

Appendix 4D

For the half year ended 31 December 2022

Simonds Group Limited

ACN: 143 841 801

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

SIMONDS GROUP LIMITED (ASX: SIO)

APPENDIX 4D

HALF YEAR ENDED 31 DECEMBER 2022

Half year ended: 31 December 2022

Previous corresponding period: 31 December 2021

Results for Announcement to the Market for the half year ended 31 December 2022					
Revenue from ordinary activities from continuing operations	Up	\$44.1m	by	13.0%	to \$382.2m
(Loss) / profit from ordinary activities before tax from continuing operations	Down	(\$12.0m)	by	226.4%	to (\$17.3m)
(Loss) / profit from ordinary activities after tax from continuing operations	Down	(\$9.0m)	by	310.3%	to (\$11.9m)
(Loss) / profit after tax from discontinued operations	Down	(\$4.3m)	by	(122.9%)	to (\$0.8m)
(Loss) / profit after tax	Down	(\$13.2m)	by	(2,640.0%)	to (\$12.7m)
Net (loss) / profit attributable to members	Down	(\$13.2m)	by	(2,640.0%)	to (\$12.7m)

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

Net tangible asset backing per ordinary share	Amount per share (cents)
As at 31 December 2022 (including right-of-use assets)	6.07
As at 30 June 2022 (including right-of-use assets)	6.01

Net assets backing per share as at 31 December 2022 was 6.96 cents (30 June 2022: 9.16 cents)

Dividends	Amount per share	Franked amount per share
For the half year ended 31 December 2022 (cents)	-	-
For the half year ended 31 December 2021 (cents)	-	-

Other Information

This report is based on the financial report which has been reviewed by PKF Melbourne Audit & Assurance Pty Ltd.

For a brief explanation of the results presented in this Appendix 4D, please refer to the ASX announcement on the results for the half year ended 31 December 2022 and the financial report.



Simonds Group
31 December 2022

Simonds Group Limited

ABN 54 143 841 801

Interim Financial Report for the half year ended 31 December 2022



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Simonds Group Limited
Interim Financial Report for the half year ended 31 December 2022

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Directors' report

The Directors of Simonds Group Limited (the "Company") submit herewith the financial report of the consolidated entity consisting of the Company and the entities it controlled (the "Group") for the half year ended 31 December 2022. To comply with the provisions of the *Corporations Act 2001*, the directors report is as follows:

Information about the directors

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

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

Operating and financial review

Principal activities

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

Business Overview

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

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

Increase in Issued Share Capital

On 21 December 2022, the Simonds Group ("Group"), announced that it had completed its \$25.5 million equity raise by way of a traditional pro rata renounceable entitlement offer of new ordinary shares in the company to existing shareholders. The offer was fully underwritten by the largest shareholder and founder, Vallenge Gary Simonds. The proceeds from the equity raise will be used to support working capital requirements and reset the capital structure in light of challenging trading and macroeconomic conditions.

Operations

Group revenue from continuing operations for the period was \$382.2 million compared to the previous corresponding period of \$338.1 million. The increase in Group revenue was a result of increased workdays with no COVID restrictions/shut-down periods and increases in site start value as a result of price rises.

Simonds Homes recorded 1,099 site starts for the period, a decrease of 78 or (6.6%) on the previous corresponding period. The reduction in site starts compared to the prior period is attributable to challenging economic conditions and continued delay in land settlements.

The increased revenue was offset by the continued inflationary and supply challenges experienced by the residential construction industry, resulting in an EBITDA loss of \$5.5 million, which is \$11.3 million lower than the prior comparative period. The Group has implemented various cost reduction initiatives aimed at right sizing the cost base. Although the initiatives required an initial outflow through redundancies and other one-off expenses this will result in operating cost reductions.

Balance sheet

As a result of the equity raise completed in December 2022, the Group maintained a strong net cash position, with net cash of \$32.6 million at 31 December 2022 compared with \$11.1 million net cash at 30 June 2022.

The net assets of the Group have improved from \$13.5 million at 30 June 2022 to \$25.0 million at 31 December 2022, predominantly as a result of the equity raise, offset by the losses for the period.

