SIMONDS
THE GREAT AUSTRALIAN BUILDER

BUILDERS ACADEMY AUSTRALIA

PROSPECTUS

Simonds Group Limited

ACN 143 841 801

Offer of 90.4 million Shares at $1.78 each

Financial Advisor, Underwriter and Joint Lead Manager

MOELIS & COMPANY

Underwriter and Joint Lead Manager

Morgans IN ALLIANCE WITH CIMB

Project Advisor

REID ADVISORY

DISCLAIMER

Offer: The offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares in Simonds Group Limited (ABN 54 143 841 801) ("**Simonds**", "**Simonds Group**" or the "**Company**").

Listing: Simonds will, within seven days after the date of this Prospectus, apply to ASX for admission to the Official List of ASX and quotation of its Shares on the ASX. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The fact that ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered under this Prospectus.

Lodgement: This prospectus (**Prospectus**) is dated 22 October 2014 and a copy of the Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. This Prospectus is issued by Simonds and Simonds SaleCo Limited (ACN 601 986 430) ("**SaleCo**") for the purposes of Part 6D of the *Corporations Act 2001* (Cth) ("**Corporations Act**").

No Shares will be issued on the basis of this Prospectus after the date that is 13 months after 22 October 2014.

Exposure period: The Corporations Act prohibits the Company from processing Applications in the seven day period (excluding public holidays) after the date of lodgement of this Prospectus lodged with ASIC which may be extended by ASIC for a further seven days (**Exposure Period**). The Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on applications received during the Exposure Period.

No cooling-off rights: Cooling off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application.

Note to Applicants: The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus in its entirety before deciding whether to invest. In particular, you should consider the relevant risk factors which could affect the Company's business and financial condition. You should carefully consider these risks in light of your personal circumstances and seek professional guidance before deciding whether to invest in the Shares. No person named in this Prospectus, nor any other person, guarantees the performance of the Company or the repayment of capital or any return on investment.

Forward looking statements: This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations and financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described in the Risks in Section 6 of this Prospectus.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as at the date of this Prospectus. Unless required by law, Simonds does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks Simonds describes in the reports to be filed from time to time with the ASX after the date of this Prospectus.

This Prospectus contains market data and industry forecasts that were obtained from industry publications, third-party market research and publicly available information. These publications generally state that the information contained in them has been obtained from sources believed to be reliable, but neither Simonds nor SaleCo has independently verified the accuracy and completeness of such information.

This Prospectus also includes trademarks, trade names and service marks that are the property of other organisations.

Financial year periods: All references to FY2012, FY2013, FY2014 and FY2015 appearing in this Prospectus are to the historical financial years ended 30 June 2012, 30 June 2013 or 30 June 2014 and the forecast financial year ending 30 June 2015, respectively, unless otherwise indicated.

Statement of past performance: This Prospectus includes information regarding the past performance of Simonds and its subsidiaries. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Specific risks: You should carefully consider the risk factors that will affect the Company and its Subsidiaries specifically and the industries in which it operates.

Details of the risk factors of which investors should be aware are described in more detail in Section 6.

Amounts: All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated. Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Notice: The Shares being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (US Securities Act) or any US state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful under applicable law, including the US Securities Act. In addition, any hedging transactions involving the Securities may not be conducted unless in compliance with the US Securities Act. The offering of the Shares is being made only outside the United States in an offshore transaction under Regulation S under the US Securities Act.

Notice to New Zealand investors: This document has not been and will not be registered, filed with, or approved by any New Zealand regulatory authority under or in connection with the Securities Act 1978 (NZ). The document does not constitute a prospectus or investment statement under New Zealand law. This document is being distributed in New Zealand only to, and is directed only at, persons whose principal business is the investment of money or who, in the course of their business and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the Securities Act 1978 (NZ), or those persons who are paying a minimum subscription price of NZ$500,000 for the securities.

The Shares are not being offered or issued with a view to them being offered for sale to the public in New Zealand.

Financial amounts: Money as expressed in this Prospectus is in Australian dollars unless otherwise indicated.

Glossary: Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary in Section 11.

Photographs, maps and diagrams: Photographs used in this Prospectus without descriptions are only for illustration. Unless otherwise stated, assets and property portrayed in the photographs in this Prospectus are not owned by the Company. The inclusion of photographs supplied by persons or entities other than the Company does not constitute an endorsement or recommendation by those persons or entities of the Offer under the Prospectus. Maps and diagrams used in this Prospectus may not be drawn to scale.

Obtaining a copy of this Prospectus: A paper copy of the Prospectus is available free of charge to any person in Australia by calling the Offer information line on 1300 135 167 (Australia Only) between 8:15 am and 5:30 pm AEDT from Monday to Friday. This Prospectus is also available in electronic form at www.simondsgroup.com.au.

This Prospectus is only available in electronic form to Australian residents accessing the website from Australia.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. Applications for Shares under this Prospectus may only be made on the Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Website: Any documents included on the website www.simondcorporate.com.au (and any reference to them) are provided for convenience only and none of the documents or other information on the website are incorporated by reference into this Prospectus, with the exception of the policies and procedures relating to corporate governance set out in Section 4.

Disclaimer: No person is authorised to give any information or make any representation in connection with the Offer described in this Prospectus, which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Simonds, SaleCo or any of their Directors in connection with the Offer.

Privacy: By filling out an Application Form to apply for Shares, you are providing personal information to the Company through the Company's service provider, the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company which it considers may be of interest to you.

Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder Register;
- printers and other companies for the purpose of preparing and distributing statements and for handling mail;
- market research companies for the purpose of product development, product planning and analysing the Company's shareholder base; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to, or telephoning, the Share Registry as follows:

Telephone: 1300 135 167 (from within Australia) or +61 2 8016 2891 (from outside Australia)

Email: simonds@boardroomlimited.com.au

If any of your information is not correct or has changed, you may request that it be corrected.

Table of contents

KEY INFORMATION

Key Information

Key Dates

Prospectus Date	Wednesday, 22 October 2014
Offer Opening Date	Thursday, 30 October 2014
Offer Closing Date	Thursday, 13 November 2014
Expected commencement of trading on a conditional and deferred settlement basis on the ASX	Monday, 17 November 2014
Settlement of the Offer	Wednesday, 19 November 2014
Allotment and Transfer of Shares	Thursday, 20 November 2014
Dispatch of holding statements	Friday, 21 November 2014
Normal trading commences	Monday, 24 November 2014

The dates above are indicative only and may change without notice.

Simonds, in consultation with the Joint Lead Managers, reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens.

Key Offer Statistics and Investment Metrics[1]

The following table highlights key Offer statistics and should be read in conjunction with the financial information contained in Section 7.

Offer Price per Share	$1.78
Total Number of Shares available under the Offer[2]	90.4m
Total Existing Shares to be transferred under the Offer	84.8m
Total New Shares to be issued under the Offer	5.6m
Total Proceeds of the Offer	$161.0m
Total Proceeds from the transfer of Existing Shares under the Offer	$151.0m
Total Proceeds from the issue of New Shares under the Offer	$10.0m
Total Number of Shares following the Offer	151.4m
Total Number of Shares to be held by the Existing Shareholders after the Offer[3]	61.0m
Market Capitalisation at the Offer Price[4]	$269.5m
Enterprise Value at the Offer Price[5]	$247.1m
Enterprise Value / FY15 pro forma forecast EBITDA	7.3x
Offer Price / FY15 pro forma forecast earnings per Share	13.2x
FY15 pro forma forecast dividend yield (annualised)[6]	4.92%

1 *The Key Statistics contain Forecast Financial Information set out in Section 7, prepared on the basis of the best estimate assumptions set out in Sections 7.10, 7.11 and 7.12 and should be read in conjunction with the discussion of the Pro Forma Historical Financial Information in Section 7.8 including the sensitivities set out in Section 7.13, and the risk factors set out in Section 6. This table contains non-IFRS financial measures, which are discussed in Section 7.3.*
2 *Includes the transfer of the Existing Shares through SaleCo and the issue of New Shares by Simonds.*
3 *All of these Existing Shares will be subject to voluntary escrow arrangements. See Section 9.12 for further details of these voluntary escrow arrangements.*
4 *Market capitalisation is determined by multiplying the number of Shares on issue by the price at which the Shares trade on the ASX from time to time. Shares may not trade at the Offer Price after Listing. If Shares trade below the Offer Price after Listing, the market capitalisation may be lower.*
5 *Enterprise Value is calculated by adding market capitalisation at the Offer Price and pro forma net debt or deducting net cash.*
6 *Calculated as the implied dividend per Share (assuming the current intended dividend payout ratio of 65% of NPAT) as applied to FY15 pro forma forecast NPAT divided by the Offer Price. For more information on the Company's dividend policy, see Section 5.10.*

Summary Financial Information

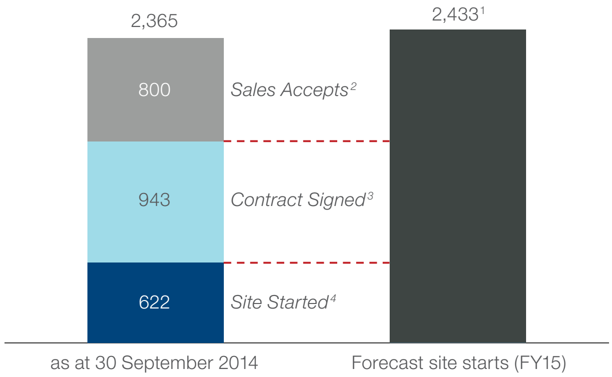
The following table shows selected summary financial information for Simonds Group. Where prospective financial information appears in this Prospectus you should read that financial information together with the assumptions in Section 7 and also the risk factors set out in Section 6. There is no guarantee that the results set out in the prospective financial information will be achieved.

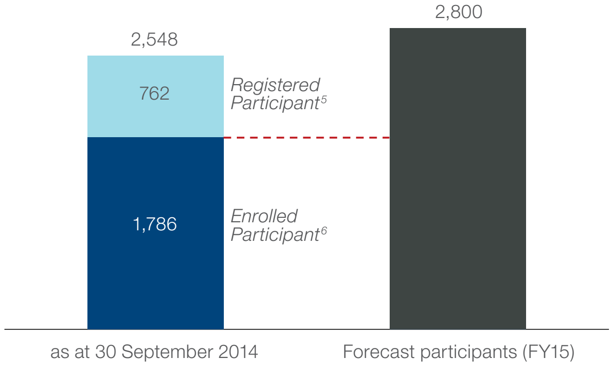
	Pro forma historical			Pro forma forecast	Statutory forecast
$m	**FY12**	**FY13**	**FY14**	**FY15**	**FY15**
Revenue	467.4	547.3	543.8	638.2	638.2
Gross Profit	93.9	112.2	116.7	140.7	140.7
EBITDA	7.3	21.7	21.6	34.0	0.3
EBIT	3.9	17.8	17.8	29.9	(3.8)
NPAT	1.1	11.3	11.7	20.4	(12.9)
EPS (cps)				13.47	
DPS (cps)				8.75	

	Statutory historical		
$m	**FY12**	**FY13**	**FY14**
Revenue	467.4	547.3	543.8
EBITDA	7.4	17.3	15.7

Revenue Pipeline and Visibility

Set out below is the pipeline in both Simonds Homes and Builders Academy Australia as at 30 September 2014. The pipeline information is a snapshot at a point in time, however is a significant part of the forecasts set out in this Prospectus for the forecast period to 30 June 2015.





1. *Excludes site starts from Madisson*
2. *Sales Accepts – customer has paid deposit to Simonds and Simonds are working with them on preparing a contract and other necessary preparatory work*
3. *Contract Signed – customer has entered into a contract with Simonds with a confirmed site start date for their home*
4. *Site Started – construction has commenced on the customers home*
5. *Registered Participant – participant registration paperwork has been completed and participant has committed to their course start date*
6. *Enrolled Participant – participant has enrolled and commenced their course*

LETTER FROM THE CHAIRMAN

Letter from the Chairman

22 October 2014

Dear Investor,

On behalf of the Directors, I would like to invite you to become a shareholder of Simonds Group, a business which I established nearly 65 years ago and represents my life's work.

Over this period, Simonds Group, specifically Simonds Homes, has been building a better life for Australians. As times change and builders come and go, our proud heritage of quality workmanship and award-winning design has seen us cement our place as one of Australia's leading homebuilders. Building the quality into every Simonds home is a highly experienced and skilled team, comprising engineers, architects, design consultants and a construction workforce – all specially trained to meet our meticulous standards. Importantly, we also never lose sight of the fact that we are given the privilege to build one of our customers' greatest life achievements.

I am also proud that over the past few years, we have established the Builders Academy Australia ("**BAA**"), a vocational education and training business specifically aimed at training Australians in building and construction. Whilst this business has seen tremendous growth and profitability, I am especially proud that as a leader in our industry, we are proactively encouraging the training of young people in our industry and ensuring that the skills base continues to improve.

I am also very proud of our people and in particular, I believe that over the past 7 years, Simonds has assembled a highly skilled and dedicated management team led by our CEO, Paul McMahon. Our management team's experience, passion and skills drive our business and people, each a key ingredient in our success.

As the organisation moves from a family business into a publicly listed company, we believe there is tremendous opportunity to expand our business model further into New South Wales, Queensland and South Australia. As a publicly listed company, our people, business processes and designs will put us in a strong position to become a recognised name outside our traditional home of Victoria.

Our business is one which I believe is important to Australia as our population continues to grow and with it the demand for affordable housing. Simonds Group is in a strong position to benefit from this demand given our focus on affordable houses. Similarly, in the VET sector, we believe that BAA will benefit from the focus to address our national skills shortages, in particular within building and construction.

I invite you to carefully read the detailed information about the Offer and Simonds Group set out in this Prospectus. Our industry is a dynamic one and I do ask that you consider the risks involved in our business including adverse changes in the housing market, VET sector and general economic conditions. Please refer to Section 6 for further information about the key risks of investing in Simonds Group.

The Directors and senior management team look forward to welcoming you as a Shareholder and embarking on the next phase of our story.

Yours faithfully,

Gary Simonds
Chairman

1

INVESTMENT OVERVIEW

1. Investment Overview

This Section is intended to be a summary only and should be read in conjunction with the other Sections of this Prospectus, including Section 6 – Risk Factors.

<table>
<tr><th colspan="3">The Business</th></tr>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What is the nature of the business of Simonds Group?</td><td>Simonds Group primarily consists of two integrated businesses:
• Simonds Homes – one of the leading homebuilders in Australia; and
• Builders Academy Australia – a specialised Registered Training Organisation (“RTO”) providing building and construction focused vocational education and training (“VET”) courses in Australia.

Simonds Homes
As the number one homebuilder in Victoria with 2,406 site starts (including Madisson Projects) achieved in FY14, Simonds Homes employs around 520 full time equivalent employees and currently operates in 97 display home locations across Victoria, Queensland and South Australia with plans to expand display homes in New South Wales.

Simonds Homes business model is primarily focused on selling, marketing, arranging and constructing homes for customers. Simonds Homes does not typically own land; rather it works with land developers and owners.

A large part of the Simonds Homes business is customers who are in the First Home Buyer (“FHB”) segment, however the business continues to evolve into other buyer categories including investors, upgraders/downsizers and developers.

The Simonds Homes business comprises approximately 71% of Simonds Group based on FY15F pro forma EBITDA.

Builders Academy Australia
As a nationally accredited RTO, BAA provides building and construction focused VET courses and has a government funding contract with the Victorian Government. BAA delivers its training across more than 50 training locations in Victoria and, for the year to 30 September 2014, had 2,548 participants (Enrolled Participants and Registered Participants).

The Builders Academy Australia business comprises approximately 29% of Simonds Group based on FY15F pro forma EBITDA.</td><td>Section 3</td></tr>
<tr><td>What industries does Simonds Group operate in?</td><td>Simonds Group operates in the Australian house construction industry and the Australian VET industry.</td><td>Section 2</td></tr>
<tr><td>How does Simonds Group generate its income?</td><td>Simonds Group generates income primarily from:
• the sale and construction of single and double storey homes, town houses and medium density housing across multiple brands and product offerings; and
• the provision of building and construction focused VET courses.</td><td>Section 3 and Section 7</td></tr>
</table>

The Business

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What are the growth opportunities for Simonds Group?</td><td>Simonds Homes
Identified growth opportunities for Simonds Homes include:
• expansion into New South Wales, Queensland and South Australia leveraging its successful platform in Victoria;
• access to a pipeline of land projects through strong relationships with major landholders who work with Simonds Homes for its ability to increase the saleability of their land;
• continuing to benefit from a growing population across Australia, particularly the east coast with immigration being a driving factor; and
• capitalising on inner city “in-fill” development opportunities through its Madisson Projects business (medium density contracting) and its Metropolitan product (knock-down/rebuild).
Builders Academy Australia
Identified growth opportunities for BAA include:
• increasing student participants in Victoria as the State subsidised VET industry continues to expand and private RTOs continue to capture market share from traditional VET providers (e.g. TAFE institutions);
• potential opportunities to acquire smaller building and construction education focused RTOs;
• development of online course offerings;
• transitioning into offering VET FEE-HELP funded diploma and advanced diploma level courses (VET FEE-HELP is an Australian Government loan scheme);
• obtaining Pre-Qualified Supplier (PQS) status with the Queensland government, allowing BAA to deliver courses to eligible Queensland residents using Queensland government funding; and
• adding more training courses, including Certificate II and Certificate III courses.</td><td>Section 3.3 and Section 3.4</td></tr>
<tr><td>How does Simonds Group expect to fund its operations?</td><td>Simonds Group’s operations (both Simonds Homes and BAA) have historically been funded from the cash flows of the business.
Simonds Homes operates on strong terms of trade with construction costs being funded through progress claims paid by the end customer throughout the construction period.
Similarly, most of BAA’s course fees are received in stages as each student progresses through their course studies in accordance with BAA’s current VET Funding Agreement with the Victorian State Government.
As part of the Offer, Simonds Group will raise $10.0 million to fund further working capital investment, Offer costs and growth initiatives.
The Group has funding facilities in place with CBA of $27.5 million comprising $23.5 million commercial bills and an overdraft facility to meet its working capital funding requirements in excess of cash flows from operations. As at 30 June 2014, the Group had not drawn the commercial bill facilities. The Group also holds a $4.0 million equipment finance facility with CBA, drawn to $2.2 million as at 30 June 2014. The commercial bill facilities are due to expire in February 2015 ($2.5 million) and June 2015 ($21.0 million) respectively.</td><td>Section 3.1, Section 3.3, Section 5.2 and Section 9.4</td></tr>
</table>

The Business

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What are the key strengths and competitive advantages of Simonds Group?</td><td>Key strengths and competitive advantages of Simonds Group are as follows:
1. Established and proven management team
2. Simonds Homes is a market leader in a highly fragmented industry
3. BAA is operating in the high growth Australian VET sector and provides participants with credible employment outcomes
4. Simonds has created a unique platform and brand value built over 65 years of operations
5. Market leading position in Victoria and well positioned to grow meaningfully into New South Wales, Queensland, and South Australia
6. Robust and demonstrated revenue and earnings growth
7. Capital light business model with strong positive cash flow
8. Innovative IT systems and processes</td><td>Section 3.1</td></tr>
<tr><td>Who are the Directors of Simonds Group?</td><td>• Gary Simonds, Chairman
• Paul McMahon, CEO and Managing Director
• Susan Oliver, Independent Director
• Richard Colless, Independent Director
• Matthew Chun, Independent Director
• Leon Gorr, Non-Executive Director</td><td>Section 4.2</td></tr>
<tr><td>Who are the key management of Simonds Group?</td><td>• Paul McMahon, Chief Executive Officer
• Robert Stubbs, Chief Financial Officer and Company Secretary
• Chris Troman, Chief Operating Officer
• Mark Vujovich, Chief Sales & Marketing Officer
• Gerard Healy, General Manager – Builders Academy Australia
• Michael Gerolemou, Chief Human Resources Officer
• Steve Marvilla, General Manager – Developments
• David Whitford, General Manager – Building and Construction
• Trent Smith, General Manager – Pre Construction</td><td>Section 4.3</td></tr>
<tr><td>Who are the Existing Shareholders and what will be their interest in Simonds Group at Completion of the Offer?</td><td><table>
<tr><th>Existing Shareholder</th><th>Shares sold under the Offer</th><th>Shares held after the Offer</th><th>Percentage of total Shares after Offer</th></tr>
<tr><td>Entities associated with Gary Simonds</td><td>83,786,574</td><td>55,857,716</td><td>36.89%</td></tr>
<tr><td>Entities associated with Paul McMahon</td><td>800,000</td><td>4,000,000</td><td>2.64%</td></tr>
<tr><td>Entities associated with other management</td><td>220,000</td><td>1,130,000</td><td>0.75%</td></tr>
<tr><td>Total</td><td>84,806,574</td><td>60,987,716</td><td>40.28%</td></tr>
</table></td><td>Section 9.3 and Section 9.12</td></tr>
</table>

1. HIA Housing 100 – Australia's Largest Homebuilders and Residential Developers 2013/14

The Business

Topic	Summary	For more information
Who are the Existing Shareholders and what will be their interest in Simonds Group at Completion of the Offer? continued	The Existing Shareholders are the current shareholders of Simonds Group. Some of the Existing Shareholders will sell a proportion of their shareholding to SaleCo which will then be onsold by SaleCo under the Offer. The Existing Shareholders have entered into voluntary escrow arrangements in relation to the Shares that they will hold on completion of the Offer and, subject to certain exceptions, their shareholdings will be subject to voluntary escrow arrangements until the earlier of the release of the preliminary financial report for the year ending 30 June 2016, or two years from the Prospectus Date.	Section 9.3 and Section 9.12

The Offer

Topic	Summary	For more information
Key Offer Statistics	See table and notes below	Section 5.1 and Section 7

Offer Price per Share	$1.78
Total Number of Shares available under the Offer[1]	90.4m
Total cash proceeds from the Offer[2]	$161.0m
Total Number of Shares following the Offer[3]	151.4m
Market capitalisation at the Offer Price	$269.5m
Enterprise Value[4]	$247.1m

1 *Includes the transfer of the Sale Shares through SaleCo and the issue of Shares by the Company. See Section 5.1.*
2 *$151.0 million to be be paid to the Selling Shareholders (less the Selling Shareholders' portion of the underwriting fee) and $10.0 million to be paid to Simonds under the issue of new Shares.*
3 *1,752,809 performance rights will be issued on Completion of the Offer. Please see Section 9.6 for further information.*
4 *Enterprise Value is calculated by adding market capitalisation at the Offer Price and pro forma net debt or deducting net cash as at 30 June 2014 based on the pro forma statement of financial position.*

Topic	Summary	For more information
What is the Offer?	The Offer comprises the transfer of the Sale Shares by SaleCo and the issue of Shares by Simonds Group. A description of the role of SaleCo in the Offer is set out in Section 9.4. In total: 1. SaleCo is offering to sell 84.8 million Shares in Simonds Group at an Offer Price of $1.78 per Share; and 2. Simonds Group intends to raise $10.0 million by offering to issue 5.6 million Shares at an Offer Price of $1.78 per Share.	Section 5.1 and Section 9.4
What is SaleCo and what is its involvement in the Offer?	SaleCo is a special purpose vehicle established to enable Selling Shareholders to sell the Sale Shares under the Offer. Each Selling Shareholders has executed a deed poll in favour of, and for the benefit of, SaleCo under which it irrevocably offers to transfer the Sale Shares to SaleCo free from encumbrances and third party rights and conditional on Listing. The Selling Shareholders have agreed to sell 84.8 million Sale Shares to SaleCo. The Sale Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price.	Section 9.4

The Offer

Topic	Summary	For more information
Why is the Offer being conducted?	The Offer represents the partial sell-down by Gary Simonds (and entities associated with Gary Simonds) of the business he has built since starting 65 years ago in 1949. The Existing Shareholders, being entities in which Gary Simonds, Paul McMahon and other management persons have an interest, intend to retain approximately 40.3% of the Shares on issue in Simonds Group immediately post-Listing demonstrating their belief in the continued success of the business model and its growth prospects. The Existing Shareholders' retained holdings will be subject to voluntary escrow arrangements until the earlier of the release of the preliminary financial report for the year ending 30 June 2016, (approximately 21 months from the proposed Listing), or two years from the Prospectus Date. The purpose of the Offer is to: • fund a partial sell-down of 84.8 million Shares by the Existing Shareholders; • raise $10.0 million for Simonds Group to fund acquisitions, working capital and growth initiatives; • provide Simonds Group with access to capital markets; • provide an opportunity for Simonds Group employees to invest in the Shares of Simonds Group; • provide the Simonds Group business with the benefits of an enhanced corporate profile that arises from being a listed entity; and • provide funds to pay the expenses of the Offer.	Section 5.2 and Section 9.12
How will the proceeds of the Offer be used?	The proceeds of the Offer will be applied to: • the acquisition of the Sale Shares from SaleCo (being from the Selling Shareholders); • funding for working capital and growth initiatives; and • the payment of costs associated with the Offer.	Section 5.5

Sources	$ million	Uses	$ million
Cash proceeds received for the transfer of Sale Shares	151.0	Payment to SaleCo/the Selling Shareholders	151.0
Cash proceeds received for the issue of New Shares	10.0	Working capital	5.3
		Transaction costs	4.7
Total	**161.0**	**Total**	**161.0**

The Offer

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What is the key financial information?</td><td>

$m	Pro forma historical FY12	Pro forma historical FY13	Pro forma historical FY14	Pro forma forecast FY15	Statutory forecast FY15
Revenue	467.4	547.3	543.8	638.2	638.2
Gross Profit	93.9	112.2	116.7	140.7	140.7
EBITDA	7.3	21.7	21.6	34.0	0.3
EBIT	3.9	17.8	17.8	29.9	(3.8)
NPAT	1.1	11.3	11.7	20.4	(12.9)
EPS (cps)				13.47	
DPS (cps)				8.75	

$m	Statutory historical FY12	Statutory historical FY13	Statutory historical FY14
Revenue	467.4	547.3	543.8
EBITDA	7.4	17.3	15.7

</td><td>Section 7</td></tr>
<tr><td>Will the Shares be quoted on the ASX?</td><td>Simonds Group will apply for admission to the Official List of the ASX and quotation of Shares on the ASX under the code "SIO".

