LTI) for FY21</b>        | LTI eligibility up to the value of \$300,000 per annum may be offered pursuant to the Simonds Group Employee Share Plan .<br>LTI participation and terms are at the discretion of the Board.<br>No LTI offer was made in FY22.                                                                                                                                                                                                                                                                                                                           |
| <b>Notice Period / Termination Entitlements:</b> | The notice of termination periods in Mr Simonds' employment are: <ul style="list-style-type: none"> <li>• 3 months if notice is provided by Mr Simonds to the Company; and</li> <li>• 6 months if notice is provided by the Company to Mr Simonds.</li> </ul> Employment may be ended immediately in certain circumstances including misconduct, incapacity, mutual agreement or in the event of a fundamental change in the Group CEO's role or responsibilities.<br><br>The Company may elect to make a payment in lieu of any unserved notice period. |
| <b>Post-Employment Restraint:</b>                | A 12-month post-employment restraint provision applies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

### **Executive Service Agreements other key terms**

| Name                                    | Contract Length | Minimum Notice Period    |                        |
|-----------------------------------------|-----------------|--------------------------|------------------------|
|                                         |                 | Termination by Executive | Termination by Company |
| R Simonds                               | No fixed term   | 3 months                 | 6 months               |
| M Simonds                               | No fixed term   | 1 month                  | 1 month                |
| B Strydom                               | No fixed term   | 2 months                 | 2 months               |
| T Bradfield (Resigned 3 September 2022) | No fixed term   | 3 months                 | 3 months               |
| C Worth                                 | No fixed term   | 2 months                 | 2 months               |
| D Brand                                 | No fixed term   | 3 months                 | 3 months               |

### **STI Payments to KMP**

No STIs were paid to KMP in respect of FY22.

### **KMP LTI**

The following tables provide details of performance rights allocated to KMP pursuant to the LTI Plan.

#### **Number of cash settled performance rights granted, vested, and expired/forfeited**

| FY2022       |                                   |                               |                              |                                           |          |                            |
|--------------|-----------------------------------|-------------------------------|------------------------------|-------------------------------------------|----------|----------------------------|
| Name         | Performance Rights<br>1 July 2021 | Performance Rights<br>Granted | Performance Rights<br>Vested | Performance Rights<br>Expired / Forfeited | Other    | Balance<br>30 June<br>2022 |
| R Simonds    | 633,824                           | -                             | -                            | -                                         | -        | 633,824                    |
| M Myers      | 617,647                           | -                             | -                            | (617,647)                                 | -        | -                          |
| <b>TOTAL</b> | <b>1,251,471</b>                  | <b>-</b>                      | <b>-</b>                     | <b>(617,647)</b>                          | <b>-</b> | <b>633,824</b>             |

| FY2021       |                                   |                               |                              |                                           |                        |                            |
|--------------|-----------------------------------|-------------------------------|------------------------------|-------------------------------------------|------------------------|----------------------------|
| Name         | Performance Rights<br>1 July 2020 | Performance Rights<br>Granted | Performance Rights<br>Vested | Performance Rights<br>Expired / Forfeited | Other                  | Balance<br>30 June<br>2021 |
| K Ryan       | 698,529                           | 150,000                       | -                            | -                                         | (848,529) <sup>1</sup> | -                          |
| R Simonds    | 183,824                           | 450,000                       | -                            | -                                         | -                      | 633,824                    |
| M Myers      | 770,873                           | 250,000                       | (201,613)                    | (201,613)                                 | -                      | 617,647                    |
| <b>TOTAL</b> | <b>1,653,226</b>                  | <b>850,000</b>                | <b>(201,613)</b>             | <b>(201,613)</b>                          | <b>(848,529)</b>       | <b>1,251,471</b>           |

#### **Number of equity settled performance rights granted, vested and expired/forfeited**

| FY2022       |                                   |                               |                              |                                           |          |                            |
|--------------|-----------------------------------|-------------------------------|------------------------------|-------------------------------------------|----------|----------------------------|
| Name         | Performance Rights<br>1 July 2021 | Performance Rights<br>Granted | Performance Rights<br>Vested | Performance Rights<br>Expired / Forfeited | Other    | Balance<br>30 June<br>2022 |
| M Myers      | 333,332                           | -                             | (105,367)                    | (227,965)                                 | -        | -                          |
| <b>TOTAL</b> | <b>333,332</b>                    | <b>-</b>                      | <b>(105,367)</b>             | <b>(227,965)</b>                          | <b>-</b> | <b>-</b>                   |

<sup>1</sup> On 10 December 2020, Simonds announced the retirement of Kelvin Ryan as Joint CEO and Managing Director effective from 31 December 2020. So as at 30 June 2021, Kelvin Ryan has ceased being a KMP.

| FY2021       |                                   |                               |                           |                                              |                    |                            |
|--------------|-----------------------------------|-------------------------------|---------------------------|----------------------------------------------|--------------------|----------------------------|
| Name         | Performance Rights<br>1 July 2020 | Performance Rights<br>Granted | Performance Rights Vested | Performance Rights<br>Expired /<br>Forfeited | Other              | Balance<br>30 June<br>2021 |
| K Ryan       | 2,133,332                         | -                             | -                         | -                                            | (2,133,332)        | -                          |
| M Myers      | 333,332                           | -                             | -                         | -                                            | -                  | 333,332                    |
| <b>TOTAL</b> | <b>2,466,664</b>                  | <b>-</b>                      | <b>-</b>                  | <b>-</b>                                     | <b>(2,133,332)</b> | <b>333,332</b>             |

**Value of cash settled performance rights granted, exercised and expired/forfeited**

|                  | Rights issue | Tranche | Fair value at grant date<br>\$ per right | Fair value at 30 June<br>\$ per right | No. of Performance Rights | Accounting Fair Value at grant date<br>\$ | Exercised / Vested<br>\$ | Expired / Forfeited<br>\$ | Expired / Forfeited<br>% | Other<br>\$ | Accrued Fair Value at 30 June<br>\$ |
|------------------|--------------|---------|------------------------------------------|---------------------------------------|---------------------------|-------------------------------------------|--------------------------|---------------------------|--------------------------|-------------|-------------------------------------|
| <b>FY2022</b>    |              |         |                                          |                                       |                           |                                           |                          |                           |                          |             |                                     |
| <b>R Simonds</b> | FY2021       | EPS     | 0.50                                     | 0.20                                  | 450,000                   | 225,000                                   | -                        | -                         | -                        | -           | 59,973                              |
| <b>R Simonds</b> | FY2020       | EPS     | 0.34                                     | 0.20                                  | 183,824                   | 62,500                                    | -                        | -                         | -                        | -           | . <sup>1</sup>                      |
| <b>M Myers</b>   | FY2021       | EPS     | 0.50                                     | -                                     | 250,000                   | 125,000                                   | -                        | (125,000)                 | 100%                     | -           | -                                   |
| <b>M Myers</b>   | FY2020       | EPS     | 0.34                                     | -                                     | 367,647                   | 125,000                                   | -                        | (125,000)                 | 100%                     | -           | -                                   |
| <b>FY2021</b>    |              |         |                                          |                                       |                           |                                           |                          |                           |                          |             |                                     |
| <b>K Ryan</b>    | FY2021       | EPS     | 0.50                                     | 0.595                                 | 150,000                   | 75,000                                    | -                        | -                         | -                        | (75,000)    | -                                   |
| <b>K Ryan</b>    | FY2020       | EPS     | 0.34                                     | 0.595                                 | 698,529                   | 237,500                                   | -                        | -                         | -                        | (237,500)   | -                                   |
| <b>R Simonds</b> | FY2021       | EPS     | 0.50                                     | 0.595                                 | 450,000                   | 225,000                                   | -                        | -                         | -                        | -           | 89,087                              |
| <b>R Simonds</b> | FY2020       | EPS     | 0.34                                     | 0.595                                 | 183,824                   | 62,500                                    | -                        | -                         | -                        | -           | 72,917                              |
| <b>M Myers</b>   | FY2021       | EPS     | 0.50                                     | 0.595                                 | 250,000                   | 125,000                                   | -                        | -                         | -                        | -           | 49,493                              |
| <b>M Myers</b>   | FY2020       | EPS     | 0.34                                     | 0.595                                 | 367,647                   | 125,000                                   | -                        | -                         | -                        | -           | 145,833                             |
| <b>M Myers</b>   | FY2018       | TSR     | 0.19                                     | -                                     | 201,613                   | 38,306                                    | -                        | (38,306)                  | 50%                      | -           | -                                   |
|                  |              | EPS     | 0.30                                     | -                                     | 201,613                   | 60,484                                    | (60,484) <sup>2</sup>    | -                         | -                        | -           | -                                   |

Rights under plans FY2021 and FY2020 may be settled in either shares in the Company or the equivalent value in cash, at the discretion of the Board. These are shown as “cash settled” in the table above.

<sup>1</sup> Our assessment indicates that probability of rights vesting is 0%. As such, no accrual was made at 30 June 2022.

<sup>2</sup> Rights were settled in cash at a value of \$0.348 per right equating to a total cash settlement of \$70,255.



***Value of equity settled performance rights granted, exercised and expired/forfeited***

|         | Rights<br>issue | Tranche    | Fair value<br>at grant<br>date<br>\$ per right | No. of<br>Performance<br>Rights | Accounting<br>Fair Value at<br>grant date<br>\$ | Exercised /<br>Vested<br>\$ | Expired /<br>Forfeited<br>\$ | Expired /<br>Forfeited<br>% | Other<br>\$ | Accrued Fair<br>Value at<br>30 June<br>\$ |
|---------|-----------------|------------|------------------------------------------------|---------------------------------|-------------------------------------------------|-----------------------------|------------------------------|-----------------------------|-------------|-------------------------------------------|
| FY2022  |                 |            |                                                |                                 |                                                 |                             |                              |                             |             |                                           |
| M Myers | FY2019          | TSR<br>EPS | 0.27                                           | 166,666                         | 45,000                                          | (27,900) <sup>1</sup>       | (17,100)                     | 38%                         | -           | -                                         |
|         |                 |            | 0.38                                           | 166,666                         | 63,333                                          | (773)                       | (62,560)                     | 99%                         |             | -                                         |
| FY2021  |                 |            |                                                |                                 |                                                 |                             |                              |                             |             |                                           |
| K Ryan  | FY2019          | TSR<br>EPS | 0.27                                           | 1,066,666                       | 288,000                                         | -                           | -                            | -                           | (288,000)   | -                                         |
|         |                 |            | 0.38                                           | 1,066,666                       | 405,333                                         | -                           | -                            | -                           | (405,333)   | -                                         |
| M Myers | FY2019          | TSR<br>EPS | 0.27                                           | 166,666                         | 45,000                                          | -                           | -                            | -                           | -           | 42,575                                    |
|         |                 |            | 0.38                                           | 166,666                         | 63,333                                          | -                           | -                            | -                           | -           | 63,333                                    |

<sup>1</sup> A set dollar amount to vest was agreed upon resignation of M Myers (Former CFO).

### KMP Shareholdings

Shareholdings of KMP are set out below:

| FY2022                                | Number of shares |                |          |                 |
|---------------------------------------|------------------|----------------|----------|-----------------|
| Name                                  | Opening balance  | Acquired       | Other    | Closing balance |
| <b>Non-executive Directors</b>        |                  |                |          |                 |
| I Kirkwood                            | 75,000           | -              | -        | 75,000          |
| <b>Former Non-Executive Directors</b> |                  |                |          |                 |
| N Kearney                             | 90,000           | -              | -        | 90,000          |
| D Cassidy                             | 30,000           | -              | -        | 30,000          |
| <b>Total Non-Executive Directors</b>  | <b>195,000</b>   | <b>-</b>       | <b>-</b> | <b>195,000</b>  |
| <b>Executive Directors</b>            |                  |                |          |                 |
| R Simonds                             | 14,044           | -              | -        | 14,044          |
| M Simonds                             | 56,741           | -              | -        | 56,741          |
| <b>Total Executive Directors</b>      | <b>70,785</b>    | <b>-</b>       | <b>-</b> | <b>70,785</b>   |
| <b>Former Senior Executives</b>       |                  |                |          |                 |
| M Myers                               | 20,000           | 105,368        | -        | 125,368         |
| <b>Total Senior Executive</b>         | <b>20,000</b>    | <b>105,368</b> | <b>-</b> | <b>125,368</b>  |
| <b>TOTAL KMP</b>                      | <b>285,785</b>   | <b>105,368</b> | <b>-</b> | <b>391,153</b>  |

| FY2021                               | Number of shares |          |          |                 |
|--------------------------------------|------------------|----------|----------|-----------------|
| Name                                 | Opening balance  | Acquired | Other    | Closing balance |
| <b>Non-executive Directors</b>       |                  |          |          |                 |
| I Kirkwood                           | 75,000           | -        | -        | 75,000          |
| N Kearney                            | 90,000           | -        | -        | 90,000          |
| D Cassidy                            | 30,000           | -        | -        | 30,000          |
| <b>Total Non-Executive Directors</b> | <b>195,000</b>   | <b>-</b> | <b>-</b> | <b>195,000</b>  |
| <b>Executive Directors</b>           |                  |          |          |                 |
| R Simonds                            | 14,044           | -        | -        | 14,044          |
| M Simonds                            | 56,741           | -        | -        | 56,741          |
| <b>Former Executive Directors</b>    |                  |          |          |                 |
| K Ryan                               | 61,623           | -        | -        | 61,623          |
| <b>Total Executive Directors</b>     | <b>132,408</b>   | <b>-</b> | <b>-</b> | <b>132,408</b>  |
| <b>Senior Executives</b>             |                  |          |          |                 |
| M Myers                              | 20,000           | -        | -        | 20,000          |
| <b>Total Senior Executive</b>        | <b>20,000</b>    | <b>-</b> | <b>-</b> | <b>20,000</b>   |
| <b>TOTAL KMP</b>                     | <b>347,408</b>   | <b>-</b> | <b>-</b> | <b>347,408</b>  |

### Loans to Director

The Group has not provided any loans to directors or their related parties during the year ended 30 June 2022 (2021: Nil).

### Other KMP Transactions

During the year group entities entered into the following transactions with related parties which are not members of the Group.