Operating cash flows

The Group generated net operating cash flows of \$4.0 million, an increase of \$5.4 million on the net operating cash flows recorded for the comparative half year period ended 31 December 2021 of (\$1.4) million. This increase is the result of the tax refund received from the ATO offset by higher operating expenses for the comparative periods.

Settlement with Development Victoria

The Group had previously entered into a fixed price agreement with Development Victoria ("DV") to build 86 units in Sunshine North. In December 2022 both parties agreed to mutually terminate the agreement and the Group was paid a settlement amount towards agreed costs incurred to date. The settlement amount has been recorded as revenue in the financial report.

DV intend to put the project out to tender again, and the Group has been requested to participate in that tender.

Future developments

Challenging market conditions persist with respect to inflationary and labour pressures. The RBA has announced several interest rate hikes which has impacted the borrowing capacity of the Group's target market and has resulted in a softening in sales across the industry. The federal and state budgets have included initiatives to address the affordable housing shortfall which should create opportunities for the residential construction industry over the medium and long term.



Summary of key business risks

The Board remains optimistic about the Group's future trading performance but acknowledges there are certain factors that may pose a risk to the achievement of the Group's business strategies and future performance, particularly the ongoing labour market pressures and deteriorating macroeconomic conditions.

There are some risks, specific to the Group's home building business, as well as external risks, such as the economic environment, over which the Group has no control. The Group's risk management approach is to identify, evaluate, and mitigate or manage its financial, operational, and business risks. Our risk assessment approach includes an estimation of the likelihood of risk occurrence and potential impacts on the financial results. Risks are assessed across the business and reported to the Audit & Risk Committee and to the Board where required under the Group's Risk Management Framework.

Impact of macroeconomic pressures:

The current macro-economic environment has led the RBA to announce several interest rate increases which have reduced customers' borrowing capacity. The reduced borrowing capacity, including the decrease in affordability has moderated sales activity. It is uncertain how long these conditions will continue, impacting consumer sentiment and willingness to commit to large investment decisions.

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

Trade labour challenges will continue in the short term but will hopefully ease over the next 6-12 months.

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

Subsequent events

At 31 December 2022, Madisson Homes Australia Pty Ltd, a subsidiary of the Group, was in the process of settling a claim with the Group's insurers. Discussions have continued after 31 December 2022 and the quantum and timing of the final claim have yet to be confirmed.

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

Dividends

The directors have determined that no dividend will be declared in relation to the 31 December 2022 half year (31 December 2021: nil).

Auditor's independence declaration

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

Rounding of amounts

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

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

On behalf of the directors



Rhett Simonds
Chairman
Melbourne, 22 February 2023

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SIMONDS GROUP LIMITED

In relation to our review of the financial report of Simonds Group Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (b) no contraventions of any applicable code of professional conduct.

This declaration is made in respect of Simonds Group Limited and the entities it controlled during the financial period.



PKF
Melbourne, 22 February 2023



Kenneth Weldin
Partner

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SIMONDS GROUP LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Simonds Group Limited (the Company) and its subsidiaries (collectively, the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Simonds Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for conclusion

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

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

Directors' Responsibility for the Half-Year Financial Report

The directors' of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Regulations 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF
Melbourne, 22 February 2023



Kenneth Weldin
Partner



Directors' declaration

The directors declare that:

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

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

On behalf of the Directors

Rhett Simonds
Chairman
Melbourne, 22 February 2023



Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2022

	Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Continuing operations			
Revenue	2	382,219	338,072
Cost of sales		(319,000)	(266,718)
Gross profit		63,219	71,354
Expenses	4	(68,740)	(65,516)
Loss before financing items, depreciation and amortisation		(5,521)	5,838
Depreciation and amortisation charges		(10,564)	(10,095)
Loss before financing items and tax		(16,085)	(4,257)
<i>Financing items</i>			
Interest expense		(1,244)	(1,002)
Net financing cost		(1,244)	(1,002)
Loss before tax		(17,329)	(5,259)
Income tax benefit		5,383	2,324
Loss from continuing operations after tax		(11,946)	(2,935)
Discontinued operations			
(Loss) / profit from discontinued operations after tax	5	(754)	3,475
(Loss) / profit after tax for the half year		(12,700)	540
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
Total comprehensive (Loss) / income for the half year		(12,700)	540
Earnings per share		Cents per share	Cents per share
From continuing operations			
Basic	9	(7.52)	(2.02)
Diluted	9	(7.52)	(2.02)
From continuing and discontinued operations			
Basic	9	(7.99)	0.37
Diluted	9	(7.99)	0.36