Completion of the Offer is conditional on the ASX approving the application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as possible and in accordance with the requirements of the Corporations Act.</td><td>Section 5.12</td></tr>
<tr><td>How is the Offer structured?</td><td>The Offer will consist of:
• the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other authorised jurisdictions to apply for Shares;
• the Broker Firm Offer, which is open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their Broker;
• an issue of Shares under the Employee Gift Offer to all Eligible Employees of Simonds Group of approximately 280 Shares (valued at $500) each, plus a further salary sacrifice option; and
• an issue of Shares under the Priority Offer, under which Eligible Employees will be invited to apply for Shares, limited to $2.0 million in aggregate proceeds.</td><td>Section 5.9</td></tr>
<tr><td>Is the Offer underwritten?</td><td>Yes. The Offer is fully underwritten by the Joint Lead Managers.</td><td>Section 5
and Section 9.4</td></tr>
<tr><td>Has any ASIC relief or ASX waiver been obtained or applied for?</td><td>Simonds Group and SaleCo have applied for ASIC modification.</td><td>Section 9.23</td></tr>
</table>

The Offer

Topic	Summary	For more information
What is Simonds Group's dividend policy?	Simonds Group will target a dividend payout ratio of 65% of NPAT (65% of NPAT for the period from 1 January 2015 to 30 June 2015 for FY15), subject to the discretion of the Simonds Group Board of Directors with consideration to customary factors including cash flows requirements, capital expenditure, growth initiatives, business conditions and prevailing and/or forecast market conditions.	Section 5.10
What is the allocation policy?	The allocation of Shares among Applicants will be determined by Simonds Group in its sole discretion, having consulted with the Joint Lead Managers. The allocation policy will be influenced by a number of factors, which may include: • the number of Shares bid by particular bidders; • the number of Shares applied for by Applicants; • Simonds Group's desire for an informed and active trading market following Listing on the ASX; • Simonds Group's desire to establish a wide spread of institutional Shareholders; • the overall level of demand; • an assessment of whether particular bidders and Applicants will be long term Shareholders; and • any other factors that Simonds Group and the Joint Lead Managers consider appropriate.	Section 5.8
Who will pay for the Offer costs?	The Company will pay the costs associated with the Offer of approximately $4.7 million, excluding the underwriting fee related to the sell-down of the Sale Shares by the Selling Shareholders. The Selling Shareholder entities associated with Gary Simonds will pay the portion of the underwriting fee of the Offer relating to the Selling Shareholder sell-down, being approximately $3.8 million.	Section 9.4 and Section 9.19
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 5.17 and Section 9.15
What are the tax implications of investment in the Shares?	The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. General tax information on potential tax considerations is set out in Section 9.15.	Section 9.15
When will I receive confirmation that my Application has been successful?	Please contact your Broker after 20 November 2014 to confirm your allocation of Shares. The allocation policy for the Offer is set out in Section 5.8. Holding statements are expected to be despatched to successful Applicants on or about 21 November 2014.	Section 5.8
What is the minimum Application size under the Offer?	The minimum Application under the Broker Firm Offer and Priority Offer is $2,500 (approximately 1,405 Shares).	Section 5.9
How can I apply?	Eligible investors may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.	Section 5.9

The Offer

Topic	Summary	For more information
Can the Offer be withdrawn?	Simonds Group and SaleCo may withdraw the Offer at any time before the allotment of Shares to successful Applicants or bidders under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.	Section 5.13 and Section 5.18
Where can I find out more information about this Prospectus or the Offer?	If you have any queries in relation to this Prospectus, including how to complete the Application Form or how to obtain additional copies, then you can: • call the Simonds Offer Information Line on 1300 135 167 (toll free within Australia) or +61 2 8016 2891 (outside Australia) between 8:15am and 5:30pm (AEDT), Monday to Friday; or • visit www.simondsgroup.com.au to download an electronic copy of the Prospectus. If you are unclear in relation to any matter or are uncertain as to whether Simonds Group is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.	Section 5.19
What are the key risks of the Offer?	Simonds Group *Key personnel, recruitment and staff retention* The success of Simonds Group's business is dependent on the leadership of its key management personnel, including Paul McMahon, CEO, and other members of the management team. The loss of key personnel could have a material adverse effect on Simonds Group through a loss of leadership, institutional knowledge and potentially through loss of relationships. *Risks associated with Existing Shareholders retaining a significant Shareholding* The Existing Shareholders will hold approximately 40.3% of the Shares on issue post completion of the Offer. Any sale of Shares in the future by the Existing Shareholders could adversely affect the market price of the Shares. The Existing Shareholders retained holdings will be subject to escrow arrangements until the earlier of the release of the preliminary financial report for the year ending 30 June 2016, or two years from the Prospectus Date. Simonds Homes *Cyclical economic conditions* Simonds Homes is dependent on activity levels in the residential housing construction industry in Australia, which is cyclical and is highly sensitive to a broad range of economic and other factors that are beyond Simonds Group's control, including interest rates, inflation, population growth, unemployment levels, consumer confidence and other general economic and market conditions. Any deterioration in these factors, either individually or in combination, may reduce the demand for housing construction, which could have an adverse effect on the future financial performance and position of Simonds Group. *Changes to immigration policies* Immigration inflows, as a significant contributor to population growth, are a major driver of new homes sales and construction. Simonds Group estimates that many of its customers are recent migrants to Australia. Any change to immigration policies which reduces migration to Australia, and therefore population growth, negatively impacts the demand for housing construction, this could have an adverse effect on the future financial performance and position of Simonds.	Section 6

The Offer		
Topic	**Summary**	**For more information**
What are the key risks of the Offer? continued	*Changes to government policies in relation to property ownership* A number of Simonds Homes customers may be impacted by government policy in relation to real estate ownership, including but not limited to: • FHBs impacted by Federal and State Government changes to FHB grant schemes • Australian investors may be impacted by changes to the taxation treatment of "negative gearing" • Offshore buyers may be impacted if the government makes changes to foreign ownership laws Any change to government policies, particularly in relation to FHB grant schemes, will impact the demand for housing which could have an adverse effect on the future financial performance and position of Simonds. *Competition from apartments* Simonds Homes operates predominantly in the single-unit detached housing sector, as opposed to the multi-unit (apartment) housing sector. Increased demand for apartments may have an impact on demand for detached dwellings which may negatively impact Simonds Homes' financial performance and position. *Government allocation towards infrastructure expenditure* The ease of access to efficient transport to/from major economic hubs influences the salability of residential housing. If the Government were to decrease transport infrastructure or direct it away from suburban locations, this may have a negative impact on Simonds Homes' financial performance and position. *Reliance on key suppliers* Simonds Homes has contractual arrangements with a large number of suppliers. If a key supplier were to fail to deliver (either through financial difficulties or some other reason), this may impact Simonds Homes' ability to deliver the construction of homes on budget and/or on time and may negatively impact Simonds Homes' financial performance and position. *Adverse movements in exchange rates* Simonds Homes' suppliers, as importers, may be impacted by movements in exchange rates. As Simonds Homes' suppliers may make payments for their materials and inventories in foreign currency, potential cost increases due to unfavourable exchange rate movements may impact the cost of supplies to Simonds Homes. This may negatively impact Simonds Homes' financial performance and position. *Construction and structural defects* Simonds Homes is in the construction industry and therefore is exposed to risks relating to structural and building defects. These may result in a negative customer experience, potential brand damage and financial costs to Simonds for repairs and rectification. These factors, either individually or in combination, may have an adverse effect on the financial performance and position of Simonds Homes. *Contracting Risk* The Madisson business division has entered into contracts which are generally characterised by large, term, fixed price contracts pursuant to which Madisson's obligations can continue for multiple years. The terms of these contracts are onerous on Madisson as the contracts contain few limits on the liability of Madisson for non-performance and liquidated damages for late delivery. The payment of liquidated damages may be substantial and may negatively impact Simonds Homes' financial performance and position.	Section 6

The Offer		
Topic	**Summary**	**For more information**
What are the key risks of the Offer? continued	*Time delay* The Madisson business division's performance is influenced by its ability to win new contracts for construction and development services and complete them in a timely manner based on planned timetables. Development approvals, slow decision-making by counterparties, complex construction specifications, changes to design briefs, legal issues and other documentation changes may give rise to delays in completion, loss of revenue and cost overruns. Madisson's projects may be subject to claims for extensions of time by Madisson as a result of such delays. These delays in completion could result in liquidated damages and possible termination, which may negatively impact Simonds Homes' financial performance and position. BAA *Loss of VET funding contract* BAA currently has a 3-year VET funding contract, beginning in 2014 with the State Government of Victoria. A significant proportion of BAA's revenue is derived from funding provided under this contract. If BAA loses this contract for breaches or non-compliance under the terms of this contact, BAA will no longer receive funding from the Victorian government for delivering VET courses to Victorian students. This could have a material adverse impact on BAA's operations, financial performance and financial position. *Change in government funding and support arrangements for the VET sector* If the Victorian State Government decides to reduce funding available to the private VET sector, or segments of the VET sector that BAA operates in, this may impact the amount of funding BAA is able to claim from the government as well as the level of subsidies available for VET courses offered to students. This may have a negative impact on the financial performance and position of BAA. *Increased competition* The market for VET services in Australia is highly competitive with BAA competing not only with other private RTOs, but also public TAFE institutions. Any increase in competition or deterioration in the competitive position of BAA may have a negative impact on financial performance and position. *Regulatory factors* BAA is a nationally accredited RTO under the Australian Skills Quality Authority ("**ASQA**"). If BAA receives an adverse audit outcome from ASQA this may result in BAA being prevented from retaining its RTO license or re-registering as an RTO, which may adversely impact on BAA's reputation, its ability to deliver VET courses and its ability to receive government funding. Also, BAA is due to have its registration as an RTO reviewed in February 2015. There is a risk that this registration may not be granted. This could have a material adverse impact on BAA's reputation, financial performance and financial position. *Acquisition Integration* BAA will look to expand its businesses through the acquisition of other RTO businesses. Integrating these businesses into the broader BAA group will require an expansion of management's responsibilities and financial, operational and risk reporting functions, which may potentially disrupt, strain or add greater than anticipated costs to the ongoing operations of BAA.	Section 6

Shareholders, Directors and related parties

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>Who are the Existing Shareholders and what will their interests be at the Completion of the Offer?</td><td>Entities associated with Gary Simonds (Chairman), Paul McMahon (CEO) and other management are the sole Shareholders as at the Prospectus Date. These Existing Shareholders will hold approximately 40.3% of the Shares on issue in Simonds Group at Completion of the Offer.
<table>
<tr><th>Shareholder</th><th>Shares held as at Pros-pectus Date (%)</th><th>Percentage of Shares held at Pros-pectus Date</th><th>Sale Shares to be sold</th><th>Shares held post Compl-etion (%)</th><th>Percentage of Shares held post Compl-etion</th></tr>
<tr><td>Entities associated with Gary Simonds</td><td>139,644,290</td><td>95.78%</td><td>83,786,574</td><td>55,857,716</td><td>36.89%</td></tr>
<tr><td>Entities associated with Paul McMahon</td><td>4,800,000</td><td>3.29%</td><td>800,000</td><td>4,000,000</td><td>2.64%</td></tr>
<tr><td>Other management</td><td>1,350,000</td><td>0.93%</td><td>220,000</td><td>1,130,000</td><td>0.75%</td></tr>
<tr><td>Total</td><td>145,794,290</td><td>100.00%</td><td>84,806,574</td><td>60,987,716</td><td>40.28%</td></tr>
</table>
The Selling Shareholders have agreed to sell the Sale Shares in the Offer through their arrangements with SaleCo and will retain the balance of their Existing Shares on Listing.</td><td>Section 5.4 and Section 9.4</td></tr>
<tr><td>What role will Gary Simonds play in Simonds Group going forward?</td><td>Gary Simonds will continue to be involved in Simonds Group as Non-Executive Chairman. Entities associated with Gary Simonds will be the largest shareholder with approximately 36.9% of the Shares on issue post completion of the Offer.</td><td>Section 4.4 and Section 5.4</td></tr>
<tr><td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?</td><td><table>
<tr><th>Director</th><th>Shares held on Listing</th><th>Performance Rights at Listing</th></tr>
<tr><td>Gary Simonds</td><td>55,857,716</td><td>Nil</td></tr>
<tr><td>Paul McMahon</td><td>4,000,000</td><td>280,900</td></tr>
<tr><td>Susan Oliver</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Richard Colless</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Matthew Chun</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Leon Gorr</td><td>56,000</td><td>Nil</td></tr>
</table>
The Directors, other than Leon Gorr, do not intend to apply for Shares under the Offer.

Directors and other management are entitled to remuneration and Director's fees on ordinary commercial terms. Further information is set out in Section 4.4.

Leon Gorr, a non-executive Director, is also a Partner at HWL Ebsworth, the Legal Advisor to the Company.

Advisers and other service providers are entitled to fees for services. Further information of these fees are set out in Section 9.18.</td><td>Section 4.4 and Section 9.18</td></tr>
</table>

Shareholders, Directors and related parties		
Topic	**Summary**	**For more information**
Will any Shares be subject to escrow arrangements following Completion of the Offer?	Escrow arrangements will be applied to Shares held by the Existing Shareholders. Subject to certain exceptions, the Existing Shareholders must not dispose of, or agree to dispose of, the escrowed Shares whilst those escrowed Shares are subject to voluntary escrow arrangements. Shares owned by the Existing Shareholders post Listing will be escrowed until the earlier of the Company releasing to the ASX its preliminary announcement of the Company's preliminary financial results in respect of the financial year ending 30 June 2016, or two years from the Prospectus Date. After this date, all of the relevant escrowed Shares will be released from the voluntary escrow restrictions.	Section 5.16 and Section 9.12
Are there any incentive arrangements associated with the Offer?	Under previous employment and consulting arrangements entered into by Simonds Group over the past few years, Paul McMahon, three other executives of Simonds Group and a management contractor (Remy Partners Pty Ltd ACN 154 329 861 (**Remy Partners**)), were entitled to receive various cash payments from Simonds Group in the event of a sale of business, including an IPO, and depending on certain key performance indicators being met. As a consequence of this IPO, these 5 parties have agreed to new arrangements with Gary Simonds associated entities (outside of the Group) which will see Paul McMahon and three other executives vary the terms of their previous agreements such that the consideration they receive will be part cash and part shares in the Simonds Group, other than Remy Partners which will receive its entitlement in cash only. This will be provided in a way that the after-tax position of Paul McMahon and three other executives is the same under both arrangements. Remy Partners will receive consideration in cash. Gary Simonds associated entities (outside of the Group) will make loans to the executives to enable them to acquire 6.15 million shares pre IPO (4.22% of the pre IPO shares) and will make cash payments to the 5 parties totalling $24.8 million. These benefits are considered to be a share based payment under *AASB 2 Share-based Payment*, even though the cash cost of these arrangements will be borne in full by Gary Simonds associated entities (outside of the Group). The Shares held by Existing Management Shareholders (which are associates of Paul McMahon and three other executives) on Listing will be subject to escrow arrangements, as described in Section 5.16 and Section 9.12.	Section 4.6

2 INDUSTRY OVERVIEW

2. Industry Overview

House Construction Industry

2.1 Introduction

Simonds Group operates in the Australian house construction industry which encompasses work on both new and existing dwellings across traditional single-unit houses and multi-unit apartments and townhouses.

The Australian house construction industry is estimated to be currently valued at $39.9 billion and is forecast to grow by an annualised 2.0% over the five years through to 2018-19 to reach $44.1 billion[1].

2.2 Industry Characteristics

Products and services

The industry derives approximately half of its revenue from the construction of new single-unit dwellings, either on new residential subdivisions or on existing building sites.

According to the ABS, dwellings can be either houses or other residential buildings:

- a 'house' is a detached building which is primarily used for long-term residential purposes and consists of one dwelling unit
- an 'other dwelling' is a building which contains (or has attached to it) more than one dwelling unit and can be further categorised into either 'medium density' or 'high density'

Houses make up the majority of permanent residential accommodation construction in Australia by value. The value of house and 'other dwelling' construction is expected to increase by annualised growth rates of 6.1% and 1.1% respectively from 2013 – 2016F.[2]

Customers

Private homebuyers (excluding property developers) represent about 90% of the housing market. Private homebuyers can be further categorised in the following:

- First home buyers (FHBs): this customer segment represents approximately 25% of industry revenue. The FHBs market generally involves developments in outer suburban locations where land prices are lower and houses are constructed on new subdivisions.
- Upgraders/downsizers and investors: these customer segments represent 65% of industry revenue and typically look for larger and more expensive homes.

Simonds Homes' multi-brand product offering caters for FHBs, private homebuyers (upgraders/downsizers and investors etc.) as well as property development customer or market segments.

Geographic segmentation

There is a disproportionately large share of homebuilding activity in Victoria relative to their respective share of Australia's population. This contrasts to Queensland and New South Wales where increasing stock deficiencies or housing shortages are developing in these regions. BIS Shrapnel estimates that, as at 30 June 2015, stock deficiencies in New South Wales and Queensland were ~55,000 and ~20,000 respectively.

Figure 1 – Product and services breakdown (by revenue)[1]

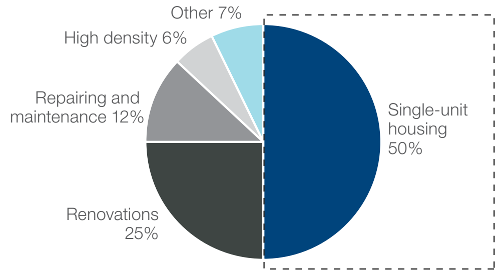


Figure 2 – Customer type breakdown (by revenue)[1]

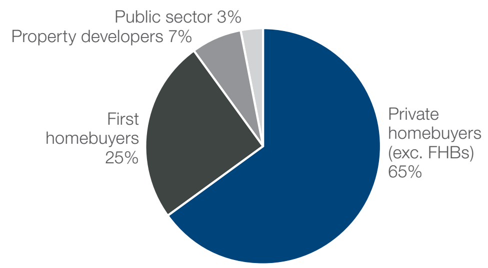
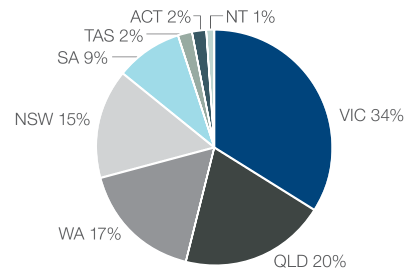


Figure 3 – Geographic breakdown (by site starts)[1]



1. IBISWorld Industry Report E3011: House Construction in Australia (June 2014)
2. BIS Shrapnel – Building in Australia (2014–2029), 34th edition

Competitors

The house construction industry is highly fragmented, comprising many small scale, geographically dispersed operators. The four largest home builders account for less than 10.0% of annual industry revenue and national housing starts.[1]

Simonds Homes is the leading homebuilder in Victoria with 2,079 (including Madisson Projects) site starts achieved for the state in FY14 (representing a 4.3% market share)[2,3].

Figure 4 – FY14 homebuilder ranking by site starts – eastern seaboard and South Australia[2]

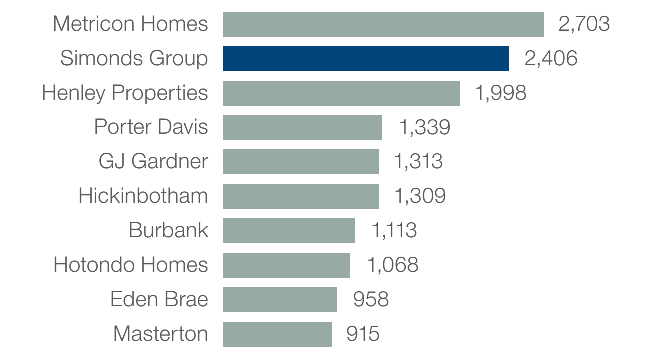


Figure 5 – FY14 homebuilder ranking by site starts – Victoria[2]

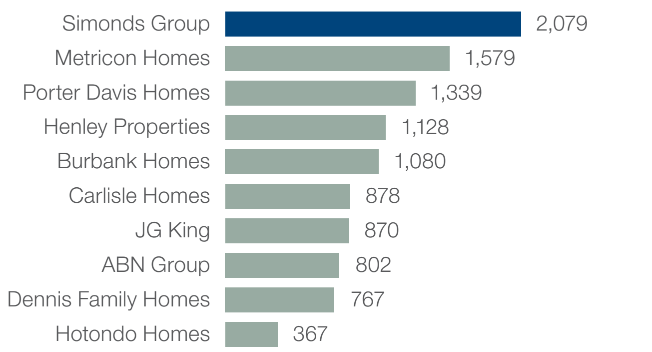
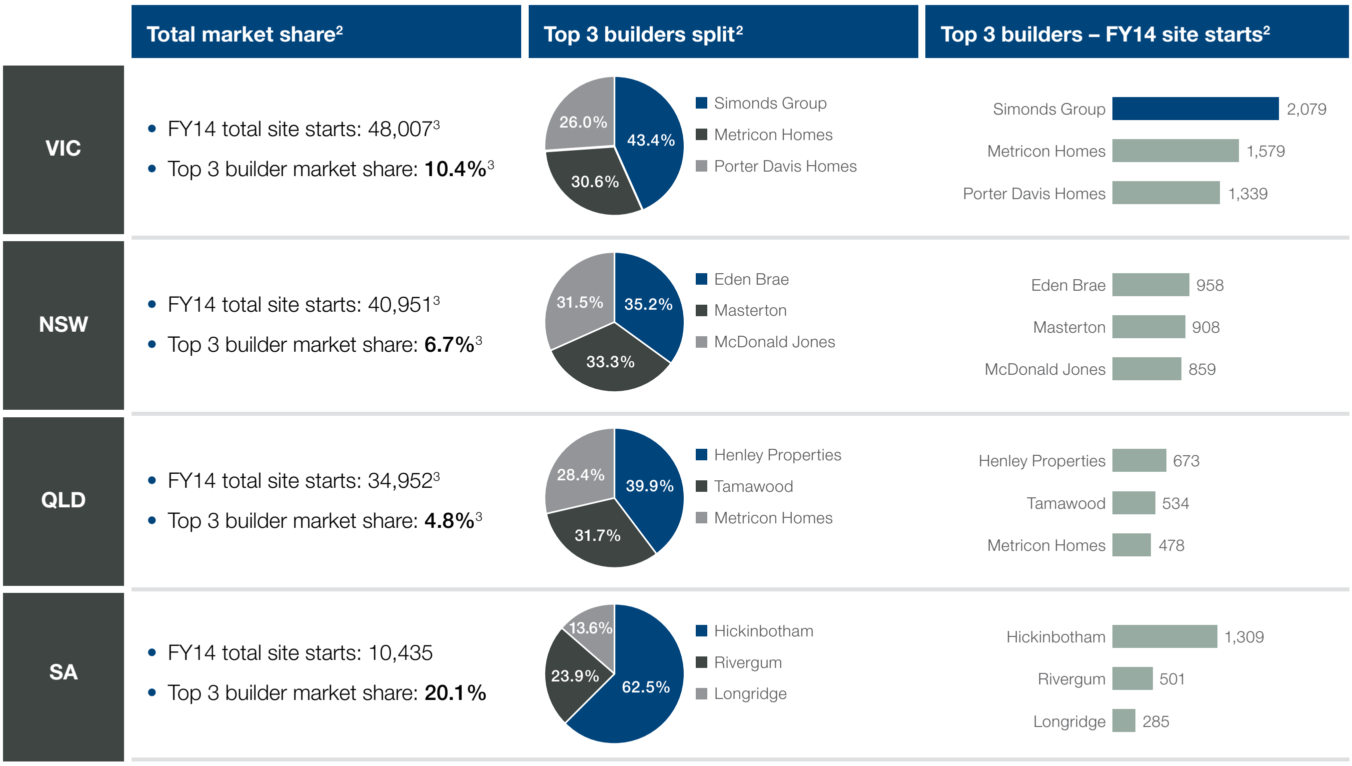


Figure 6 – Competitive landscape across Victoria, New South Wales, Queensland and South Australia



1. IBISWorld Industry Report E3011: House Construction in Australia (June 2014)
2. HIA Housing 100 – Australia's Largest Homebuilders and Residential Developers 2013/14; Simonds Group site starts from Company records
3. Homebuilding rankings and market share exclude significant operators that focus on multi-unit dwellings (i.e. Meriton, Brookfield Multiplex and L.U. Simon Builders)

2.3 Key Industry Drivers

General economic conditions

General economic conditions impact the propensity of households to commit to new housing projects. Key statistics include:

- Unemployment rate is currently at 6.2%[1] which is lower than the OECD average
- Annual economic growth in Gross Domestic Product (GDP) to the March 2014 quarter has lifted 3.1%[2]
- Inflation (headline and underlying) expected to remain within the RBA's 2 – 3% target range[2] through to June 2015 quarter

Job security, in particular, is a key factor driving demand in the housing market because of the importance of future expected income in the commitment to buy a house.

Interest rates, household net worth and debt levels

Interest rates, household net worth, debt levels and banks' lending policies have an influence on the level of housing demand.

The prevailing mortgage interest rates have a direct impact on the cost of, and therefore demand for, buying a house. The official cash rate has been lowered by 225 basis points since November 2011 and is currently at 2.50% which is the lowest it has been in over 50 years.

In addition to historically low interest rates, real net worth per household has increased 8.3% over the year to March 2014 which has positive implications for a household's willingness to buy a house.

Reflecting household's ability and willingness to access debt funding, household debt to annualised household disposable income has been progressively rising to its current level of approximately 135%.

Figure 7 – Unemployment and GDP growth[1]

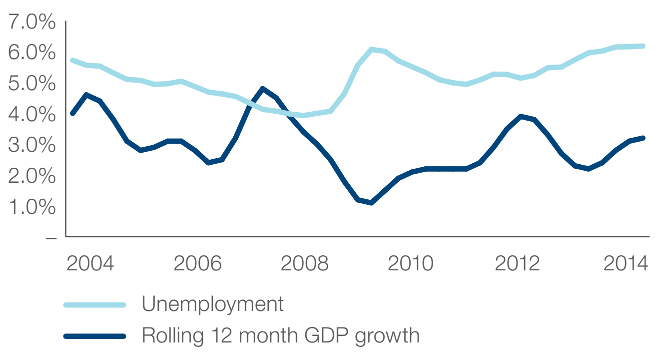


Figure 8 – RBA cash rate[3]

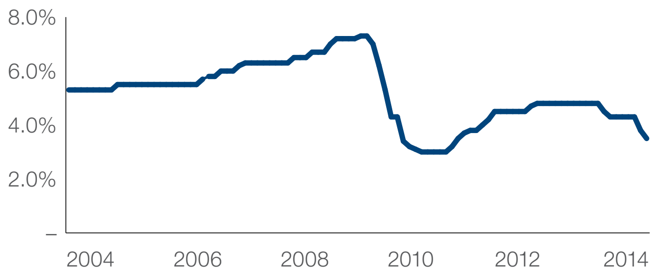
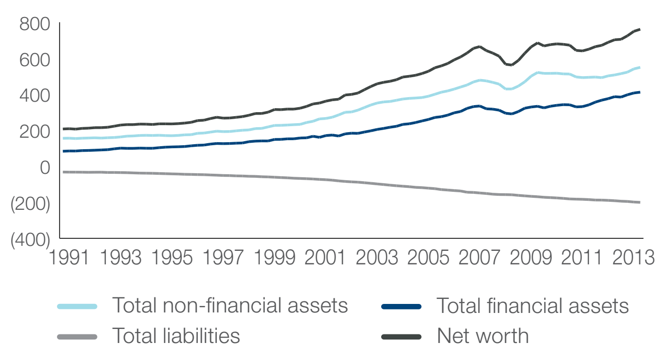
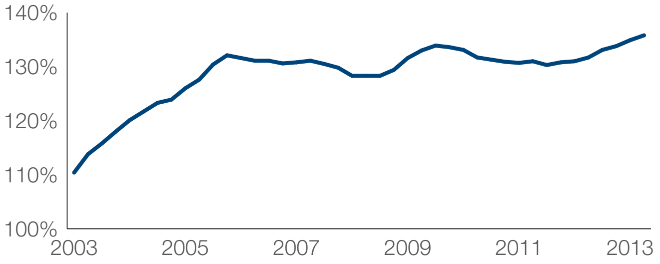


Figure 9 – Household net worth ($'000)[3]



1. Australian Bureau of Statistics, 6202.0 Labour Force and Australian Bureau of Statistics, 5206.0 Australian National Accounts
2. BIS Shrapnel – Building in Australia (2014–2029), 34th edition
3. RBA website – statistical tables

Figure 10 – Household debt to annualised household disposable income[1]

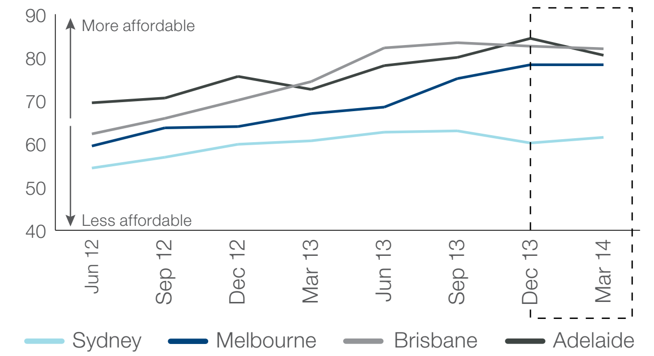


Housing affordability

The level of housing affordability is a key determinant for new housing demand. Housing affordability has reached its highest and most favourable level since the March 2002 quarter. Affordability on a national level has been improving for the last 5 years. The government has been vocal about communicating their support for a supply-side solution involving increased housing construction in an attempt to control affordability and limit house price increases.

Figure 11 – Housing affordability[2]

Figure 12 – State by state housing affordability (last 2 years)[2]



1. RBA website – statistical tables
2. CBA HIA affordability index sourced from Bloomberg and HIA – Commonwealth Bank Affordability Report

Home ownership rates

Australia has some of the highest home ownership rates relative to other OECD member countries. Home ownership reflects numerous demographic and socio-economic influences namely culture, an ageing population, changing household structures, income and education levels.

One metric of assessing future home ownership and formation rates is the household reference person ratio. A higher incidence of separate household formation by persons of a given age group results in a higher household reference person ratio for that age group. Historically, growth in households has generally outpaced growth in population, implying an increased overall rate of household formation and greater propensity for separate home ownership.

Population growth

Trends in Australia's population size, growth and composition impact the long-term demand for housing construction.

Population growth has two main components, natural growth and net overseas migration. For the last several years dwelling completions have significantly lagged population increases creating an undersupply or shortage of housing stock.

Approximately 85% of Australia's population is distributed along the eastern seaboard states (VIC, NSW and QLD) and SA. NSW and QLD states are the regions experiencing the largest housing stock deficiencies with an increasing divergence between population growth and dwelling construction.

A major component of population growth is net overseas migration. As illustrated in Figure 16, Chinese and Indian migrants to Australia are increasing rapidly with the number of Indian migrants doubling from 2006 to 2011. Over the longer term net overseas migration is forecast to trend upwards from 2020 to 2029, driven by Australia's ageing population, growth in international student numbers (particularly from Asia) and more widespread employment prospects due to rebalanced economic growth post mining boom[3].

Figure 13 – Home ownership rates in OECD countries[1]

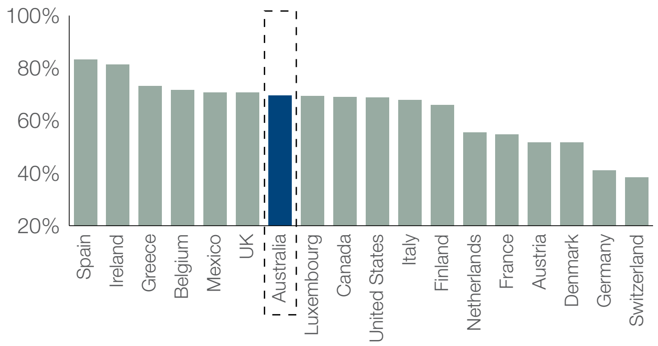


Figure 14 – Population increase vs dwellings completed ('000)[2]

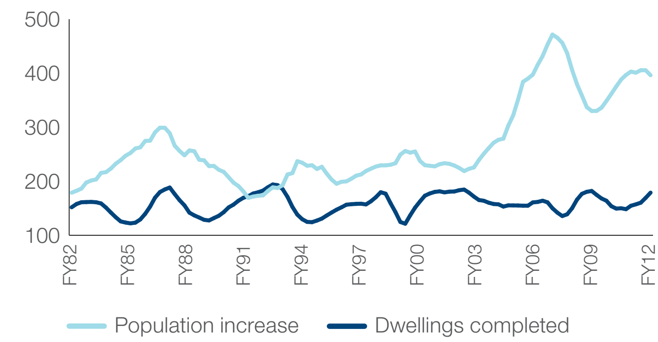
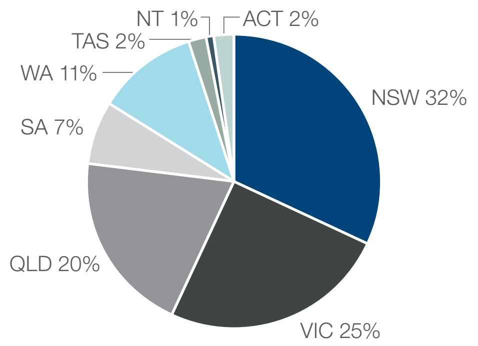


Figure 15 – Population distribution per state[2]



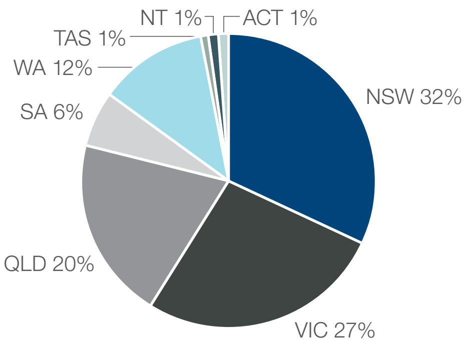
1. OECD Journal: Economic Studies (2011)
2. Australian Bureau of Statistics, 3101.0 Australian Demographic Statistics and Australian Bureau of Statistics, 8731.0 Building Approvals, Australia
3. BIS Shrapnel – Building in Australia (2014–2029), 34th edition

Figure 16 – Country of origin of migration into Australia[1]

Country of origin	2011 census	% of population	2006 census	2006-2011 growth (%)
Australia	15,021,553	69.8%	14,072,958	6.7%
England	911,592	4.2%	856,940	6.4%
New Zealand	483,396	2.3%	389,464	24.1%
China	318,969	1.5%	206,588	54.4%
India	295,363	1.4%	147,105	100.8%
Other	4,476,846	20.8%	4,182,232	7.0%
Total	**21,507,719**	**100.0%**	**19,855,287**	**8.3%**

Historically, the majority of migrants have settled in NSW, QLD and VIC. This trend is expected to continue with approximately 80% of migrants forecast to settle in Australia's eastern seaboard states between 2014 and 2029.