Profit for the year includes the following items of revenue and expense that resulted from transactions, other than compensation, loans or equity holdings, with KMP or their related entities:

|                                                                         | Sales           |                 | Cost of goods       |                 | Leases and services rendered |                 | Non-cash remuneration |                 |
|-------------------------------------------------------------------------|-----------------|-----------------|---------------------|-----------------|------------------------------|-----------------|-----------------------|-----------------|
|                                                                         | 30 June<br>2022 | 30 June<br>2021 | 30 June<br>2022     | 30 June<br>2021 | 30 June<br>2022              | 30 June<br>2021 | 30 June<br>2022       | 30 June<br>2021 |
|                                                                         | \$              | \$              | \$                  | \$              | \$                           | \$              | \$                    | \$              |
| <b>Vallence Gary Simonds and related entities:</b>                      |                 |                 |                     |                 |                              |                 |                       |                 |
| Properties leased on an arms-length basis                               | -               | -               | -                   | -               | 283,425                      | 305,500         | -                     | -               |
| Advisory fee paid during the year                                       | -               | -               | -                   | -               | 100,457                      | 84,817          | -                     | -               |
| Remuneration for employee services                                      | -               | -               | -                   | -               | 69,342                       | 62,630          | -                     | -               |
| Service payment to The Trustee for the Consolidated Yacht Charter Trust | -               | -               | 12,313              | -               | -                            | -               | -                     | -               |
| Car park provided                                                       | -               | -               | -                   | -               | -                            | -               | 18,769                | 18,240          |
|                                                                         | -               | -               | 12,313              | -               | 453,224                      | 452,947         | 18,769                | 18,240          |
| <b>Simonds Family Office Pty Ltd<sup>1</sup></b>                        |                 |                 |                     |                 |                              |                 |                       |                 |
| Supply payment to Delos Welltek Australia Pty Ltd <sup>2</sup>          | -               | -               | 170,141             | 922,580         | -                            | -               | -                     | -               |
| <b>Latitude Invest Pty Ltd<sup>3</sup></b>                              |                 |                 |                     |                 |                              |                 |                       |                 |
| Service payment to Latitude Invest Pty Ltd                              | -               | -               | -                   | 316,290         | -                            | -               | -                     | -               |
| <b>Mark Simonds and related entities<sup>4</sup>:</b>                   |                 |                 |                     |                 |                              |                 |                       |                 |
| Payment for use of building licence                                     | -               | -               | -                   | -               | 166,667                      | 100,000         | -                     | -               |
| Remuneration for employee services                                      | -               | -               | -                   | -               | 11,808                       | 236             | -                     | -               |
|                                                                         | -               | -               | -                   | -               | 178,474                      | 100,236         | -                     | -               |
| <b>Michael Myers and related entities:</b>                              |                 |                 |                     |                 |                              |                 |                       |                 |
| Property leased on an arms-length basis                                 | -               | -               | 10,100 <sup>5</sup> | 30,188          | -                            | -               | -                     | -               |
| Property purchased on an arms-length basis                              | -               | 484,250         | -                   | -               | -                            | -               | -                     | -               |

<sup>1</sup> Mark Simonds and Rhett Simonds are directors of Simonds Family Office Pty Ltd.

<sup>2</sup> There is a Supply Agreement between Delos Welltek Australia Pty Ltd and Simonds Group for the inclusion of the "DARWIN Essentials Package" into all homes in Victoria. Simonds Family Office Pty Ltd (of which Mark Simonds and Rhett Simonds are directors) hold 25% interest in Delos Welltek Australia Pty Ltd.

<sup>3</sup> An interim service agreement between Latitude Invest Pty Ltd and Simonds Group was entered into to provide marketing and sales support in the Wholesale channel. Mark Simonds and Rhett Simonds hold a 50% interest in Latitude Invest Pty Ltd.

<sup>4</sup> One family member of Mark Simonds was employed by the Group on a casual basis and remuneration was based on an 'arm's length' basis.

<sup>5</sup> Where a person is not a KMP for the full period, related parties are only considered during the period they held a KMP position.

|                                                            | Sales                 |                       | Cost of goods         |                       | Leases and services rendered |                       | Non-cash remuneration |                       |
|------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|-----------------------|-----------------------|-----------------------|
|                                                            | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ | 30 June<br>2022<br>\$        | 30 June<br>2021<br>\$ | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ |
|                                                            | -                     | 484,250               | 10,100                | 30,188                | -                            | -                     | -                     | -                     |
| <b>Tim Bradfield and related entities:</b>                 |                       |                       |                       |                       |                              |                       |                       |                       |
| Property purchased on a non arms-length basis <sup>1</sup> | 10,000                | -                     | -                     | -                     | -                            | -                     | -                     | -                     |
| <b>Duncan Brand and related entities:</b>                  |                       |                       |                       |                       |                              |                       |                       |                       |
| Property purchased on an arms length basis <sup>2</sup>    | -                     | -                     | -                     | -                     | -                            | -                     | -                     | -                     |
| <b>Total</b>                                               | <b>10,000</b>         | <b>484,250</b>        | <b>192,554</b>        | <b>1,269,058</b>      | <b>631,698</b>               | <b>553,183</b>        | <b>18,769</b>         | <b>18,240</b>         |

<sup>1</sup> Relates to residential building contract entered during FY22 which was on a cost plus 10% agreement, this rate was approved by the Board.

<sup>2</sup> Where a person is not a KMP for the full period, related parties are only considered during the period they held a KMP position. The contract was entered in prior year and relates to a residential build.

## **Auditor's independence declaration**

The auditor's independence declaration is included after this report on page 30.

## **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 report are rounded off to the nearest thousand dollars, unless otherwise indicated.

This directors' report is signed in accordance with a resolution of directors pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Rhett Simonds', with a stylized, sweeping flourish extending from the bottom right.

Rhett Simonds

Chief Executive Officer and Executive Chairman

Melbourne, 30 August 2022

30 August 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 audit of the financial report of Simonds Group Limited for the financial year ended 30 June 2022, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Paul Schneider  
Partner  
Chartered Accountants

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

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Simonds Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | How the scope of our audit responded to the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Cashflow forecasts</b></p> <p>As disclosed in Note 3 to the financial statements the directors consider that the Group will be able to meet its debts as and when they fall due and it expects to operate within its agreed debt covenants.</p> <p>The Group is dependent on the generation of forecast positive cash flows from the Group's operations for at least the 12 months following the approval of the annual financial report and continuing use of its borrowing facilities to maintain adequate working capital.</p> <p>The Group's cash flow forecast as presented by the directors includes judgements and estimates based on the directors' input of key market and operational assumptions. Given the current macroeconomic climate and its impact on the construction industry through high supply cost inflation, supply chain and trade labour shortages and increased costs of living, we considered the appropriateness of these cashflows to be a key audit matter.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process undertaken by the directors to prepare the cash flow forecast;</li> <li>• Challenging the key assumptions in the directors' forecast cash flows for at least the 12 months following the approval of the financial report;</li> <li>• Comparing the cash flow forecasts against the budget approved by the directors and testing the mathematical accuracy of the model;</li> <li>• Performing stress tests for a range of reasonably possible scenarios on the cash flow and the compliance with covenants for at least the 12 months following the approval of the financial report;</li> <li>• Challenging the Group's plans for mitigating any identified exposures; and</li> <li>• Assessing the revised borrowing facilities term sheet obtained subsequent to year end.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 3 and 38 to the financial statements.</p>                                                                                                                                                                                       |
| <p><b>Recognition of construction revenue and related contract assets</b></p> <p>For the year ended 30 June 2022, the Group's revenue from construction contracts totaled \$687.493 million, as disclosed in Note 5.</p> <p>Revenue from construction contracts is recognised over time as performance obligations are fulfilled. Construction revenue is recognised with reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs as disclosed in Note 3.</p> <p>As disclosed in Note 4, significant management estimation is required in assessing the following:</p> <ul style="list-style-type: none"> <li>- Percentage of completion on the construction contracts.</li> </ul>                                                                                                                                   | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process undertaken by management to account for the recognition of revenue and contract assets;</li> <li>• Testing relevant controls in respect of the revenue process;</li> <li>• Assessing management's determination of the percentage of completion allocated to each stage of the build process against historical cost profiles;</li> <li>• Testing a sample of inputs into management's model used to establish the percentage of completion allocated to each stage;</li> <li>• Assessing management's estimation of costs to complete, including comparing historical actual performance against forecast;</li> <li>• Recalculating on a sample basis, revenue recognised based on the stage of completion of selected jobs;</li> <li>• Challenging contracts which exhibited heightened risk characteristics; and</li> <li>• Agreeing on a sample basis, job data back to source documentation, including customer contracts, approved variations and job costs.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 3, 4 and 5 to the financial statements.</p> |



## *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, ASX announcements and full year results presentation which we obtained prior to the date of the auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): the CEO and Executive Chairman's Letter, Financial Highlights and additional securities exchange information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 12 to 28 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Simonds Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



Paul Schneider  
Partner  
Chartered Accountants  
Melbourne, 30 August 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 are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;
- c) 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; and
- d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 3 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the Directors



Rhett Simonds

Chief Executive Officer and Executive Chairman

Melbourne, 30 August 2022

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

|                                                                     | Notes     | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|---------------------------------------------------------------------|-----------|---------------------------|---------------------------|
| <b>Continuing operations</b>                                        |           |                           |                           |
| Revenue                                                             | 5         | 687,493                   | 661,586                   |
| Cost of sales                                                       |           | (551,645)                 | (506,278)                 |
| <b>Gross profit</b>                                                 |           | <b>135,848</b>            | <b>155,308</b>            |
| Expenses                                                            | 10        | (132,161)                 | (127,789)                 |
| <b>Profit before financing items, depreciation and amortisation</b> |           | <b>3,687</b>              | <b>27,519</b>             |
| Depreciation and amortisation charges                               | 16,17, 36 | (20,296)                  | (19,927)                  |
| <b>Profit before financing items and tax</b>                        |           | <b>(16,609)</b>           | <b>7,592</b>              |
| <b>Financing items</b>                                              |           |                           |                           |
| Interest expense                                                    | 7         | (2,021)                   | (1,563)                   |
| <b>Net financing cost</b>                                           |           | <b>(2,021)</b>            | <b>(1,563)</b>            |
| <b>(Loss) / profit before tax</b>                                   |           | <b>(18,630)</b>           | <b>6,029</b>              |
| Income tax benefit / (expense)                                      | 8         | 6,440                     | (2,304)                   |
| <b>(Loss) / profit from continuing operations after tax</b>         |           | <b>(12,190)</b>           | <b>3,725</b>              |
| <b>Discontinued operations</b>                                      |           |                           |                           |
| Profit from discontinued operations after tax                       | 9         | 2,521                     | 968                       |
| <b>(Loss) / profit after tax for the year</b>                       |           | <b>(9,669)</b>            | <b>4,693</b>              |
| <b>Other comprehensive income, net of income tax</b>                |           |                           |                           |
| Items that may be reclassified subsequently to profit or loss       |           | -                         | -                         |
| <b>Total comprehensive income for the year</b>                      |           | <b>(9,669)</b>            | <b>4,693</b>              |
| <b>Earnings per share</b>                                           |           |                           |                           |
| From continuing operations                                          |           |                           |                           |
| Basic (cents per share)                                             | 11        | (8.33)                    | 2.59                      |
| Diluted (cents per share)                                           | 11        | (8.33)                    | 2.55                      |
| From continuing and discontinued operations                         |           |                           |                           |
| Basic (cents per share)                                             | 11        | (6.61)                    | 3.26                      |
| Diluted (cents per share)                                           | 11        | (6.61)                    | 3.21                      |

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

## Consolidated statement of financial position

As at 30 June 2022

|                                | Notes | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|--------------------------------|-------|---------------------------|---------------------------|
| <b>Assets</b>                  |       |                           |                           |
| <i>Current Assets</i>          |       |                           |                           |
| Cash and cash equivalents      | 33    | 11,133                    | 22,781                    |
| Trade and other receivables    | 12    | 38,210                    | 33,368                    |
| Tax receivable                 | 8     | 9,933                     | 2,266                     |
| Accrued revenue                | 13    | 67,569                    | 50,698                    |
| Inventories                    | 14    | 18,442                    | 27,311                    |
| Other assets                   | 18    | 2,418                     | 1,213                     |
| Total current assets           |       | 147,705                   | 137,637                   |
| <i>Non-Current Assets</i>      |       |                           |                           |
| Property, plant and equipment  | 16    | 5,980                     | 5,795                     |
| Intangible assets              | 17    | 4,602                     | 8,342                     |
| Right-of-use assets            | 36    | 25,626                    | 21,867                    |
| Total non-current assets       |       | 36,208                    | 36,004                    |
| <b>Total assets</b>            |       | <b>183,913</b>            | <b>173,641</b>            |
| <b>Liabilities</b>             |       |                           |                           |
| <i>Current Liabilities</i>     |       |                           |                           |
| Trade and other payables       | 19    | 91,566                    | 78,513                    |
| Deferred revenue               |       | 1,788                     | 404                       |
| Customer deposits              | 22    | 18,685                    | 21,153                    |
| Borrowings                     | 20    | 286                       | 312                       |
| Lease liability                | 36    | 11,962                    | 10,042                    |
| Provisions                     | 21    | 15,669                    | 16,671                    |
| Total current liabilities      |       | 139,956                   | 127,095                   |
| <i>Non-Current Liabilities</i> |       |                           |                           |
| Lease liability                | 36    | 14,758                    | 12,052                    |
| Provisions                     | 21    | 9,115                     | 10,895                    |
| Deferred tax liabilities       | 8     | 6,632                     | 1,350                     |
| Total non-current liabilities  |       | 30,505                    | 24,297                    |
| <b>Total liabilities</b>       |       | <b>170,461</b>            | <b>151,392</b>            |
| <b>Net assets</b>              |       | <b>13,452</b>             | <b>22,249</b>             |
| <b>Equity</b>                  |       |                           |                           |
| Issued capital                 | 23    | 13,505                    | 12,911                    |
| Reserves                       | 24    | 21,644                    | 22,830                    |
| Accumulated losses             | 25    | (21,697)                  | (13,492)                  |
| <b>Total equity</b>            |       | <b>13,452</b>             | <b>22,249</b>             |

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity

For the year ended 30 June 2022

| Consolidated                                        | Notes | Issued capital<br>\$'000 | Share based payments<br>reserve<br>\$'000 | Share buy-back reserve<br>\$'000 | Accumulated losses<br>\$'000 | Total<br>\$'000      |
|-----------------------------------------------------|-------|--------------------------|-------------------------------------------|----------------------------------|------------------------------|----------------------|
| <b>Balance at 1 July 2020</b>                       |       | <u>12,911</u>            | <u>29,725</u>                             | <u>(7,204)</u>                   | <u>(18,185)</u>              | <u>17,247</u>        |
| Profit after tax for the year                       |       | -                        | -                                         | -                                | 4,693                        | 4,693                |
| Employee share plan expense                         | 30    | -                        | 424                                       | -                                | -                            | 424                  |
| Performance and service rights (vested / forfeited) | 30    | -                        | (115)                                     | -                                | -                            | (115)                |
| Transfer to accumulated losses                      | 30    | -                        | -                                         | -                                | -                            | -                    |
| <b>Balance at 30 June 2021</b>                      |       | <u>12,911</u>            | <u>30,034</u>                             | <u>(7,204)</u>                   | <u>(13,492)</u>              | <u>22,249</u>        |
| <b>Balance at 1 July 2021</b>                       |       | <b>12,911</b>            | <b>30,034</b>                             | <b>(7,204)</b>                   | <b>(13,492)</b>              | <b>22,249</b>        |
| Loss after tax for the year                         |       | -                        | -                                         | -                                | (9,669)                      | (9,669)              |
| Employee share plan expense                         | 30    | 594                      | (38)                                      | -                                | 620                          | 1,176                |
| Performance and service rights (vested / forfeited) | 30    | -                        | (304)                                     | -                                | -                            | (304)                |
| Transfer to accumulated losses                      |       | -                        | (844)                                     | -                                | 844                          | -                    |
| <b>Balance at 30 June 2022</b>                      |       | <u><b>13,505</b></u>     | <u><b>28,848</b></u>                      | <u><b>(7,204)</b></u>            | <u><b>(21,697)</b></u>       | <u><b>13,452</b></u> |

The accompanying notes form part of these financial statements.