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of financial position****As at 31 December 2022**

	Notes	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Assets			
<i>Current Assets</i>			
Cash and bank balances		32,585	11,133
Trade and other receivables		32,813	38,210
Tax receivable		-	9,933
Construction work in progress		64,058	67,569
Inventories	8	17,227	18,442
Other assets		3,105	2,418
Total current assets		149,788	147,705
<i>Non-Current Assets</i>			
Property, plant and equipment		5,442	5,980
Intangible assets		3,198	4,602
Right-of-use assets	12	23,102	25,626
Total non-current assets		31,742	36,208
Total assets		181,530	183,913
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables		92,697	91,566
Deferred revenue		15,827	20,473
Borrowings	7	1,073	286
Lease liability		12,405	11,962
Provisions		13,760	15,669
Total current liabilities		135,762	139,956
<i>Non-Current Liabilities</i>			
Lease liability		11,791	14,758
Provisions		8,063	9,115
Deferred tax liability		872	6,632
Total non-current liabilities		20,726	30,505
Total liabilities		156,488	170,461
Net Assets		25,042	13,452
Equity			
Issued capital	11	37,795	13,505
Reserves	10	21,644	21,644
Accumulated losses		(34,397)	(21,697)
Total equity		25,042	13,452

The accompanying notes form part of these financial statements. Comparative figures have been re-presented to conform with the presentation adopted for current year disclosure.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2022

	Issued capital \$'000	Share buy-back reserve \$'000	Share based payments reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2021	12,911	(7,204)	30,034	(13,492)	22,249
Employee share plan	594	-	(342)	620	872
Profit for the period	-	-	-	540	540
Transfer to accumulated losses	-	-	(844)	844	-
Balance at 31 December 2021	13,505	(7,204)	28,848	(11,488)	23,661
Balance at 1 July 2022	13,505	(7,204)	28,848	(21,697)	13,452
Issue of new shares	25,521	-	-	-	25,521
Share issue transaction costs	(1,231)	-	-	-	(1,231)
Employee share plan	-	-	-	-	-
(Loss) for the period	-	-	-	(12,700)	(12,700)
Balance at 31 December 2022	37,795	(7,204)	28,848	(34,397)	25,042

The accompanying notes form part of these financial statements.

**Condensed consolidated statement of cash flows***For the half year ended 31 December 2022*

	Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Receipts from customers		443,698	377,512
Payments to suppliers and employees		(448,352)	(380,557)
Cash generated from operations		(4,654)	(3,045)
Finance costs		(1,244)	(1,256)
Income taxes refund		9,880	2,868
<i>Net cash generated / (used in) from operating activities</i>		3,982	(1,433)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		878	209
Payments for property, plant and equipment		(1,213)	(1,740)
Payments for intangible assets		-	(1,618)
Net cash from disposal of subsidiary		-	8,972
<i>Net cash (used in) / generated from investing activities</i>		(335)	5,823
Cash flows from financing activities			
Net repayment of borrowings		787	(312)
Repayment of lease liability	12	(8,226)	(6,276)
Proceeds from issue of equity		25,521	910
Payment of share issue transaction cost		(277)	-
<i>Net cash used in financing activities</i>		17,805	(5,678)
Net increase / (decrease) in cash and cash equivalents		21,452	(1,288)
Cash and cash equivalents at the beginning of the period		11,133	22,781
<i>Cash and cash equivalents at the end of the period</i>		32,585	21,493

The accompanying notes form part of these financial statement

Notes to the condensed consolidated financial statements

1 Significant accounting policies

Statement of compliance

This half year financial report is a general purpose condensed consolidated half year financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*' ("AASB 134"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

The half year report does not include any notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2022. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Application of new and revised accounting standards

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

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

Standards and interpretations on 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.

2 Revenue

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

	Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Continuing operations			
Revenue from residential construction contracts		382,219	338,072
		382,219	338,072
Discontinued operations	5	-	6,357

Notes to the consolidated financial statements (continued)

3 Segment information

Products and services from which reportable segments derive their revenue

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

No operating segments have been aggregated in arriving at the reportable segment 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.
- *Land 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 the comparative information in this half year financial report.
 - 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.