Figure 17 – Net overseas migration (2014 – 2029F)[2]



1. The People of Australia – statistics from the 2006 and 2011 census
2. BIS Shrapnel – Building in Australia (2014–2029), 34th edition

Government policy

> *"Monetary policy can create conditions of easier funding and help the ability of the financial sector to extend credit. But it can't, for example, add to the supply of land zoned for housing, or improve the responsiveness of the construction sector to demand for additional housing stock. Other policies have to do that – and it's important that they do if we are to see easy credit result in more dwellings as opposed to just higher prices for the existing dwellings"*
>
> **Glenn Stevens, RBA Governor**[1]

Government policy, such as financial assistance to new homebuyers, the release of land for residential use and tax treatment with respect to land ownership can affect demand for houses and therefore, house construction. Examples of Australia's State Governments housing, planning and development policies to address the demands within the housing construction industry are described below:

State government[2]	
VIC	Regional Centres of the Future • The Regional Growth Plan initiative identifies growth areas in regional Victoria and provides direction for accommodating the growth and change occurring in these regions • The regions identified included the Central Highlands, Geelong, Gippsland, Great South Coast, Hume, Loddon and Wimmera
NSW	The Housing Acceleration Fund (HAF) • HAF is a half a billion dollar commitment to housing construction made by the New South Wales Government • The New South Wales Government has allocated over $300 million from HAF towards eleven water, road or electricity projects which can accelerate the construction of 42,900 new housing lots
QLD	Queensland's Planning and Development Bill 2014 • The Queensland Government is undertaking a "once in a generation" reform of its planning system. The reforms aim to streamline assessment and approval processes, remove unnecessary red tape and re-empower local governments to plan for their communities • *"Clearer, less complicated planning laws will help to kick-start the construction industry, boosting jobs and delivering more affordable housing for Queenslanders"* Deputy Premier and Minister for State Development, Infrastructure and Planning – Jeff Seeney (Queensland Planning Forum, 13th March 2014)
SA	The 30-Year Plan for Greater Adelaide • The government has set aside 10,650 hectares of new land supply creating new growth and housing areas • Plans for the construction of 258,000 dwellings to support estimated population growth of 560,000 over the next 30 years

1. Address to CEDA Luncheon, Adelaide on 3 September 2014 (Committee for Economic Development in Australia)
2. Various state planning, infrastructure and development websites/publications

Federal and State Government subsidies to FHBs through direct grants (e.g. First Home Owner Grant), tax relief on savings or discounts on stamp duties are generally designed to stimulate demand for new housing construction. An overview of government policies or measures in place since 1 July 2014 are summarised in the table below:

State[1]	Stamp duty concessions	First home owner assistance	Other building boosts
VIC	**Principle Place of Residence (PPR) –** concession on stamp duty for properties <$600K (50% as at September 2014). **First Home Owner with Family –** full exemption available for FHBs with a dependent child where the total value of the home and land is not more than $150K (partial exemption up to $200K). **FHB Land Transfer Duty Reduction –** cuts to stamp duty for FHBs (50% discount as at September 2014) **Other:** Off the Plan Sales Concession, Seniors duty exemption/concession and First Farm Buyers under 35 stamp duty exemption	**First Home Owner Grant –** $10,000 for new homes capped at $750K	
NSW	**First Home New Home Scheme –** for new home owners who are also first home buyers, no stamp duty is required for homes <$550K (concessions on amounts up to $650K) Vacant land is also exempt under this scheme (up to $350K with concessions to $450K)	**First Home Owner Grant (New Homes) Scheme –** $15,000 available for new dwellings capped at $750K	**Regional Relocation Grant –** $7,000 payable if metropolitan homeowners purchase regional homes (expires in July 2015) **First New Home Scheme –** $5,000 payable to non-first home buyers of new properties <$600K
QLD	**First Home Transfer Concession –** $8,750 benefit up to $505K (concession granted up to $550K) **First Home Vacant Land Concession –** 100% exemption <$250K, concessions granted >$400K **Home Transfer Duty Concession –** 1% up to $350K for non-first home buyers who are owner occupiers	**Great Start Grant –** $15,000 for new dwellings capped at $750K	
SA	**Off the Plan Sales Concession –** partial stamp duty concession for new or substantially refurbished apartments	**First Home Owner Grant –** $15,000 for new dwellings capped at $575K	**Seniors Housing Grant –** $8,500 for persons aged 60 years or more purchasing or building new homes valued up to $400K (concessions up to $450K)

1. BIS Shrapnel and various state revenue offices

Infrastructure Expenditure

Government (and private) infrastructure expenditure plans, particularly on transportation, have implications on housing construction activity, especially on suburban land subdivision housing projects. A number of these projects are summarised below:

State[1]	Project
VIC	• The Federal and State Government have committed over $3.0 billion in funding towards the Regional Rail Link project. The Regional Rail Link is a landmark infrastructure project which removes bottlenecks in Victoria's rail network and increases the connection and accessibility for regional Victorians (Geelong, Ballarat and Bendigo in particular)
NSW	• The $11.0 billion WestConnex (Australia's largest integrated and urban revitalisation project) and $3.0 billion NorthConnex road infrastructure projects will connect communities to Sydney's outer western and northern regions • The $8.3 billion North West Rail Link and $2.1 billion South West Rail Link rail infrastructure projects address the significant population growth occurring within Sydney's growing suburban regions
QLD	• The $1.1 billion Moreton Bay Rail Link represents a Federal and State Government initiative that attempts to deliver significant benefits to the Moreton Bay region, catering for the population growth within one of the fastest growing regions in Australia
SA	• As part of the 30 Year Plan for Greater Adelaide, the South Australian Government allocated $11.4 billion towards infrastructure investment (largest in states history), this included the construction, upgrading and modernisation of transport networks, hospitals, schools and water supply • The South Australian Government has recently established the Regional Development Fund to provide funding for infrastructure projects throughout regional South Australia

1. Various state planning, infrastructure and development websites/publications

The residential property cycle

Underlying conditions within residential markets, including: house prices, vacancy rates and rental yields, have implications for the relative attractiveness of renting versus buying. Compression of vacancy rates creates upwards pressure on rents making rental markets more expensive. As rents continue to rise, house ownership becomes increasingly affordable and attractive relative to the renting alternative.

Figure 18 – Real house prices (quarterly median)[1]

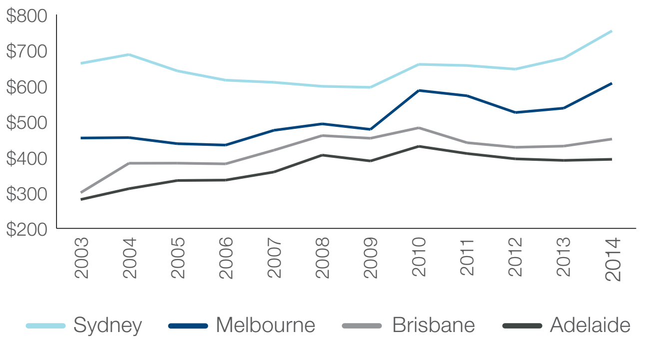
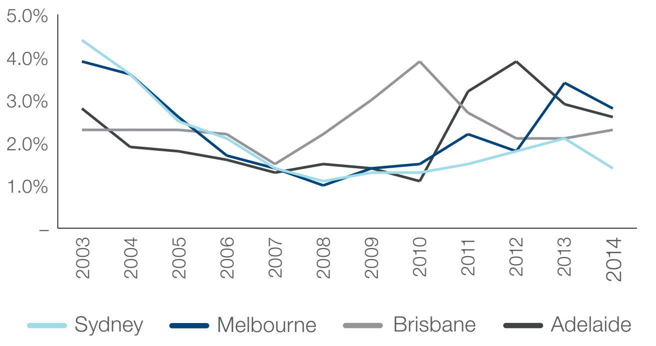


Figure 19 – Vacancy rates[1]



2.4 Historical and Forecast Industry Performance

Australia's population is forecast to grow by 1.9% annually from ~23 million to ~28 million throughout 2014 – 2024. In order to adequately cater for this population increase, dwelling completions by 2030 will need to increase to 200,000 p.a. (currently averaging 153,000 p.a. over the last 10 years)[1].

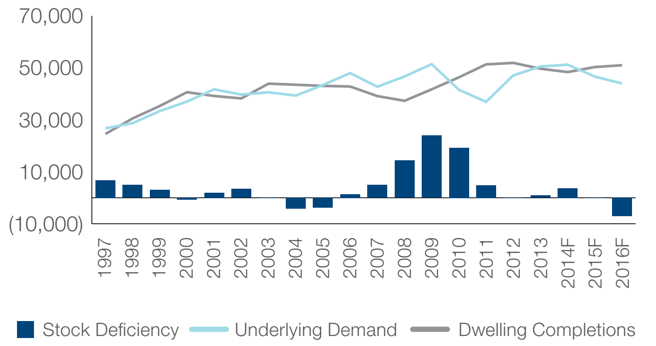
Victoria

Dwelling completions grew by 2.3% p.a. from 2010 – 2013 and are forecast to continue growing at a steady state of 0.9% p.a. from 2013 – 2016F.

Victoria has managed continued growth in residential building despite the fall back in underlying demand from 2009 – 2011. For the last several years the Victorian house construction industry has been in a state of balance or equilibrium with underlying demand and dwelling completions running at similar levels.

BIS Shrapnel forecasts dwelling completions to average ~50,000 p.a. from 2014F – 2016F.

Figure 20 – Victoria demand and supply dynamics[1]



1. BIS Shrapnel – Building in Australia (2014–2029), 34th edition

New South Wales

Dwelling completions grew by 6.7% p.a. from 2010 – 2013 and are forecast to grow by 15.2% p.a. from 2013 – 2016F.

A significant stock deficiency or undersupply of dwellings has developed in New South Wales over the last several years, creating upward pressure on rents, house, land values and provide impetus for future dwelling construction.

Average dwelling completions from 2014F – 2016F are expected to be ~44,000 p.a., this represents a significant increase on the 10 year average of ~30,000 p.a..

Queensland

Dwelling completions contracted from 2010 – 2013 in a post GFC environment, this was exacerbated by deteriorating confidence due to the impact of floods across the state. However, dwelling activity is now forecast to improve by 8.0% p.a. from 2013 – 2016F.

Dwelling construction activity is expected to strengthen over the next two years. Average dwelling completions for 2014F are estimated to be ~29,000 p.a., this is expected to rise to an average of ~34,000 p.a. throughout 2015F and 2016F.

South Australia

Dwelling completions contracted from 2010 – 2013 and are forecast to grow at 8.5% p.a. from 2013 – 2016F.

The market in South Australia has been at or near equilibrium for many years, with little or no stock deficiency. Steady population growth matched by average building volumes has prevented any overly significant imbalance between demand and supply emerging.

The house construction industry in South Australia is expected to improve after the residential market experienced consistent annual declines over the past few years. BIS Shrapnel forecasts dwelling completions to average ~10,000 p.a. from 2014F – 2016F.

Figure 21 – New South Wales demand and supply dynamics[1]

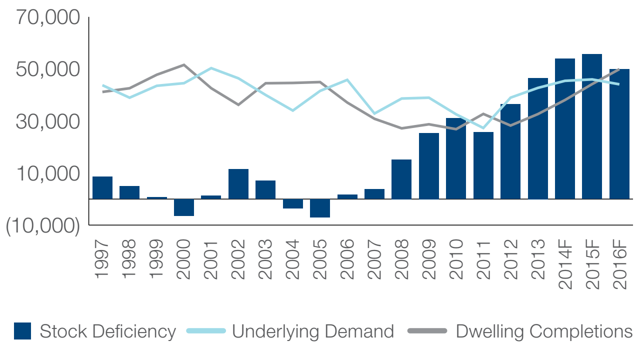


Figure 22 – Queensland demand and supply dynamics[1]

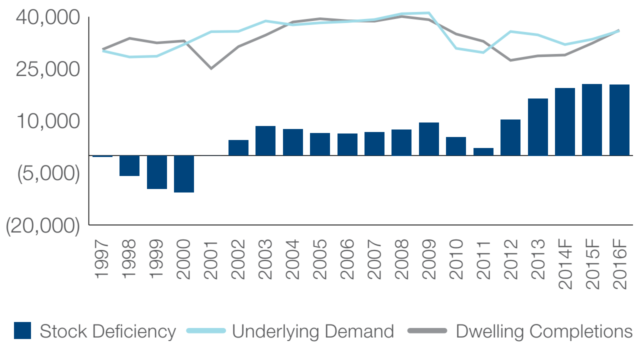
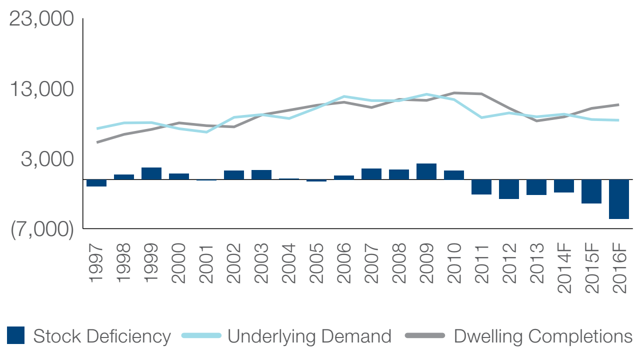


Figure 23 – South Australia demand and supply dynamics[1]



1. BIS Shrapnel – Building in Australia (2014–2029), 34th edition

Vocational Education and Training (Construction) Industry

2.5 Introduction

The Australian VET industry represents 9.2%[1] of Australia's $104.7[1] billion education industry and comprises primarily TAFE institutions and private RTOs offering subjects and programs ranging from traditional trades to commerce and the creative arts. The Australian VET industry is forecast to grow by an annualised 1.1% over the five years through to 2018-19 to reach $10.2 billion.[2]

The VET industry typically offers courses which are shorter in duration and more practical in nature with a specific industry/ trade focus. Qualifications offered range from Certificate I – IV through to Diploma and Advanced Diploma.

2.6 Industry Characteristics

Overview

The Australian VET industry comprises approximately 4,700 RTOs and, according to the National Centre for Vocational Education Research ("**NCVER**"), 1.9 million students were enrolled in government subsidised VET courses throughout 2013 (this represents a 2.4% CAGR from 2009 to 2013)[3].

Course offerings within the VET industry are categorised into "streams" or "verticals" which pertain to a specific industry group. The largest verticals are:

- Community services;
- Business services;
- Tourism and Hospitality; and
- Construction.

BAA specialises within the construction vertical.

Course offerings

The VET's products and services are segmented according to the type of accreditation and the level of qualification based on the Australian Qualifications Framework ("**AQF**"). The two main levels of accreditation are training packages and nationally accredited courses:

- **National training packages** consist of an integrated set of nationally recognised standards for training and assessment relevant to a specific industry and are developed by national Industry Skills Councils
- **Nationally accredited courses** are programs that fall outside training packages but are accredited programs that result in nationally recognised qualifications

Alternatively, the VET sector can be segmented into qualification levels. Within the construction vertical, Certificate II to IV represented the majority of student enrolments throughout 2013.

Figure 24 – Accreditation type segmentation (by revenue)[2]

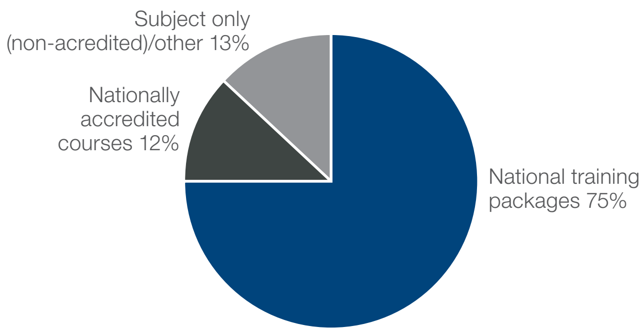
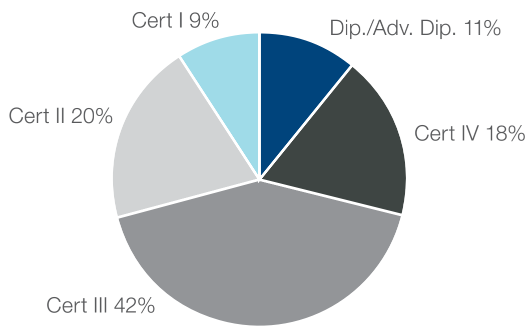


Figure 25 – Qualification level segmentation (by enrolments)[3]



Construction is the fourth largest vertical within the VET industry, representing 7% of total VET student enrolments throughout 2013.

Student enrolments are expected to remain stable or increase contributed by the lower education qualifications of technician and trades workers within the industry and the undersupply of housing stock.

1. IBISWorld Industry Report – Education and Training in Australia, April 2014
2. IBISWorld Industry Report – Technical and Vocational Education and Training in Australia, October 2013
3. NCVER Australian VET statistics 2013

Figure 26 – VET enrolments by industries (2013)[1]

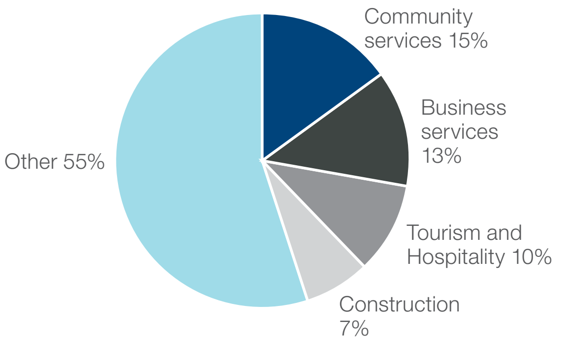
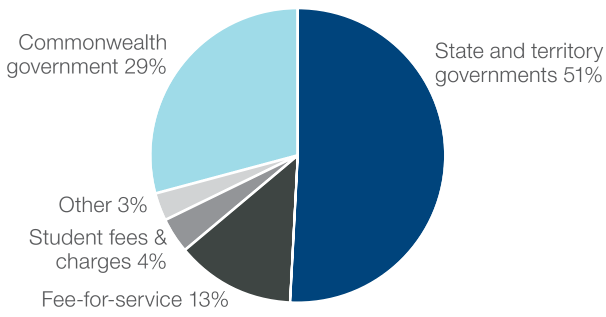


Figure 28 – VET sector revenue sources (2012)[2]



Government Funding

Government funding is a critical component to the Australian VET industry having historically represented a significant portion of industry revenue. Government funding allocated to the VET sector has consistently grown at a 9.1% CAGR from 2008 to 2012. The majority of this growth has come from State Government funding through the introduction of demand or entitlement based funding schemes.[1]

In 2012 Federal and State Government funding amounted to $7.0 billion. Other sources of revenue included fee-for-service and other student fees and miscellaneous charges.

The Federal Government allocated $2.5 billion of funding towards the VET sector in 2012, representing an increase of $0.8 billion from 2008 (9.7% CAGR from 2008 to 2012). Collectively, the State Government's contributed $4.5 billion of funding towards the VET sector in 2012, representing an increase of $1.3 billion from 2006 (8.7% CAGR from 2008 to 2012).[2]

The introduction of demand driven or entitlement based funding schemes has allowed eligible individuals access to government subsidised VET programs of their choice. Consequently, this has seen students enrolled in courses with private and other VET providers increase as a percentage of total students in government subsidised VET courses in Victoria from 26.0% in 2009 to 51.7% in 2013.[1]

Figure 27 – Total VET sector revenue[2]

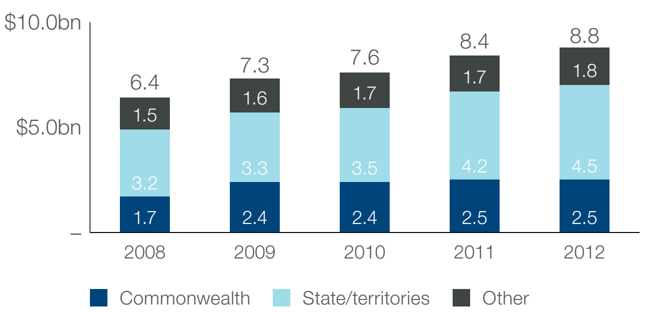
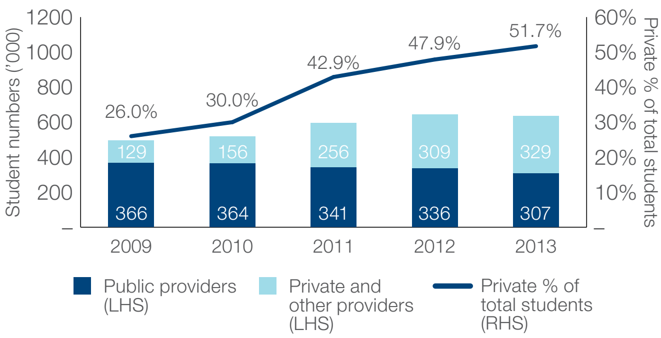


Figure 29 – VET student numbers in VIC[1]



Competitive landscape

The Australian VET market consists of approximately 4,700 RTOs which include small private providers, TAFE institutions and other community education providers. The introduction of demand based or entitlement funding models has increased competition and the degree of market fragmentation.

Demand driven funding schemes create greater transparency and allow individuals to better assess options across training providers, delivery modes and learning environments. Combined with the more flexible and lower-cost delivery methods offered by the private VET providers, market share of the larger TAFE institutions has been diminishing.

Currently, there is a limited number of RTO's that are solely focused within the building and construction vertical and have significant scale. With TAFE's reducing market share and a reduction in the number of RTOs, further industry consolidation is expected in this vertical as private VET providers attempt to achieve scale through aggregation.

1. NCVER Australian VET Statistics 2013
2. NCVER Financial Information 2012

Regulation

The VET sector is nationally regulated, with considerable entry and ongoing compliance requirements. The existence of nationally recognised qualifications requires appropriate regulation to underpin the delivery, and assure the integrity of qualifications issued.

2.7 Key Industry Drivers

There are many factors that influence the broader VET sector, these include but are not limited to technological change, globalisation, affordability for international students, mandatory skill requirements, workforce participation and underemployment. However, specific drivers relating to the construction vertical include:

- Government funding and reform;
- Underlying conditions within the Australian house construction industry; and
- National skill shortages.

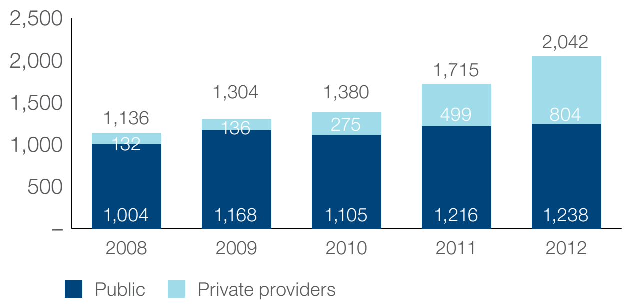
Government funding and reform

Both Federal and State Governments have implemented a range of policies which attempt to address the national skill shortage and "up-skill" the nation's population. These reforms have created a more transparent and competitive VET market which has led to private RTO's increasing their market share. Such policies or reforms include; introduction of contestable or entitlement based funding models, extension of the Federal Government's subsidised loan scheme (VET FEE-HELP), independent trainer validation assessments and improving access to information about training options, providers and quality.

One of the most significant policy initiatives has been the implementation of demand based or entitlement funding models which has allowed government funding to become more contestable between public and private providers. Private providers, through greater access to government funding, have expanded and have increasingly dominant market positions relative to public providers. In Victoria, private providers received 39.4% of total funding in 2012, compared to 11.6% in 2008.[1]

Given the Federal and State Government's focus on trades training, future funding for courses within the construction vertical is expected to be relatively stable.

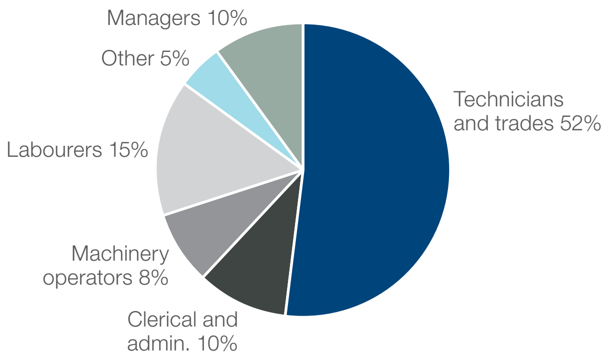
Figure 30 – Victorian government VET funding to public and private VET providers[1]



Underlying conditions within the Australian construction industry

Construction is the third largest employing industry in Australia, with 1,038,100 employees representing 8.9% of national employment. Employment growth is highly dependent on future construction requirements, ie. dwelling completions, and is projected to grow by 8.0% to November 2018. Currently, the construction workforce is dominated by technicians and trades workers (bricklayers, stonemasons, carpenters, roof tillers and plumbers), consistent with this, approximately 52% hold VET qualifications at the Certificate III or higher level. The composition of the construction industries workforce and typical education profile suggests greater future demand for VET course offerings within the construction vertical.[2]

Figure 31 – Occupation profile (% of industry total)[2]



1. NCVER Financial Information 2012
2. Department of Employment – Australian Jobs 2014

Figure 32 – Top 7 industries by employment ('000)[1]

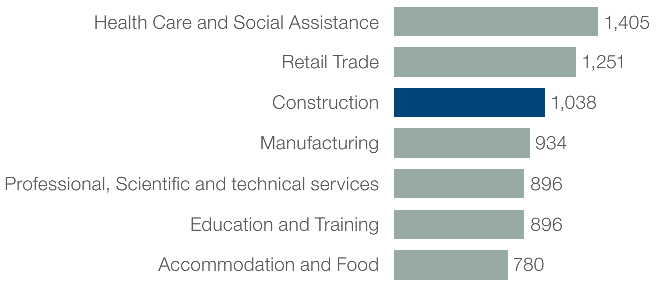
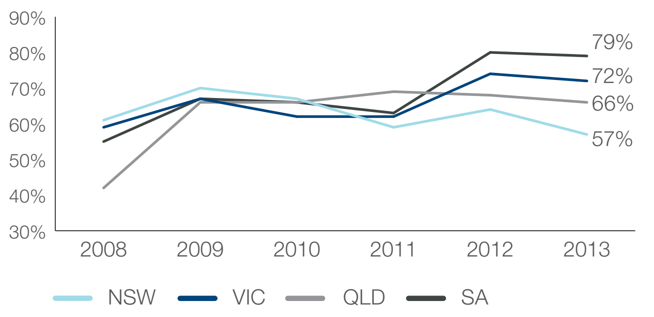


Figure 33 – Proportion of vacancies filled (Technician and Trades)[2]



National skills shortage

Skill shortages exist when employers are unable to, or have difficulties, filling vacancies for jobs due to a lack of suitably skilled applicants. In Australia, shortages are more evident for trades than for professions. Vacancy levels increased over the year to June 2014 for technicians and trade workers by 17.1% compared to 9.5% for professionals. Specifically, the largest increase in vacancies were evident in the construction trades which were up by 41.6%.

1. Department of Employment – Australian Jobs 2014
2. Department of Education – Skill Shortages Australia 2013; Department of Education – Skills Shortages Australia 2013–14

3

COMPANY OVERVIEW

3. Company Overview

3.1 Introduction

Simonds Group primarily consists of two integrated businesses:

- **Simonds Homes –** one of the leading homebuilders in Australia; and
- **Builders Academy Australia –** a specialised RTO providing building and construction focused VET courses in Australia.

Figure 34 – Overview of the Simonds Group

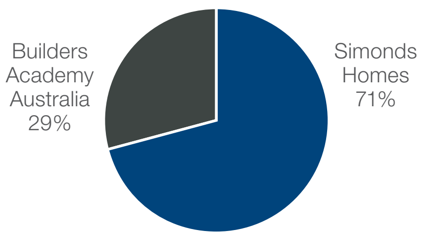
SIMONDS GROUP

SIMONDS HOMES

- One of the leading homebuilders in Australia[1]
- No. 1 homebuilder in home market (VIC)[1]
- FY15F pro forma EBITDA of $24.3m
- 2,406 site starts (including Madisson Projects) achieved in FY14
- ~520 full time equivalent employees

PRO FORMA EBITDA CONTRIBUTION/SPLIT

Total FY15F pro forma EBITDA of $34.0m



BUILDERS ACADEMY AUSTRALIA

- Specialised, private vocational education training ("VET") provider of building/construction training courses
- FY15F pro forma EBITDA of $9.8m
- Currently 2,548 participants[2]
- 50 trainers (contracted)

Simonds Homes

The Simonds Homes business comprises approximately 71% of Simonds Group based on FY15F pro forma EBITDA. As the number one homebuilder in Victoria with 2,406 site starts (including Madisson Projects) achieved in FY14, Simonds Homes employs over 520 full time equivalent employees and currently operates in 97 display home locations across Victoria, Queensland and South Australia.

Simonds Homes sells and constructs homes and apartments under the 6 brands of: New Living, Express, Simvesta, Metropolitan, Precinct and Madisson.

Land development

Whilst Simonds Homes generally operates through the sale and construction of homes on customer land titles, opportunities arise through relationships with land holders which allows Simonds Homes to acquire land lots to package with Simonds homes. Strategically, this provides Simonds Homes with the flexibility to access new land sites for the broader homebuilding business. Typically, if the opportunity arose, Simonds Homes would acquire up to 100 lots to develop and sell as a house and land package. Given Simonds Homes' strong relationships with major landholders, it is not our strategy to acquire significant parcels of residential development land and be a competitor to these groups. Instead, any land development acquisitions will be a relatively small exposure albeit with strategic merit for the overall Simonds Homes business.