## Consolidated statement of cash flows

For the year ended 30 June 2022

|                                                                 | Notes | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|-----------------------------------------------------------------|-------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>                     |       |                           |                           |
| Receipts from customers                                         |       | 735,610                   | 731,343                   |
| Payments to suppliers and employees                             |       | (738,616)                 | (706,249)                 |
| Cash generated from operations                                  |       | (3,006)                   | 25,094                    |
| Finance costs                                                   | 7     | (2,275)                   | (1,563)                   |
| Income taxes refund / (paid)                                    |       | 2,946                     | (9,800)                   |
| <i>Net cash (used in) / generated from operating activities</i> | 33    | <b>(2,335)</b>            | <b>13,731</b>             |
| <b>Cash flows from investing activities</b>                     |       |                           |                           |
| Proceeds from disposal of property, plant and equipment         |       | 504                       | 30                        |
| Payments for property, plant and equipment                      |       | (3,858)                   | (2,845)                   |
| Payments for intangible assets                                  |       | (2,875)                   | (3,359)                   |
| Net cash from disposal of discontinued business                 | 37    | 8,972                     | -                         |
| <i>Net cash generated from / (used in) investing activities</i> |       | <b>2,743</b>              | <b>(6,174)</b>            |
| <b>Cash flows from financing activities</b>                     |       |                           |                           |
| Repayment of borrowings                                         |       | (26)                      | (841)                     |
| Repayment of lease liability                                    | 33    | (12,940)                  | (12,217)                  |
| Proceeds from issue of equity                                   |       | 910                       | -                         |
| <i>Net cash used in financing activities</i>                    |       | <b>(12,056)</b>           | <b>(13,058)</b>           |
| <i>Net (decrease) in cash and cash equivalents</i>              |       | <b>(11,648)</b>           | <b>(5,501)</b>            |
| Cash and cash equivalents at the beginning of the year          |       | 22,781                    | 28,282                    |
| <b><i>Cash and cash equivalents at the end of the year</i></b>  | 33    | <b>11,133</b>             | <b>22,781</b>             |

The accompanying notes form part of these financial statements.

## Notes to the consolidated financial statements

### 1. General information

The Company is incorporated in Australia and is a for-profit entity.

The Company's registered office and principal place of business is as follows:

Level 4, 570 St Kilda Road  
MELBOURNE VIC 3004

These financial statements comprise the consolidated financial statements of the Company and the entities it controls (the "Group"). The entities controlled by the Company are detailed in note 15 to the financial report. The principal activities of the Group are the design and construction of residential dwellings, the development of residential land and providing registered training courses.

### 2. Application of new and revised accounting standards

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

New and amended accounting standards relevant to the Group that are effective for the period are as follows:

- *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS9, IAS39, IFRS 7, IFRS 4 and IFRS 16).*

There are no new standards effective in the current financial year 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.

### 3. Significant accounting policies

#### **Statement of compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB. The financial statements were authorised for issue by the directors on 30 August 2022.

#### **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 16, 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.

Comparatives have been reclassified where appropriate to ensure consistency and comparability with the current period.

### **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 report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### **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 has incurred a net loss after tax of \$9.669 million (2021: profit \$4.693 million) and negative operating cash flows of \$2.335 million (2021: positive operating cash flows of \$13.731 million) for the year ended 30 June 2022. These results were impacted by the continuing global COVID-19 pandemic, which resulted in pandemic restrictions and shutdowns across various states during the year, and ongoing economic challenges faced by the residential construction industry, including high supply cost inflation, rising interest rates, supply chain and trade labour shortages. The Group has a positive net asset value position of \$13.452 million (2021: \$22.249 million) as at 30 June 2022.

The residential construction industry will continue to face challenges through the coming year with continued supply constraints and price increases for building materials, labour shortages and the broader impact of inflation on the cost of living.

In response to these ongoing challenges, the directors have:

- Assessed and challenged the detailed cash flow forecasts prepared by management for the 12 months following the date of signing this financial report;
- Commenced immediate implementation of an organisational wide transformation project to reduce overheads and increase the efficiency of the Group's delivery of completed housing to its customers, which includes, amongst others:
  - ongoing focused management of sales contracts including their respective costing and re-pricing mechanisms and timing of site starts;
  - executing operational improvements designed to maximise productivity and enhance profitability on each contracted build;
  - continuing drive to diversify, reduce costs and secure supply in partnership with the Group's major suppliers. The Group has successfully managed to achieve this in the past through its ongoing operations during the global COVID-19 pandemic; and
- Obtained conditional approval on a new borrowing facilities term sheet of \$34.500 million, dated 26 August 2022, including revised related debt covenants, which aims to extend the Group's current borrowing facilities from 30 September 2023 until 31 December 2023. The Directors expect to sign the final borrowing documentation in the coming weeks in substantially the same form as the conditionally approved term sheet. As described in Note 20, the Group has \$23.201 million in unused facilities (excluding finance leases) within its existing borrowing facilities of \$37.060 million available as at 30 June 2022.

Depending on the rate of completion and corresponding billing receipts for the house builds and other working capital movements, the cash balance of the Group at any point in time will be subject to a degree of volatility.

The Group will, if necessary, employ all operational and financial tools available to it to minimise the impact of any further residential construction industry decline, which may impact the Group's ability to generate positive cash flows.

As a result, the Directors have concluded that these cash flow forecasts, along with the continued support of its bankers, show that the Group has sufficient forecast liquidity, undrawn borrowing facilities and an active and ongoing capital management strategy to continue to operate to enable it to pay its debts as and when they become due and payable. The Group expects to operate within the proposed covenants of the new borrowing facilities term sheet.

Based on the available information to the Directors at the date of signing this financial report, the Directors are of the opinion that the Group will be able to pay its debts as and when they fall due and accordingly the Directors consider it appropriate for the financial report to be prepared on the going concern basis.

### **Basis of consolidation**

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Shares in subsidiary companies are measured at cost less any impairment in the parent entity only financial statements (refer to Note 34).

### **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree, or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## **Revenue recognition**

### Construction contracts

Contracts entered into are for the construction of residential homes. The construction of each dwelling is taken to be one performance obligation. The transaction price is normally fixed at the start of the contracts. When a variation for the building works is required and agreed upon per the contract the variation will be included in the transaction price and accounted for accordingly. As a result, the one performance obligation is recognised and fulfilled over time and as such revenue is recognised over time.

Revenue earned is referenced to the stage of completion of the contract activity, based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Our customers are invoiced on achievement of each key milestone in the build program. Invoices are paid on normal commercial terms. Deposit payments received prior to work being performed are recognised as deferred revenue on the balance sheet.

### Display homes

Revenue in respect of the sale of display homes is recognised at a point in time when control is transferred to customer. Revenue is measured at the transaction price agreed under the contract.

### Registered training courses – (discontinued during the current year)

The Group derives revenue by providing training courses to students. The performance obligation is fulfilled over the duration of the course. The transaction price is determined and agreed at the beginning of the course and is not variable unless the student stops part way through the course. Revenue is recognised in the accounting period in which the courses are delivered and when the Group is entitled to claim course funding from the relevant federal or state government body. This funding is not considered a state government grant. Funding received in respect of courses is in relation to specific students completing a period of study for a specific course. Payment is received following invoice on normal commercial terms.

### Development

The Group generates revenue from the sale of land developments for residential homes.

Revenue in respect of the sale of land developments is recognised when control passes to a third party along with fulfillment of all performance obligations on a contract. Revenue is measured at the transaction price agreed under the contract. Payment is received on actual settlement of individual parcels of land when control is transferred to the customer. Costs in relation to individual settlements are recognised in proportion to the total costs for the project and based on the percentage of revenue recognised for each settled unit.

### Variable consideration

Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved (as this is the point in time when there can be reasonable assurance that there will be significant reversal) known as "constraint" requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where variations in design

or requirements are entered into, the transaction price is updated to reflect these when the variation has been agreed.

#### Contract assets and liabilities

The Group has adopted the terms accrued revenue for 'contract assets' and deferred revenue for 'contract liabilities' as defined within AASB 15 'Revenue from Contracts with Customers'. A contract asset is the Group's right to payment for goods and services transferred to a customer if that right to payment is conditional on something other than passage of time. A contract liability is the Group's obligation to transfer goods or services to a customer at the earlier of (a) when the customer pays consideration or (b) the time that the customer's consideration is due for goods and services the Group will yet provide.

#### Contract fulfilment costs

Costs incurred prior to the commencement of construction of building may arise due to feasibility studies, environmental impact studies and preliminary design activities as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

#### Incremental costs

Commissions payable to sales consultants in respect of contracts to build are recognised as an asset when expected to be recovered and released over the period of the build.

#### Financing components

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

#### Other revenue

Interest revenue is recognised on an accruals basis.

Dividend income is recognised when the dividend is declared.

Revenue received in respect of the Group arranging a purchaser to acquire land from a land developer is recognised once all benefits of owning the land are transferred to the new owner.

### **Financial instruments**

#### **Non-derivative financial instruments**

##### Classification

The Group has classified its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

##### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents, trade receivables, loan and other receivables remain at amortised cost consistent with the comparative period.

### Impairment

For trade receivables, loan and other receivables, the Group applies the simplified approach permitted by AASB 9 'Financial Instruments', which requires expected lifetime loss to be recognised from initial recognition of the receivables. For all other financial instruments, the Group assesses expected credit loss on a forward-looking basis and the impairment methodology applied will depend on whether there has been a significant increase in credit risk.

### **Non-derivative financial liabilities**

#### Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

#### Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in the Group's countries of operation.

### **Leases**

#### **The Group as lessee**

##### Definition of a lease

The Group assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16 'Leases'. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies AASB 136 'Impairment of Assets' to determine whether a right-of-use assets is impaired.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date or commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured by adjusting the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

For leases of low value and short-term leases the Group recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

## **Employee benefits**

### Short-term and Long-term employee benefits

#### *Short term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required, and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

#### *Other Long-term employee benefits*

Liabilities for annual leave and long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in the provision for employee entitlements and are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary levels, departures and periods of service.

These employee benefits entitlements are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

### Superannuation contributions

Contributions to defined contribution superannuation plans are expensed when employees have rendered services entitling them to the contributions.

### Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

### Bonus entitlements

A liability is recognised for bonus entitlements where contractually obliged or where there is a past practice that has created a constructive obligation.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### Current tax

Current tax payable / (recoverable) is based on the financial result for the year. Taxable profit / (loss) differs from profit / (loss) as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's asset / liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

### Tax consolidation

The entities, except the trusts within the Group have formed a tax-consolidated group with effect from 1 July 2010 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Simonds Group Limited. Current tax expense/(income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in those entities using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

The tax funding arrangements require payments to/(from) the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) are at call. Contributions to fund the tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

## Property, plant and equipment

The carrying amount of property, plant and equipment which is valued on the cost basis, is subject to impairment testing and is reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of property, plant and equipment exceeds its recoverable amount, the asset is written down to its recoverable amount. The write-down is expensed in the reporting period in which it occurs.

Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

|                                               | Useful life                        |
|-----------------------------------------------|------------------------------------|
| Leasehold improvements                        | 5 years or the period of the lease |
| Computer equipment                            | 3 - 5 years                        |
| Office furniture and fittings                 | 5 years                            |
| Display home furniture, fixtures and fittings | 2 years                            |
| Motor vehicles                                | 5 years                            |
| Plant and equipment                           | 5 years                            |

## Intangible assets

### Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The following estimated useful lives are used in the calculation of depreciation:

|                             | Useful Life                  | Source              |
|-----------------------------|------------------------------|---------------------|
| Computer Software           | 3 years                      | External            |
| Capitalised Courses         | 2-3 years                    | External / Internal |
| RTO Licence                 | Over the life of the licence | External            |
| Capitalised Product Designs | 3 years                      | External / Internal |
| Right of use lease asset    | Over the life of the lease   | External            |

### Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.



Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### **Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 tangible and intangible assets other than goodwill, the Group takes into account the characteristics of the asset if market participants would take those characteristics into account when pricing the asset at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### Land at cost

Cost includes the costs of acquisition, development, borrowings and all other costs directly related to specific projects.

#### Speculative Homes and Displays

Cost includes direct costs of building the speculative and display homes.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Maintenance and warranty

Provisions for the cost of maintenance and warranty is the directors' best estimate of the expenditure required to settle the Group's obligations under legislative requirements.

#### Make good

Provisions for make good are based on the directors' best estimates of the costs required to reinstate the display homes under legislation; or requirement to be at a saleable standard.

## **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

## **Share-based payment transactions**

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

## **4. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

### **Percentage of completion on the construction contracts**

Percentage complete is based on the estimated cost to construct a building incurred to date, compared against the total estimated cost of completing that building. The total cost of that build is based on a historical average of similar builds. The amount of revenue recognised during the build is based on this percentage complete calculation. This historical average is reviewed annually to ensure that it is a materially accurate reflection of current build costs.

Estimate of construction contracts on a percentage completion basis, in particular with regard to accounting for variations of cost, the timing of profit recognition and the amount of profit recognised can often result in an adjustment to the reported revenues and expenses and/or the carrying amount of assets and liabilities.

### **Provision for maintenance and warranties**

At each year end the Group considers its legal and constructive obligations for warranties and maintenance on properties constructed. Typically, the Group makes provision for warranties for a period of up to ten years following the completion of a construction contract. The directors take into account the annual build program, history of defects relating to materials used or in services provided and the historical liabilities the Group has assumed in respect of warranties in estimating the provision for warranties. The directors use a present value methodology to recognise the best estimate of the expenditure required to settle the Group's obligation.