Segment revenues and results

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

	Segment revenue		Segment profit / (loss) before tax	
	Half year ended		Half year ended	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Continuing operations				
Residential construction	382,219	338,072	(17,259)	(5,265)
Land developments	-	-	(70)	6
	382,219	338,072	(17,329)	(5,259)
Discontinued operations				
Registered Training	-	6,357	(58)	5,624
Residential Construction	-	-	(1,020)	(660)
	-	6,357	(1,078)	4,964
Consolidated segment revenue and profit before tax for the period	385,219	344,429	(18,407)	(295)

**Segment assets and liabilities**

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Segment assets		
Residential construction	179,978	182,471
Land developments	234	586
	180,212	183,057
Discontinued operations	1,318	856
Total segment assets	181,530	183,913
Segment liabilities		
Residential construction	154,916	168,511
Land developments	122	276
	155,038	168,787
Discontinued operations	1,450	1,674
Total segment liabilities	156,488	170,461

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments. Intersegment assets and liabilities have been eliminated from the figures quoted above.

4 Expenses for the half year

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Continuing operations		
Profit / (loss) on disposal of property, plant and equipment and intangibles	538	104
Marketing and selling expenses	(11,703)	(12,964)
Corporate and administrative expenses	(12,229)	(10,346)
Employee benefits expense	(43,069)	(42,310)
Transformation expenses (i)	(2,277)	-
	(68,740)	(65,516)

- (i) The transformation costs include expenses attributable to non-underlying activities which are outside of the ordinary course of the business as they relate to business restructuring which occurred during the period. Included within transformation expenses are redundancy and related costs of \$1.781m and corporate and administrative expenses of \$0.496m.

5 Discontinued Operations**Madisson Business**

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

**Notes to the consolidated financial statements (continued)****Loss for the half year from Madisson business is summarised as follows:**

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Expenses	(1,020)	(660)
Loss before tax	(1,020)	(660)
Attributable income tax benefit	306	198
Net loss after tax for the period	(714)	(462)

Builders Academy Australia

On 30 September 2021, the Group entered into a sale agreement to dispose its wholly owned subsidiaries, House of Learning Pty Ltd (HOL) and City-Wide Building & Training Services Pty Ltd (CWBTS), collectively referred to as Builders Academy Australia (BAA), which operated as a registered training organisation. The disposal was completed on 30 November 2021, on which date control of BAA passed to the acquirer Up Education Australia Pty Ltd. No activities occurred during the half year ended 31 December 2022.

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

(Loss) / Profit for the half year from Registered training operations summarised as follows:

Revenue	-	6,357
Expenses	(58)	(6,974)
(Loss) before tax	(58)	(617)
Attributable tax benefit	18	185
	(40)	(432)
Profit from disposal of BAA	-	6,241
Attributable tax expense	-	(1,872)
	-	4,369
Net (loss) / profit after tax for the period	(40)	3,937

6 Dividends

During the half year ended 31 December 2022 the Group has not made any dividend payments (June 2022: \$nil) and no interim dividend has been declared for the half year ended 31 December 2022.

7 Borrowings

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Current		
Other borrowings	1,073	286
	1,073	286

Notes to the consolidated financial statements (continued)

Summary of borrowing arrangements

Details of the Group's borrowing facilities as at 31 December 2022 are as follows:

Facility	Utilised \$'000	Unutilised \$'000	Interest Charge	Description	Maturity Date
Bank Guarantees	1,492	2,508	Fixed Market Rate	The Group's facilities are secured by all Simonds Group Limited corporate entities. Simonds have extended the existing corporate finance facility arrangements in place with Commonwealth Bank Australia.	30 June 2024
Market Rate Loan Facility	-	3,000	Variable Market Rate		
Multi Option Facility	-	18,500	Overdraft Index Rate		
Business Corporate Credit Card Facility	1,000	-	Cash advance interest rate	Charged Card facility made available to Simonds Group	30 June 2024
Equipment Finance Facility	6,518	1,482	Fixed Market Rate	Assets under finance leases are secured by the assets leased with repayment periods not exceeding 5 years.	30 September 2023
Total	9,010	25,490			