Builders Academy Australia

The BAA business comprises approximately 29% of Simonds Group based on FY15F pro forma EBITDA. As a nationally accredited RTO, BAA has a team of 50 trainers (contract basis) providing building and construction focused VET courses in Victoria across more than 50 training locations. For the year to 30 September 2014, BAA had 2,548 participants.

Key strengths and competitive advantages

Established and proven management team

Members of the current management team have been with Simonds Group for an average of approximately 5 years. The CEO, Paul McMahon, has been in his current role for approximately 7 years (3 years as Group General Manager and 4 years as CEO) and together with the management team, has been key to driving the recent growth and improvements in the business.

Simonds Homes is a market leader in a highly fragmented industry

Simonds Homes is the number one homebuilder in Victoria with a 4.3% market share and 2,079 site starts completed in FY14.[1]

Simonds Homes operates within the states of Victoria, New South Wales, Queensland and South Australia. These markets are highly fragmented comprising a significant number of home builders.

1. HIA Housing 100 – Australia's Largest Homebuilders and Residential Developers 2013/14 and company information. Market share excludes significant operators that focus on multi-unit dwellings (i.e. Meriton, Brookfield Multiplex and L.U. Simon Builders)
2. Comprises both Registered Participants and Enrolled Participants

BAA is operating in the high growth Australian VET sector and provides participants with credible employment outcomes

Growth in the Australian VET sector continues to be driven by the domestic skills shortage and Federal and State Government support for the VET sector, which includes state-based funding for the provision of subsidised course offerings for students.

As being the only public facing RTO that focuses on the building and construction sector that is affiliated with a trade leader, Simonds Homes, BAA provides a differentiated service offering, with students receiving building and construction training with credible employment outcomes (i.e. "builders training builders").

Unique platform and brand value built over 65 years of operations

The Simonds brand is well recognised by customers and industry participants including landholders, land developers and suppliers, having consistently delivered quality, affordable and reliable housing for several decades.

Over its 65 year history, Simonds Group has developed efficient and high quality processes, an effective sales force and strong industry relationships which are difficult to replicate.

Market leading position in Victoria and well positioned to grow meaningfully into New South Wales, Queensland, and South Australia

Simonds Homes is well placed to expand meaningfully outside of Victoria with pre-existing infrastructure, strong relationships with major land developers and management teams established in the key states of New South Wales, Queensland and South Australia.

BAA, having already established itself as a specialised building and construction focused VET provider in the Victorian market, is in an opportune position to expand into Queensland and New South Wales as their respective state governments begin to rollout their own VET funding schemes.

Robust and demonstrated revenue and earnings growth

From FY12 to FY14, Simonds Group increased pro forma revenue and EBITDA at average annual growth rates of 7.9% and 72.0%, respectively.

Whilst Australian annual dwelling approvals over the last 7 years have been stable, Simonds Homes has managed to increase site starts at an average annual growth rate of 15.3% over the same period.

Simonds Homes forecasts to complete 2,433 site starts over the course of FY15. As at 30 September 2014, Simonds Homes had 800 Sales Acceptances, 943 signed contracts and 622 site starts.

BAA forecasts to have 2,800 participants over the course of FY15. As at 30 September 2014, BAA had 2,548 participants comprising 1,786 Enrolled Participants[1] and 762 Registered Participants[2].

Capital light business model with strong positive cash flow

Simonds Homes' brand, marketing and delivery platforms drive revenues with limited incremental capital investment, generating attractive return on assets and return on equity metrics. Construction costs are funded through progress claims paid by the end customer throughout the construction period.

Similarly, BAA receives course fees in stages as each student progresses through their course studies in accordance with BAA's current VET Funding Agreement with the Victorian State Government

Innovative IT systems and processes

Simonds utilises a range of business systems, processes and proprietary technologies that are market leading in the homebuilding sector which, over the last 3 years, have led to an increase in productivity levels and improvements in customer experience. Examples include:

- SimBuild: a technology platform which ensures construction is closely monitored by the business with live-time functionality and online data and reporting
- mySimonds: a technology platform allowing customers to monitor the construction process of their home

3.2 History of Simonds Group

Simonds Group was established in Victoria by Gary Simonds soon after he commenced his carpentry apprenticeship in 1949 as he started to build a small number of client-contracted homes.

In 1973, Gary's son, Mark Simonds joined the company and thereafter established more display centres around Melbourne, each showcasing up to four award-winning homes. Young families embraced the concept of being able to build their own homes leading to a significant increase in the number of homes built by Simonds for customers.

In 2007, Paul McMahon was appointed as the Group General Manager (becoming CEO in 2010) of Simonds Group and implemented a number of operational initiatives including the development of SimBuild and SimOps which greatly enhanced site starts, productivity and profitability. Paul appointed the current key management team and started to drive Simonds Group's growth strategy into key growth markets in New South Wales, Queensland and South Australia.

1. Enrolled Participant – participant has enrolled and commenced their course
2. Registered Participant – participant registration paperwork has been completed and participant has committed to their course start date

3.3 Simonds Homes

Overview

Simonds Homes is in the business of marketing, selling and project managing the construction of homes. The business can be summarised as comprising three main functions of Sales & Marketing, Operations and Construction.

Figure 35 – Overview of Simonds Homes' three main functions

SALES & MARKETING	OPERATIONS	CONSTRUCTION
• Effective display home program • Targeted advertising • Sales focus and discipline • Buyer experience and education • SimGallery • mySimonds (proprietary technology)	• Estimating • Drafting of building plans • Obtaining permits to build • Finance approval for buyer • Job ordering • SimOps (proprietary technology)	• Project management • Site management • SimBuild (proprietary technology) • Disciplined approach • SimCare and on-going maintenance • After sales service
Focus is lead generation through to sales acceptance	**Pipeline management to ensure consistent flow of site starts**	**Quality and efficiency in delivering homes "on-time and within budget" – customer satisfaction**

Track record over last 7 years

Simonds Homes increased site starts at an average annual growth rate of 14.9% from FY07 to FY14. Over the same period, Australian annual dwelling approvals remained flat, growing only at an average growth rate of 0.2% per annum.

Simonds Homes' above-market growth over the last seven years has occurred in parallel with a focus by management on the following key operational initiatives.

Sales & Marketing:

- improving the effectiveness of the display homes program;
- refining the message to market;
- focusing on fixed price house-and-land packages (but not own the land);
- growing the wholesale/investment product; and
- refining the promotional calendar.

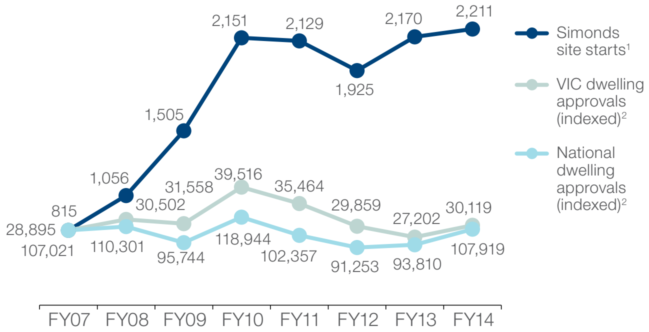
Operations:

- focusing on pipeline management and consistent site starts; and
- decentralising customer facing roles for the various regions.

Construction:

- implementing the proprietary construction management platform (SimBuild); and
- developing the extras to schedule ("ETS") module to improve efficiency and reduce construction cost over-runs in the construction process.

Figure 36 – Simonds Homes site starts vs national dwelling approvals (indexed)



People and Culture:

- building a dedicated management team with the right skills and experience; and
- focusing on fostering a team-based and customer-centric culture within the organisation.

1. Based on company information (site starts excludes Madisson Projects).
2. Victoria and national dwelling (single unit housing) approvals sourced from the Australian Bureau of Statistics – 8731.0 Building Approvals, Australia

Sales & Marketing

Sales & Marketing

Sales & Marketing includes all the activities involved from brand development to lead generation to sales conversion. Specifically, the key focus areas of this function include:

- **Brands and home designs:** development of brands and home designs that meet the specific needs of their respective target markets.
- **Advertising/brand awareness:** strategic and disciplined advertising across both traditional (television, magazines, radio and newspapers) and online media. Simonds Homes is a well recognised brand in the house construction industry, particularly in Victoria.
- **Display home program:** partnerships with land developers to offer house-and-land packages to customers. Display centres are the primary source of customer leads for Simonds Homes. Simonds Homes has developed a cost-efficient and highly effective display home program which it replicates at each of its display centre locations.
- **Customer experience:** ensuring that buying a house is as easy and enjoyable as possible for the customer. Simonds Homes continually refines the way it engages with customers throughout each stage of the buying process from the way products are priced to the way customers choose the finishes for their home.

Customers

Simonds Homes' customers can be broadly placed into four categories:

1. **First home buyer:** a FHB is a customer who is buying their first home;
2. **Upgrader:** an Upgrader is a customer who is buying a more expensive and typically larger home than they currently own;
3. **Downsizer:** a Downsizer is a customer who is buying a smaller home than they currently own; and
4. **Investor:** an Investor is a customer who is buying for investment purposes and typically already owns his/her home

Brands

Simonds Homes has 6 brands to cover each of the major buyer categories (above) and address a range of customer budgets (low to high-end) and purchase objectives (owner-occupied or investment).

Brands	Descriptions	Target Market
SIMONDS THE GREAT AUSTRALIAN BUILDER	• New Living is Simonds Homes' core product offering • Medium to high level of gallery variations/upgrades	Upgraders FHB
SIMONDS EXPRESS	• Express is a base specification, standardised product with short construction timeframes • Nil to low level of gallery variations/upgrades	FHB
SIMVESTA A SIMONDS GROUP COMPANY	• Simvesta is a relatively standard specification product for domestic and offshore investors • Low to medium level of gallery variations	Investors
precinct BY SIMONDS	• Precinct provides medium density built form solutions to developers, in and around town centres of land developments	FHB Upgraders Downsizers
SIMONDS METROPOLITAN	• Metropolitan is a "knock down and re-build" offering for metropolitan inner city areas • Medium to high level of gallery variations	Upgraders Downsizers Inner city professionals
MADISSON PROJECTS	• Madisson specialises in the construction of medium density townhouse developments, low rise residential apartment buildings and independent living retirement villages	Developers

Home designs

Simonds Homes has developed over 75 leading home designs to meet the needs and preferences of its diverse customer base.

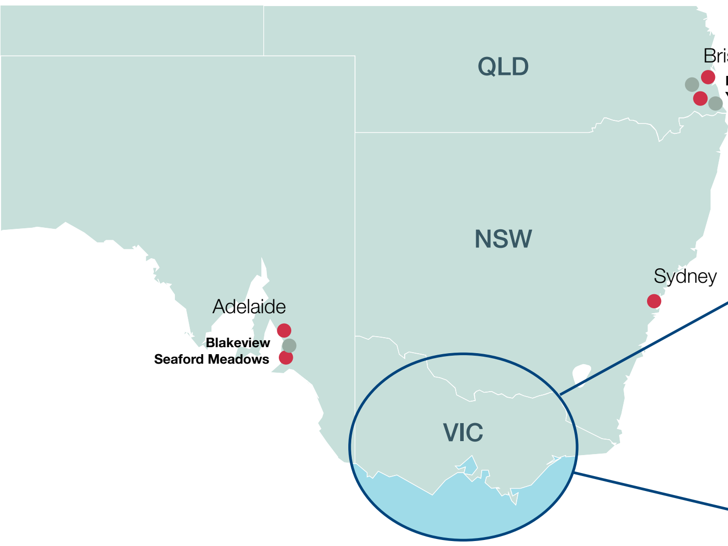
Advertising

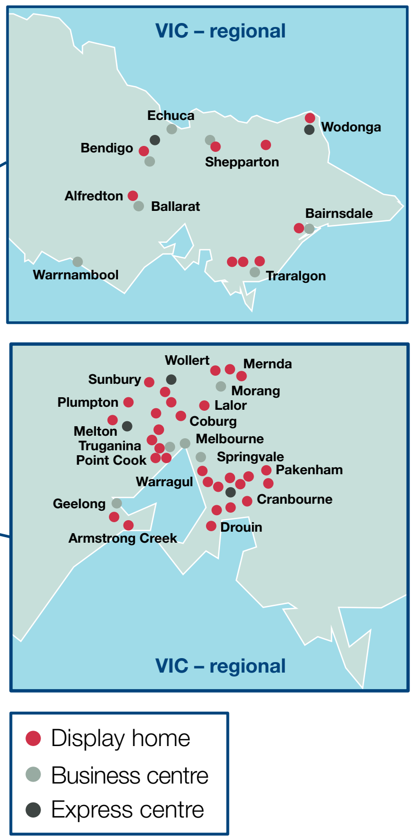
Simonds Homes employs a strategic and disciplined approach to advertising with a focus on leveraging the strong Simonds brand, reaching its target markets through the most effective marketing channels and operating within budget. Simonds Homes utilises both traditional (television, magazines, radio and newspapers) and online media.

Display home program

Display centres are the primary source of customer leads for Simonds Homes. Simonds Homes currently has a network of 97 strategically located display homes across Victoria, Queensland and South Australia with a further 15 under construction. Given its leading position in the market along with its strong relationships with landowners/developers, Simonds Homes has been able to consistently secure a prominent position in the display centre of land sites, which assists Simonds enjoy high visibility with customer foot traffic.

Figure 37 – Simonds Homes geographic presence





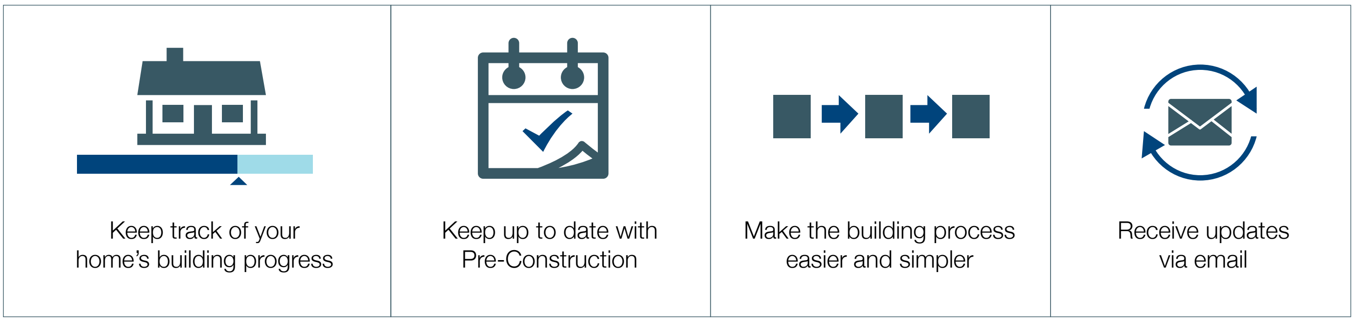
Region	No. of display homes	Under construction	Total display homes
VIC – regional	30	3	33
VIC – metro	59	6	65
NSW	Pending	–	–
QLD	3	6	9
SA	5	–	5
Total	**97**	**15**	**112**

Customer experience

In order to ensure that buying a house is as easy and enjoyable as possible for the customer, Simonds Homes continually refines the way it engages with customers throughout each stage of the buying process. Some of the key ways in which Simonds Homes enhances the buying experience for its customers are included in the table below.

Customer experience focus/initiative	Description
Fixed Pricing	Simonds Homes focusses on offering affordable and fixed priced product offerings, which are easy to understand and reduces cost uncertainty for the customer.
SimGallery 	SimGallery displays a range of products, finishes and colours allowing customers to personalise every aspect of their home with the assistance of qualified and experienced interior designers and home technology consultants. SimGallery also provides Simonds Homes with higher sale values for the home packages as customers upgrade finishes and add variations to their home.
	mySimonds and website The mySimonds technology platform allows customers to monitor their home construction progress in live-time and at their convenience by accessing via: • website; • mobile device; and • specially designed mySimonds tablet (given to customers post sale)

Figure 38 – how mySimonds works



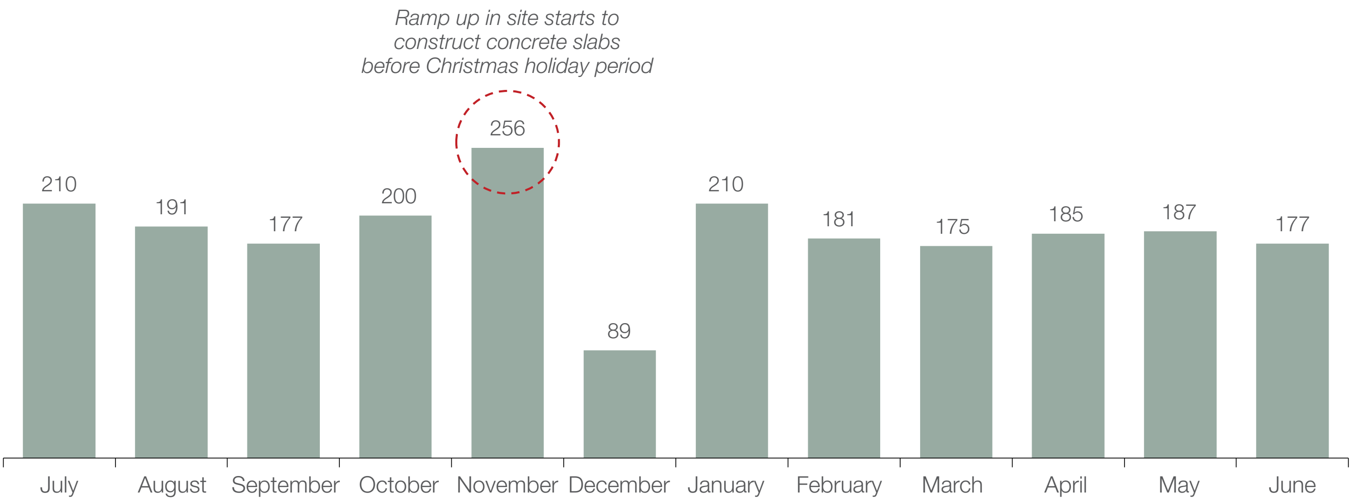
Operations

Operations works to take customers from the Sales Acceptance phase, contracting, planning the job and handing over to the Construction team with the relevant site start date. By working with the Sales & Marketing team and Construction team, Operations ensures effective pipeline management and a consistent flow of site starts (as shown in Figure 39) on a weekly basis. This is important to optimising construction capacity, procurement costs and predictability of financial performance.

The following are the key activities of the Operations team:

- Build planning and administration: this includes estimating of constructions costs, drafting of building plans, co-ordinating land titles and submission of building permits on behalf of the customer
- Contracting the customer: this involves preparing and working with the customer to enter into the contract with Simonds
- Arrangement of finance for the buyer: this involves assisting customers with their needs to obtain financing for the acquisition, include credit approvals. Given the strong FHB presence of Simonds customers mix, the majority of customers require bank financing
- Ordering: this involves the ordering of trades and materials required for the job and ensuring a complete job specification file for each site start is provided to the Construction team. Ordering all the required materials and trades for the job is based on Simonds procurement arrangements

Figure 39 – FY14 consistent sites starts



Construction

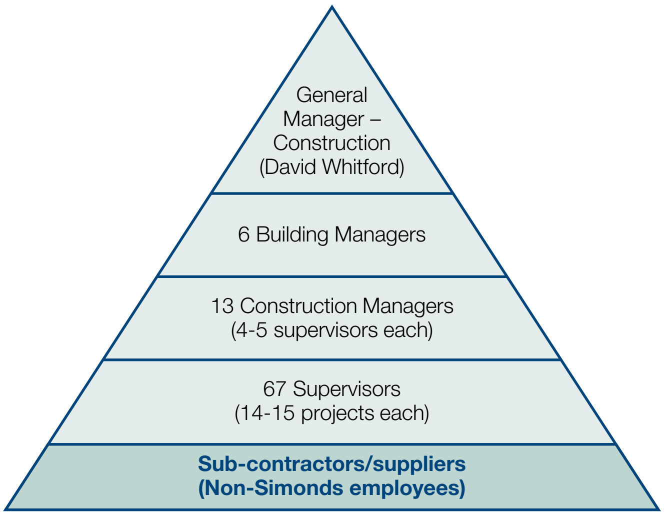
Project management

The Construction team manages the construction of homes in accordance with the site start schedule determined by Operations.

Simonds Homes' Construction staff comprises a General Manager, Building Managers, Construction Managers and Supervisors who work with sub-contractors and suppliers to coordinate the building of homes.

Importantly, at the time of site start, the Construction team is provided with an electronic file of the entire job – the ordering of materials and labour, timing of each process/stage has been pre-determined by Operations.

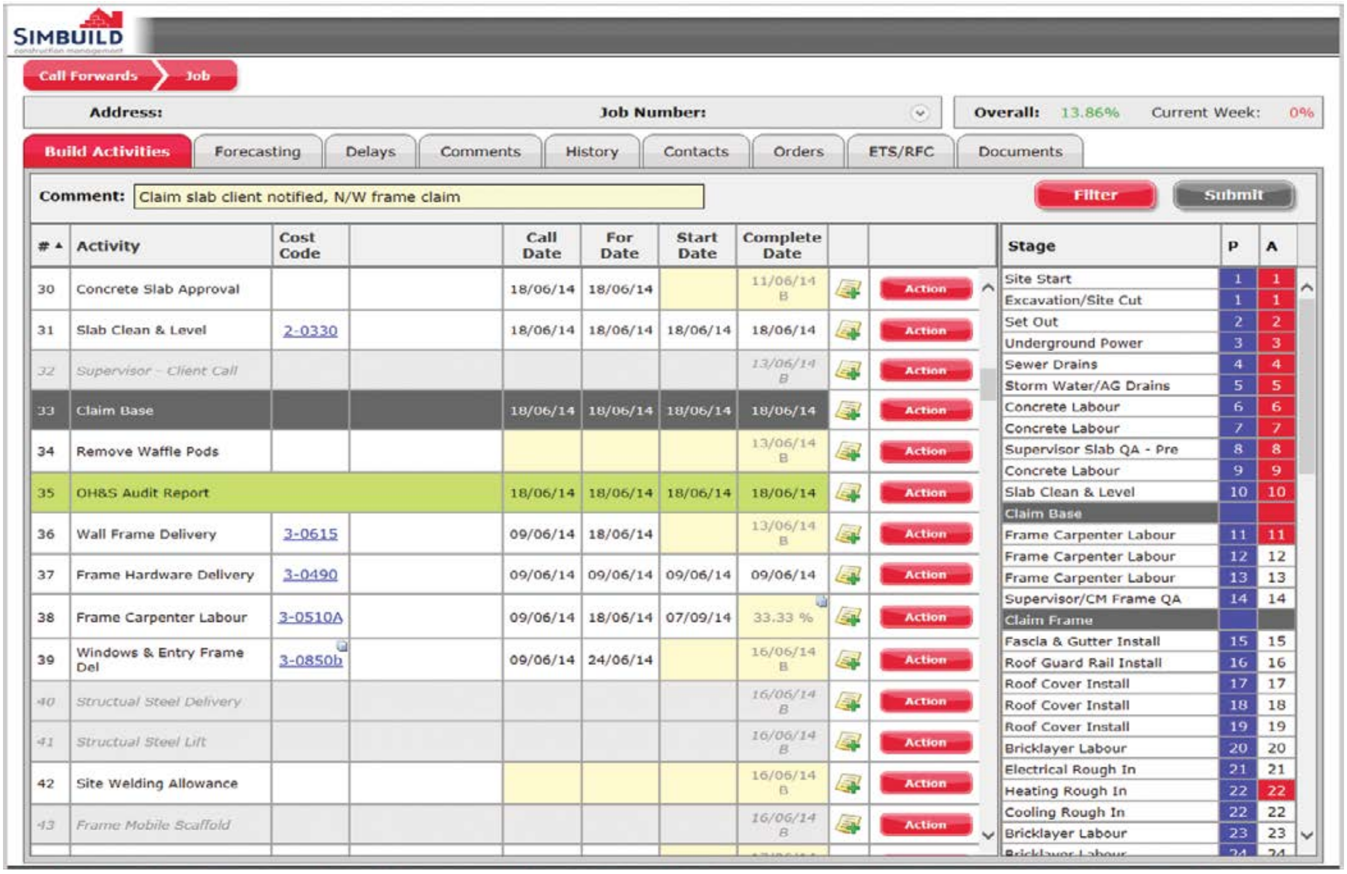
Figure 40 – Construction team structure



Construction management systems

Simonds Homes has developed its own market leading proprietary system, SimBuild, to project manage the construction of homes. The Construction team utilises SimBuild to monitor and co-ordinate multiple projects simultaneously with online access to real time data on each project, customised reporting and automated processing of invoicing/purchase orders.

Figure 41– Screenshot of SimBuild



Key construction performance metrics

To ensure that Simonds Homes consistently delivers homes to high quality standards, on schedule and within budget, the performance of the Construction team is continually measured against primarily four key performance metrics ("**KPIs**"), which consist of:

Extra to Schedule ("ETS") costs are unrecoverable costs that are incurred on-site which exceed budgeted costs for a particular home. ETS costs are a key metric of performance given it directly impacts on the gross margins. Figure 42 shows the significant reduction of ETS costs over the past 3 years. This can be attributed to the focus on improving business practices including the implementation of SimBuild, enabling transparency and accountability of ETS costs by mandating allocation of costs and automating an internal approval process based on quantum of costs.

Revenue per build day is a key performance metric used to analyse construction productivity. As shown in Figure 43, productivity in the retail product range, which represents a large component of site starts, has gradually improved as a result of increased focus on processes and the implementation of SimBuild through providing live-time updates on job progress on a daily basis. As can be seen, Simonds is currently trending above the FY15F assumption of $2,600 revenue per build day.

Figure 42 – ETS as a percentage of site start values

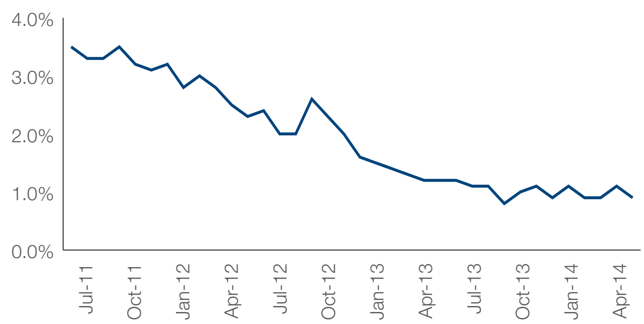
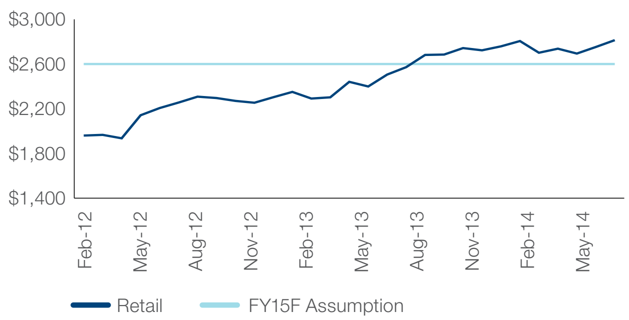
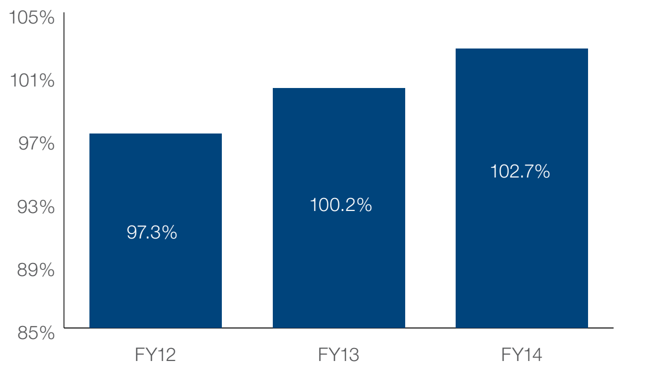


Figure 43: revenue per build day



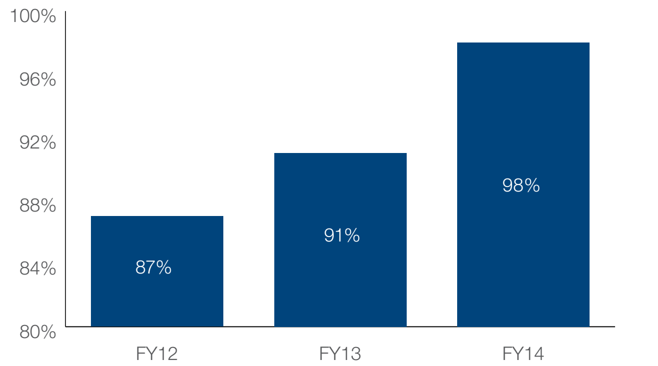
Productivity represents the average actual build time compared to the budgeted build time. A productivity percentage of 100% represents actual build time is equal to budgeted build time. As shown below, the productivity percentage has improved gradually with FY14 having a productivity percentage above 100%.

Figure 44: productivity measure



Quality Assurance pass rate represents the percentage of jobs which have received the internal QA pass on inspection before handing over to the customer for final inspection. Consistent with better processes and technology, the QA pass rate has improved gradually in recent years reflecting better quality build.

Figure 45: final QA pass rate



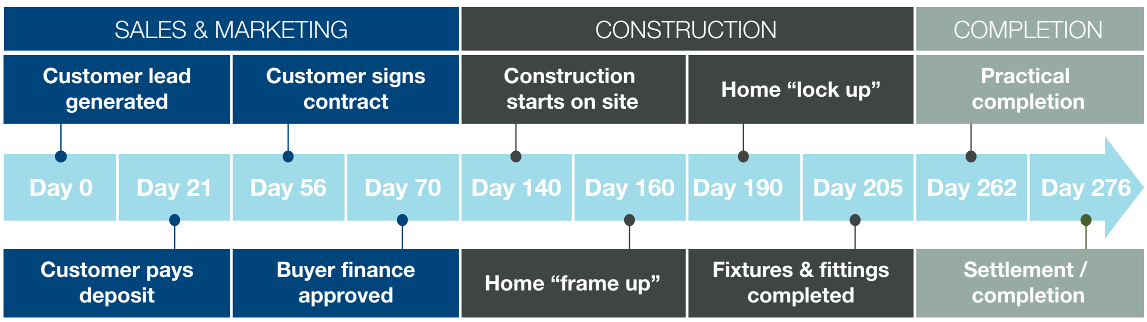
Project cash flows

Simonds Homes operates on strong terms of trade with construction costs being funded by the customer via progress claims at set milestones throughout the construction period. Some key payment milestones include:

- 25% of the contract price invoiced within 10 days of construction start; and
- 50% of the contract price invoiced within the first 20 days of construction as the home "frame" is put up.