The Group use an actuarial model based on historical maintenance and warranty spend to provide an estimate for the maintenance and warranty provision. Key assumptions in this model were developed

by an independent actuary and are reviewed internally regularly, to ensure they remain appropriate for calculating the maintenance and warranty provision as at 30 June 2022. There has been no significant change to the model assumptions to those used in the prior financial year.

#### Measurement of net realisable value of land development

The Group holds land stock for development, which is recorded as inventory in the financial statements. The directors assess the net realisable value at 30 June 2022 of the land stock inventory, referencing contracts, other documentary evidence and comparative sales data to determine valuations of certain land titles.

### 5. Revenue

The following is an analysis of the Group's revenue for the year.

|                                                 | 30 June<br>2022<br>\$'000 | 30 June <sup>1</sup><br>2021<br>\$'000 |
|-------------------------------------------------|---------------------------|----------------------------------------|
| <b>Continuing operations</b>                    |                           |                                        |
| Revenue from residential construction contracts | 687,493                   | 661,586                                |
|                                                 | <b>687,493</b>            | <b>661,586</b>                         |
| <b>Discontinued operations</b>                  |                           |                                        |
|                                                 | <b>6,357</b>              | <b>14,496</b>                          |
|                                                 | <b>693,850</b>            | <b>676,082</b>                         |

### 6. 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 year's annual financial report (refer note 9 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 9 for more information).

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

## Segment revenues and results

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

|                                                                                 | Segment revenue        |                        | Segment (Loss) / profit before tax |                        |
|---------------------------------------------------------------------------------|------------------------|------------------------|------------------------------------|------------------------|
|                                                                                 | 30 June 2022<br>\$'000 | 30 June 2021<br>\$'000 | 30 June 2022<br>\$'000             | 30 June 2021<br>\$'000 |
| <b>Continuing operations</b>                                                    |                        |                        |                                    |                        |
| Residential construction                                                        | 687,493                | 661,586                | (18,611)                           | 6,034                  |
| Land development                                                                | -                      | -                      | (19)                               | (5)                    |
|                                                                                 | <b>687,493</b>         | <b>661,586</b>         | <b>(18,630)</b>                    | <b>6,029</b>           |
| <b>Discontinued operations</b>                                                  | <b>6,357</b>           | <b>14,496</b>          | <b>3,603</b>                       | <b>1,388</b>           |
| <b>Consolidated segment revenue and profit/(loss) before tax for the period</b> | <b>693,850</b>         | <b>676,082</b>         | <b>(15,027)</b>                    | <b>7,417</b>           |

## Segment assets and liabilities

|                                  | 30 June 2022<br>\$'000 | 30 June 2021<br>\$'000 |
|----------------------------------|------------------------|------------------------|
| <b>Segment assets</b>            |                        |                        |
| Residential construction         | 182,471                | 168,836                |
| Land development                 | 586                    | 1,128                  |
|                                  | <b>183,057</b>         | <b>169,964</b>         |
| Discontinued operations          | 856                    | 3,677                  |
| <b>Total segment assets</b>      | <b>183,913</b>         | <b>173,641</b>         |
| <b>Total assets</b>              | <b>183,913</b>         | <b>173,641</b>         |
| <b>Segment liabilities</b>       |                        |                        |
| Residential construction         | 145,309                | 126,485                |
| Land development                 | 7,741                  | 8,262                  |
|                                  | <b>153,050</b>         | <b>134,747</b>         |
| Discontinued Operations          | 17,411                 | 16,645                 |
| <b>Total segment liabilities</b> | <b>170,461</b>         | <b>151,392</b>         |
| <b>Total liabilities</b>         | <b>170,461</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.

#### Other segment information

|                                | Interest expense       |                        | Depreciation and amortisation |                        |
|--------------------------------|------------------------|------------------------|-------------------------------|------------------------|
|                                | 30 June 2022<br>\$'000 | 30 June 2021<br>\$'000 | 30 June 2022<br>\$'000        | 30 June 2021<br>\$'000 |
| <b>Continuing operations</b>   |                        |                        |                               |                        |
| Residential construction       | 1,888                  | 1,563                  | 18,875                        | 19,927                 |
| Land development               | 133                    | -                      | 1,421                         | -                      |
|                                | <u>2,021</u>           | <u>1,563</u>           | <u>20,296</u>                 | <u>19,927</u>          |
| <b>Discontinued operations</b> | <u>254</u>             | <u>-</u>               | <u>252</u>                    | <u>688</u>             |
| <b>Total</b>                   | <u>2,275</u>           | <u>1,563</u>           | <u>20,548</u>                 | <u>20,615</u>          |

|                                | Additions to non-current assets |                        |
|--------------------------------|---------------------------------|------------------------|
|                                | 30 June 2022<br>\$'000          | 30 June 2021<br>\$'000 |
| <b>Continuing operations</b>   |                                 |                        |
| Residential construction       | 16,719                          | 13,862                 |
| Land development               | 252                             | -                      |
|                                | <u>16,971</u>                   | <u>13,862</u>          |
| <b>Discontinued operations</b> | <u>342</u>                      | <u>775</u>             |
|                                | <u>17,313</u>                   | <u>14,637</u>          |

#### Revenue by Geographical region

The Group operates in one geographical area – Australia. The Group's revenue and profits are all generated from this region.

#### Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2022 and the year ended 30 June 2021.

#### 7. Finance costs

Interest on bank overdrafts, loans and lease liability under AASB 16

##### Continuing operations

##### Discontinued operations

| 30 June 2022<br>\$'000 | 30 June 2021<br>\$'000 |
|------------------------|------------------------|
| 2,021                  | 1,563                  |
| 254                    | -                      |
| <u>2,275</u>           | <u>1,563</u>           |

## 8. Income taxes

### Income tax recognised

|                                                                       | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|-----------------------------------------------------------------------|---------------------------|---------------------------|
| <b>Current tax</b>                                                    |                           |                           |
| (Benefit) / expense in respect of the current year                    | (10,010)                  | 893                       |
| (Benefit) in respect of prior years                                   | (631)                     | (75)                      |
|                                                                       | <u>(10,641)</u>           | <u>818</u>                |
| <b>Deferred tax</b>                                                   |                           |                           |
| Expense/(benefit) in respect of the current years                     | 4,787                     | 1,952                     |
| Expense/(benefit) in respect of prior years                           | 495                       | (46)                      |
|                                                                       | <u>5,282</u>              | <u>1,906</u>              |
| <b>Consolidated income tax expense recognised in the current year</b> | <b><u>(5,359)</u></b>     | <b><u>2,724</u></b>       |
| Income tax (benefit) / expense from continuing operations             | (6,440)                   | 2,304                     |
| Income tax expense from discontinued operations                       | 1,081                     | 420                       |
|                                                                       | <b><u>(5,359)</u></b>     | <b><u>2,724</u></b>       |

### The income tax expense can be reconciled to the accounting profit as follows:

|                                                                                                   |                        |                     |
|---------------------------------------------------------------------------------------------------|------------------------|---------------------|
| (Loss) / profit before tax from continuing operations                                             | (18,630)               | 6,029               |
| (Loss) / profit before tax from discontinued operations                                           | 3,603                  | 1,388               |
| <b>Profit before tax</b>                                                                          | <b><u>(15,027)</u></b> | <b><u>7,417</u></b> |
| Income tax (benefit) / expense calculated at 30% (2021: 30%)                                      | (4,508)                | 2,225               |
| Effect of Executive Share Based Payments non-deductible                                           | (645)                  | 354                 |
| Effect of expenses that are not deductible in determining taxable profit                          | (50)                   | 267                 |
|                                                                                                   | <u>(5,203)</u>         | <u>2,846</u>        |
| Adjustments recognised in the current year in relation to deferred and current tax of prior years | (156)                  | (122)               |
| <b>Income tax (benefit) / expense recognised in profit or loss</b>                                | <b><u>(5,359)</u></b>  | <b><u>2,724</u></b> |
| Income tax (benefit) / expense from continuing operations                                         | (6,440)                | 3,337               |
| Income tax (benefit) / expense from discontinued operations                                       | 1,081                  | (613)               |
|                                                                                                   | <b><u>(5,359)</u></b>  | <b><u>2,724</u></b> |

The tax rate used for the 2022 and 2021 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

### Current tax assets and liabilities

|                       |                     |                     |
|-----------------------|---------------------|---------------------|
| Income tax refundable | 9,933 <sup>1</sup>  | 2,266               |
|                       | <b><u>9,933</u></b> | <b><u>2,266</u></b> |

<sup>1</sup> The Group will be utilising the loss carry back measures and carry back its tax loss made in the current year against its income tax liability in the preceding years, having regards to the amount of tax paid in those tax periods. Under these measures, the Group will be eligible to carry back up to \$9.933m as this represents the tax paid during the last two preceding years.

## Deferred tax balances

|                                                         | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|---------------------------------------------------------|---------------------------|---------------------------|
| <b>Amounts recognised in profit or loss</b>             |                           |                           |
| Deferred tax assets                                     | 14,112                    | 14,594                    |
| Deferred tax liabilities                                | (20,744)                  | (15,944)                  |
|                                                         | <b>(6,632)</b>            | <b>(1,350)</b>            |
| <b>Amounts recognised in other comprehensive income</b> |                           |                           |
| Deferred tax liabilities                                | -                         | -                         |
| <b>Net deferred tax</b>                                 | <b>(6,632)</b>            | <b>(1,350)</b>            |

| 2022                                               | Opening<br>balance<br>\$'000 | Under /<br>over<br>\$'000 | Recognised<br>in profit or<br>loss<br>\$'000 | Recognised in<br>Other<br>comprehensive<br>Income<br>\$'000 | Closing<br>balance<br>\$'000 |
|----------------------------------------------------|------------------------------|---------------------------|----------------------------------------------|-------------------------------------------------------------|------------------------------|
| Construction Contracts income                      | (7,215)                      |                           | (5,497)                                      | -                                                           | (12,712)                     |
| Capitalised Courses and<br>Product Design          | (609)                        |                           | 137                                          | -                                                           | (472)                        |
| Property, Plant, Equipment &<br>Intangibles        | 1,977                        | (494)                     | (692)                                        | -                                                           | 791                          |
| Provision for warranty and<br>contract maintenance | 1,067                        |                           | (198)                                        | -                                                           | 869                          |
| Employee Entitlements                              | 2,896                        |                           | (875)                                        | -                                                           | 2,021                        |
| DTA on losses                                      | -                            |                           | 1,889                                        | -                                                           | 1,889                        |
| Other                                              | 534                          | (1)                       | 449                                          | -                                                           | 982                          |
|                                                    | <b>(1,350)</b>               | <b>(495)</b>              | <b>(4,787)</b>                               | <b>-</b>                                                    | <b>(6,632)</b>               |

| 2021                                               | Opening<br>balance<br>\$'000 | Under /<br>over<br>\$'000 | Recognised<br>in profit or<br>loss<br>\$'000 | Recognised in<br>Other<br>comprehensive<br>Income<br>\$'000 | Closing<br>balance<br>\$'000 |
|----------------------------------------------------|------------------------------|---------------------------|----------------------------------------------|-------------------------------------------------------------|------------------------------|
| Construction Contracts income                      | (5,466)                      | -                         | (1,749)                                      | -                                                           | (7,215)                      |
| Capitalised Courses and<br>Product Design          | (749)                        | -                         | 140                                          | -                                                           | (609)                        |
| Property, Plant, Equipment &<br>Intangibles        | 1,580                        | (17)                      | 414                                          | -                                                           | 1,977                        |
| Provision for warranty and<br>contract maintenance | 1,081                        | -                         | (14)                                         | -                                                           | 1,067                        |
| Employee Entitlements                              | 3,197                        | 56                        | (357)                                        | -                                                           | 2,896                        |
| Other                                              | 913                          | 7                         | (386)                                        | -                                                           | 534                          |
|                                                    | <b>556</b>                   | <b>46</b>                 | <b>(1,952)</b>                               | <b>-</b>                                                    | <b>(1,350)</b>               |

## 9. 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 in financial year ended 30 June 2017. As part of the warranty rules under the statutory regulations, the business is still incurring warranty claims. As such, the expenses are predominantly related to warranty and related activities.

#### **Loss for the year from the Madisson business**

|                                 | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|---------------------------------|---------------------------|---------------------------|
| Revenue                         | -                         | -                         |
| Expenses                        | (1,822)                   | (2,044)                   |
| Loss before tax                 | (1,822)                   | (2,044)                   |
| Attributable income tax benefit | 547                       | 613                       |
| Loss for the year               | <b>(1,275)</b>            | <b>(1,431)</b>            |

#### **Statement of Cash Flows from the Madisson business**

|                                                         |          |          |
|---------------------------------------------------------|----------|----------|
| Cash flows from operating activities                    | (1)      | 2        |
| Net increase in cash and cash equivalents               | (1)      | 2        |
| Cash and cash equivalents at the beginning of the year  | 5        | 3        |
| <b>Cash and cash equivalents at the end of the year</b> | <b>4</b> | <b>5</b> |

### **Builders Academy Australia**

On 30 September 2021, the Group entered into a sale agreement to dispose its wholly owned subsidiaries, Builders Academy Australia (BAA) and City-Wide Building & Training Services Pty Ltd (CWBTS), collectively referred to as House of Learning Pty Ltd (HOL), 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 37.

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

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

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Revenue                              | 6,357        | 14,496       |
| Expenses                             | (6,974)      | (11,064)     |
| (Loss)/ profit before tax            | (617)        | 3,432        |
| Attributable tax benefit / (expense) | 185          | (1,033)      |
| Profit from disposal of BAA          | 6,041        | -            |
| Attributable tax expense             | (1,813)      | -            |
| Net profit after tax for the period  | <b>3,796</b> | <b>2,399</b> |

#### **Cash flow from Registered training operations during the year:**

|                                                           |          |          |
|-----------------------------------------------------------|----------|----------|
| Cash flow used in operating activities                    | (680)    | 3,222    |
| Cash flow from investing activities                       | 342      | (579)    |
| Cash flow from financing activities                       | 344      | (2,639)  |
| Net increase in cash and cash equivalents                 | 6        | 4        |
| Cash and cash equivalents at the beginning of the period  | 2        | (2)      |
| <b>Cash and cash equivalents at the end of the period</b> | <b>8</b> | <b>2</b> |



## 10. Expenses for the year

|                                                                                   | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|-----------------------------------------------------------------------------------|---------------------------|---------------------------|
| Profit/ (loss) on disposal of property, plant and equipment and intangible assets | 304                       | (49)                      |
| Marketing and selling expenses                                                    | (23,443)                  | (22,954)                  |
| Corporate and administrative expenses                                             | (21,997)                  | (19,468)                  |
| Employee benefits expense                                                         | (84,622)                  | (85,318)                  |
| Transformation expenses (i)                                                       | (2,403)                   | -                         |
|                                                                                   | <b>(132,161)</b>          | <b>(127,789)</b>          |

- (i) The transformation costs include expenses attributable to non-underlying activities which are outside of ordinary course of the business such as restructure of the business. Included within transformation expenses are employee benefits expense of \$2.184m and corporate and administrative expenses of \$0.219m, which are excluded from expenses lines above.