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

Facility	Utilised \$'000	Unutilised \$'000	Interest Charge	Description	Maturity Date
Insurance Premium Funding	1,073	-	Fixed Interest Rate	The Group entered into a premium funding contract with Clearmatch Originate Pty Limited, which covers various corporate insurances for period from October 2022 to September 2023.	30 April 2023

8 Inventories

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Display homes, land stock	17,227	18,442
Provision for impairment of inventories	-	-
	17,227	18,442

The impairment provision of display homes above is assessed using recent market values. This assessment includes current offers to purchase the display homes, and current asking prices to sell these display homes. In conducting the assessment as at 31 December 2022, current market conditions have been taken into account and no adjustment was deemed necessary.

**Notes to the consolidated financial statements (continued)****9 Earnings per share**

	31 Dec 2022 Cents per share	31 Dec 2021 Cents per share
<i>From continuing operations</i>		
Total basic (loss) / profit per share	(7.52)	(2.02)
Total diluted (loss) / profit per share	(7.52)	(2.02)
<i>From continuing and discontinued operations</i>		
Total basic (loss) / profit per share	(7.99)	0.37
Total diluted (loss) / profit per share	(7.99)	0.36

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

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<i>From continuing operations</i>		
Loss for the half year attributable to owners of the Company	(11,946)	(2,935)
<i>From continuing and discontinued operations</i>		
(Loss) / profit for the half year attributable to owners of the Company	(12,700)	540
	Shares	Shares
Weighted average number of ordinary shares for the purposes of the basic earnings per share	158,855,699	145,294,103

Diluted earnings per share

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<i>From continuing operations</i>		
Loss for the half year attributable to owners of the Company	(11,946)	(2,935)
<i>From continuing and discontinued operations</i>		
(Loss) / profit for the half year attributable to owners of the Company	(12,700)	540
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	158,855,699	145,294,103
Performance rights	1,332,883	6,070,417
Weighted average number of ordinary shares for the purposes of the diluted earnings per share	160,188,582	151,364,520



Notes to the consolidated financial statements (continued)

10 Reserves

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Share Buy-back Reserve	(7,204)	(7,204)
Share Based Payment Reserve	28,848	28,848
	21,644	21,644

11 Issued capital

359,906,450 fully paid ordinary shares (June 2022: 147,234,268)	37,795	13,505
	37,795	13,505

	Number of shares		Share capital (\$'000)	
	31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022
Balance at beginning of the period	147,234,268	143,841,655	13,505	12,911
Movement in ordinary shares	212,672,182	3,392,613	25,521	594
Share issue transaction costs	-	-	(1,231)	-
Balance at end of the period	359,906,450	147,234,268	37,795	13,505

12 Leases

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

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

The total cash outflow for leases amount to \$8.226 million (December 2021: \$6.276million).

Right of use assets

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Opening written down value	25,626	21,867
Additions	6,513	10,579
Disposals	(1,428)	(493)
Depreciation charge for the period	(7,416)	(13,778)
Changes in value from lease modification and cancellation	(193)	7,451
Closing written down value	23,102	25,626

**Notes to the consolidated financial statements (continued)****Amount recognised in profit or loss:**

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<i>Leases under AASB 16</i>		
Interest on lease liabilities	(789)	(757)
Depreciation expense on right-of-use assets	(7,416)	(6,829)
Expenses relating to short-term leases	(1,473)	(1,535)
Expense relating to low value assets	(90)	(6)
(Loss) /profit on lease modification	(485)	22
	(10,253)	(9,105)

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 \$0.079m for leases under 1 year in duration.

13 Related party transactions**Trading transactions**

During the period the Company and its controlled entities entered into the following significant transactions with non-Group related parties:

- Underwriting fees paid to Simonds Family Office Pty Ltd¹ in relation to capital raise: \$276,609.

Loans to related parties

At 31 December 2022, there were no loan balances outstanding from related parties (30 June 2022: Nil).

14 Subsequent events

At 31 December 2022, Madisson Homes Australia Pty Ltd, a subsidiary of the Group, was in the process of settling a claim with the Group's insurers. Discussions have continued after 31 December 2022 and the quantum and timing of the final claim have yet to be confirmed.

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

¹ Mark Simonds and Rhett Simonds are directors of Simonds Family Office Pty Ltd.