Below is an illustration of the cash flow and timing of a typical house construction project, with an assumed contract price of $220,000. Excluding the Express branded products, from receipt of deposit it takes approximately 36 weeks (9 months) until settlement/completion.

Figure 46 – Example of a typical construction project cashflows

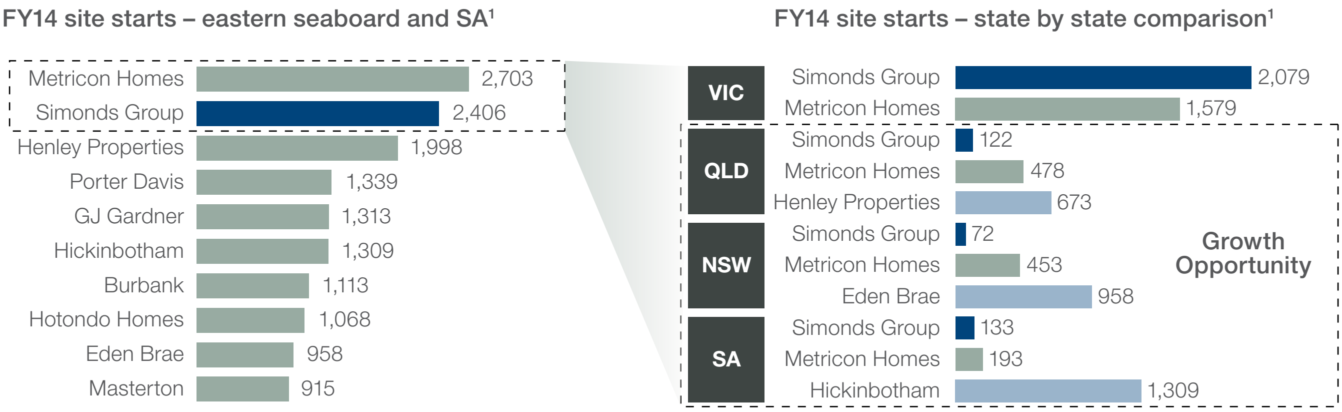


	Day 0	Day 21	Day 56	Day 70	Day 140	Day 160	Day 190	Day 205	Day 262	Final
% of contract price	–	**Init Dep**	**5%**		**20%**	**25%**	**20%**	**20%**	**10%**	
Cash received	–	$1,000	$10,000	–	$44,000	$55,000	$44,000	$44,000	$22,000	**$220,000**
Cash payments	–	–	–	($7,500)	($33,500)	($2,000)	($39,000)	($23,000)	($65,000)	**($170,000)**
Total cash	–	**$1,000**	**$10,000**	**($7,500)**	**$10,500**	**$53,000**	**$5,000**	**$21,000**	**($43,000)**	
Cash balance	–	**$1,000**	**$11,000**	**$3,500**	**$14,000**	**$67,000**	**$72,000**	**$93,000**	**$50,000**	**$50,000**

25% of purchase price invoiced within
10 days of construction start

Construction period of ~80 business days – secured by 50% of the contract price within the first 20 days of construction, followed by periodic progress claims

Figure 47 – Simonds Homes market position and opportunity



Growth opportunities

Management have identified the following main growth opportunities for Simonds Homes in the short to medium term.

Geographic expansion

Simonds Homes to further expand outside of Victoria leveraging its leading and proven platform in Victoria. Simonds Homes is well placed to expand into other states with pre-existing infrastructure, strong relationships with major landholders and management teams established in New South Wales, Queensland and South Australia.

Strong relationships with major landholders

Simonds Homes' long-standing and strong relationships with major landholders provides access to a steady pipeline of projects with landholders choosing to work with Simonds Homes for its ability to increase the saleability of their land through, for example, Simonds' home-and-land packages.

Population and migration growth

Australia's population is expected to grow strongly over the next 10 years with forecast growth of 1.9% per annum over this period, primarily driven by migration.[2] Simonds Homes expects to continue to capture sales from this upward trend in population coupled with an undersupply in housing, particularly with respect to migrants which is estimated to constitute a significant portion of Simonds Homes' FHBs.

Inner city "in-fill" developments

There has been an ongoing trend towards medium and high density living which are typically located in inner city locations. Simonds Homes is positioned to capitalise on inner city "in-fill" opportunities through its Madisson business (medium density contracting) and its Metropolitan product (knock-down/rebuild).

3.4 Builders Academy Australia

Overview

Established by Simonds in 2005 for the purpose of training Simonds staff and the staff of Simonds suppliers and partners in VET courses, BAA implemented a strategy in January 2014 to include the provision of its building and construction VET courses to the general trade public. Since then, BAA has been registering an average of 462 new participants per month over the past 6 months to 30 September 2014 into its courses and has a total of 2,548 participants[3] (as at 30 September 2014).

As a nationally accredited RTO under the Australian Skills Quality Authority (ASQA), BAA has more than 50 trainers (contractors) who conduct training at more than 50 locations across Victoria.

BAA's key point of difference is its offering of building and construction VET courses from a market leading homebuilder (i.e. "builders training builders"). This unique market position, coupled with favorable macroeconomic drivers, means BAA is well positioned to achieve its vision to be the nation's number one building and construction training provider.

Track record

BAA has achieved significant growth since transitioning from an internal training company. This growth has been accomplished by management focusing on the following key operational initiatives:

- shifting its delivery model from a purely business-to-business ("B2B") one where efforts were solely focused on offering training to Simonds staff and staff of suppliers and partners, to include a business-to-consumer ("B2C") approach with efforts now including a focus on offering its courses to the general trade public;

1. Homebuilding rankings and market share exclude significant operators that focus on multi-unit dwellings (i.e. Meriton, Brookfield Multiplex and L.U. Simon Builders)
2. Australian Bureau of Statistics, 3101.0 Australian Demographic Statistics
3. Comprises Registered Participants and Enrolled Participants

- developing a flexible network of classes that enables participants to undertake their course at a location that's close to them, and offering a variety of timetables for them to choose from;
- developing a sales narrative that leverages BAA's affiliation with the Simonds Group ("ie. builders training builders"); and
- working with referral agents who source suitable participants for BAA to train.

Figure 48 – number of student registrations per month

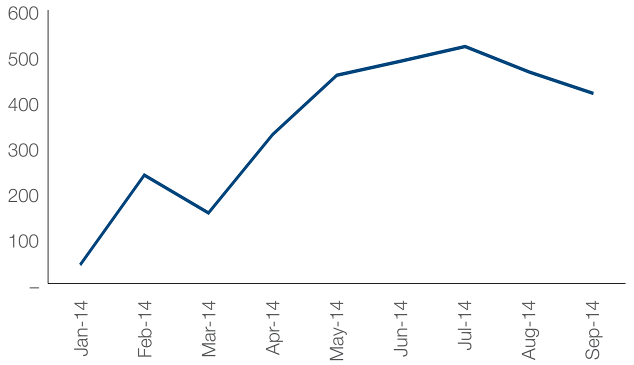
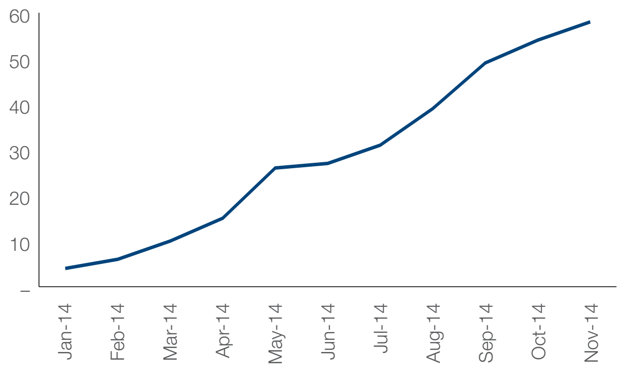
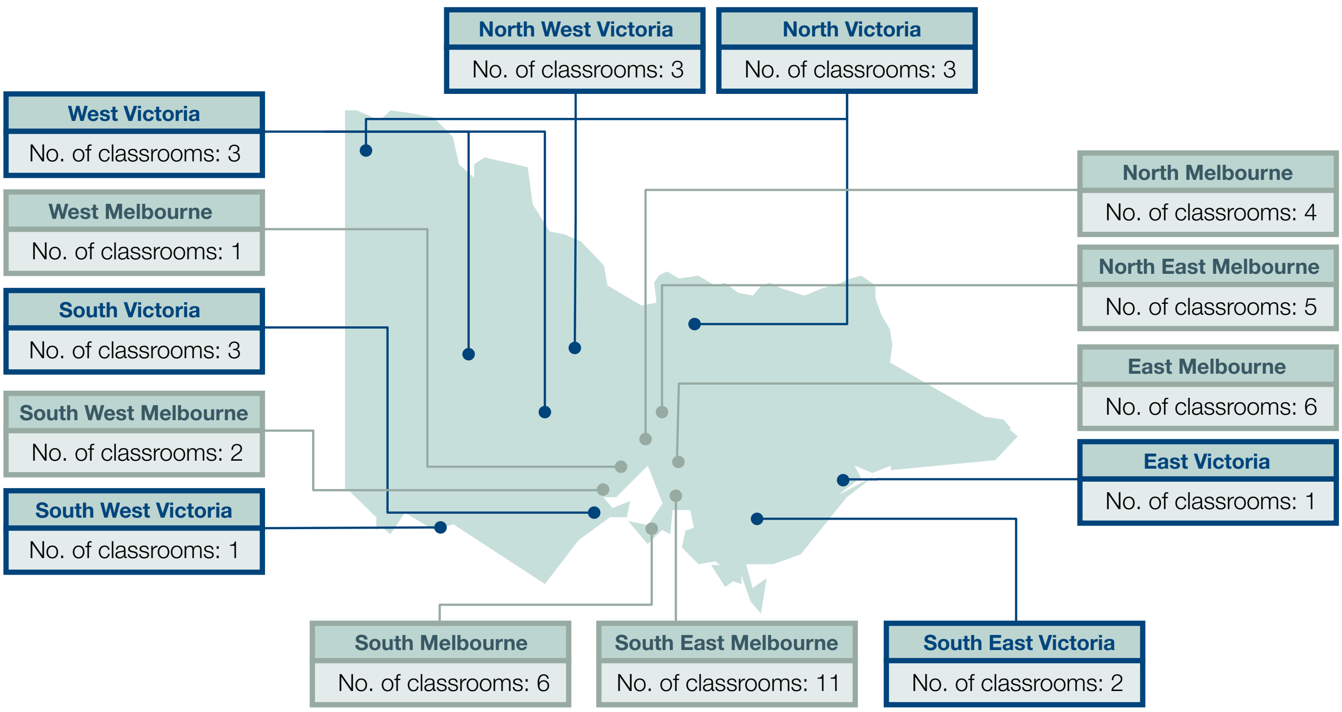


Figure 49 – number of classrooms[1]



BAA utilises more than 50 classroom facilities throughout Victoria, creating a flexible network of study options in terms of location, course availability and course offerings.

Figure 50: BAA classroom locations[2]



1. Includes new classrooms expected to open in October and November
2. Classes in operation as at 6 October 2014

Course offering

BAA delivers nationally accredited building and construction training courses, predominantly in the Certificate IV and Diploma space. BAA is approved to deliver Certificate II courses, however, BAA has not yet commenced offering these courses to participants.

At present, the bulk of BAA's students are training in Certificate IV and Diploma level qualifications. Management's desire is to expand its course offering through the building and construction vertical from Certificate II all the way to Advanced Diploma. This "cradle to grave" pathway will enable BAA to up-skill its students through their career and over a general duration of 6 – 7 years. Outlined below is a snapshot of these pathway opportunities:

- Certificate II – these qualifications provide a pathway to the primary trades in the construction industry and is for students wishing to gain entry level skills in building and construction. The delivery of these qualifications have a practical component and can enable students to gain a pre-apprenticeship. Student demographics include youth, job seekers, school leavers, and migrants and they'll have the ability to obtain their 'White Card', which is the Worksafe construction induction card required by people performing construction work.
- Certificate III – this qualification level produces a trade outcome for students and is delivered in a workplace or simulated workplace environment (commonly as an apprentice). Students typically include school leavers wishing to become a tradesperson.
- Certificate IV – these qualifications are designed to meet the needs of existing tradespeople and builders and managers of small to medium sized building businesses. The student may be seeking a building licensing outcome from their State authority once they complete certain Certificate IV building and construction courses.
- Diploma – these qualifications are designed to meet the needs of builders and senior managers within building and construction firms. The student may also be seeking a building licensing outcome from their State authority once they complete certain Diploma building and construction courses.
- Advanced Diploma – these qualifications are designed to meet the needs of builders and senior managers within building, construction and service firms typically working in larger organisations and managing more complex projects and processes.

Figure 51 – Overview of building and construction VET courses

Education level	Description	Participant profile	Status	No. of Participants[1]	Average completion time	Eligible participant govt. funding (completed) ex GST
Advanced Diploma	• Selecting contractors, overseeing the work and its quality, and liaising with the client	• Builders and senior managers managing complex projects	• Not currently offering	• N/A	• 24 weeks	• $4,000 – $5,000
Diploma	• Specialised skills/project management skills • Building and construction management • Business management	• Certificate IV graduates wanting to further up-skill • Builders registration aspirants	• Currently offering	• 347 participants (14% of student base)	• 24 weeks	• $10,000
Certificate IV	• Building and construction, sales, frontline management • Management qualifications	• Certificate III graduates • Builders registration aspirants	• Currently offering	• 2,201 participants (86% of student base)	• 24 weeks	• $8,200
Certificate III	• Trade qualifications • Carpentry, joinery, paving, concreting, scaffolding, tiling, etc.	• High school graduates and school leavers • Certificate II graduates	• Not currently offering	• N/A	• 1 to 4 years	• $6,000 – $14,000
Certificate II	• Introductory building and construction courses and pre-apprenticeship	• Job seekers, youth, school leavers and migrants	• Approved but not yet offered	• N/A	• 16 weeks	• $6,000

1. as at 30 September 2014

Government funding

BAA has a Victorian Government 3-year VET Funding Agreement (2014-2016), which allows it to receive funding for courses delivered to eligible participants.

VET FEE-HELP is an Australian Government loan scheme for diploma level courses. In June 2014, BAA applied for a VET FEE-HELP contract with the Federal Government and if successful is expected to commence in 2H FY15.

Growth opportunities

Management have identified the following main growth opportunities for BAA available in the short to medium term.

Growth in VET sector and trend towards private RTOs

BAA expects to continue increasing student participants in Victoria as the State-subsidised VET industry continues to expand and private RTOs continue to capture market share from traditional VET providers (e.g. TAFE institutions).

Management expects BAA to continue to compete favourably with other VET providers, given that BAA:

- offers more flexible study options than traditional VET providers with respect to location and course availability;
- provides a direct and credible career pathway to a trade leader, Simonds Homes, with realistic employment outcomes; and
- access to a strong source of student referrals through its relationships with building suppliers/partners via Simonds Homes.

Consolidation opportunities

The VET industry is highly fragmented. There is therefore potential opportunities for BAA to acquire smaller building and construction RTOs and increase its number of government funding contracts across the country.
BAA's management believes that a range of opportunities exist to undertake acquisitions over time and intends to pursue acquisitions where appropriate to achieve its objectives including, but not limited to:

- extending its course offering within the building and construction vertical from Certificate II through to Advanced Diploma;
- increasing its market share;
- expanding into other geographic markets, particularly NSW and QLD; and
- improving economies of scale.

No acquisitions have been assumed to be completed in FY15 in the preparation of the Forecast Financial Information, however Simonds Group is currently considering a number of potential acquisition opportunities.

Online course offerings

BAA is currently in the process of developing online course offering capabilities.

VET FEE-HELP funded diploma level courses

In June 2014, BAA applied for a VET FEE-HELP contract with the Federal Government and if successful is expected to commence offering diploma level courses which are eligible to receive VET FEE-HELP loan assistance in 2H FY15.

Pre-Qualified Supplier status

BAA has applied for Pre-Qualified Supplier (PQS) status with the Queensland government. Pre-qualified suppliers are RTOs who are approved to deliver publicly-funded training and assessment services to apprentices and trainees. If successful in its application, BAA will be able to offer its Certificate IV in Building and Construction (Building) to eligible Queensland residents using Queensland government funding.

More certificate level training courses

BAA is currently approved to deliver Certificate II courses and intends to commence offering these courses to students in 2H FY15. BAA may also consider offering Certificate III courses in the future which, if added, is anticipated to grow its participant base as students can easily progress through each certificate level with BAA.

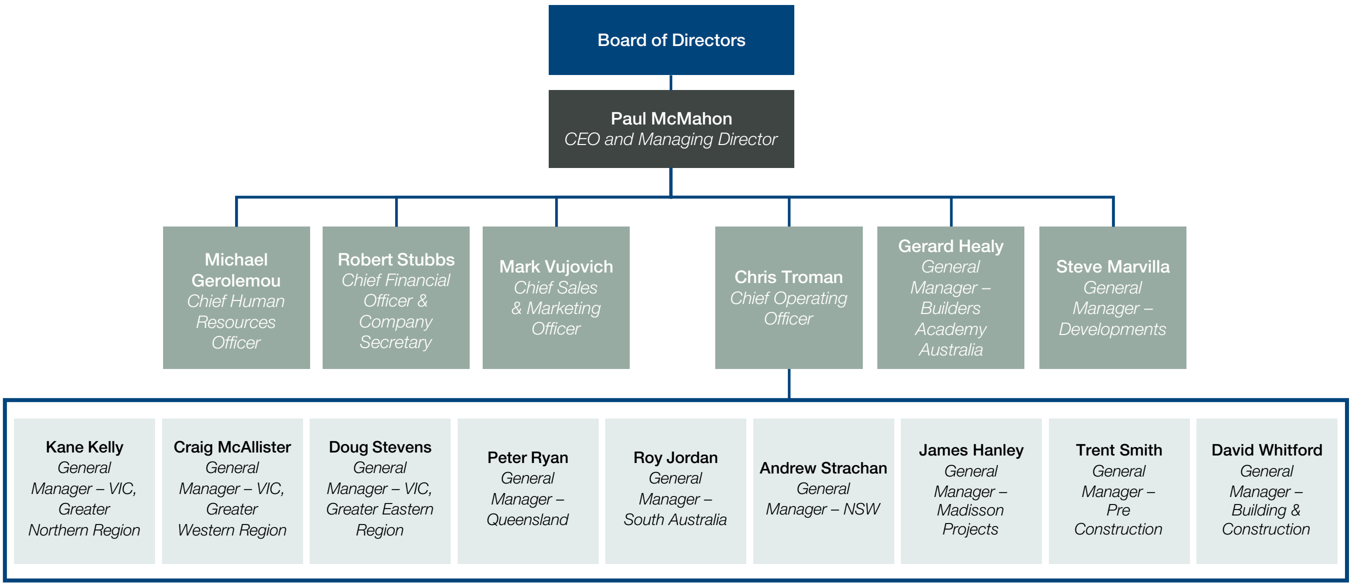
4 BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

4. Board, Management and Corporate Governance

4.1 Organisational Structure

Members of the current management team have been with Simonds Group for an average of approximately 5 years. CEO, Paul McMahon has been in his current role for about 4 years and assembled the current management team to drive the growth, focus and improvements in the business.

Figure 52 – Key management



4.2 Board of Directors

Simonds Group has an experienced and balanced Board. Its members collectively contribute a diverse range of skills and backgrounds including executive and governance roles at various publicly listed companies and other significant entities both in Australia.

Gary Simonds

Chairman

- Gary established Simonds in 1949 and has had a career spanning more than 65 years within the Australian homebuilding industry
- Gary has dedicated his career to Simonds and its growth into one of Australia's leading home builders

Paul McMahon

CEO and Managing Director

- Paul has been employed by Simonds Group for 7 years (3 years as Group General Manager and 4 years as CEO)
- Paul has over 15 years of experience working in the Australian homebuilding industry having worked for Simonds Group in a variety of management roles from 1999 to 2006
- Paul re-joined Simonds as Group General Manager in 2007 and is responsible for building the current management team and overseeing the growth in profitability and the establishment of Builders Academy Australia

Susan Oliver

Independent Director

- Susan is currently a director of listed companies Coffey International and CNPR. Susan is also Founding Chair of Scale Investors and a member of the Victorian Council for the Australian Institute of Company Directors.
- Susan's past directorships include Transurban Group, Programmed Group, The Just Group, MBF Australia and the restructure Board of Centro Properties Group. Susan was also Chair of Fusion Retail Brands, a privately owned retail group comprising Colorado, Jag, Diana Ferarri, Williams and Mathers brands
- Susan has contributed significantly to the innovation, IT and arts policy agendas in Australia and has been widely published on issues such as alternative futures for business in Australia
- Susan has received multiple awards including the Prime Minister's Centenary Medal 2003 and was one of Australian Financial Review's top 100 women of influence in 2013
- Susan holds a Bachelor of Property and Construction from the University of Melbourne and a Certificate in Financial Management AIM

Richard Colless AM

Independent Director

- Richard founded and served as Executive Director of Pacific Mutual Australia Limited, a major Australian and New Zealand real estate fund manager
- Richard was a member of the JPMorgan Australia Advisory Board (2005 to 2010), Consultant to the NSW Premier's Office (1998–1999) and Director of Events NSW (1998–2011)
- Richard was Non-Executive Director and Chairman of ING Real Estate Management Ltd, from 2004 until September 2010
- Richard served as Chairman of the Sydney Swans AFL from 1994 to 2014 (the longest serving chairman in the AFL club)
- Currently, Richard is a Director of the Honans Insurance Group Advisory Board, Chairman of the Moelis Australia Property Visa Fund and Trustee of the Sydney Cricket and Sports Ground Trust

Matthew Chun

Independent Director

- Matthew has over 22 years of senior management and corporate advisory experience and currently runs a private property development and advisory business based in Melbourne
- Matthew was previously an Executive Director and CEO of previously ASX listed Becton Property Group and over a 5 year period lead the organisation through the financial crisis enabling the business to develop and sell over $1bn worth of real estate enabling a restructure and repayment of over $1.6bn of group managed debt which ultimately resulted in a hedge fund syndicate acquiring the corporate debt and restructuring the company (this ultimately lead to the parent entity being placed into limited receivership in February 2013).
- Prior to Becton Property Group Matthew held positions at Cbus Super Fund and Coles Myer
- Matthew holds a Bachelor of Economics from La Trobe University, a Graduate Diploma in Property, Graduate Diploma in Applied Investment and Finance and is a licenced Estate Agent

Leon Gorr

Director

- Leon has over 40 years of experience as a client trusted adviser and has been involved within the house construction industry throughout this period
- Leon joined HWL Ebsworth's commercial group in 2011 and acts as an advisor across commercial transactions and investments, domestic and offshore estate and succession planning, tax planning and dispute resolution matters
- Leon is currently a director of W.A. Blue Gum Ltd (19 years) and Balanced Securities Limited (16 years). Leon was previously a director of Starpharma Ltd
- In 2011 Leon was acknowledged for his contribution to the tax profession by being inducted as a "Tax Legend" at the 50th Tax Institute of Victorian State Convention
- Leon holds a Bachelor of Jurisprudence and Bachelor of Laws, Masters of Administration and is admitted as a Barrister and Solicitor of the Supreme Court of Victoria and Federal and High Court of Australia

Each Director above has confirmed to Simonds that he or she anticipates being available to perform his or her duties as a non-executive or executive Director as the case may be without constraint from other commitments.

4.3 Management Team

The Simonds Group management team will continue without change following the completion of the Offer. Further information on the terms of employment of the management team is set out in Section 4.5.

Paul McMahon

CEO and Managing Director

Refer to biography above under Section 4.2

Robert Stubbs

Chief Financial Officer and Company Secretary

- Robert joined Simonds in 2013 and has responsibility for Finance, IT and Procurement
- With over 25 years of commercial and finance experience, Robert has undertaken a number of senior roles across a diversified range of industries including sport, entertainment, media, transport and property
- Robert was previously Chief Operating Officer at the Western Bulldogs AFL Club (10 years) and was Head of Risk Management, W.A. at National Australia Bank
- Robert holds a Bachelor of Commerce from the University of Queensland, Graduate Diploma in Banking and Finance from Monash University and MBA from Victoria University

Chris Troman

Chief Operating Officer

- Chris joined Simonds in 2014 as Chief Operating Officer and has 18 years of commercial, finance and construction experience
- Prior to joining Simonds, Chris held numerous management positions at Brickworks. These included finance, corporate development and General Manager of Austral Masonry East Coast and Austral Bricks Victoria divisions
- Chris holds a Bachelor of Commerce (Accounting and Business Law) from Curtin University, MBA from Deakin University and is a CPA qualified accountant

Mark Vujovich

Chief Sales & Marketing Officer

- Mark re-joined Simonds in 2007 as a Regional Manager for the South East region in VIC and later that year was appointed to Group manager – Sales & Marketing
- Mark has over 11 years of experience within the Australian homebuilding industry having previously worked as a regional sales manager at Burbank Homes from 2005 to 2007

Gerard Healy

General Manager – Builders Academy Australia

- Gerard joined Simonds in January 2014 as General Manager of BAA
- Gerard has over 5 years of experience within the Vocational Education and Training sector having worked for both non-RTO and RTO training providers in both strategic and board positions
- Prior to working in the Vocational Education and Training sector Gerard was a lawyer in the Mergers and Acquisitions team at Mallesons Stephen Jacques from 2007 to 2009, and the Commercial team at Maddocks from 2006 to 2007
- Gerard holds a Bachelor of Arts and Bachelor of Laws from Monash University

Michael Gerolemou

Chief Human Resources Officer

- Michael joined Simonds in 2000 as the Telemarketing Team Leader and has held a variety of roles within both Simonds Homes and BAA
- Michael has over 15 years of experience with prior roles including, but not limited to, regional operations officer at Bendigo Bank from 1995 to 2001
- Michael holds an Advanced Diploma in OH&S and Management (Human Resources)

Steve Marvilla

General Manager – Developments

- Steve joined Simonds in March 2014 as General Management of Developments
- Steve has 13 years of experience within property and finance industries with previous roles at Secure Investment F.I.B. and Suncorp
- Steve holds a Bachelor of Business (Economics) from La Trobe University

David Whitford

General Manager – Building and Construction

- David joined Simonds in 2000 as a Display Home Supervisor and was appointed to General Manager – Building and Construction in 2011
- David has over 15 years of experience within the Australian homebuilding industry and has risen throughout the Simonds organisation having held various internal roles
- David holds a Certificate IV in building and construction and a Diploma in building and construction

Trent Smith

General Manager – Pre Construction

- Trent joined Simonds in 2012 as the Operations Manager for the 'Metropolitan – North' region and was appointed to General Manager – Group Operations in 2013
- Trent has over 5 years of experience within the homebuilding industry having previously worked as an operations manager at Adenbrook Homes from 2007 to 2011

4.4 Director Interests and Corporate Governance

Director disclosures

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director of the Company or which is relevant to an investor's decision as to whether to subscribe for Shares.

Matthew Chun was appointed as an executive director of previously ASX listed Becton Property Group Limited (**Becton**) on 1 August 2007, and was appointed as CEO on 26 August 2008. Korda Mentha were appointed as receivers and managers of Becton on 26 February 2013 and continue to act as receivers and managers. Matthew was not the subject of any legal or disciplinary actions by Becton's receivers and managers, ASIC or by any government agency or regulator in connection with the appointment of receivers and managers to Becton.

Matthew continued in his role as CEO until May 2013, and in his role as a Director until December 2013 to assist the receivers in the management of the receivership.

The other Directors do not believe that the above matters are material to or indicative of Matthew's future performance of his duties as a Director of Simonds Group or the future performance or prospects of Simonds Group.

Remuneration

The following sets out the Directors' annual remuneration payable for the year ending 30 June 2015:

Director	Director's fees
Gary Simonds	$200,000
Paul McMahon*	Nil
Susan Oliver	$90,000
Richard Colless	$125,000
Matthew Chun	$90,000
Leon Gorr	$90,000

* *Please see Section 4.5 and 4.6 for further information regarding the payments payable to Paul McMahon for acting as CEO.*

These amounts will be paid pro-rata from the date of the Directors' appointment as a Director.

It is anticipated that Simonds Group will pay an additional $30,000 for each chair of the Audit and Risk Management Committee and the Nomination and Remuneration Committee.

Executive remuneration

Simonds Group has entered into an employment contract with Paul McMahon to govern his employment with Simonds Group. Paul is employed in the position of Group CEO of Simonds Group. Refer to Section 4.5 for further details.

Non-executive Director remuneration

The Constitution provides that the Non-Executive Directors are entitled to such remuneration as determined by the Directors, which must not exceed in aggregate the maximum annual amount determined by Simonds in general meeting.

Currently it has been determined that such remuneration will not exceed $750,000 per annum, to be apportioned among the Non-Executive Directors as determined by the Board in their absolute discretion. The Directors acknowledge that as Simonds grows, the demands on the Directors will increase and the Non-Executive Directors' fees will be increased commensurate with their responsibilities and workload, as determined by the Board and approved by the members.

Non-Executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Non-Executive Director performs extra services or makes special exertions for the benefit of Simonds. This may include, for example, acting as a representative of a Board committee.

Other information about Director's remuneration

Directors may also be reimbursed for expenses reasonably incurred in attending to Simonds Group's affairs. Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a director of Simonds Group or a subsidiary. There is no contractual redundancy benefit for Directors, other than statutory superannuation contributions.

Matthew Chun has also been paid consultancy fees in relation to his involvement in the due diligence process conducted in connection with the Offer. Refer to Section 9.18 for further details.

Leon Gorr is a Partner at HWL Ebsworth, the Company's Legal Advisor. HWL Ebsworth has been paid fees in connection with the Offer and by the Company generally. Refer to Section 9.18 for further details.

Directors' shareholdings

Directors are not required under the Constitution to hold any Shares. On completion of the Offer, the following Directors will have a relevant interest in the following number of Shares:

- entities associated with Gary Simonds – 55,857,716 Shares; and
- entities associated with Paul McMahon – 4,000,000 Shares.