## 11. Earnings per share

|                                                           | 30 June<br>2022<br>Cents per<br>share | 30 June<br>2021<br>Cents per<br>share |
|-----------------------------------------------------------|---------------------------------------|---------------------------------------|
| <b><i>From continuing operations</i></b>                  |                                       |                                       |
| Total basic (loss) / profit per share                     | (8.33)                                | 2.59                                  |
| Total diluted (loss) / profit per share                   | (8.33)                                | 2.55                                  |
| <b><i>From continuing and discontinued operations</i></b> |                                       |                                       |
| Total basic (loss) / profit per share                     | (6.61)                                | 3.26                                  |
| Total diluted (loss) / profit per share                   | (6.61)                                | 3.21                                  |

### Basic earnings per share

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

|                                                                                             | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|---------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| <b><i>From continuing operations</i></b>                                                    |                           |                           |
| (Loss) / profit for the year attributable to owners of the Company                          | (12,190)                  | 3,725                     |
| <b><i>From continuing and discontinued operations</i></b>                                   |                           |                           |
| (Loss) / profit for the year attributable to owners of the Company                          | (9,669)                   | 4,693                     |
|                                                                                             | <b>Shares</b>             | <b>Shares</b>             |
| Weighted average number of ordinary shares for the purposes of the basic earnings per share | <b>146,258,855</b>        | <b>143,841,655</b>        |

## Diluted earnings per share

|                                                                                                                                                         | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| <b>From continuing operations</b>                                                                                                                       |                           |                           |
| (Loss) / profit for the year attributable to owners of the Company                                                                                      | (12,190)                  | 3,725                     |
| <b>From continuing and discontinued operations</b>                                                                                                      |                           |                           |
| (Loss) / profit for the year attributable to owners of the Company                                                                                      | (9,669)                   | 4,693                     |
|                                                                                                                                                         | <b>Shares</b>             | <b>Shares</b>             |
| Weighted average number of ordinary shares for the purposes of the basic earnings per share                                                             | 146,258,855               | 143,841,655               |
| Shares deemed to be issued for no consideration in respect of:                                                                                          | 4,195,890                 | -                         |
| - Performance Rights / Options / Service Rights                                                                                                         | -                         | 2,190,048                 |
| Weighted average number of ordinary shares for the purposes of the diluted earnings per share                                                           | 150,454,746               | 146,031,703               |
| The following potential ordinary shares are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share. |                           |                           |
| Performance Rights                                                                                                                                      | -                         | 1,866,666                 |

These shares have been excluded from the diluted earnings per share (EPS) calculation on the basis that the exercise price of the options is higher than the average share price or the performance conditions are yet to be met at the end of the reporting period.

## 12. Trade and other receivables

|                       | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|-----------------------|---------------------------|---------------------------|
| <b>Current</b>        |                           |                           |
| Trade receivables (i) | 37,572                    | 32,833                    |
|                       | <b>37,572</b>             | <b>32,833</b>             |
| Other receivables     | 638                       | 535                       |
|                       | <b>38,210</b>             | <b>33,368</b>             |

(i) The amounts pertaining to related party receivables are disclosed within note 29.

### Trade receivables

The average settlement terms for progress invoices in relation to residential contracts are between 7 and 45 days. The Group has written off all receivables that are known to be uncollectable or there is objective evidence that the Group will not be able to collect the outstanding amount. Prior to accepting a new customer for the construction of a dwelling, the Group ensures that appropriate contractual terms are in place with the customer and that the customer has secured financing in advance of the commencement of construction.

In determining the recoverability of a trade receivables, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated and dwellings constructed for customers serving as a security against the receivable

***Age of receivables from continuing operations that are past due but not impaired***

|                    | <b>30 June<br/>2022<br/>\$'000</b> | <b>30 June<br/>2021<br/>\$'000</b> |
|--------------------|------------------------------------|------------------------------------|
| 46 - 60 days       | 1,186                              | 289                                |
| 61 - 90 days       | 1,622                              | 1,985                              |
| 91 - 120 days      | 1,447                              | 805                                |
| Over 120 days      | 2,574                              | 1,079                              |
| Total              | <u>6,829</u>                       | <u>4,158</u>                       |
| Average age (days) | <u>114</u>                         | <u>109</u>                         |

Receivables past due but not impaired primarily relate to final settlement payments upon completion of construction and supplier rebates, where terms vary. The Group has included in its considerations for any expected credit loss of these receivables, impacts of the current pandemic with no current material indication requiring a provision as at 30 June 2022

**13. Accrued revenue**

|                                                        |                      |                      |
|--------------------------------------------------------|----------------------|----------------------|
| Work in progress on residential construction contracts | <u><b>67,569</b></u> | <u><b>50,698</b></u> |
|--------------------------------------------------------|----------------------|----------------------|

**14. Inventories**

|                                         |                      |                      |
|-----------------------------------------|----------------------|----------------------|
| Display homes, land stock               | 18,442               | 27,427               |
| Provision for impairment of inventories | -                    | (116)                |
|                                         | <u><b>18,442</b></u> | <u><b>27,311</b></u> |

The impairment provision of display homes above is assessed using 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. In conducting the assessment as at 30 June 2022, current market conditions have been taken into account and no adjustment was deemed necessary.

## 15. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

| Name                                     | Principal activity                   | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Group |      |
|------------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------------------------------------|------|
|                                          |                                      |                                      | 2022                                                                | 2021 |
| Simonds Homes Victoria Pty Ltd           | Residential – Victoria               | Australia                            | 100%                                                                | 100% |
| Simonds Homes NSW Pty Ltd                | Residential – NSW                    | Australia                            | 100%                                                                | 100% |
| Simonds Queensland Constructions Pty Ltd | Residential – Queensland             | Australia                            | 100%                                                                | 100% |
| Simonds SA Pty Ltd                       | Residential – South Australia        | Australia                            | 100%                                                                | 100% |
| Simonds WA Pty Ltd                       | Residential – Western Australia      | Australia                            | 100%                                                                | 100% |
| Madisson Homes Australia Pty Ltd         | Residential – Victoria               | Australia                            | 100%                                                                | 100% |
| Simonds Personnel Pty Ltd                | Payroll service entity               | Australia                            | 100%                                                                | 100% |
| Simonds Assets Pty Ltd                   | Asset service entity                 | Australia                            | 100%                                                                | 100% |
| Simonds IP Pty Ltd                       | Intellectual property service entity | Australia                            | 100%                                                                | 100% |
| Simonds Corporate Pty Ltd                | Asset service entity                 | Australia                            | 100%                                                                | 100% |
| Jackass Flat Developments Pty Ltd        | Land development and sales           | Australia                            | 100%                                                                | 100% |
| Simonds Land Development Pty Ltd         | Land development and sales           | Australia                            | 100%                                                                | 100% |
| Bridgeman Downs Land Project Pty Ltd     | Land development and sales           | Australia                            | 100%                                                                | 100% |
| Discover Developments Pty Ltd            | Land development and sales           | Australia                            | 100%                                                                | 100% |
| Discover Gisborne Pty Ltd                | Land development and sales           | Australia                            | 100%                                                                | 100% |

- Simonds Group Limited is the head entity within the tax consolidated group.
- All Group subsidiaries are members of the tax consolidated group.
- Simonds Group Limited and its subsidiaries have entered into a deed of cross guarantee with Simonds Group Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.
- No subsidiaries have been acquired or incorporated during the year ended 30 June 2022 (30 June 2021: None).
- The above companies represent a "Closed Group" for the Class Order. The closed Group's Statement of Profit or loss and Other Comprehensive Income for the year and closed group's Statement of Financial Position as at 30 June 2022 are the same as the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year and the Consolidated Statement of Financial Position as at 30 June 2022 disclosed on pages 36-37.

## 16. Property, plant and equipment

|                                        | Leasehold<br>improvements<br>\$'000 | Computer<br>equipment<br>\$'000 | Office furniture<br>& fittings<br>\$'000 | Display home<br>furniture, fixtures<br>& fittings<br>\$'000 | Motor Vehicles<br>\$'000 | Plant and<br>equipment<br>\$'000 | Total<br>\$'000 |
|----------------------------------------|-------------------------------------|---------------------------------|------------------------------------------|-------------------------------------------------------------|--------------------------|----------------------------------|-----------------|
| <b>Cost</b>                            |                                     |                                 |                                          |                                                             |                          |                                  |                 |
| Balance at 1 July 2020                 | 6,219                               | 4,295                           | 3,220                                    | 2,418                                                       | 970                      | 360                              | 17,482          |
| Additions                              | 69                                  | 986                             | 95                                       | 1,658                                                       | -                        | 37                               | 2,845           |
| Disposals                              | (32)                                | -                               | (93)                                     | (94)                                                        | (61)                     | (22)                             | (302)           |
| <b>Balance at 30 June 2021</b>         | <b>6,256</b>                        | <b>5,281</b>                    | <b>3,222</b>                             | <b>3,982</b>                                                | <b>909</b>               | <b>375</b>                       | <b>20,025</b>   |
| <b>Cost</b>                            |                                     |                                 |                                          |                                                             |                          |                                  |                 |
| Balance at 1 July 2021                 | 6,256                               | 5,281                           | 3,222                                    | 3,982                                                       | 909                      | 375                              | 20,025          |
| Additions                              | 682                                 | 1,871                           | 104                                      | 1,190                                                       | -                        | 12                               | 3,859           |
| Disposals                              | -                                   | (6)                             | -                                        | (12)                                                        | (290)                    | -                                | (308)           |
| Divestment of discontinued<br>business | (71)                                | (83)                            | (51)                                     | -                                                           | (36)                     | (58)                             | (299)           |
| <b>Balance at 30 June 2022</b>         | <b>6,867</b>                        | <b>7,063</b>                    | <b>3,275</b>                             | <b>5,160</b>                                                | <b>583</b>               | <b>329</b>                       | <b>23,277</b>   |
| <b>Accumulated depreciation</b>        |                                     |                                 |                                          |                                                             |                          |                                  |                 |
| Balance at 1 July 2020                 | (4,356)                             | (2,786)                         | (1,773)                                  | (1,456)                                                     | (731)                    | (186)                            | (11,288)        |
| Depreciation expense                   | (684)                               | (908)                           | (408)                                    | (1,062)                                                     | (116)                    | (64)                             | (3,242)         |
| Disposals                              | 32                                  | -                               | 93                                       | 94                                                          | 59                       | 22                               | 300             |
| <b>Balance at 30 June 2021</b>         | <b>(5,008)</b>                      | <b>(3,694)</b>                  | <b>(2,088)</b>                           | <b>(2,424)</b>                                              | <b>(788)</b>             | <b>(228)</b>                     | <b>(14,230)</b> |
| <b>Accumulated depreciation</b>        |                                     |                                 |                                          |                                                             |                          |                                  |                 |
| Balance at 1 July 2021                 | (5,008)                             | (3,694)                         | (2,088)                                  | (2,424)                                                     | (788)                    | (228)                            | (14,230)        |
| Depreciation expense                   | (596)                               | (1,078)                         | (358)                                    | (1,325)                                                     | (56)                     | (68)                             | (3,481)         |
| Disposals                              | 3                                   | 11                              | 1                                        | -                                                           | 247                      | 3                                | 265             |
| Divestment of discontinued<br>business | 30                                  | 42                              | 33                                       | -                                                           | 31                       | 13                               | 149             |
| <b>Balance at 30 June 2022</b>         | <b>(5,571)</b>                      | <b>(4,719)</b>                  | <b>(2,412)</b>                           | <b>(3,749)</b>                                              | <b>(566)</b>             | <b>(280)</b>                     | <b>(17,297)</b> |
| <b>Net book value</b>                  |                                     |                                 |                                          |                                                             |                          |                                  |                 |
| <b>As at 30 June 2021</b>              | <b>1,248</b>                        | <b>1,587</b>                    | <b>1,134</b>                             | <b>1,558</b>                                                | <b>121</b>               | <b>147</b>                       | <b>5,795</b>    |
| <b>As at 30 June 2022</b>              | <b>1,296</b>                        | <b>2,344</b>                    | <b>863</b>                               | <b>1,411</b>                                                | <b>17</b>                | <b>49</b>                        | <b>5,980</b>    |