Refer to Section 9.3 for further information.

The Directors, other than Leon Gorr, do not intend to apply for Shares under the Offer. Final Director's shareholdings will be notified to ASX on Listing.

Confidentiality, Indemnity, Insurance and Access Deed

The Company has entered into a Confidentiality, Indemnity, Insurance and Access Deed with each Director. This deed confirms the Director's right of access to certain books and records of the Company and its related bodies corporate while they are a Director and for a period of seven years after the Director ceases to hold office. The deeds also require the Company to indemnify the Directors to the full extent permitted by law against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or of a related body corporate.

Pursuant to the Constitution, the Company may to the extent permitted by law, purchase and maintain insurance or agree to pay a premium for insurance for each Director against any liability incurred by the Director as an officer of the Company or of a related body corporate. Under the deeds, the Company must maintain such insurance until seven years after a Director ceases to hold office as a Director of the Company or a related body corporate (or the date any relevant proceedings commenced during the seven year period have been finally resolved).

Role of the Board

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each Director must bring an independent view and judgement to the Board and must declare all actual or potential conflicts of interest. Any issue concerning a Director's ability to properly act as a director will be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

The Board has ultimate responsibility for the strategic direction of Simonds and for supervising Simonds management for the benefit of its Shareholders. The Board's responsibilities include setting and overseeing the execution of Simond's strategy, and supervising management in the operation of Simonds business.

The Board is committed to upholding standards in corporate governance, business behavior and accountability in order to promote investor confidence.

Corporate Governance Plan

The following is a summary of policies and procedures that have been adopted by the Company having regard to the ASX Principles and Recommendations. Details of the Company's key policies and practices and the charters for the Board and each of its committees is available at www.simondsgroup.com.au

Board Charter

The Board has adopted a Board Charter recording its commitment to best corporate governance practices. The Board Charter describes the specific responsibilities, values, principles and practices that underpin the role of Directors on the Board. The Board Charter does not attempt to provide a complete record of all of the formal and informal rules associated with the role of the Board and should be read in conjunction with the Constitution and relevant laws, regulations, codes and guidelines.

The Board currently plans to meet not less than ten times during the financial year, including sessions to consider Simonds strategic direction and business plans. Video and/or phone conferences will be used as required. The Chair of these committees may also be paid additional fees at the discretion of the Board.

Board Committees

At Listing, the Board proposes to establish two standing committees, being the Audit and Risk Management Committee and the Nomination and Remuneration Committee to assist the Board in fulfilling its responsibilities in relation to certain governance matters. The Board may also establish other committees from time to time to assist in the discharge of its responsibilities.

Each committee has the responsibilities described in the committee charter (which has been prepared having regard to the ASX Principles and Recommendations) adopted by the Company.

Audit and Risk Management Committee Charter

The Audit and Risk Management Charter details the role of the internal committee which is to oversee the processes for financial reporting, internal control, financial and non-financial risk management, external audit and monitoring the Company's compliance with laws, regulations and its own policies and evaluating the adequacy of processes and controls established to identify and manage areas of potential risk.

Nomination and Remuneration Committee Charter

The Nomination and Remuneration Committee Charter outlines the composition of the committee, its responsibilities, meeting requirements, reporting procedures and duties of the committee.

Code of Conduct

The Code of Conduct provides a set of guiding principles which are to be observed by all employees of the Company and addresses matters that are relevant to the Company's legal and ethical obligations to its shareholders. The policy outlines requirements in respect of the Directors' discharge of their duties, relationships, compliance with laws and ethics, conflicts of interest and confidentiality.

Share Trading Policy

The Share Trading Policy sets out the Company's policy with regard to trading in Company securities. The policy applies to all Directors, key management personnel and other employees of the Company and their associates. The policy outlines the general prohibition on insider trading, restrictions on trading, how permission to trade must be sought, what are trading windows and closed periods for trading, and how proposed trading in securities must be notified to the Company.

Diversity Policy

The Diversity Policy provides a framework for the Company to set measurable objectives for achieving diversity and sets out the procedures by which the Board can report the progress of these objectives in order to achieve a diverse and skilled workforce.

Following admission to the Official List of the ASX, the Company will be required to report any departures from the ASX Principles and Recommendations in its annual report.

Continuous Disclosure Policy and Communications Strategy

Once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Continuous Disclosure Policy sets out how the Company will comply with the continuous disclosure requirements and how shareholders are to be informed of all material developments in respect of the Company.

The Company aims to ensure that Shareholders are kept informed of all major developments affecting the state of affairs of the Company. In addition to the Company's continuous disclosure obligations, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. The Company will communicate this information regularly to Shareholders and other stakeholders through a range of forums and publications.

All ASX announcement, including annual and half year financial results, will be posted on the Company's website at www.simondsgroup.com.au as soon as they have been released to ASX.

4.5 Executive Employment Arrangements

Group CEO

Paul McMahon will receive an annual fixed remuneration of $600,000 (inclusive of superannuation). Paul will also be eligible to receive an annual cash bonus depending on Simonds Group's performance and Paul's achievement of certain key performance indicators. Paul will also be eligible to participate in Simonds Group's short term incentive plan (**STIP**), the long term incentive plan (**LTIP**) and Employee Share Plan (**ESP**). Paul's maximum STIP opportunity for any financial year is $600,000 on terms to be determined by the Board. For further details about the LTIP and ESP, refer to Section 9.6.

Paul may terminate the employment contract by giving 3 months notice in writing. Simonds Group may terminate by giving 3 months notice in writing or by making a payment in lieu of notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, Simonds Group may terminate Paul's employment contract immediately by notice in writing and without payment in lieu of notice.

Upon termination of Paul's employment contract, he will be subject to a restraint of trade period of 12 months. Simonds Group may elect to reduce the restraint of trade period, or eliminate the period in its entirety. The enforceability of the restraint clause is subject to all usual legal requirements.

Other key managers

The Chief Financial Officer, the Chief Operating Officer and each of Simonds Group's General Managers, as set out in Section 4.3, are employed under individual executive services agreements. These establish:

- total compensation including a base salary, superannuation contribution and incentive arrangements;
- variable notice and termination provisions of up to 3 months;
- confidentiality provisions;
- leave entitlements, as a minimum, as per the National Employment Standard; and
- restraint provisions.

4.6 Management Incentive

Under previous employment and consulting arrangements entered into with Simonds Group over the past few years, Paul McMahon, three other executives of Simonds Group and a management contractor (Remy Partners Pty Ltd ACN 154 329 861 (**Remy Partners**)), were entitled to receive various cash payments from Simonds Group in the event of a sale of business, including an IPO, and depending on certain key performance indicators being met.

Paul McMahon and three other executives

Paul McMahon and the three other executives have agreed to vary the terms of their previous employment agreements such that they will receive consideration partially in cash and partially in shares in Simonds Group. This will be provided in a way that the after-tax position of Paul McMahon and the three other executives is the same under both arrangements.

In order to effect the share ownership arrangement, prior to the Offer, Gary Simonds associated entities (outside of the Group) entered into agreements with the Existing Management Shareholders (which are associates of Paul McMahon and the three other executives), under which the following benefits will be provided to the executives:

- The right to subscribe for Shares using loans provided by a Gary Simonds associated entity (outside of the Group); and
- Cash bonuses, commissions and other payments by a Gary Simonds associated entity (outside of the Group) upon Completion of the Offer over a period of up to three years from the date of Listing, subject to certain service and other conditions

These benefits are considered to be a share based payment under AASB 2 Share-based Payment, even though the cash cost of these arrangements will be borne in full by Gary Simonds associated entities (outside of the Group).

Each of the Existing Management Shareholders received a loan from a Gary Simonds associated entity (outside of the Group) which enabled them to subscribe for Shares. This resulted in them holding 4.22% of the Shares prior to the Offer. Post Completion of the Offer, which includes 1,020,000 Sale Shares from the Existing Management Shareholders, they will hold 3.39% of total Shares. Of this amount Paul McMahon will hold 2.64% of total shares on Issue post the Offer.

	Existing Management Shareholder Shares and Loans			
	Loan from Gary Simonds associated entities (outside of the Group) ($)	Shares pre Offer (m)	Sale Shares (m)	Shares post Offer (m)
P McMahon	$2,750,000	4,800,000	800,000	4,000,000
Other executives	$775,000	1,350,000	220,000	1,130,000
TOTAL	**$3,525,000**	**6,150,000**	**1,020,000**	**5,130,000**
% of total Shares		4.22%	0.70%	3.39%

The Existing Management Shareholders have agreed to have their shareholdings post Offer escrowed for the period up to the earlier of the release to the ASX of the Company's preliminary financial results for the year ending 30 June 2016, or two years from the Prospectus Date, with the exception of the Sale Shares as noted above.

Upon Completion of the Offer Paul McMahon will be entitled to $9.5 million over the period to 30 June 2017 from Gary Simonds associated entities (outside of the Group) in the form of cash bonuses, commissions and remuneration from the Simonds Family Office. It is intended that Paul McMahon will repay the loan from Gary Simonds associated entities of $2,750,000 immediately following Completion of the Offer from these cash entitlements.

Upon Completion of the Offer, the remaining Existing Management Shareholders, excluding Paul McMahon, will be entitled to periodic cash commission payments subject to them completing certain service conditions of between two and three years.

Remy Partners

Remy Partners Pty Ltd, which provides management services to the Group has agreed to vary the terms of their previous agreement such that it is entitled to the following upon Completion of the Offer, which are to be paid in full by Gary Simonds associated entities (outside the Group):

- $10 million in cash commissions and other payments; and
- $1 million in cash subject to satisfying an 18 month service condition

Summary of profit or loss impact

The table below summarises the likely impact of these arrangements on the consolidated statements of profit or loss for the three financial years over which they will apply.

These transactions have no impact on the cash flows of the Group (with the exception of the Share subscription as detailed) as they are between the Existing Management Shareholders/Remy Partners and Gary Simonds' associated entities (outside of the Group).

	Consolidated statement of profit or loss (non cash)		
$	FY15F – $	FY16 – $	FY17 – $
Share related benefit – Paul McMahon and three other executives	8,400,000	–	–
Payments made by entities associated with Gary Simonds to Paul McMahon	6,500,000	1,500,000	1,500,000
Payments made by entities associated with Gary Simonds to three other executives	3,500,000	600,000	200,000
Payments made by entities associated with Gary Simonds to Remy Partners	10,400,000	600,000	–
Total	**28,800,000**	**2,700,000**	**1,700,000**

5 DETAILS OF THE OFFER

5. Details of the Offer

5.1 The Offer

The Offer comprises the issue of Shares by Simonds Group and the transfer of Existing Shares by SaleCo. A description of the role of SaleCo in the Offer is set out in Section 9.4.

In total:

1. SaleCo is offering to sell 84.8 million Shares in Simonds Group at an Offer Price of $1.78 per Share; and
2. Simonds Group intends to raise $10.0 million by offering to issue 5.6 million Shares at an Offer Price of $1.78 per Share.

The total number of Shares on issue at the completion of the Offer will be 151.4 million and all Shares will rank equally with each other. Of the total shares, New Shareholders (being shareholders other than the Existing Shareholders), will hold 59.7% of the total Shares on issue following completion of the Offer, with the remaining 40.3% held by the Existing Shareholders.

No general public offer will be made. The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Joint Lead Managers and Simonds Group, having regard to the allocation policy outlined in Section 5.8. The allocation of Shares under the Employee Gift Offer will be determined by Simonds Group.

The Offer is fully underwritten by the Joint Lead Managers.

5.2 Purpose of the Offer

The Offer represents the partial sell-down by the Selling Shareholders, being entities associated with Gary Simonds, Paul McMahon and other management.

The Existing Shareholders will retain approximately 40.3% of the Shares on issue in Simonds Group immediately post-Listing demonstrating their belief in the continued success of the business model and its growth prospects under the current management team. The retained Shareholdings of the Existing Shareholders will be subject to escrow arrangements until the earlier of the release of the preliminary financial report for the year ending 30 June 2016, or two years from the Prospectus Date.

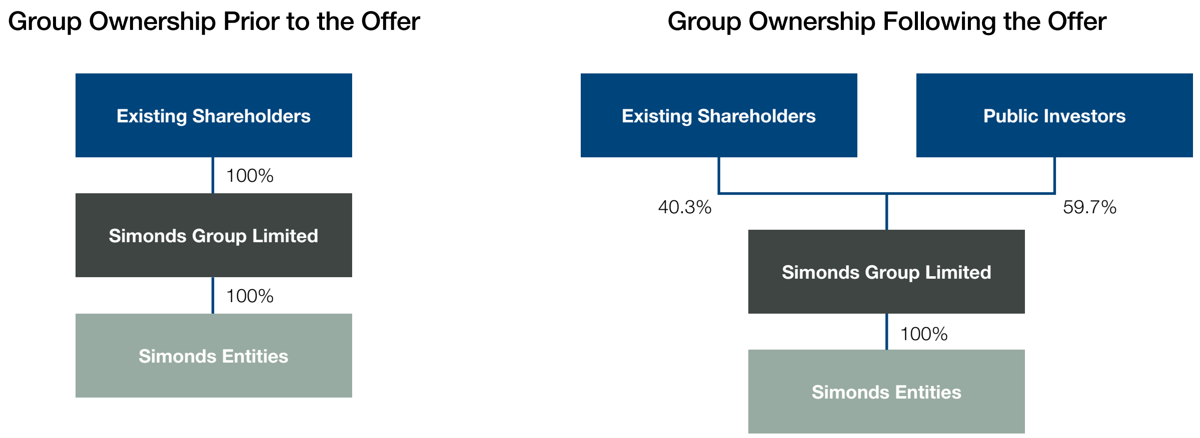
The purpose of the Offer is to:

- fund the partial sell-down of 84.8 million Sale Shares by the Selling Shareholders;
- raise $10.0 million for Simonds Group to fund working capital and growth initiatives;
- provide Simonds Group with access to capital markets;
- provide an opportunity for Simonds Group employees and others to invest in Shares in Simonds Group;
- provide the Simonds Group business with the benefits of an enhanced corporate profile that arises from being a listed entity; and
- provide funds to pay the expenses of the Offer.

5.3 Ownership Structure

The ownership structure of Simonds before and after the completion of the Offer and listing on the ASX is displayed in the diagram below.

Figure 53 – Simonds Ownership Structure



5.4 Capital Structure and Shareholders

Shareholder	Shares held as at Prospectus Date	Number of Shares held at Prospectus Date (%)	Number of Shares held post Completion	Shares held post Completion (%)
Entities associated with Gary Simonds	139,644,290	95.78%	55,857,716	36.89%
Entities associated with Paul McMahon[1]	4,800,000	3.29%	4,000,000	2.64%
Entities associated with management[2]	1,350,000	0.93%	1,130,000	0.75%
New Shareholders pursuant to the Offer			90,424,552	59.72%
Total	**145,794,290**	**100.00%**	**151,412,268**	**100.00%**

Information on the Shares that will be subject to voluntary escrow arrangements, is set out in Section 5.16.

1. *Paul McMahon will also be issued approximately 280,900 performance rights at Listing. See Section 9.6.*
2. *Management (excluding Paul McMahon) will be issued approximately 1,471,909 performance rights at Listing. See Section 9.6.*

5.5 Sources and Uses of Funds

The gross proceeds of the Offer will total $161.0 million.

The proceeds of the Offer will be applied to:

- the acquisition of Sale Shares from SaleCo (being from the Selling Shareholders);
- funding for working capital and growth initiatives; and
- the payment of costs associated with the Offer.

Sources	$ million
Cash proceeds received for the transfer of the Sale Shares	151.0
Cash proceeds received for the issue of New Shares	10.0
Total	**161.0**

Uses	$ million
Payment to SaleCo/the Selling Shareholders	151.0
Working capital	5.3
Transaction costs	4.7
Total	**161.0**

The Directors believe that on Completion of the Offer, Simonds Group will have sufficient funds available from the cash proceeds of the Offer, Simonds Group's operations and undrawn borrowing capacity, to fulfill the purposes of the Offer and meet Simonds Group's stated business objectives.

5.6 Structure of the Offer

The Offer will consist of:

- the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other authorised jurisdictions to apply for Shares;
- the Broker Firm Offer, which is open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their Broker;
- an issue of Shares under the Employee Gift Offer to all Eligible Employees of Simonds Group of approximately 280 Shares (valued at $500) each, plus a salary sacrifice option for Eligible Employees to acquire up to an additional $500 worth of Shares if they agree to salary sacrifice up to $500 from their pre-tax remuneration over the period from December 2014 to 30 June 2015; and
- an issue of Shares under the Priority Offer, under which Eligible Employees will be invited to apply for Shares, limited to $2.0 million in aggregate proceeds.

5.7 Joint Lead Managers and Underwriters

Simonds Group has appointed Moelis and Morgans to act as the Joint Lead Managers and Underwriters to the Offer ("**Joint Lead Managers**").

Moelis has also been appointed as Financial Advisor to Simonds Group.

5.8 Allocation Policy

The allocation of Shares among Applicants will be determined by Simonds Group in its sole discretion, having consulted with the Joint Lead Managers.

The allocation policy will be influenced by a number of factors, which may include:

- the number of Shares bid by particular bidders;
- the number of Shares applied for by Applicants;
- Simonds Group's desire for an informed and active trading market following Listing on the ASX;
- Simonds Group's desire to establish a wide spread of institutional Shareholders;
- the overall level of demand;
- an assessment of whether particular bidders and Applicants will be long term Shareholders; and
- any other factors that Simonds Group and the Joint Lead Managers consider appropriate.

5.9 Offer

A. Institutional Offer

The Joint Lead Managers will separately advise Institutional Investors of the Application procedures for the Institutional Offer.

B. Broker Firm Offer

Who may apply?

The Broker Firm Offer is open to persons who have received an allocation from their Broker and who are residents of Australia. If you have been offered an allocation by a Broker having a firm allocation, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

How to apply?

Investors who have received an allocation of Shares in the Broker Firm Offer must follow instructions provided by their Broker.

Those Applicants must complete the Broker Firm Application Form at the back of this Prospectus. By making an Application, you declare that you were given a copy of this Prospectus, together with a Broker Firm Application Form. Please contact your Broker if you require further instructions.

Any Broker Firm Application Form must be stamped by a Broker so that the correct allocation of Shares is received.

Minimum Application amount

Amounts will be determined by your Broker. However, the minimum Application Amount under the Broker Firm Offer is approximately 1,405 Shares ($2,500). If you apply for a total Application Amount that is not a multiple of the Offer Price, your Application will be rounded down to the nearest multiple of the Offer Price and any excess refunded (without interest).

How to pay?

Applicants under the Broker Firm Offer should make payments in accordance with the directions of the Broker from whom you received an allocation.

Address for return of Application Forms and Application Monies

Applicants under the Broker Firm Offer should send their completed Broker Firm Application Form and Application Monies to their Broker by the Closing Date.

Please confirm with your broker the manner in which you should make your payment.

Closing Date for receipt of Applications

The Broker Firm Offer opens on 30 October 2014 and is expected to close on 13 November 2014.

Simonds Group may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date.

Applicants applying for Shares using a paper Broker Firm Application Form are encouraged to submit an Application Form and Application Monies to their Broker as early as possible in advance of the Closing Date and to allow a sufficient period for mail processing time.

How to obtain a copy of this Prospectus

Please contact your Broker for instructions. You may also obtain a copy of this Prospectus as follows:

- You can download a copy at www.simondsgroup.com.au
- Request a copy from the Share Registrar, Boardroom Pty Limited

While you may obtain a copy of these documents as set out above, your Application will not be accepted under the Broker Firm Offer if it is not lodged through your Broker

C. Employee Gift Offer

Who may apply?

All Eligible Employees are entitled to participate in the Employee Gift Offer. If you are an Eligible Employee, you should have received a letter of offer detailing the terms of the Employee Gift Offer, together with this Prospectus.

How to apply

Eligible Employees who are entitled to participate in the Employee Gift Offer are required to complete the Application Form made available online at www.simondsgroup.com.au.

Payment methods

No payment is required for the Employee Gift Offer

Allocation policy under the Employee Gift Offer

Employee Gift Offer Applicants who are Successful Applicants will receive a guaranteed allocation of $500 worth of Shares or such lesser amount applied for.

Eligible Employees who wish to participate in the salary sacrifice option may acquire up to an additional allocation of $500 worth of Shares, or such lesser amount applied for.

Further information about the Employee Gift Offer

A participant in the Employee Gift Offer must not sell, assign, transfer or otherwise deal with, or grant a security interest over, a Share acquired under the Employee Gift Offer before the earlier of:

a) the end of the period 3 years after the issue of the Shares to the participant; and

b) the time when the participant is no longer employed by Simonds Group.

Shares acquired by a participant in the Employee Gift Offer will be held under a trading lock until the end of the disposal period referred to above.

D. Priority Offer

Who may apply?

The Priority Offer is open to all staff of Simonds Group employed at the time of the Offer. If you are a Priority Offer Applicant, you should have received a personalised invitation to apply for shares in the Priority Offer.

How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation.

Applications under the Priority Offer must be for a minimum of 1,405 Shares (valued at $2,500).

There is no maximum value of Shares that may be applied for under the Priority Offer, however, the maximum size of the Priority Offer is $2.0 million. Simonds Group in its sole discretion reserves the right to scale back applicants under the Priority Offer. Any amount applied for in excess of the amount allocated to you, will be refunded in full (without interest).

If the amount of your cheque or BPAY® payment for Application Monies (or the amount for which those cheque or BPAY® payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

It is the responsibility of the Applicant to ensure payments are received by the Closing Date, being 5:00pm (AEDT) on 13 November 2014. If you make a BPAY® payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY® and policies with respect to timing for processing BPAY® transactions, which may vary between bank, credit union or building society.

If you are paying by cheque, you may send a cheque for your Application Monies to the Share Registry. Cheques must be drawn on an Australian branch of a financial institution in Australian dollars, made payable to "Simonds Group Limited – Application Account" and crossed "Not Negotiable". You should ensure that sufficient funds are held in the relevant account(s) to cover your cheque. Cash will not be accepted. Receipts for payments will not be issued.

Allocation policy under the Priority Offer

Allocations under the Priority Offer will be determined by Simonds Group in its sole discretion, provided that those allocations including those under the Employee Gift Offer (in aggregate) do not exceed $2.0 million.

5.10 About the Shares

A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.5.

What returns will I get?

Your returns on Shares may be:

- dividends paid and other distributions which may be made in respect of your Shares; and
- any gains you make if you sell or dispose of your Shares for a net price that is greater than the price you paid for them (although the market price of your Shares may also decline, making them worth less than what you paid for them).

No amount of returns is promised in respect of the Shares. The key factors that will determine your returns (if any) are the market price of Shares and the Board's decision in relation to dividends or other distributions. If you sell your Shares, you may be required to pay brokerage or other sale expenses. Tax will also affect your returns from the Shares. Further information regarding taxation considerations are set out at Section 9.15. You should seek your own tax advice in relation to your Shares.

Simonds Group is the person legally liable to pay you any dividends or other distributions declared on your Shares.

If you sell any of your Shares, the purchaser of those Shares will be legally liable to pay you the sale price.

You may cash in your investment by selling your Shares. Any sale of Shares must be made in accordance with the requirements of the Constitution, the ASX Listing Rules and any other applicable laws.

Dividend Policy

Dividends and other distributions with respect to the Shares are only made at the discretion of the Board of Simonds Group. The payment of dividends is not guaranteed and Simonds Group's dividend policy may change. The Board's decisions in relation to the level of reserves and retentions may affect any dividends or distributions you receive from the Shares.

In determining dividends payable to Shareholders, Simonds Group must comply with the solvency test specified in the Corporations Act.

Factors expected to influence or affect the Board's decision to pay dividends over time include:

- any statutory or regulatory requirements;
- the final performance of Simonds Group;
- one-off or non-recurring events;
- Simonds Group capital expenditure requirements;
- the availability of imputation credits;
- prevailing business and economic conditions;
- the outlook for all of the above; and
- any other factors deemed relevant by the Board.

Subject to the above, Simonds Group will target a dividend payout of 65% of pro forma NPAT, and intends to make dividend payments to Shareholders semi-annually, in respect of half years ending 31 December and full years ending 30 June.

The first dividend following the Offer is expected to be paid on or around October 2015 for the period from 1 January 2015 to 30 June 2015.

Underwriting Agreement

Simonds Group and the Joint Lead Managers have entered into the Underwriting Agreement under which the Joint Lead Managers have agreed, subject to certain conditions, to underwrite the Offer in full, comprising all of the 90.4 million Shares.

The Underwriting Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the agreement and their underwriting obligations.

See Section 9.4 for further information about the Underwriting Agreement.

5.11 ASX – Application for Listing

An application will be made to ASX after the Prospectus has been lodged with ASIC for Simonds Group to be admitted to the Official List of the ASX and for quotation of the Shares on the ASX. It is anticipated that the ASX stockcode for Simonds Group will be "SIO". Neither ASIC nor ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates. The fact that ASX may admit Simonds Group to the Official List and quote the Shares on the ASX is not to be taken as an indication of the merits, or as an endorsement by ASX, of Simonds Group or the Shares. Shares are expected to commence trading on the ASX on a normal settlement basis on 24 November 2014.

5.12 Quotation and Trading

The contracts formed on acceptance of applications and confirmations of allocations will be conditional on ASX agreeing to quote the Shares on ASX, and on the Shares being issued. Trades occurring on ASX before the Shares are issued will be conditional on their issue.

Conditional trading will continue until Simonds Group has advised ASX that:

- the Sale Shares to be sold by the Selling Shareholders have been transferred to SaleCo; and
- Simonds Group has issued Shares, and SaleCo has transferred Shares, to successful Applicants under the Offer, which is expected to be on or about 20 November 2014.

Trading will then be on an unconditional but deferred settlement basis until Simonds Group has advised ASX that holding statements have been dispatched to Shareholders. Normal settlement trading is expected to commence on or about 24 November 2014.

If settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of the Offer and confirmations of allocations will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Simonds Group and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by Simonds Group Offer Information Line, by a Broker or otherwise.

5.13 Failure to Achieve Listing

In the event that admission to list the Shares on the ASX is denied or the Offer does not proceed for any other reason, all Application Monies will be refunded in full without interest.

5.14 Confirmation of Allocation

Applicants will be able to confirm their holding by contacting their Broker upon commencement of trading the Shares on ASX.

You should not attempt to sell any Shares until you know whether any, and how many, Shares have been allocated to you. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. None of Simonds Group, the Joint Lead Managers, the Share Registrar or any of their respective directors, officers or employees accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares before the statements confirming allotments of Shares are received by you or the successful bidders under the Institutional offer (as applicable).

5.15 Clearing House Electronic Sub-Register System

Simonds Group will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**), in accordance with the ASX Settlement Operating Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in paperless form. When the Shares become CHESS Approved Securities, holdings will be registered in one of two subregisters, an electronic CHESS subregister or a Simonds Group-sponsored subregister. The Shares of a Shareholder who is a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the Simonds Group-sponsored subregister. Following the allotment of Shares, any Shareholder who has elected to have their Shares registered in CHESS will be sent an initial statement of holding that sets out the number of Shares that have been allocated. This statement will provide details of the Shareholder's Holder Identification Number (**HIN**) or, where applicable, the Shareholder Reference Number (**SRN**) for Simonds Group-sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding in Simonds Group.

5.16 Escrow Arrangements

The Selling Shareholders have agreed to sell a portion of their Shares into the Offer through their arrangements with SaleCo and will retain the balance of their Shares on Listing.

The Existing Shareholders have entered into voluntary escrow arrangements in relation to those retained Shares which are subject to escrow. An "escrow" is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to any exceptions in the escrow arrangement. See Section 9.12 for further information on the escrow arrangements.

Restrictions on dealing with Shares the subject of escrow

During the escrow period, the Existing Shareholders may not deal with any of their Shares in any way other than:

- if the dealing is in relation to a reorganisation of their shareholding ownership structure where control of the Shares is retained by the ultimate controller, Simonds Group has given its consent to the reorganisation and the new holder has agreed to be bound by the same escrow arrangements;
- with prior written consent of Simonds Group;
- pursuant to a court order compelling the Shares to be disposed of or a security interest to be created over them;
- if the Shareholder dies, pursuant to a transfer by the personal representative of the Shareholder to a person to whom the Shares are bequeathed where that person has agreed to be bound by the same escrow arrangements;
- to allow acceptance of a takeover offer for some or all of the Shares; and
- in connection with the transfer or cancellation of Shares as part of a scheme of arrangement, share buyback or other similar reorganisation or an acquisition of share capital that has received all necessary approvals.

5.17 Brokerage

You are not required to pay any brokerage or commission to acquire the Shares under the Offer.

5.18 Discretion Regarding the Offer

Simonds Group and SaleCo may, in consultation with the Joint Lead Managers, withdraw the Offer, or any part of it, at any time before the allotment of Shares to successful Applicants in the applicable part of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded. No interest will be paid on unsuccessful Applications.

Simonds Group also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

If the Company amends the Closing Date, any such amendment will be announced through ASX.

5.19 Questions or Further Information

If you have any queries in relation to this Prospectus, including how to complete the Application Form or how to obtain additional copies, then you can:

- call the Simonds Offer Information Line on 1300 135 167 (toll free within Australia) or +61 2 8016 2891 (outside Australia) between 8:15am and 5:30pm (AEDT), Monday to Friday; or
- visit www.simondsgroup.com.au to download an electronic copy of the Prospectus.

If you are unclear in relation to any matter or are uncertain as to whether Simonds Group is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

6 RISK FACTORS

6. Risk Factors

There are factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company and the value of its Shares. Some of these risks may be mitigated by the Company, however many of these factors are outside the control of the Directors and management of the Company.

This Section identifies some, but not all, of the risks which the Board believes to be associated with an investment in the Company. These risks, were they to occur, could have a material adverse effect on Simonds' financial position or performance through reduced revenue, increased costs, reduced cash flows, a decrease in products sold, damage to reputation or a combination of these.

This is not an exhaustive list and should be considered in conjunction with other information disclosed in this Prospectus. There may also be additional risk factors of which Simonds is currently unaware, or that it currently deems not material but which may subsequently become key risk factors for the business. The risk factors described below necessarily include forward looking statements. Actual events may be materially different to those described below and may therefore affect Simonds in a different and/or more material way. You should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether or not to apply for Shares.