## 17. Intangible Assets

|                                        | Computer<br>Software<br>\$'000 | Capitalised<br>courses<br>\$'000 | Goodwill<br>from<br>acquisitions<br>\$'000 | RTO Licence<br>\$'000 | Capitalised<br>Product<br>Designs<br>\$'000 | Total<br>\$'000 |
|----------------------------------------|--------------------------------|----------------------------------|--------------------------------------------|-----------------------|---------------------------------------------|-----------------|
| <b>Cost</b>                            |                                |                                  |                                            |                       |                                             |                 |
| Balance at 1 July 2020                 | 5,434                          | 2,406                            | 2,603                                      | 1,245                 | 4,053                                       | 15,741          |
| Additions                              | 1,493                          | 542                              | -                                          | -                     | 1,324                                       | 3,359           |
| Disposals                              | (324)                          | -                                | -                                          | -                     | (560)                                       | (884)           |
| <b>Balance at 30 June 2021</b>         | <b>6,603</b>                   | <b>2,948</b>                     | <b>2,603</b>                               | <b>1,245</b>          | <b>4,817</b>                                | <b>18,216</b>   |
| <b>Cost</b>                            |                                |                                  |                                            |                       |                                             |                 |
| Balance at 1 July 2021                 | 6,603                          | 2,948                            | 2,603                                      | 1,245                 | 4,817                                       | 18,216          |
| Additions                              | 1,097                          | 261                              | -                                          | -                     | 1,517                                       | 2,875           |
| Disposals                              | (257)                          | (2,271)                          | -                                          | -                     | (522)                                       | (3,050)         |
| Divestment of discontinued<br>business | (51)                           | (938)                            | (2,603)                                    | (1,245)               | -                                           | (4,837)         |
| <b>Balance at 30 June 2022</b>         | <b>7,392</b>                   | <b>-</b>                         | <b>-</b>                                   | <b>-</b>              | <b>5,812</b>                                | <b>13,204</b>   |
| <b>Accumulated amortisation</b>        |                                |                                  |                                            |                       |                                             |                 |
| Balance at 1 July 2020                 | (1,734)                        | (1,894)                          | -                                          | (1,245)               | (2,070)                                     | (6,943)         |
| Amortisation Expense                   | (1,824)                        | (670)                            | -                                          | -                     | (1,182)                                     | (3,676)         |
| Disposals                              | 324                            | -                                | -                                          | -                     | 421                                         | 745             |
| <b>Balance 30 June 2021</b>            | <b>(3,234)</b>                 | <b>(2,564)</b>                   | <b>-</b>                                   | <b>(1,245)</b>        | <b>(2,831)</b>                              | <b>(9,874)</b>  |
| <b>Accumulated amortisation</b>        |                                |                                  |                                            |                       |                                             |                 |
| Balance at 1 July 2021                 | (3,234)                        | (2,564)                          | -                                          | (1,245)               | (2,831)                                     | (9,874)         |
| Amortisation Expense                   | (1,932)                        | (225)                            | -                                          | -                     | (1,132)                                     | (3,289)         |
| Disposals                              | 1                              | 2,271                            | -                                          | -                     | 477                                         | 2,749           |
| Divestment of discontinued<br>business | 49                             | 518                              | -                                          | 1,245                 | -                                           | 1,812           |
| <b>Balance 30 June 2022</b>            | <b>(5,116)</b>                 | <b>-</b>                         | <b>-</b>                                   | <b>-</b>              | <b>(3,486)</b>                              | <b>(8,602)</b>  |
| <b>Net Book Value</b>                  |                                |                                  |                                            |                       |                                             |                 |
| <b>As at 30 June 2021</b>              | <b>3,369</b>                   | <b>384</b>                       | <b>2,603</b>                               | <b>-</b>              | <b>1,986</b>                                | <b>8,342</b>    |
| <b>As at 30 June 2022</b>              | <b>2,276</b>                   | <b>-</b>                         | <b>-</b>                                   | <b>-</b>              | <b>2,326</b>                                | <b>4,602</b>    |

**18. Other assets**

|                              | <b>30 June<br/>2022<br/>\$'000</b> | <b>30 June<br/>2021<br/>\$'000</b> |
|------------------------------|------------------------------------|------------------------------------|
| Prepayments                  | 2,191                              | 1,065                              |
| Advance to sales consultants | 42                                 | 123                                |
| Other assets                 | 185                                | 25                                 |
|                              | <b>2,418</b>                       | <b>1,213</b>                       |

**19. Trade and other payables**

|                                |               |               |
|--------------------------------|---------------|---------------|
| Trade payables                 | 61,817        | 54,638        |
| Construction accruals          | 24,041        | 15,644        |
| Goods and services tax payable | 894           | 922           |
| Other payables and accruals    | 4,814         | 7,309         |
|                                | <b>91,566</b> | <b>78,513</b> |

**20. Borrowings****Current**

|                  |            |            |
|------------------|------------|------------|
| Other borrowings | 286        | 312        |
|                  | <b>286</b> | <b>312</b> |

## Summary of borrowing arrangements

Details of the Group's borrowing facility as at 30 June 2022 are as follows:

| Facility                                | Utilised<br>\$'000 | Unutilised<br>\$'000 | Interest<br>Charge   | Description                                                                                                | Maturity Date                               |
|-----------------------------------------|--------------------|----------------------|----------------------|------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Market Rate Loan                        | Nil                | 3,000                | Fixed Market Rate    | The Group's facilities are secured by all Simonds Group Limited corporate entities.                        | 30 September 2023                           |
| Bank Guarantees                         | 2,299              | 2,701                | Fixed Market Rate    |                                                                                                            |                                             |
| Overdraft Facility                      | Nil                | 17,500               | Variable Market Rate |                                                                                                            |                                             |
| Business Corporate Credit Card Facility | 1,560              | -                    | Option Index Rate    | Charged Card facility made available to Simonds Group.                                                     | 30 September 2023                           |
| Finance Lease                           | 7,830 <sup>1</sup> | 2,170                | Fixed Market Rate    | Asset under finance leases are secured by the assets leased with repayments periods not exceeding 5 years. | Repayment periods are not exceeding 5 years |
| <b>Total</b>                            | <b>11,689</b>      | <b>25,371</b>        |                      |                                                                                                            |                                             |

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

| Facility            | Utilised<br>\$'000 | Unutilised<br>\$'000 | Interest<br>Charge  | Description                                                                                                                                                                                           | Maturity Date    |
|---------------------|--------------------|----------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Microsoft Financing | 286                | -                    | 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 for the period from January 2022 to December 2022. | 31 December 2022 |
| <b>Total</b>        | <b>286</b>         | <b>-</b>             |                     |                                                                                                                                                                                                       |                  |

<sup>1</sup> Finance lease with CBA were previously classified as finance leases under AASB 117, these are now shown under the more generic term of lease liabilities under AASB 16.



## 21. Provisions

|                                                      | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|------------------------------------------------------|---------------------------|---------------------------|
| Provision for employee benefits (i)                  | 10,521                    | 11,274                    |
| Cash settled share-based payment                     | 80                        | 1,602                     |
| Provision for warranty and contract maintenance (ii) | 12,967                    | 13,295                    |
| Provision for make good (iii)                        | 1,216                     | 1,395                     |
|                                                      | <b>24,784</b>             | <b>27,566</b>             |
| Current                                              | 15,669                    | 16,671                    |
| Non – current                                        | 9,115                     | 10,895                    |
|                                                      | <b>24,784</b>             | <b>27,566</b>             |

- (i) The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees. The measurement and recognition criteria for employee benefits have been included in note 3 of the financial statements.
- (ii) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties related to residential construction. The estimate has been made on the basis of historical warranty trends and may vary as a result of the annual build program, the history of defects relating to materials used or in the nature of services provided.
- (iii) Provisions based on the directors' best estimates of the costs required to reinstate the display homes under legislation; or requirement to be at a saleable standard.

*The movement in provisions during the financial year is as below:*

| 2022                                            | Employee<br>benefits<br>\$'000 | Cash settled<br>share-based<br>payment<br>\$'000 | Warranty and<br>contract<br>maintenance<br>\$'000 | Make<br>good<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------|--------------------------------|--------------------------------------------------|---------------------------------------------------|------------------------|-----------------|
| At 30 June 2021                                 | 11,274                         | 1,602                                            | 13,295                                            | 1,395                  | 27,566          |
| Additional provision recognised during the year | 3,810                          | 132                                              | 4,917                                             | 473                    | 9,332           |
| Provision utilised during the financial year    | (4,563)                        | (1,654)                                          | (5,245)                                           | (652)                  | (12,114)        |
| <b>At 30 June 2022</b>                          | <b>10,521</b>                  | <b>80</b>                                        | <b>12,967</b>                                     | <b>1,216</b>           | <b>24,784</b>   |

| 2021                                            | Employee<br>benefits<br>\$'000 | Cash settled<br>share-based<br>payment<br>\$'000 | Warranty and<br>contract<br>maintenance<br>\$'000 | Make<br>good<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------|--------------------------------|--------------------------------------------------|---------------------------------------------------|------------------------|-----------------|
| At 30 June 2020                                 | 9,153                          | 730                                              | 13,994                                            | 1,284                  | 25,161          |
| Additional provision recognised during the year | 4,241                          | 1,073                                            | 4,084                                             | 802                    | 10,200          |
| Credited to profit or loss                      | (2,120)                        | (201)                                            | (4,783)                                           | (691)                  | (7,795)         |
| <b>At 30 June 2021</b>                          | <b>11,274</b>                  | <b>1,602</b>                                     | <b>13,295</b>                                     | <b>1,395</b>           | <b>27,566</b>   |

## 22. Customer deposits

|                                     | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|-------------------------------------|---------------------------|---------------------------|
| Arising from construction contracts | <b>18,685</b>             | <b>21,153</b>             |

## 23. Issued capital

|                                                                  |               |               |
|------------------------------------------------------------------|---------------|---------------|
| 147,234,268 fully paid ordinary shares (June 2021: 143,841,655 ) | 13,505        | 12,911        |
|                                                                  | <b>13,505</b> | <b>12,911</b> |

|                                    | Number of shares   |                    | Share capital (\$'000) |                 |
|------------------------------------|--------------------|--------------------|------------------------|-----------------|
|                                    | 30 June<br>2022    | 30 June<br>2021    | 30 June<br>2022        | 30 June<br>2021 |
| Balance at beginning of the period | 143,841,655        | 143,841,655        | 12,911                 | 12,911          |
| Movement in ordinary shares        | 3,392,613          | -                  | 594                    | -               |
| Balance at end of the period       | <b>147,234,268</b> | <b>143,841,655</b> | <b>13,505</b>          | <b>12,911</b>   |

## 24. Reserves

|                             | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'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>             |

### *Share Buy-back Reserve*

On 20 August 2015, the Group announced its intention to undertake an on-market share buy-back ("buy-back") to enable the Group to acquire up to a maximum of 7.570m shares within a 12-month period. The buy-back was part of the Group's ongoing capital management strategy and determined by the Directors to be an appropriate use of Group capital resources given current market conditions at the time. The Group bought back 7.570m of its issued shares and as a result, the balance between the total buy-back and the amount deemed a reduction in capital was recorded in the share buy-back reserve.

### *Share Based Payment Reserve*

This reserve is used to recognise the value of equity settled benefits provided to employees and directors as part of their remuneration.

## 25. Accumulated losses

|                                                          | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|----------------------------------------------------------|---------------------------|---------------------------|
| Balance at the beginning of the year                     | (13,492)                  | (18,185)                  |
| Profits attributable to owners of the Group (net of tax) | (9,669)                   | 4,693                     |
| Performance and service rights vested / forfeited        | 620                       | -                         |
| Transfers between reserves                               | 844                       | -                         |
| Balance at the end of the year                           | <b>(21,697)</b>           | <b>(13,492)</b>           |

## 26. Dividends paid or payable

During the year, Simonds Group Limited made the following dividend payments:

|                | Year ended 30 June 2022 |              | Year ended 30 June 2021 |              |
|----------------|-------------------------|--------------|-------------------------|--------------|
|                | Cents per share         | Total \$'000 | Cents per share         | Total \$'000 |
| Final dividend | -                       | -            | -                       | -            |

The company's adjusted franking account balance as at 30 June 2022 is \$19.693m (2021: \$22.638m).

## 27. Financial Instruments

### Capital risk management

Directors review the capital structure on an ongoing basis. As a part of this review the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues, and the issue or repayment of debt.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 20, cash, and equity attributable to equity holders of the parent, comprising issued capital, accumulated losses and dividends, as disclosed in notes 23, 24 and 25.

### Financial risk management

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by the Group's policies which are approved by the directors. The Chief Financial Officer is responsible for managing the Group's treasury requirements in accordance with this policy.

The Group hold the following financial instruments:

|                              | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|------------------------------|---------------------------|---------------------------|
| <b>Financial Assets</b>      |                           |                           |
| Cash and Cash equivalents    | 11,133                    | 22,781                    |
| Trade and other receivables  | 38,210                    | 33,368                    |
|                              | <b>49,343</b>             | <b>56,149</b>             |
| <b>Financial Liabilities</b> |                           |                           |
| Trade and other payables     | 91,566                    | 78,513                    |
| Lease liabilities            | 26,720                    | 22,094                    |
| Borrowings                   | 286                       | 312                       |
|                              | <b>118,572</b>            | <b>100,919</b>            |

### Market risk

#### i) Interest rate risk management

Refer to note 20 for details of debt facilities the Group holds as at 30 June 2022.

The Group is exposed to interest rate risk as the entities in the Group borrow funds at both fixed and variable interest rates. There is an interest rate exposure for these utilised facilities when they are used during each financial year (Refer to note 20 for details of these facilities).

A sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2022 would decrease/increase by \$0.032m (2021: \$0.002m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

*ii) Price risk*

The Group has no foreign exchange exposure or price risk on equity securities.

**Credit risk**

Credit risk arises from financial assets which comprise cash and cash equivalents, trade and other receivables and the granting of financial guarantees. Exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets as well as in relation to financial guarantees granted.

Construction contracts require the customer to obtain finance prior to starting the build. Contracts for Speculative Housing, Displays and Land require payment in full prior to passing of title to customers. The Group has no significant concentrations of credit risk and does not hold any credit derivatives to offset its credit exposure.

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables at fair value through profit or loss. The carrying amount reflected in the statement of financial position represents the Group's maximum exposure to credit risk for such loans and receivables.