6.1 Principal Risks for Investors

The principal risk is that you may not be able to recoup your original investment or you may not receive the returns you expect. This could happen for a number of reasons, including that:

- the price at which you are able to sell your Shares is less than the price paid for them;
- an inability to sell your Shares at all – for instance, because the market for them does not develop, becomes illiquid or ceases to exist;
- Simonds does not perform as expected, and as a result, may not be in a position to pay dividends;
- the operational and financial performance of Simonds is not as strong as expected; or
- Simonds becomes insolvent and is placed into receivership, liquidation or voluntary administration.

Any investment in the share market has risks associated with it, and this investment is no exception. The key risks specific to Simonds and other general market risks are set out below.

6.2 Specific risks associated with Simonds Group

Key personnel, recruitment and staff retention

The success of Simonds' business is dependent on the leadership of its key management personnel, including Paul McMahon, Chief Executive Officer, and other members of the management team (see Section 4 for more information on the key management team of Simonds). The loss of key personnel could have a material adverse effect on Simonds through a loss of leadership, institutional knowledge and potentially through loss of relationships.

Simonds competes with other contracting services and project development companies to recruit and retain professional staff and other employees and third party contractors with appropriate technical skills and managerial experience necessary to continue to operate its business. The recruitment and retention of staff is particularly challenging in the Australian housing market due to intense competition for skilled employees and contractors.

Simonds may require additional qualified personnel to support its growth strategies. Attracting and retaining such qualified personnel may require increased expenditure from Simonds which would reduce profits and Simonds may experience difficulty in attracting and retaining the required personnel.

Risks associated with Existing Shareholders retaining a significant Shareholding

The Existing Shareholders will hold 40.3% of the Shares with effect from completion of the Offer.

Any sale of Shares in the future by the Existing Shareholders could adversely affect the market price of the Shares, not that any such sale is presently expected and its Shareholding is escrowed until the earlier of the Company releasing to the ASX its preliminary announcement of the Company's audited financial results in respect of the financial year ending 30 June 2016, or two years from the Prospectus Date.

6.3 Specific risks associated with Simonds Homes

Cyclical economic conditions

Simonds Homes' business is highly dependent on the activity levels in the housing construction industry (comprising both new builds and additions and alterations) in Australia, which is cyclical and is highly sensitive to a broad range of economic and other factors that are beyond Simonds' control, including:

- general economic and market conditions;
- housing demand from population growth or decline, and household formation and other demographic trends, which, in turn, drives new builds and additions and alterations;
- house prices;

- prevailing interest rates;
- inflation or deflation;
- Government or Reserve Bank policies;
- personal income tax rates;
- employment levels and job and personal income growth; and
- business and consumer confidence generally, including the confidence of potential homebuyers in particular.

Simonds Homes' business will continue to be affected by the level of construction activity in Australia. Lower levels of construction activity, including as a result of any negative trends in any of the factors referred to above, could lead to a significant reduction in demand for Simonds' products and services. This may have an adverse effect on Simonds' future financial performance and position.

Changes to immigration policies

Immigration inflows, as a significant contributor to population growth, are a major driver of new homes sales and construction. Simonds Group estimates that many of its customers are recent migrants to Australia.

Any change to immigration policies which reduces migration to Australia, and therefore population growth, negatively impacts the demand for housing construction, this could have an adverse effect on the future financial performance and position of Simonds Group.

Changes to government policies in relation to property ownership

A number of Simonds Homes' customers may be impacted by government policy in relation to real estate ownership, including but not limited to:

- FHBs impacted by Federal and State Government changes to FHB grant schemes
- Australian investors may be impacted by changes to the taxation treatment of "negative gearing"
- Offshore buyers may be impacted if the government makes changes to foreign ownership laws

Any change to government policies, particularly in relation to FHB grant schemes, will impact the demand for housing which could have an adverse effect on the future financial performance and position of Simonds.

Competition from apartments

Simonds Homes operates predominantly in the single-unit detached dwelling sector, as opposed to the multi-unit (apartment), housing sector. Increased demand for apartments may have a negative impact on demand for detached dwellings which may impact Simonds Homes' financial performance and position.

Government allocation towards infrastructure expenditure

The ease of access to efficient transport to/from major economic hubs influences the saleability of residential housing. If the Government were to decrease transport infrastructure or direct it away from suburban locations, this may have a negative impact on Simonds Homes' financial performance and position.

Occupational Health and Safety

Due to the nature of the industry in which Simonds operates, there is a potential risk to the health and safety of Simonds' employees and contractors and/or its customers or members of the public.

If Simonds does not comply with its health and safety obligations, it could be subject to a range of enforcement activity, including directions to take remedial action and/or summary criminal prosecution and fines, if convicted.

A health and safety incident has the potential to damage Simonds' reputation and brand, which, in turn, could negatively affect its financial performance and position.

Industrial relations and wages

Industrial relations in the Australian construction industry are influenced by changes in government legislation, awards, regulations, codes, workplace and project agreements, and related matters. Industrial disputes may occur. In times of low unemployment or shortage of skilled employees, there can be upward pressure on wages. If any of these events occur, it may have an adverse effect on Simonds' future financial performance and position.

Construction and structural defects

Simonds Homes is in the construction industry and therefore is exposed to risks relating to structural and building defects. These may result in a negative customer experience, potential brand damage and financial costs to Simonds for repairs and rectification. These factors, either individually or in combination, may have an adverse effect on the future financial performance and position of Simonds Homes.

Reliance on key suppliers

Simonds Homes has contractual arrangements with a large number of suppliers. If a key supplier were to fail to deliver (either through financial difficulties or some other reason), this may impact Simonds Homes' ability to deliver the construction of homes on budget and/or on time and may negatively impact Simonds Homes' financial performance and position.

Simonds' ability to offer a range of brands that can be selected by consumers when constructing their new home is a key contributor to the appeal of its service to customers. The loss or deterioration of Simonds' relationships with key brand owners, service providers or suppliers, or an inability to renew contractual arrangement with such parties or negotiate arrangements with new parties on terms which are not materially less favourable than existing arrangements, is likely to have an adverse effect on Simonds' future financial performance.

The Offer (and the change in percentage shareholding by the existing shareholders) may result in triggering a change of control provision in an agreement with a material supplier. Such change of control consent may require the consent of that material supplier, and if that consent is not obtained, Simonds Group may be in default of that agreement. Simonds Group may not be able to obtain the supplier's consent to that change of control, resulting in Simonds Group being in default, and possibly termination, of that agreement.

Any default under an agreement with a supplier of Simonds could adversely affect Simonds' ability to maintain its product range, which may have an adverse effect on Simonds' future financial performance.

Adverse movements in exchange rates

Simonds Homes' suppliers, as importers, may be impacted by movements in exchange rates. As Simonds Homes' suppliers may make payments for their materials and inventories in foreign currency, potential cost increases due to unfavourable exchange rate movements may impact the cost of supplies to Simonds Homes. This may negatively impact Simonds Homes' financial performance and position.

Increased input costs and availability of key materials and equipment

Simonds may face increased input costs such as the costs of fuel and energy sources, concrete, steel and contract personnel. To the extent that these costs cannot be passed through to customers in a timely manner, or at all, Simonds' future financial performance and position could be adversely affected. A construction boom in Australia may result in occasional shortages of key input materials and equipment, for example steel or wood for housing structures. The unavailability of materials and equipment may cause disruption to productivity and delays to completion, with consequent increased costs to Simonds projects. This may have an adverse effect on Simonds Homes' future financial performance and position.

Disruption to product sourcing from overseas

Simonds sources a large proportion of its products from domestic subsidiaries of foreign suppliers. As a result, Simonds is exposed to risks including political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports, exchange rates and hedging risks. Simonds is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers operate. Any of these risks, individually or in combination, could adversely effect Simonds' future financial performance.

Exposure to product recall and warranty obligations

Simonds offers a number of product ranges sourced from a variety of suppliers. Associated with these products are various recall and warranty obligations. Any significant product recall or warranty obligation may result in a warranty cost that is borne by Simonds, net of insurance and other recoverable costs. This may have an adverse effect on Simonds' future financial performance and position.

Insurance

The availability of insurance at an appropriate price and on appropriate terms is important to Simonds' operations and is not guaranteed. The occurrence of an event that is not fully covered, or covered at all, by insurance, may have an adverse effect on Simonds future financial performance and position.

Competitive factors

Simonds is subject to competition from other homebuilders in Australia. The market share of these competitors may increase relative to Simonds' share as a result of various factors, including a change in consumer preference towards competing product offerings, including those competitors:

- acquiring or developing technologies which give them a competitive advantage;
- increasing their scale or range of their products;
- lowering their price; or
- undertaking strategic moves to combine or consolidate in some way.

Any of the above, either individually or in combination, may reduce the demand for the products offered by Simonds, which could have an adverse effect on the future financial performance and position of Simonds.

Risks relating to customers

The composition and nature of Simonds' customer base introduces several risks:

- Simonds has limited repeat customers and relies on the continual generation of new customers;
- Simonds' customer base is strongly represented by FHBs which creates an element of credit risk albeit site construction does not commence without the customer being finance approved by the lending bank; and
- collecting payments from customers given customer base is diverse and covers a range of credit profiles.

In the future, Australia could experience a cultural shift in the ideal of home ownership. Australians may no longer aspire to own their own home. Home ownership may become too expensive at which point renting may be preferred. This change in sentiment may impact adversely on the rate of construction of new residential homes which could adversely impact the financial performance and position of Simonds Homes.

Simonds brand name may diminish

The Simonds brand is a key aspect of the business. The reputation and value of the brand may be adversely affected by a number of factors including failure to provide customers with the quality of products and services they expect, disputes or litigation with third parties that could include suppliers, customers or adverse media coverage (including social media). Significant erosion in the reputation of, or value associated with the brand would have an adverse effect on Simonds Homes' financial performance and position.

Growth strategy

Simonds has a number of strategies to support future growth and earnings including growth in New South Wales, Queensland and South Australia. There is a risk that the implementation of these strategies will negatively impact the business and there is no guarantee that these strategies will generate the full benefits anticipated or result in future sales and earnings growth. This may have an adverse effect on Simonds' financial performance and position.

Interruptions to business operations

Simonds' business is dependent on the continued and uninterrupted coordination of its project teams (project managers, contractors, suppliers, etc.) across Australia. On occasion if any member of a project team fails to fulfil its responsibilities, construction timeframes could be delayed, resulting in increased costs and reduced revenues. This may have an adverse effect on Simonds' future financial performance and position.

Simonds' construction projects are subject to operating risks such as supply shortages, industrial accidents (including fire) and catastrophic events (such as a major earthquake, landslide, fire, flood, cyclone, explosion, act of terrorism or other disaster). Any of these risks, either individually or in combination, could adversely effect Simonds Homes' financial performance and position.

Underwriting

Although the Offer is fully underwritten, certain events may occur which may allow the Underwriting Agreement to be terminated.

Interruptions to management systems

The effective and efficient operation of Simonds' business is dependent on a number of management information systems. Simonds relies heavily on its management information systems to manage all key aspects of its business, such as sales quotations, financial forecasting, operational management, staff planning, project management, supplier management, financial management and safeguarding of critical and sensitive information. The failure of Simonds' management systems to perform as anticipated or to meet the continually evolving needs of its business, could significantly disrupt its business and cause, for example, higher costs or reduced sales (or both) thereby adversely affecting Simonds' future financial performance and position.

Regulation

There is a risk that regulation is introduced that restricts interactions with consumers, trading hours, sales tactics, and marketing campaign efforts. Such changes could impact the normal operations of Simonds and reduce Simonds' ability to generate revenue which may have an adverse effect on Simonds future financial performance and position.

Litigation

Simonds may be the subject of complaints or litigation by customers, suppliers, government agencies or other third parties. Such matters may have an adverse effect on Simonds' reputation, divert its financial and management resources from more beneficial uses, or have a material adverse effect on Simonds future financial performance and position.

Simonds is exposed to litigation risk in the jurisdictions in which it operates, for instance under the applicable consumer protection regimes and construction and building regulations. While this is not currently a material issue, there is the potential for one or more claims that are material in cumulative quantum to occur, with the result that costs are increased or the brand is damaged.

Forecasting risks

A number of factors may affect the achievement of the Forecast Financial Information, even though Simonds has attempted to ensure the assumptions are reasonably based. You should carefully review the Forecast Financial Information and assumptions, including the sensitivity analysis in Section 7.13, and make your own assessment of the future performance of the company.

Unsold display homes

Simonds owns residential properties including a level of existing and recently constructed unsold display homes. There is a risk that these display homes will not be sold to new residents at the rate assumed and Simonds earnings and cash flow may be reduced as a result.

Inability to pay dividends or make other distributions

There is a potential risk that Simonds may be restricted from paying dividends or making other distributions in the future. The ability of Simonds to offer fully franked dividends is contingent on it making taxable profits. The Company's taxable profits may be volatile, making the forecasting and payment of dividends difficult and unpredictable.

Contracting Risk

The Madisson Projects business has entered into contracts which are generally characterised by large, term, fixed price contracts pursuant to which Madisson Projects' obligations can continue for multiple years. The terms of these contracts are onerous on Madisson Projects as the contracts contain few limits on the liability of Madisson Projects for non-performance and liquidated damages for late delivery.

The payment of liquidated damages may be substantial and may negatively impact Simonds Homes' financial performance and position.

Time delay

The Madisson Projects business performance is influenced by its ability to win new contracts for construction and development services and complete them in a timely manner based on planned timetables. Development approvals, slow decision-making by counterparties, complex construction specifications, changes to design briefs, legal issues and other documentation changes may give rise to delays in completion, loss of revenue and cost overruns. Madisson's projects may be subject to claims for extensions of time by Madisson as a result of such delays. These delays in completion could result in liquidated damages and possible termination, which may negatively impact Simonds Homes' financial performance and position.

Warranty claims

Simonds Group may be subject to warranty claims in relation to its legal and constructive obligations for warranties on properties constructed. Warranties are provided for a period of seven years from the completion of construction. Simonds Group make provisions for these claims based on their historical incidence, however, material claims could potentially have an impact on Simonds' future financial performance should they exceed this provision or adversely impact Simonds' reputation.

6.4 Specific risks associated with Builders Academy Australia

Loss of VET Funding Agreement

BAA currently has a 3-year VET funding contract, beginning in 2014 with the State Government of Victoria. A significant proportion of BAA's revenue is derived from funding provided under this contract.

If BAA loses this contract for breaches or non-compliance under the terms of this contact, BAA will no longer receive funding from the Victorian government for delivering VET courses to Victorian students. This could have a material adverse impact on BAA's operations, financial performance and financial position.

Change in government funding and support arrangements for the VET sector

If the Victorian State Government decides to reduce funding available to the private VET sector, or segments of the VET sector that BAA operates in, this may impact the amount of funding BAA is able to claim from the government as well as the level of subsidies available for VET courses offered to students. This may have a negative impact on the financial performance and position of BAA.

Increased competition

The market for VET services in Australia is highly competitive with BAA competing not only with other private RTOs, but also public TAFE institutes. Any increase in competition or deterioration in the competitive position of BAA may have a negative impact on financial performance and position.

Regulatory factors

BAA is a nationally accredited RTO under the Australian Skills Quality Authority (**ASQA**).

The registration of BAA as an RTO is subject to audit and review for re-registration every five years, and audits may also be prompted by applications for changes to scope of registration. The required date for re-registration of BAA is 15 February 2015. If BAA receives an adverse audit outcome from ASQA this may result in BAA being prevented from re-registering as a RTO. Also, if BAA is unable to obtain or retain requisite registrations, or if the approvals of any registration is delayed or revoked, this may have a material adverse impact on BAA's reputation, funding and therefore earnings and financial position.

Further, BAA's operations involve dealing with referral agents. Any regulatory change that affects BAA's ability to utilise these arrangements could have a material adverse impact on BAA's operations and could potentially have a material adverse impact on the Company's earnings and financial position.

Growth Strategy

BAA has recently achieved strong growth and there is no assurance that it will continue to achieve the same level of growth.

There is a risk that BAA may not be able to successfully execute the growth strategies outlined in Section 3.4.

Strong growth and demand provides the business with challenges to be managed:

- hire trainers for locations of demand (on contract basis); and
- increasing courses available in more geographic locations (finding facilities).

Acquisition Integration

BAA will look to expand its businesses through the acquisition of other RTO businesses. Integrating these businesses into the broader BAA group will require an expansion of management's responsibilities and financial, operational and risk reporting functions, which may potentially disrupt, strain or add greater than anticipated costs to the ongoing operations of BAA.

6.5 General investment risks

Economic risk and economic activity

Like any other investment, returns from an investment in the Shares are influenced by the level of economic activity. A contraction in the Australian or global economy may impact upon the performance of Simonds.

Taxation risks

A change to the existing rate of company income tax, or other changes to tax law or practice in Australia or in other relevant international jurisdictions which affect Simonds, may affect Simonds' returns. A change to tax law applying to you personally could affect your returns.

6.6 General market risks

An active or liquid market may not develop

Prior to the Offer, there has been no public market for the Shares. There can be no assurance that an active trading market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares and may affect the liquidity of the Shares. It may also affect the market price at which Shareholders are able to sell their Shares.

The Offer Price may not be indicative of the market price for the Shares

The Offer Price has been determined by Simonds, following consultation with the Joint Lead Managers, prior to the Listing and the Offer Price may therefore not be indicative of the market price for the Shares following the Listing. The increased number of equity offerings taking place in Australia and elsewhere at the current time may also affect demand for the Shares.

Future sales or issues of Shares may affect the market price

Following Listing, sales by Shareholders may significantly reduce the market price for the Shares. Further issues of Shares by Simonds may also significantly dilute your holding and reduce the market price of the Shares.

The market price of the Shares may be volatile

Factors such as changes in the Australian or international regulatory environment (including for accounting), Australian and international equity markets, Australian Dollar and foreign currency movements, and the Australian and global economy, could cause the market price of the Shares to fluctuate. These fluctuations may adversely affect the market price of the Shares after the Offer.

Consequently, investors may have difficulty selling their Shares or may not be able to sell their Shares at or above the Offer Price. Investors may lose part or all of their investment in the Shares.

General regulatory risk

Simonds' business may be adversely affected by legal and regulatory changes or requirements, for instance, including legislation, regulations and codes relating to building and construction, occupational health and safety, environmental issues, competition and local government requirements.

Any involvement by Simonds in regulatory inquiries or investigations (whether industry-wide or specific to it) will add cost to Simonds' business, could negatively affect its reputation and could be a material distraction for management.

Failure to comply with any applicable legislation, regulation or code could also result in fines, injunctions, penalties, requirements for remedial works, total or partial suspension of regulatory approvals or other sanctions that may have a material adverse effect on Simonds' business.

Consequences of insolvency

Shareholders will not be liable to pay any money to any person as a result of any future insolvency of Simonds. All of Simonds' creditors (secured and unsecured) will rank ahead of Shareholder claims if Simonds is liquidated. After all such creditors have been paid, any remaining assets will be available for distribution between all holders of Shares who will rank equally amongst themselves. There may not be sufficient surplus assets to enable Shareholders to recover all or any of their investment.

Force majeure events

Acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters may cause an adverse change in investor sentiment with respect to Simonds specifically or the stock market more generally, which could have a negative impact on the value of an investment in the Shares.

7 FINANCIAL INFORMATION

7. Financial Information

7.1 Introduction

Background

On 24 September 2014, a new entity, Simonds SaleCo Limited (**SaleCo**) was established and on 19 November 2014, subject to settlement of the Offer occurring, it will become the owner of shares representing 56.0% interest in Simonds Group Limited. On 26 September 2014, Simonds Homes Holdings Pty Ltd was converted into a public company and renamed Simonds Group Limited (being an issuer of this Prospectus). The shares to be owned by SaleCo, in combination with new shares to be issued by Simonds Group Limited, comprise the Shares subject of the Offer.

The consolidated accounts of Simonds Group Limited will therefore be a continuation of Simonds Homes Holdings Pty Ltd. The historical information presented in this financial section has therefore been based on the audited accounts of Simonds Group Limited (formerly Simonds Homes Holdings Pty Ltd).

Further information on the Simonds corporate structure is set out in Sections 5.3 and 9.3.

Overview of financial information

The financial information for Simonds Group contained in this Section 7 includes:

- Pro forma historical financial information for the Simonds Group, being the:
  - pro forma historical statements of profit or loss for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
  - pro forma historical statements of cash flows for the years ended 30 June 2012, 30 June 2013 and 30 June 2014; and
  - pro forma historical statement of financial position as at 30 June 2014;

  (together, the "Pro Forma Historical Financial Information"); and
- Statutory Forecast Financial Information comprises the:
  - statutory forecast statement of profit or loss for the year ending 30 June 2015; and
  - statutory forecast statement of cash flows for the year ending 30 June 2015;

  (together the "Statutory Forecast Financial Information").
- Pro forma forecast financial information for the Simonds Group being the:
  - pro forma forecast statement of profit or loss for the year ending 30 June 2015; and
  - pro forma statements of cash flows for the year ending 30 June 2015.

  (together the "Pro Forma Forecast Financial Information").

The Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Information each assume completion of the Offer.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information together form the Forecast Financial Information.

The Pro Forma Historical Financial Information and the Forecast Financial Information together form the Financial Information. The information in this Section 7 should be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

Also summarised in this Financial Information Section are:

- The basis of preparation of the Financial Information (see Section 7.2);
- Key operating metrics (see Section 7.4);
- Management's discussion and analysis of the Pro Forma Historical Financial Information (see Section 7.8);
- The Directors' best estimate assumptions underlying the Forecast Financial Information (see Section 7.11);
- An analysis of the sensitivity of Forecast Financial Information to changes in certain key assumptions (see Section 7.13); and
- The dividend policy (see Section 7.14).

All amounts disclosed in Section 7 are presented in Australian dollars and, unless otherwise noted are rounded to the nearest $100,000. Tables in this section have not been amended to correct immaterial summation differences that may arise from this rounding convention.

7.2 Basis of Preparation and Presentation of the Financial Information

Overview

The Financial Information included in this Section has been prepared and presented in accordance with the recognition and measurement principals of the Australian Accounting Standards (including the Australian Accounting Interpretations), made by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board. The Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by the Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Accounting policies have been consistently applied for Simonds Group throughout the periods presented and are set out in Section 10.

Simonds Group has three reporting segments under AASB 8 Operating Segments, which are Residential, Registered Training and Land Development.

Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared solely for inclusion in the Prospectus.

The Pro Forma Historical Financial Information has been derived from the audited financial statements of Simonds Group Limited (formerly Simonds Homes Holdings Pty Ltd) for FY12, FY13 and FY14. The historical financial statements for FY12, FY13 and FY14 have been audited by Deloitte Touche Tohmatsu ("**Deloitte**"), which issued unmodified opinions in respect of each financial year.

The Financial Information has been reviewed by Deloitte Corporate Finance Pty Limited ("**Deloitte Corporate Finance**"), whose Investigating Accountant's Report is contained in Section 8.

In preparing the Pro Forma Historical Financial Information, a number of adjustments were made to the audited results. The Company considered these adjustments appropriate to exclude non-recurring items and normalisation adjustments, details of which are set out in Section 7.4. A reconciliation of the audited financial statements to the pro forma historical income statements is also provided in Section 7.4.

Investors should note that the past results do not guarantee future performance.

Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Directors have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus.

The Forecast Financial Information has been based on a number of assumptions, including the general assumptions, Directors' best estimate assumptions and specific assumptions set out in Sections 7.10, 7.11 and 7.12 respectively. This information is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Potential investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial information, and that this may have a material positive or negative effect on the Company's actual financial performance or financial position.

Potential investors are advised to review the general assumptions, Directors' best estimate assumptions and specific assumptions set out in Sections 7.10, 7.11 and 7.12 respectively, in conjunction with the significant accounting policies as set out in Section 10, the sensitivity analysis set out in Section 7.13, the risk factors set out in Section 6, related party disclosures set out in Sections 4 and 9 and other information set out in the Prospectus.

The forecast statement of profit or loss for FY15 has been presented on both a statutory and pro forma basis.

The statutory forecast statement of profit or loss for FY15 reflects the financial performance that the Directors expect to report in Simonds Group's consolidated financial statements for FY15.

The statutory forecast for FY15 assumes Completion of the Offer will occur on 1 December 2014, hence it reflects only a part year effect of the capital structure that will be in place following Completion of the Offer.

The pro forma forecast statement of profit or loss for FY15 is derived from the statutory forecast statement of profit or loss adjusted to reflect the full year effect of the capital structure that will be in place following Completion of the Offer, the impact of incremental corporate costs and the exclusion of the one-off costs of the Offer and other non-recurring items.

Table 4 in Section 7.4 provides a reconciliation between the statutory forecast statement of profit or loss for FY15 and the pro forma forecast statement of profit or loss for FY15. Similarly, Table 10 in Section 7.7 provides a reconciliation between the statutory forecast statement of cash flows for FY15 and the pro forma forecast statement of cash flows for FY15.

The basis of preparation and presentation of the Pro Forma Forecast Financial Information is consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information.

The Forecast Financial Information presented in this Prospectus has been reviewed by Deloitte Corporate Finance but has not been audited. Investors should note the scope and limitations of the Investigating Accountant's Report on the Forecast Financial Information as set out in Section 8.

The Directors have no intention to update or revise the Forecast Financial Information or other forward looking statements following the issue of this Prospectus, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

7.3 Explanation of Certain Non-International Financial Reporting Standards ("IFRS") Financial Measures

Simonds Group uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures". Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and not as a substitute for those measures. Because non-IFRS financial measures are not defined by the recognised body of accounting standards, they do not have a prescribed meaning and the way that Simonds calculates them may be different to the way that other companies calculate similarly titled measures. The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- EBITDA is earnings before interest, tax, depreciation and amortisation expenses. Because it eliminates the non-cash charges for depreciation and amortisation, EBITDA is useful to help understand the cash generation potential of the business. However, it should not be considered as an alternative to cash flow from operations because it does not reflect actual cash movements or movements in Working Capital.

  Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and tax charges which are significantly affected by the capital structure and historical tax position of Simonds Group, respectively.

- EBITDA Margin is EBITDA divided by Revenue and expressed as a percentage. EBITDA Margin is a key measure that management uses to evaluate the profitability of the overall business and its reporting segments.
- EBIT is earnings before interest and tax. EBIT eliminates the influence of Simonds Group's capital structure and historical tax position when assessing profitability, thus making it easier to perform cross-company comparisons with respect to profitability.
- EBIT Margin is EBIT divided by Revenue and expressed as a percentage. EBIT Margin is a key measure that management uses to evaluate the profitability of the overall business.
- Working Capital is defined as the total current trade and other receivables, inventory, other current assets, trade and other payables and provisions. Inventory is comprised of construction contract work in progress, display homes and development land held for sale.
- Capital Expenditure is presented on a basis consistent with how Simonds Group management considers the categories of Capital expenditure:
  - Growth Capital Expenditure is classified as growth when specifically related to investment in new systems and property, plant and equipment; and
  - Maintenance Capital Expenditure is considered to be that which is replenishing or replacing existing property, plant and equipment.
- Operating Cash Flow Conversion is net cash flow from operations divided by EBITDA, expressed as a percentage. Net cash flow from operations represents net cash provided by operating activities after Maintenance Capital Expenditure but before interest received, interest and finance costs paid and income tax. As a result, it is a measure of the operating cash flow generated by the business before Growth Capital Expenditure. It is important to note that Operating Cash Flows do not take into account the requirements of the business for cash to fund financing costs such as interest expense, bank fees, debt repayment and tax payments.

Management uses Operating Cash Flow Conversion to measure the efficiency of the Simonds Group business in converting EBITDA into operating cash flows. It also allows management to monitor trends in Working Capital assets and liabilities.

7.4 Pro forma historical and forecast consolidated statements of profit or loss

Set out below in Table 1 is a summary of the Simonds Group's pro forma historical consolidated statements of profit or loss for FY12, FY13, FY14, the pro forma forecast consolidated statements of profit or loss for FY15 and statutory forecast consolidated statements of profit or loss for FY15.

Table 1: Summary pro forma historical, pro forma forecast and statutory forecast consolidated statements of profit or loss

	Notes	Pro forma historical			Pro forma forecast	Statutory forecast
$m		FY12	FY13	FY14	FY15	FY15
Revenue		467.4	547.3	543.8	638.2	638.2
Less Cost of sales		(373.5)	(435.1)	(427.1)	(497.5)	(497.5)
Gross Profit		**93.9**	**112.2**	**116.7**	**140.7**	**140.7**
Employee benefits expense	1	(57.1)	(59.3)	(63.2)	(69.8)	(99.2)
Marketing expenditure		(6.0)	(5.2)	(5.2)	(7.9)	(7.9)
General and adminstration expenditure	2	(23.5)	(26.0)	(26.7)	(29.0)	(33.3)
Operating expenses		**(86.6)**	**(90.5)**	**(95.1)**	**(106.7)**	**(140.4)**
EBITDA		**7.3**	**21.7**	**21.6**	**34.0**	**0.3**
Depreciation		(3.4)	(3.9)	(3.8)	(4.1)	(4.1)
EBIT		**3.9**	**17.8**	**17.8**	**29.9**	**(3.8)**
Net interest	3	(2.3)	(1.5)	(0.8)	(0.3)	(0.4)
Profit Before Tax		**1.6**	**16.3**	**17.0**	**29.6**	**(4.2)**
Tax	4	(0.5)	(5.0)	(5.3)	(9.2)	(8.7)
Net Profit After Tax		**1.1**	**11.3**	**11.7**	**20.4**	**(12.9)**

Notes

1. *Employee benefits expense represents all remuneration benefits paid and payable to employees and contractors of the Group including commissions paid and payable to sales employees. The Group does not record any employee benefits within Cost of sales.*
2. *General and administration expenditure represents costs associated with supporting the operating activities of the Group including display homes, occupancy, information technology and communication costs.*
3. *The net interest expense is reflective of the Group's historical and forecast utilisation of banking facilities. The terms of the banking facilities assumed in the Forecast Financial Information are not expected to materially vary from those terms in the Pro forma Historical Financial Information.*
4. *The pro forma income tax expense has been adjusted to an effective tax rate of 31.0% reflective of the anticipated tax rate following completion of the Offer.*

Key Operating Metrics

Set out in Table 2 is a summary of certain key historical operating metrics for the periods reflected in the Pro Forma Historical Financial Information and the forecast key operating metrics for the periods reflected in the Forecast Financial Information.