**Liquidity risk**

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

*i) Financial arrangements*

The Group had access to the following debt facilities at the end of the reporting period:

|                        | Utilised     |              | Unutilised    |               | Total         |               |
|------------------------|--------------|--------------|---------------|---------------|---------------|---------------|
|                        | 2022         | 2021         | 2022          | 2021          | 2022          | 2021          |
|                        | \$'000       | \$'000       | \$'000        | \$'000        | \$'000        | \$'000        |
| Expiring within 1 year | 6,067        | 1,059        | -             | 29,137        | 6,067         | 30,376        |
| Expiring beyond 1 year | 2,049        | 496          | 22,670        | -             | 24,719        | 496           |
|                        | <b>8,116</b> | <b>1,555</b> | <b>22,670</b> | <b>29,317</b> | <b>30,786</b> | <b>30,872</b> |

*ii) Maturities of financial liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

| Year ended 30 June 2022      | < 6 months<br>\$'000 | 6 -12 months<br>\$'000 | >1 -5 years<br>\$'000 | Total<br>\$'000 |
|------------------------------|----------------------|------------------------|-----------------------|-----------------|
| <b>Financial Liabilities</b> |                      |                        |                       |                 |
| Trade and other payables     | 91,566               | -                      | -                     | 91,566          |
| Lease liabilities            | 1,085                | 11,439                 | 15,908                | 28,432          |
| Borrowings                   | 286                  | -                      | -                     | 286             |
|                              | <b>92,865</b>        | <b>11,439</b>          | <b>15,908</b>         | <b>120,212</b>  |

| Year ended 30 June 2021      | < 6 months<br>\$'000 | 6 -12 months<br>\$'000 | >1 -5 years<br>\$'000 | Total<br>\$'000 |
|------------------------------|----------------------|------------------------|-----------------------|-----------------|
| <b>Financial Liabilities</b> |                      |                        |                       |                 |
| Trade and other payables     | 78,513               | -                      | -                     | 78,513          |
| Lease liabilities            | 1,817                | 9,172                  | 14,585                | 25,574          |
| Borrowings                   | 312                  | -                      | -                     | 312             |
|                              | <b>80,642</b>        | <b>9,172</b>           | <b>14,585</b>         | <b>104,399</b>  |

## 28. Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

|                              | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ |
|------------------------------|-----------------------|-----------------------|
| Short-term employee benefits | 2,149,228             | 2,438,024             |
| Post-employment benefits     | 119,218               | 93,059                |
| Other long-term benefits     | (1,299)               | 18,621                |
| Termination benefits         | 355,282               | -                     |
| Share-based payments         | (294,932)             | 764,286               |
|                              | <b>2,327,497</b>      | <b>3,313,990</b>      |

## 29. Related party transactions

### Trading Transactions

During the year group entities entered the following transactions with related parties which are not members of the Group.

|                                                                         | Sales                 |                       | Cost of goods         |                       | Leases and services rendered |                       | Non-cash remuneration |                       |
|-------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|-----------------------|-----------------------|-----------------------|
|                                                                         | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ | 30 June<br>2022<br>\$        | 30 June<br>2021<br>\$ | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ |
| <b>Vallence Gary Simonds and related entities:</b>                      |                       |                       |                       |                       |                              |                       |                       |                       |
| Properties leased on an arms-length basis                               | -                     | -                     | -                     | -                     | 283,425                      | 305,500               | -                     | -                     |
| Advisory fee paid during the year                                       | -                     | -                     | -                     | -                     | 100,457                      | 84,817                | -                     | -                     |
| Remuneration for employee services                                      | -                     | -                     | -                     | -                     | 69,342                       | 62,630                | -                     | -                     |
| Service payment to The Trustee for the Consolidated Yacht Charter Trust | -                     | -                     | 12,313                | -                     | -                            | -                     | -                     | -                     |
| Car park provided                                                       | -                     | -                     | -                     | -                     | -                            | -                     | 18,769                | 18,240                |
|                                                                         | -                     | -                     | 12,313                | -                     | 453,224                      | 452,947               | 18,769                | 18,240                |
| <b>Simonds Family Office Pty Ltd<sup>1</sup></b>                        |                       |                       |                       |                       |                              |                       |                       |                       |
| Supply payment to Delos Welltek Australia Pty Ltd <sup>2</sup>          | -                     | -                     | 170,141               | 922,580               | -                            | -                     | -                     | -                     |
| <b>Latitude Invest Pty Ltd<sup>3</sup></b>                              |                       |                       |                       |                       |                              |                       |                       |                       |
| Service payment to Latitude Invest Pty Ltd                              | -                     | -                     | -                     | 316,290               | -                            | -                     | -                     | -                     |
| <b>Mark Simonds and related entities<sup>4</sup>:</b>                   |                       |                       |                       |                       |                              |                       |                       |                       |
| Payment for use of building licence                                     | -                     | -                     | -                     | -                     | 166,667                      | 100,000               | -                     | -                     |
| Remuneration for employee services                                      | -                     | -                     | -                     | -                     | 11,808                       | 236                   | -                     | -                     |
|                                                                         | -                     | -                     | -                     | -                     | 178,474                      | 100,236               | -                     | -                     |
| <b>Michael Myers and related entities:</b>                              |                       |                       |                       |                       |                              |                       |                       |                       |
| Property leased on an arms-length basis                                 | -                     | -                     | 10,100 <sup>5</sup>   | 30,188                | -                            | -                     | -                     | -                     |
| Property purchased on an arms-length basis                              | -                     | 484,250               | -                     | -                     | -                            | -                     | -                     | -                     |
|                                                                         | -                     | 484,250               | 10,100                | 30,188                | -                            | -                     | -                     | -                     |

<sup>1</sup> Mark Simonds and Rhett Simonds are directors of Simonds Family Office Pty Ltd.

<sup>2</sup> There is a Supply Agreement between Delos Welltek Australia Pty Ltd and Simonds Group for the inclusion of the "DARWIN Essentials Package" into all homes in Victoria. Simonds Family Office Pty Ltd (of which Mark Simonds and Rhett Simonds are directors) hold 25% interest in Delos Welltek Australia Pty Ltd.

<sup>3</sup> An interim service agreement between Latitude Invest Pty Ltd and Simonds Group was entered into to provide marketing and sales support in the Wholesale channel. Mark Simonds and Rhett Simonds hold a 50% interest in Latitude Invest Pty Ltd.

<sup>4</sup> One family member of Mark Simonds was employed by the Group on a casual basis and remuneration was based on an 'arm's length' basis.

<sup>5</sup> Where a person is not a KMP for the full period, related parties are only considered during the period they held a KMP position.

|                                                            | Sales                 |                       | Cost of goods         |                       | Leases and services rendered |                       | Non-cash remuneration |                       |
|------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|-----------------------|-----------------------|-----------------------|
|                                                            | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ | 30 June<br>2022<br>\$        | 30 June<br>2021<br>\$ | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ |
| <b>Tim Bradfield and related entities:</b>                 |                       |                       |                       |                       |                              |                       |                       |                       |
| Property purchased on a non arms-length basis <sup>1</sup> | 10,000                | -                     | -                     | -                     | -                            | -                     | -                     | -                     |
| <b>Duncan Brand and related entities:</b>                  |                       |                       |                       |                       |                              |                       |                       |                       |
| Property purchased on an arms length basis <sup>2</sup>    | -                     | -                     | -                     | -                     | -                            | -                     | -                     | -                     |
| <b>Total</b>                                               | <b>10,000</b>         | <b>484,250</b>        | <b>192,554</b>        | <b>1,269,058</b>      | <b>631,698</b>               | <b>553,183</b>        | <b>18,769</b>         | <b>18,240</b>         |

At 30 June 2022, there were no balances outstanding from related parties (2021: nil).

<sup>1</sup> Relates to residential building contract entered during FY22 which on a cost plus 10% agreement, this rate was approved by the Board

<sup>2</sup> Where a person is not a KMP for the full period, related parties are only considered during the period they held a KMP position. The contract was entered in prior year and relates to residential build. As such, there is no disclosure for the current period.

### Loans to related parties

During the year ended 30 June 2022 there were no loans to related parties outside the Group (2021: Nil).

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and disclosed in this note.

### 30. Share based payments

#### Employee share plan

A range of different employee share scheme (ESS) interests were created as part of the Simonds Group Employee Share Plan. The Share plan has been created to promote employee share ownership amongst staff members and to encourage retention and appropriate reward for executives and employees. During the current financial year:

- Share based payments made to key management personal and other employees amounted to \$0.594m (2021: \$1.405m).
- No performance rights (2021: 2,050,000) were granted to any senior executives (2021: 8) as at 30 June 2022, 1,482,353 performance rights remain.
- As at 30 June 2022, performance rights / performance options remaining on issue are:
  - FY2020 Plan: 882,353 (performance rights)
  - FY2021 Plan: 600,000 (performance rights)
- No options were granted (2021: Nil) during the period.

| Incentives   | Financial Year | Tranche | Grant Date   | Fair Value at Grant Date | Vesting Date | Expiry Date  | Other Vesting Condition |          |
|--------------|----------------|---------|--------------|--------------------------|--------------|--------------|-------------------------|----------|
| Cash Settled | FY 2021        | 1       | 25 Jun' 2021 | \$0.50                   | 30 Jun' 2023 | 30 Jun' 2023 | Non-market              | (1), (2) |
|              | FY 2020        | 1       | 9 Mar' 2020  | \$0.34                   | 30 Sep' 2022 | 30 Sep' 2022 | Non-market              | (1), (3) |

#### **Notes:**

- (1) Gateway Hurdle Condition exists whereby FY20 Performance Rights may not vest unless the individual remains employed up to and including 30 September 2022. These Performance Rights are settled either as shares in the Company or as cash at the discretion of the Board.
- (2) Vesting condition linked to the Group's Total Shareholder Return (TSR) and the percentile ranking against the constituent companies within the S&P / ASX Small Ordinaries Index.
- (3) Vesting condition linked to compound annual growth rate in Earnings Per Share (EPS) where EPS is calculated based on Net Profit Before Tax for the relevant period with the specific EPS methodology to be determined by the board.



The following table outlines the share-based expense (excluding forfeitures and lapses) under the management incentive and employee share plan for the year ended 30 June 2022:

|                            | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|----------------------------|---------------------------|---------------------------|
| <b>Employee share plan</b> |                           |                           |
| Share based expense        | (38)                      | 424                       |
|                            | <b>(38)</b>               | <b>424</b>                |

#### Fair value of performance rights, service rights and options granted in the year

Cash rights subject to market-based vesting conditions.

|                             | Fair value model inputs and assumptions |                |                                     |                     |                         |                  |
|-----------------------------|-----------------------------------------|----------------|-------------------------------------|---------------------|-------------------------|------------------|
|                             | Fair value at grant date                | Exercise Price | Expected life of instruments (days) | Expected volatility | Expected dividend yield | Risk - free rate |
| <b>FY 2021 Cash rights:</b> |                                         |                |                                     |                     |                         |                  |
| Tranche 1 <sup>1</sup>      | \$0.50                                  | \$0.00         | n/a                                 | n/a                 | n/a                     | n/a              |
| <b>FY 2020 Cash rights:</b> |                                         |                |                                     |                     |                         |                  |
| Tranche 1 <sup>2</sup>      | \$0.34                                  | \$0.00         | n/a                                 | n/a                 | n/a                     | n/a              |

<sup>1</sup> The fair value at 30 June 2022 is \$0.20

<sup>2</sup> The fair value at 30 June 2022 is \$0.20.

### Movements in performance rights, service rights and options during the year

The following reconciles the cash rights, performance rights and option rights outstanding at the beginning and end of the financial year:

| 2022               | Financial<br>Year<br>Issued | Opening<br>balance  | Granted during the<br>year |                                   | Vested during the<br>year |                                   | Forfeited during the<br>year |                                   | Closing<br>balance           |
|--------------------|-----------------------------|---------------------|----------------------------|-----------------------------------|---------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
|                    |                             | Number of<br>rights | Number<br>of<br>rights     | Weighted<br>average<br>fair value | Number<br>of rights       | Weighted<br>average<br>fair value | Number<br>of rights          | Weighted<br>average<br>fair value | Total<br>number of<br>rights |
| Cash Rights        |                             |                     |                            |                                   |                           |                                   |                              |                                   |                              |
| Tranche 1          | FY 2021                     | 2,050,000           | -                          | -                                 | -                         | -                                 | 1,450,000                    | 0.38                              | 600,000                      |
| Tranche 1          | FY 2020                     | 3,014,707           | -                          | -                                 | -                         | -                                 | 2,132,354                    | 0.38                              | 882,353                      |
| Performance Rights |                             |                     |                            |                                   |                           |                                   |                              |                                   |                              |
| Tranche 1          | FY 2019                     | 1,866,666           | -                          | -                                 | 1,095,333                 | 0.27                              | 771,333                      | 0.27                              | -                            |
| Tranche 2          | FY 2019                     | 1,866,666           | -                          | -                                 | 21,559                    | 0.38                              | 1,845,107                    | 0.38                              | -                            |
| CEO Options        |                             |                     |                            |                                   |                           |                                   |                              |                                   |                              |
| EPS                | FY 2017                     | 2,275,720           | -                          | -                                 | 2,275,720                 | 0.53                              | -                            | -                                 | -                            |
| TOTAL              |                             | 11,073,759          | -                          | -                                 | 3,392,612                 | 0.44                              | 6,198,794                    | 0.37                              | 1,482,353                    |

| 2021               | Financial<br>Year<br>Issued | Opening<br>balance  | Granted during the<br>year |                                   | Vested during the<br>year |                                   | Forfeited during the<br>year |                                   | Closing<br>balance           |
|--------------------|-----------------------------|---------------------|----------------------------|-----------------------------------|---------------------------|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
|                    |                             | Number of<br>rights | Number<br>of rights        | Weighted<br>average<br>fair value | Number<br>of rights       | Weighted<br>average<br>fair value | Number<br>of rights          | Weighted<br>average<br>fair value | Total<br>number of<br>rights |
| Cash Rights        |                             |                     |                            |                                   |                           |                                   |                              |                                   |                              |
| Tranche 1          | FY 2021                     | -                   | 2,050,000                  | 0.50                              | -                         | -                                 | -                            | -                                 | 2,050,000                    |
| Tranche 1          | FY 2020                     | 3,750,001           | -                          | -                                 | -                         | -                                 | 735,294                      | 0.39                              | 3,014,707                    |
| Tranche 1          | FY 2018                     | 645,162             | -                          | -                                 | -                         | -                                 | 645,162                      | 0.11                              | -                            |
| Tranche 2          | FY 2018                     | 645,160             | -                          | -                                 | 645,160                   | 0.35                              | -                            | -                                 | -                            |
| Performance Rights |                             |                     |                            |                                   |                           |                                   |                              |                                   |                              |
| Tranche 1          | FY 2019                     | 2,095,674           | -                          | -                                 | -                         | -                                 | 229,008                      | 0.27                              | 1,866,666                    |
| Tranche 2          | FY 2019                     | 2,095,674           | -                          | -                                 | -                         | -                                 | 229,008                      | 0.38                              | 1,866,666                    |
| CEO Options        |                             |                     |                            |                                   |                           |                                   |                              |                                   |                              |
| EPS                | FY 2017                     | 2,275,720           | -                          | -                                 | -                         | -                                 | -                            | -                                 | 2,275,720                    |
| TOTAL              |                             | 11,507,391          | 2,050,000                  | 0.50                              | 645,160                   | 0.35                              | 1,838,472                    | 0.27                              | 11,073,759                   |

Cash rights outstanding at the end of the current financial year had an exercise price of \$nil (2021: nil).

The weighted average contractual life of cash rights was 835 days (2021: 557). The weighted average contractual life of performance rights was 944 days (2021: 883 days).

### Performance and service rights vested during the year

1,116,892 (2021: 645,160) performance rights and 2,275,720 (2021: nil) options were vested during the year ended 30 June 2022, 3,392,613 were settled in shares, while nil were settled with cash.

### Performance and service rights forfeited during the year

There were 3,582,354 (2021: 1,380,456) cash rights and 2,616,440 (2021: 458,016) performance rights forfeited during the year.

### Share based payments reserve

|                                      | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|--------------------------------------|---------------------------|---------------------------|
| Balance at the beginning of the year | 30,034                    | 29,725                    |
| Amounts expensed                     | (38)                      | 424                       |
| Performance rights vested            | (304)                     | -                         |
| Performance rights forfeited         | -                         | (115)                     |
| Transfer to accumulated losses       | (844)                     | -                         |
| Balance at the end of the year       | <b>28,848</b>             | <b>30,034</b>             |

### 31. Commitments for expenditure

|                                                   |          |              |
|---------------------------------------------------|----------|--------------|
| Lease commitments                                 | -        | 1,061        |
| <u>Non – cancellable operating lease payments</u> |          |              |
| No longer than 1 year                             | -        | 1,061        |
| Longer than 1 year and not longer than 5 years    | -        | -            |
|                                                   | <b>-</b> | <b>1,061</b> |

### 32. Auditor's remuneration

|                                                                                        | 30 June<br>2022<br>\$ | 30 June<br>2021<br>\$ |
|----------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Deloitte and related network firms*</b>                                             |                       |                       |
| Audit or review of financial statements                                                |                       |                       |
| -Group                                                                                 | 315,000               | 281,500               |
| -Subsidiaries-House of Learning Pty Ltd                                                | -                     | 18,500                |
|                                                                                        | <b>315,000</b>        | <b>300,000</b>        |
| Statutory assurance services required by the legislation to be provided by the auditor | 35,500                | 15,000                |
| Other services                                                                         |                       |                       |
| -Tax services                                                                          | 169,807               | 148,295               |
| -Financial advisory services                                                           | 165,658               | -                     |
|                                                                                        | <b>685,965</b>        | <b>463,295</b>        |

\*The Group's auditor is Deloitte Touche Tohmatsu.

### 33. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

|                           | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|---------------------------|---------------------------|---------------------------|
| Cash and cash equivalents | 11,133                    | 22,781                    |
|                           | <b>11,133</b>             | <b>22,781</b>             |

#### Reconciliation of profit for the year to net cash flows from operating activities

|                                                                 |                |               |
|-----------------------------------------------------------------|----------------|---------------|
| <b>Cash flows from operating activities</b>                     |                |               |
| <b>Net (Loss) / profit after tax for the year</b>               | <b>(9,669)</b> | <b>4,693</b>  |
| Add / (deduct):                                                 |                |               |
| Income tax expense recognised in profit or loss                 | (5,359)        | 2,724         |
| Finance costs recognised in profit or loss                      | 2,275          | 1,563         |
| Gain on disposal of discontinued operation                      | (6,041)        | -             |
| Management incentive and share based payments                   | (1,186)        | 309           |
| Depreciation and amortisation of non-current assets             | 20,548         | 20,615        |
|                                                                 | 568            | 29,904        |
| <b>Movements in working capital</b>                             |                |               |
| (Increase) in trade and other receivables                       | (5,775)        | (4,080)       |
| Decrease in inventories                                         | 8,869          | 6,937         |
| (Increase) in other assets                                      | (18,041)       | (15,713)      |
| Increase / (decrease) in trade and other payables               | 14,750         | (2,305)       |
| (Decrease) / increase in provisions                             | (2,291)        | 2,405         |
| (Decrease) / increase in other liabilities                      | (1,086)        | 7,946         |
| Cash (used in)/ generated by operating activities               | (3,006)        | 25,094        |
| Net interest paid                                               | (2,275)        | (1,563)       |
| Income taxes refund / (paid)                                    | 2,946          | (9,800)       |
| <b>Net cash (used in) / generated from operating activities</b> | <b>(2,335)</b> | <b>13,731</b> |

#### Non-cash transactions

The Group acquired \$10.579m of right-of-use assets during the financial ended 30 June 2022. The additions are non-cash and not included within investing activities in the consolidated statement of cash flows.

## Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

|                                                    |       | 30 June<br>2021 | Financing<br>cash flows | Non-cash<br>changes<br>New finance<br>leases | 30 June<br>2022 |
|----------------------------------------------------|-------|-----------------|-------------------------|----------------------------------------------|-----------------|
|                                                    | Notes | \$'000          | \$'000                  | \$'000                                       | \$'000          |
| Other borrowings                                   | 20    | 312             | (26)                    | -                                            | 286             |
| Lease liabilities                                  | 36    | 22,094          | (12,940)                | 17,566                                       | 26,720          |
| <b>Total liabilities from financing activities</b> |       | <b>22,406</b>   | <b>(12,966)</b>         | <b>17,566</b>                                | <b>27,006</b>   |

## 34. Parent entity information

The parent entity is Simonds Group Limited. The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

|                                        | 30 Jun<br>2022<br>\$'000 | 30 Jun<br>2021<br>\$'000 |
|----------------------------------------|--------------------------|--------------------------|
| <b>Statement of financial position</b> |                          |                          |
| Current Assets                         | 14,753                   | 7,579                    |
| Non-current Assets                     | 2,001                    | 2,874                    |
| <b>Total assets</b>                    | <b>16,754</b>            | <b>10,453</b>            |
| Current Liability                      | 4,329                    | 1,383                    |
| Non-current Liability                  | 2,120                    | 1,686                    |
| <b>Total liabilities</b>               | <b>6,449</b>             | <b>3,069</b>             |
| <b>Net assets</b>                      | <b>10,305</b>            | <b>7,384</b>             |
| Issued capital                         | 13,505                   | 12,911                   |
| Reserves                               | (35,048)                 | (33,862)                 |
| Accumulated profit                     | 31,848                   | 28,335                   |
| <b>Total equity</b>                    | <b>10,305</b>            | <b>7,384</b>             |
| <b>Income statement</b>                |                          |                          |
| Dividends from subsidiaries            | 4,390                    | 7,250                    |
| Operating profit / (loss) before tax   | 1,558                    | (1,551)                  |
| Tax (expense) / refund                 | (2,435)                  | 111                      |
| <b>Profit for the year</b>             | <b>3,513</b>             | <b>5,810</b>             |

## 35. Contingent liabilities and contingent assets

|                               | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|-------------------------------|---------------------------|---------------------------|
| <b>Contingent Liabilities</b> |                           |                           |
| Other guarantees (i)          | 2,299                     | 1,920                     |

(i) Represents guarantees for property rentals, project contracts, crossing deposits and merchant facility.

### Litigation

There are a small number of legal matters relating to the construction of residential dwellings and personal injury claims from employees, contractors or the public that are the subject of litigation or potential litigation. A provision is raised in respect of claims where an estimate may be reliably established, and legal or other advice indicates that it is probable that the Group will incur costs either in progressing its investigation of the claim or ultimately in settlement.

### Building Contracts

The Group has entered into a fixed price agreement with Development Victoria (DV) to build 86 units. Given delays in the commencement coupled with unprecedented cost and supply chain pressure, the Group has approached DV with alternative pricing proposals to offset the impact of the higher building cost.

The outcome of the negotiations is unknown but if not successful could result in losses when these units are constructed. Given that the outcome of the negotiation is unknown the obligation cannot be measured reliably and has been classified as a contingent liability.

### Other Contracts

The Group has entered contracts to acquire properties. In the normal course of business, third parties will be assigned to purchase the property, however if no third party can be reassigned, then the Group faces an exposure of \$1.360m (2021: \$2.410m).

## **36. Leases**

The Group leases commercial offices, display homes, display home furniture, IT equipment 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 with value at or below \$10,000. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

## Right of use assets

|                                                           | Commercial offices<br>\$'000 | Display homes<br>\$'000 | Display home furniture<br>\$'000 | IT equipment<br>\$'000 | Motor vehicles<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------------------------|------------------------------|-------------------------|----------------------------------|------------------------|--------------------------|-----------------|
| <b>Cost</b>                                               |                              |                         |                                  |                        |                          |                 |
| Balance at 1 July 2020                                    | 16,067                       | 5,640                   | 5,091                            | 1,479                  | 5,061                    | 33,338          |
| Additions                                                 | -                            | 4,047                   | 2,309                            | -                      | 2,077                    | 8,433           |
| Changes in value from lease modification and cancellation | 4,824                        | 885                     | 121                              | -                      | 33                       | 5,863           |
| Disposal of assets                                        | (2,464)                      | (3,634)                 | (1,939)                          | -                      | (206)                    | (8,243)         |
| <b>Balance at 30 June 2021</b>                            | <b>18,427</b>                | <b>6,938</b>            | <b>5,582</b>                     | <b>1,479</b>           | <b>6,965</b>             | <b>39,391</b>   |
| <b>Cost</b>                                               |                              |                         |                                  |                        |                          |                 |
| Balance at 1 July 2021                                    | 18,427                       | 6,938                   | 5,582                            | 1,479                  | 6,965                    | 39,391          |
| Additions                                                 | 945                          | 4,073                   | 1,967                            | 266                    | 3,328                    | 10,579          |
| Changes in value from lease modification and cancellation | 1,134                        | 311                     | -                                | 6,016                  | -                        | 7,461           |
| Disposal of assets                                        | (1,590)                      | (3,575)                 | (2,995)                          | (1,479)                | (981)                    | (10,620)        |
| <b>Balance at 30 June 2022</b>                            | <b>18,916</b>                | <b>7,747</b>            | <b>4,554</b>                     | <b>6,282</b>           | <b>9,312</b>             | <b>46,811</b>   |
| <b>Accumulated amortisation</b>                           |                              |                         |                                  |                        |                          |                 |
| Balance at 1 July 2020                                    | (2,871)                      | (2,971)                 | (2,038)                          | (674)                  | (2,084)                  | (10,638)        |
| Charge for the year                                       | (4,246)                      | (4,443)                 | (2,967)                          | (683)                  | (1,357)                  | (13,696)        |
| Changes in value from lease modification and cancellation | (2)                          | 26                      | 56                               | -                      | 1                        | 81              |
| Disposal of assets                                        | 1,189                        | 3,514                   | 1,836                            | -                      | 190                      | 6,729           |
| <b>Balance 30 June 2021</b>                               | <b>(5,930)</b>               | <b>(3,874)</b>          | <b>(3,113)</b>                   | <b>(1,357)</b>         | <b>(3,250)</b>           | <b>(17,524)</b> |
| <b>Accumulated amortisation</b>                           |                              |                         |                                  |                        |                          |                 |
| Balance at 1 July 2021                                    | (5,930)                      | (3,874)                 | (3,113)                          | (1,357)                | (3,250)                  | (17,524)        |
| Charge for the year                                       | (4,295)                      | (3,937)                 | (2,375)                          | (1,203)                | (1,968)                  | (13,778)        |
| Changes in value from lease modification and cancellation | (10)                         | -                       | -                                | -                      | -                        | (10)            |
| Disposal of assets                                        | 1,516                        | 3,445                   | 2,934                            | 1,357                  | 875                      | 10,127          |
| <b>Balance 30 June 2022</b>                               | <b>(8,719)</b>               | <b>(4,366)</b>          | <b>(2,554)</b>                   | <b>(1,203)</b>         | <b>(4,343)</b>           | <b>(21,185)</b> |
| <b>Carrying amount</b>                                    |                              |                         |                                  |                        |                          |                 |
| <b>As at 30 June 2021</b>                                 | <b>12,497</b>                | <b>3,064</b>            | <b>2,469</b>                     | <b>122</b>             | <b>3,715</b>             | <b>21,867</b>   |
| <b>As at 30 June 2022</b>                                 | <b>10,197</b>                | <b>3,381</b>            | <b>2,000</b>                     | <b>5,079</b>           | <b>4,969</b>             | <b>25,626</b>   |



## Amount recognised in profit or loss

|                                             | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|---------------------------------------------|---------------------------|---------------------------|
| <i>Lease under AASB 16</i>                  |                           |                           |
| Interest on lease liabilities               | (1,594)                   | (1,100)                   |
| Depreciation expense on right-of-use assets | (13,778)                  | (13,696)                  |
| Expenses relating to short-term leases      | (3,779)                   | (1,644)                   |
| Expenses relating to low value assets       | (323)                     | (317)                     |
| Gain on lease modification and cancellation | 11                        | 349                       |
|                                             | <b>(19,463)</b>           | <b>(16,408)</b>           |

## 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 \$0.237m for leases under 1 year in duration and \$nil for leases between 1 year and 5 years.

The total cash outflow for leases amounts to \$14.534m (2021: \$14.150m).

## Lease liabilities

|                                            | 30 June<br>2022<br>\$'000 | 30 June<br>2021<br>\$'000 |
|--------------------------------------------|---------------------------|---------------------------|
| Current                                    | 11,962                    | 10,042                    |
| Non-current                                | 14,758                    | 12,052                    |
|                                            | <b>26,720</b>             | <b>22,094</b>             |
| Leases expiring less than one year         | 11,962                    | 10,042                    |
| Leases expiring between one and five years | 14,758                    | 12,052                    |
| Leases expiring more than five years       | -                         | -                         |

## 37. 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

|                                                     | 30 June<br>2022<br>\$'000 |
|-----------------------------------------------------|---------------------------|
| Consideration received in cash and cash equivalents | 8,980                     |
| <b>Total Consideration</b>                          | <b>8,980</b>              |

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

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

|                                                                       | 30 June<br>2022<br>\$'000 |
|-----------------------------------------------------------------------|---------------------------|
| <b>Current Assets</b>                                                 |                           |
| Cash and cash equivalents                                             | 8                         |
| Trade receivables                                                     | 933                       |
| Other Assets                                                          | 143                       |
| Deferred Tax Assets                                                   | 28                        |
| <b>Non - Current Assets</b>                                           |                           |
| Property, plant and equipment                                         | 150                       |
| Intangible assets                                                     | 422                       |
| Goodwill                                                              | 2,602                     |
| <b>Current Liability</b>                                              |                           |
| Trade and payables                                                    | (370)                     |
| Deposit and income in advance                                         | (13)                      |
| Provisions                                                            | (1,663)                   |
| <b>Non - Current Liability</b>                                        |                           |
| Provisions                                                            | (155)                     |
| <b>Net assets disposed</b>                                            | <b>2,085</b>              |
| <b>Profit on disposal of BAA</b>                                      |                           |
| Net consideration                                                     | 8,980                     |
| Net assets disposed                                                   | (2,085)                   |
| Cost of divestment                                                    | (854)                     |
| <b>Profit on disposal</b>                                             | <b>6,041</b>              |
| <b>Net cash inflow on BAA</b>                                         |                           |
| Consideration received in cash and cash equivalents                   | 8,980                     |
| Less cash and cash equivalent balance disposed                        | (8)                       |
| <b>Net cash generated from disposal of discontinued business- BAA</b> | <b>8,972</b>              |

**38. Subsequent events**

Subsequent to year end, the Group has obtained conditional approval on a new borrowing facilities term sheet of \$34.500 million, dated 26 August 2022, including revised related debt covenants, which aims to extend the Group's current borrowing facilities from September 2023 until 31 December 2023. The Directors expect to sign the final borrowing documentation in the coming weeks in substantially the same form as the conditionally approved term sheet.

Apart from this, there are no other events that occurred subsequent to the reporting date that may significantly affect Group's operations, results or state of affairs in future periods.