Table 2: Key historical financial metrics for FY12 to FY14 and forecast financial metrics for FY15

	Notes	Pro forma historical			Pro forma forecast	Statutory forecast
		FY12	FY13	FY14	FY15	FY15
Group						
Revenue growth			17.1%	(0.6%)	17.4%	17.4%
Gross profit growth			19.5%	4.0%	20.6%	20.6%
Gross profit margin	1	20.1%	20.5%	21.5%	22.0%	22.0%
EBITDA margin growth			197.3%	(0.5%)	57.4%	n/a
EBITDA margin	1	1.6%	4.0%	4.0%	5.3%	n/a
Operating cash flow before growth capex conversion	2	(12.3%)	113.8%	130.6%	90.0%	n/a
Segments						
EBITDA margin						
Residential		1.3%	3.9%	3.8%	4.0%	n/a
Registered Training		30.0%	28.6%	34.2%	48.5%	n/a
Land Development		12.8%	5.5%	5.0%	(1.1%)	n/a

Notes

1. *Gross profit margin is Gross profit divided by revenue. EBITDA margin is EBITDA divided by revenue.*
2. *Operating cash flow before growth capex conversion is operating cash flow before growth capex divided by EBITDA.*

Table 3: Statutory historical consolidated statements of profit or loss

	Statutory historical		
$m	FY12	FY13	FY14
Revenue	467.4	547.3	543.8
Less Cost of sales	(373.3)	(436.3)	(424.5)
Gross Profit	**94.1**	**111.0**	**119.3**
Employee benefits expense	(57.4)	(62.2)	(64.8)
Marketing expenditure	(6.0)	(5.2)	(5.2)
General and adminstration expenditure	(23.3)	(26.3)	(33.6)
Operating expenses	**(86.7)**	**(93.7)**	**(103.6)**
EBITDA	**7.4**	**17.3**	**15.7**
Depreciation	(3.4)	(3.9)	(3.9)
EBIT	**4.0**	**13.4**	**11.8**
Net interest	(2.3)	(1.9)	(0.8)
Profit Before Tax	**1.7**	**11.5**	**11.0**
Tax	0.7	(3.8)	(3.5)
Net Profit After Tax	**2.4**	**7.7**	**7.5**

Pro Forma Adjustments to the statutory statements of profit or loss

In presenting the pro forma statements of profit or loss included in this section and Section 7.9, certain adjustments have been made to the audited statutory statements of profit or loss of Simonds Group for FY12, FY13 and FY14 and the statutory forecast statement of profit or loss of Simonds Group for FY15. These adjustments are summarised below in Table 4.

Table 4: Pro forma adjustments to the consolidated statements of profit or loss

		Historical			Forecast
$m	**Notes**	**FY12**	**FY13**	**FY14**	**FY15**
Statutory EBITDA		**7.4**	**17.3**	**15.7**	**0.3**
Pro forma adjustments					
New executive structure	1	0.2	2.8	1.4	0.6
Management incentive plan conversion	2	–	–	–	28.8
Non-recurring items	3	1.5	3.0	(1.1)	0.4
Asset impairments	4	(1.0)	(0.6)	6.4	–
Listed public company and director fees	5	(0.8)	(0.8)	(0.8)	(0.3)
Offer costs	6	–	–	–	4.2
Pro forma EBITDA		**7.3**	**21.7**	**21.6**	**34.0**
Statutory NPAT		**2.4**	**7.7**	**7.5**	**(12.9)**
Pro forma adjustments					
New executive structure	1	0.2	2.8	1.4	0.6
Management incentive plan conversion	2	–	–	–	28.8
Non-recurring items	3	1.5	3.0	(1.1)	0.4
Asset impairments	4	(1.0)	(0.6)	6.4	–
Listed public company and director fees	5	(0.8)	(0.8)	(0.8)	(0.3)
Offer costs	6	–	–	–	4.2
Non-recurring items - interest expense	3	–	0.4	–	–
Impact of applying effective tax rate	7	(1.2)	(1.2)	(1.7)	(0.4)
Pro forma NPAT		**1.1**	**11.3**	**11.7**	**20.4**

Notes

1. *An adjustment has been made to reflect the proposed executive structure of the Group effective from listing date. The adjustment to the statutory historical consolidated statement of profit or loss:*
   - *excludes remuneration and other benefits paid to executives who will cease to be employees from the date of the Offer; and*
   - *includes an arrangement with a current employee who will provide consultancy services to the Group from the date of the Offer (refer Section 9.4).*

   The pro forma forecast consolidated statement of profit or loss reflects the estimated remuneration of the proposed executive structure operating as a listed public company.
2. *Adjustment to the statutory forecast consolidated statement of profit or loss removes non-recurring costs associated with the conversion of existing management employment and contractor arrangements.*

   Refer to Section 4.6.
3. *An adjustment to remove non-recurring items from the statutory historical and forecast consolidated statements of profit or loss reflect:*
   - *identified transactions and expenditure that will not continue as a listed public company including a related party loan non-cash impairment charge in FY13 ($0.9 million);*
   - *the realignment of warranty provision movement recorded in the statutory historical consolidated statements of profit or loss with positions adopted in the 30 June 2014 statutory balance sheet (FY12: nil; FY13: $1.5 million; FY14: $(1.5 million)).*

4. *Adjustment to remove non-cash asset net realisable value impairment charges recorded in the FY14 statutory historical consolidated statement of profit or loss:*
   - *the realignment of display home net realisable value with the position adopted in the 30 June 2014 statutory balance sheet (FY12: $(1.0 million); FY13: $(0.6 million); FY14: $1.9 million));*
   - *the exclusion of a non-cash net realisable value impairment charge for Land development inventory in FY14 ($4.5 million).*
5. *An adjustment has been made to include the estimated incremental costs of operating as a listed public company in the pro forma historical and forecast consolidated statements of profit or loss. The estimated incremental costs include Board of Director fees and other compliance costs.*
6. *An adjustment has been made to exclude non-recurring costs associated with the Offer from the pro forma forecast consolidated statements of profit or loss.*
7. *The income tax expense has been adjusted to apply a pro forma effective income tax rate of 31.0%.*

7.5 Segment information

Simonds Group has three reporting segments: Residential, Registered Training and Land Development. Table 5 sets out the Pro Forma Revenue and EBITDA broken down by reporting segment for FY12 to FY15.

Table 5: Pro forma Revenue and EBITDA summary by reporting segment for FY12 to FY15

		Pro forma historical			Pro forma forecast	Change		
$m	Notes	FY12	FY13	FY14	FY15	FY12 – FY14 CAGR	FY13 – FY14	FY14 – FY15
Revenue								
Residential		457.8	538.6	536.0	609.0	8.2%	(0.5)%	13.6%
Registered training	1	1.0	1.4	3.8	20.2	94.9%	171.4%	431.6%
Land development		8.6	7.3	4.0	9.0	(31.8)%	(45.2)%	125.0%
Group revenue		**467.4**	**547.3**	**543.8**	**638.2**	**7.9%**	**(0.6)%**	**17.4%**
EBITDA								
Residential	2	5.9	20.9	20.1	24.3	84.6%	(3.8)%	20.9%
Registered Training	1, 2	0.3	0.4	1.3	9.8	108.2%	225.0%	653.8%
Land Development	2	1.1	0.4	0.2	(0.1)	(57.4)%	(50.0)%	(150.0)%
Group EBITDA		**7.3**	**21.7**	**21.6**	**34.0**	**72.0%**	**(0.5)%**	**57.4%**

1. *Registered Training revenue is presented exclusive of inter-segment sales in relation to training services provided by the Registered Training segment to the Residential segment.*
2. *Operating expenses are recorded by the reporting segments to which the expenses relate. Corporate expenses including executives, finance, human resources and information technology have been attributed to the reporting segments on the basis of the proportion of revenue.*

7.6 Pro Forma historical statement of financial position

Set out in Table 6 are the adjustments that have been to the audited historical consolidated statement of financial position for Simonds Group as at 30 June 2014 to prepare a pro forma historical consolidated statement of financial position for Simonds Group as though the Offer had been completed on 30 June 2014.

The audited historical consolidated statement of financial position as at 30 June 2014 has been adjusted to reflect the estimated impact of the Offer and pre-offer restructuring activities.

In particular, cash in the pro forma historical consolidated statement of financial position has been adjusted to reflect the impact of the Offer as if it took place at that date as required by ASIC Regulatory Guide 228 paragraph 92, and as such does not adjust for various anticipated cash flows of the business between 30 June 2014 and Completion of the Offer.

Further information on the sources and uses of funds of the Offer are contained in Section 5.5.

Table 6: Pro forma historical consolidated statement of financial position as at 30 June 2014

As at 30 June 2014 $m	Notes	Statutory	Pre-Offer pro forma adjustments	Estimated impact of the Offer[11]	Pro forma
Current assets					
Cash and cash equivalents	1	15.9	3.7	5.3	24.9
Trade and other receivables	2	42.9	(18.0)	–	24.9
Inventories	3	64.0	3.3	–	67.3
Other current assets		1.7	–	–	1.7
Total current assets		**124.5**	**(11.0)**	**5.3**	**118.8**
Non-current assets					
Trade and other receivables		0.2	–	–	0.2
Property, plant and equipment	4	6.8	(0.4)	–	6.4
Intangible assets		1.9	–	–	1.9
Deferred tax assets	5	2.3	–	1.0	3.3
Total non-current assets		**11.2**	**(0.4)**	**1.0**	**11.8**
Total assets		**135.7**	**(11.4)**	**6.3**	**130.6**
Current liabilities					
Trade and other payables		73.8	–	–	73.8
Income tax payable		9.0	–	–	9.0
Borrowings	6	1.2	(0.4)	–	0.8
Provisions	7	10.1	(0.4)	–	9.7
Deferred revenue		7.2	–	–	7.2
Total current liabilities		**101.3**	**(0.8)**	**–**	**100.5**
Borrowings	6	1.7	–	–	1.7
Provisions	7	7.3	–	–	7.3
Deferred tax liabilities	5	10.5	–	–	10.5
Total non-current liabilities		**19.5**	**–**	**–**	**19.5**
Total liabilities		**120.8**	**(0.8)**	**–**	**120.0**
Net assets		**14.9**	**(10.6)**	**6.3**	**10.6**
Equity					–
Share capital	8	0.8	3.5	9.5	13.8
Reserves	9	–	25.8	–	25.8
Retained earnings	10	14.1	(39.9)	(3.2)	(29.0)
Total equity		**14.9**	**(10.6)**	**6.3**	**10.6**

Notes

Pre-Offer pro forma adjustments have the following impact on the pro forma statement of financial position:

1. *The Cash adjustment of $3.7 million reflects:*
   - *cash received for the share subscription by executives from the Management Incentive ($3.5 million) (refer Section 4.6);*
   - *cash proceeds of the Offer from the Selling Shareholder ($3.5 million) (refer note 2 and 10 below); less*
   - *cash paid for the proposed acquisition of display home inventory assets currently held by a related party ($3.3 million) (refer Section 9.4)*
2. *The Trade and other receivables adjustment of $(18.0) million reflects:*
   - *the extinguishment of employee entitlement benefits of executives ceasing to be employed by the Simonds Group after the date of the Offer ($0.4 million) has been recognised against shareholder loans;*
   - *the proposed transfer out of the Simonds Group motor vehicles ($0.4 million) and associated hire purchase arrangements ($0.4 million). The net impact ($0.05 million) has been recognised against shareholder loans; and*
   - *it is proposed that Simonds Group will cease to hold related party loans as part of the Offer. The assignment and repayment of the related party loans ($17.5 million) is illustrated in the 30 June 2014 pro forma balance sheet subsequent to the employee entitlement and motor vehicle pro forma adjustments.*

3. *Inventories recognised in the 30 June 2014 statutory consolidated statement of financial position comprise construction contract work in progress ($36.0 million), display homes ($6.7 million), land held for speculative sale ($6.8 million) and land held for development ($14.5 million).*

   The pro forma adjustment to Inventories reflects the proposed acquisition of display home inventory assets currently held by a related party.
4. *The PP&E adjustment of $0.4 million reflects the proposed transfer out of the Simonds Group motor vehicles.*
5. *The deferred tax asset and the deferred tax liabilities recognised in the 30 June 2014 statutory consolidated statement of financial position reflect temporary differences most notably with regard to employee entitlements ($1.2 million) and construction contract income ($10.3 million) respectively.*
6. *Borrowings (current and non-current) recognised in the 30 June 2014 statutory consolidated statement of financial position are related to equipment finance ($0.7 million) and finance lease liabilities ($2.2 million).*

   The pro forma adjustment to Borrowings reflects the proposed transfer of hire purchase arrangements associated with motor vehicles out of the Simonds Group ($0.4 million).
7. *Provisions (current and non-current) recognised in the 30 June 2014 statutory consolidated statement of financial position comprise warranty and contract maintenance ($11.0 million), employee entitlements ($5.9 million) and make good obligations ($0.5 million).*

   The pro forma adjustment to Provisions reflects the extinguishment of employee entitlement benefits of executives ceasing to be employed by the Simonds Group after the date of the Offer ($0.4 million).
8. *The Share capital pre-Offer pro forma adjustment reflects the share subscription by executives from the management incentive ($3.5 million) (refer Section 4.6).*
9. *The Reserves pre-Offer pro forma adjustment reflects the impact of the conversion of existing management employment and contractor arrangements (refer Section 4.6).*
10. *The Retained Earnings adjustment of $39.9 million reflects:*
    - *an anticipated pre-settlement date dividend from available retained earnings at 30 June 2014 ($14.1 million) to assign and repay related party loans with the Selling Shareholder ($14.1 million). Retained earnings as at the date of the pre-settlement date dividend, to the extent available above the 30 June 2014 balance, will be paid in preference to the Simonds Group receiving proceeds from the Offer from the Selling Shareholder.*
    - *the impact of the conversion of existing management employement and contractor arrangements ($25.8 million). The statutory forecast consolidated statement of profit or loss anticipates a cost of $28.8 million inclusive of the initial recognition as at the Offer date ($25.8 million) and the cost of additional benefits provided to the related management personnel in the period from Offer date to 30 June 2015 (refer Section 4.6).*
11. *The impact from the Offer reflects the following adjustments:*
    - *Cash: proceeds from the Offer ($10.0 million) offset by transaction costs related to the Offer ($4.7 million)*
    - *Deferred tax asset: recognise the tax effect of costs associated with the Offer ($1.0 million)*
    - *Share capital: capital raised by the Group from the Offer (10.0 million) offset by after income tax Offer costs capitalised to Equity ($0.5 million) (net: $9.5 million)*
    - *Retained earnings: recognise the after income tax Offer costs expensed ($3.2 million).*

Liquidity and Capital Resources

Simonds Group's main uses of cash are to fund its operations, Working Capital, Capital Expenditure and the payment of tax and dividends.

The Group has funding facilities in place with CBA of $27.5 million comprising $23.5 million commercial bills and an overdraft facility to meet its working capital funding requirements in excess of cash flows from operations. As at 30 June 2014, the Group had not drawn the commercial bill facilities. The Group also holds a $4.0 million equipment finance facility with CBA, drawn to $2.2 million as at 30 June 2014. The commercial bill facilities are due to expire in February 2015 ($2.5 million) and June 2015 ($21.0 million) respectively.

The Group has in place guarantees for property rentals, project contracts, crossing deposits, merchant facilities and significant investor fund acquisitions and lease backs on display homes (as at October 2014: $7.4 million).

Contractual obligations and commitments

Table 7 sets out Simonds Group's Capital Expenditure and other commitments as at 30 June 2014.

Table 7: Contractual obligations and commitments as at 30 June 2014

As at 30 June 2014 $m	< 1 year	1–5 years
Finance lease commitments	0.5	1.7
Non-cancellable operating lease commitments	7.1	12.2

7.7 Pro forma historical and forecast statements of cash flows and statutory forecast statement of cash flows

Set out in the Table 8 is a summary of Simonds Group's pro forma historical consolidated statements of cash flows for FY12, FY13 and FY14, the pro forma forecast consolidated statement of cash flows for FY15 and the statutory forecast consolidated statement of cash flows for FY15.

Table 8: Summary pro forma historical, pro forma forecast and statutory forecast statements of cash flows

	Notes	Pro forma historical			Pro forma forecast	Statutory forecast
$m		FY12	FY13	FY14	FY15	FY15
EBITDA		**7.3**	**21.7**	**21.6**	**34.0**	**0.3**
Add back non-cash costs recorded in EBITDA	1	0.5	0.8	0.2	0.5	29.6
Change in working capital	2	(7.7)	3.2	8.4	(2.9)	(2.9)
Maintenance capital expenditure		(1.0)	(1.0)	(2.0)	(1.0)	(1.0)
Net cash flows from operations before growth capital expenditure		**(0.9)**	**24.7**	**28.2**	**30.6**	**26.0**
Growth capital expenditure		(2.2)	(0.6)	(1.4)	(2.2)	(2.2)
Net cash flows from operations before financing and taxation		**(3.1)**	**24.1**	**26.8**	**28.4**	**23.8**
Interest					(0.4)	(0.4)
Tax	3				(8.6)	(12.0)
Net proceeds / (repayment) of banking facility					(1.8)	(1.8)
Proceeds from issue of new shares prior to the Offer	4				–	3.5
Pre-Offer acquisition of related party assets	5				–	(3.3)
Proceeds from issue of new shares under the Offer					–	10.0
Transaction costs (capitalised)	6				–	(0.5)
Net proceeds from related party loans	7				–	18.9
Dividends to existing shareholder	7				–	(18.9)
Net cash flow					**17.6**	**19.3**
Net cash flows from operations before growth capex conversion rate %		**(12.3%)**	**113.8%**	**130.6%**	**90.0%**	**n/a**

Notes

1. *Non cash costs added back to EBITDA reflect:*
   - *losses on disposal of property, plant & equipment*
   - *share-based component of the executive long term incentve plan recognised in the pro forma forecast consolidated statement of profit and loss*
   - *the exclusion of the modification of existing executive employment and contractor arrangements ($28.8 million) and non-recurring share incentives issued to employees with the Offer ($0.2 million) recognised in the statutory forecast consolidated statement of profit and loss.*
2. *Working Capital comprises current trade and other receivables, inventory, other current assets, trade and other payables and provisions*
3. *The statutory forecast tax payment includes the voluntary disclosure ($3.3 million) with regard to a historical realignment of claimed tax deductions with the correct taxable income periods.*
4. *Represents cash received by the Group in relation to the modification of existing executive employment arrangements. Refer Section 4.6*
5. *Represents the acquisition by the Group of display home inventory assets from a related party. Refer Section 9.4*
6. *Capitalised transaction costs associated with the Offer*
7. *Represents the assignment and repayment of related party loans and the anticipated payment of pre-settlement date dividends based on the estimated related party loan and retained earnings balances immediately prior to settlement date*

Pro forma adjustments to the historical statements of cash flows

Table 9 sets out the adjustments that have been made to the statutory historical consolidated statements of operating cash flows for FY12, FY13 and FY14.

Table 9: Pro forma adjustments to the statutory consolidated statements of operating cash flows

	Notes	Historical		
$m		**FY12**	**FY13**	**FY14**
Statutory net cash flows from operations before financing and taxation		**(3.9)**	**21.6**	**25.7**
New executive structure	1	0.2	2.8	1.4
Non-recurring items	2	1.4	0.5	0.5
Listed public company and director fees	3	(0.8)	(0.8)	(0.8)
Pro forma net cash flows from operations before financing and taxation		**(3.1)**	**24.1**	**26.8**

Notes

1. *Adjustment to reflect the proposed executive structure of the Group effective from listing date, as presented in Table 4 reconciling the statutory EBITDA to pro forma EBITDA.*
2. *Statutory cash flows from operations before financing and taxation have been adjusted to exclude non-recurring items, as presented in Table 4 reconciling the statutory EBITDA to pro forma EBITDA. Non-cash items including provision pro forma adjustments have not been required in this reconciliation.*
3. *Listed public company and director fees have been added to reflect the pro forma net cash flows from operations before financing and taxation of a listed public company.*

Table 10 sets out the adjustments that have been made to the statutory forecast statement of cash flows for FY15.

Table 10: Pro forma adjustments to the forecast consolidated statement of cash flows

	Notes	Forecast
$m		**FY15**
Statutory net cash flows		**19.3**
New executive structure		0.6
Non-recurring items	1	0.1
Listed public company and director fees		(0.3)
Tax paid		3.4
Proceeds from issue of new shares prior to the Offer		(3.5)
Pre-Offer acquisition of related party assets		3.3
Proceeds from issue of new shares under the Offer		(10.0)
Offer costs	2	4.7
Proceeds from shareholder loan		(18.9)
Dividends to existing shareholder		18.9
Pro forma net cash flows		**17.6**

Note

1. *Statutory cash flows from operations before financing and taxation have been adjusted to exclude non-recurring items, as presented in Table 4 reconciling the statutory EBITDA to pro forma EBITDA. Non-cash items including share based payments have not been required in this reconciliation.*
2. *Costs of the Offer have been excluded from the pro forma net cash flows from operations before financing and taxation.*

7.8 Management discussion and analysis of the Pro Forma Historical Financial Information

General Factors Affecting the Operating Results of the Company

Below is a summary of the main factors which affected the Company's operations and financial performance in FY12, FY13 and FY14. Simonds Group anticipates that these factors may continue to affect operating and financial performance of the Company in future periods.

The general factors described below are a summary only and do not represent all factors that affected the Company's financial performance or all factors that are expected to affect operating and financial performance in future periods. The information in this Section should be read in conjunction with the risk factors set out in Section 6 and other information contained in this Prospectus.

Reporting segments

Simonds Group operates across three reporting segments:

- Residential: including activities relating to contracts for residential home, townhouse and apartment construction (presented as Simonds Homes in Section 3. Company Overview). Simonds Group consider two customer sectors within the Residential reporting segments: Houses and Townhouses/apartments
- Registered Training: including activities relating to the provision of building and construction focused VET courses (presented as Builders Academy Australia in Section 3. Company Overview)
- Land development: including activities relating to land development and sales.

The general factors affecting operating and financial performance will vary with each reporting segment.

General market conditions

The Company's financial performance is impacted by general market conditions and their subsequent impact on the residential housing and vocational education and Registered Training market. General market conditions including consumer confidence, business confidence, interest rates and population growth all contribute to an environment that impacts the financial performance of the Company. For further information on general market conditions, refer to Industry Information in Section 2 in this Prospectus.

Revenue

The majority of the Simonds Group pro forma forecast FY15 revenue is anticipated from Residential (95.4%), with Registered Training and Land Development contributing 3.2% and 1.4% respectively.

Residential

The main drivers of Residential revenue are as follows:

- The number of site starts reflecting demand for residential housing. The number of site starts that the Simonds Group is able to undertake is also influenced by construction productivity (a measure of build time) and capacity.
- Customer demand is influenced by the number of display centres and sales offices in targeted regions. Prominently located display centres are the primary source of customer leads for Simonds Homes.
- Revenue per site start is determined by the product offering, geographical location, market pricing and the level of product specification upgrades (as selected by customers in the Galleries). The value of each individual home construction is contractually underpinned.
- Revenue in the apartment and townhouse sector is primarily determined by market prices with projects often awarded via competitive tender process.

Registered Training

Registered Training revenue is a function of the number of student enrolments and building and construction-related course pricing.

Land Development

Land development is a function of buyer demand, market inventory levels and pricing. Customers range from individual buyers purchasing single lots to developers buying bulk lots.

Cost of sales

Residential

Individual home builds are estimated and ordered from standardised price files reflecting the Simonds Group's current contractual relationships with key suppliers and sub-contractors.

Construction costs (materials and subcontractors) and build program schedules are monitored on an individual contract basis by Simonds Group using SimBuild. Extra to schedule ("ETS") costs are monitored and managed using SimBuild.

Registered Training

Cost of sales includes referral agent fees, training facilitator and venue hire costs. Referral agent fees are determined by individual fee agreements between the Simonds Group and third party referral agents and are payable on the proportion of sales sourced through referral agents. Training facilitators are engaged by the company on a course by course basis under contractor service arrangements.

Operating Expenses

Simonds Group's operating expenses predominantly comprise employee salaries and sales commissions, marketing spend, and display centre costs. In the FY12 to FY14 period these operating expenses collectively accounted for approximately 80% of total operating expenses.

Operating expenses are categorised as:

- Employee benefits expense – relates to the employment of all Simonds Group staff and includes salaries, wages, sales commissions and other employment related expenses for all functional departments, including design, operations, construction, sales, executives, and administration functions (finance, human resources and information technology).
- Marketing expenditure – relates to the general marketing activities of the Simonds Group and individual marketing campaigns such as advertising on television, radio, magazine, newspapers and online channels.
- General and administration expenditure – includes costs associated with display homes, information technology, communications, fleet vehicles and sales office and administration occupancy costs.

EBITDA margin

Residential

Homes sector EBITDA margin is driven by product offering mix, geographical location, Simonds Group's operational/construction efficiency and key supplier arrangements.

Apartment/townhouse sector EBITDA is determined by the project pricing and the type of project, with townhouse projects requiring design and additional on-site supervision relative to apartment construction projects.

Registered Training

Registered Training EBITDA margin is driven by course offering mix, the level of referral agent, training facilitator fees and venue hire fees.

Pro forma historical statements of profit or loss: FY13 compared to FY12

Set out in Table 11 is the summary of the pro forma historical statements of profit or loss for FY12 and FY13.

Table 11: Summary pro forma historical statements of profit or loss: FY13 compared to FY12

$m	Pro forma historical		Change	Change %
	FY12	FY13		
Revenue	**467.4**	**547.3**	**79.9**	**17.1%**
Less Cost of sales	(373.5)	(435.1)	(61.6)	16.5%
Gross Profit	**93.9**	**112.2**	**18.3**	**19.5%**
Employee benefits expense	(57.1)	(59.3)	(2.2)	3.9%
Marketing expenditure	(6.0)	(5.2)	0.8	(13.3%)
General and adminstration expenditure	(23.5)	(26.0)	(2.5)	10.6%
Operating expenses	**(86.6)**	**(90.5)**	**(3.9)**	**4.5%**
EBITDA	**7.3**	**21.7**	**14.4**	**197.3%**
EBITDA by reporting segment				
Residential	5.9	20.9	15.0	254.2%
Registered Training	0.3	0.4	0.1	33.3%
Land Development	1.1	0.4	(0.7)	(63.6%)
Group EBITDA	**7.3**	**21.7**	**14.4**	**197.3%**

Group revenue increased by 17.1% from $467.4 million to $547.3 million in the year ended 30 June 2013 with the Residential reporting segment contributing $80.8 million, marginally offset by reduced Land Development sales. Gross profit grew from $93.9 million to $112.2 million or from 20.1% in FY12 to 20.5% due to improved margins in Residential. Operating expenses increased by 4.5% mainly due to higher salaries and sales commissions and display centre costs. The EBITDA performance of Registered Training was broadly unchanged from the previous year whilst Land Development EBITDA fell by $0.7 million due to reduced lot sales.

A 4.5% increase in operating expenditure was reflected in increased sales commissions as a result of the increase in site starts, uplift in executive incentives and indexation partially offset by a reduction in headcount of 4.0% resulting in an overall increase in salary costs.

Residential

Revenue in Residential grew from $457.8 million to $538.6 million due to a 13% increase in site starts (from 1,925 to 2,170) and a 40% increase in revenue in the apartment/townhouse sector due to a strong pipeline of townhouse projects and favourable market conditions. On a regional basis, site starts in Victoria and Queensland increased by 114 (6.6%) and 104 (84.6%) respectively and the Simonds Group entered the New South Wales market with 25 site starts.

Residential EBITDA grew from $5.9 million to $20.9 million in the FY13 year, an increase of $15.0 million. EBITDA margin also improved from 1.3% to 3.9%. Residential cost of sales reduced in both the house and apartment/townhouse sectors. The improvement of business processes and the introduction of the new SimBuild construction software resulted in a reduction in ETS spend from 1.9 to 0.8% of revenue and consequently in a significant gross margin improvement. In FY13 the apartment/townhouse sector benefited from strong townhouse market demand resulting in improved revenue performance, and the delivery of projects within contract scope and timeframes.

Registered Training

During FY13 Registered Training remained an internally-focussed training provider and did not contribute significantly to Group EBITDA. EBITDA marginally increased to $0.4 million.

Land Development

Land Development was not significant in the FY13 Group results. EBITDA declined by $0.7 million to $0.4 million and the EBITDA margin reduced from 12.8% to 5.5% reflecting reduced lot sales.

Pro forma historical statements of profit or loss: FY14 compared to FY13

Set out in Table 12 is the summary of the pro forma historical statements of profit or loss for FY13 and FY14.

Table 12: Summary pro forma historical statements of profit or loss: FY14 compared to FY13

	Pro forma historical		Change	Change %
$m	FY13	FY14		
Revenue	**547.3**	**543.8**	**(3.5)**	**(0.6%)**
Less Cost of sales	(435.1)	(427.1)	8.0	(1.8%)
Gross Profit	**112.2**	**116.7**	**4.5**	**4.0%**
Employee benefits expense	(59.3)	(63.2)	(3.9)	6.6%
Marketing expenditure	(5.2)	(5.2)	–	0.0%
General and adminstration expenditure	(26.0)	(26.7)	(0.7)	2.7%
Operating expenses	**(90.5)**	**(95.1)**	**(4.6)**	**5.1%**
EBITDA	**21.7**	**21.6**	**(0.1)**	**(0.5%)**
EBITDA by reporting segment				
Residential	20.9	20.1	(0.8)	(3.8%)
Registered Training	0.4	1.3	0.9	225.0%
Land Development	0.4	0.2	(0.2)	(50.0%)
Group EBITDA	**21.7**	**21.6**	**(0.1)**	**(0.5%)**

Group revenue declined marginally in FY14, from $547.3 million to $543.8 million, a reduction of 0.6%. An increase in Registered Training revenue ($2.4 million) as the business changed to being an externally-focussed Registered Training organisation, was offset by a reduction in Land Development ($3.3 million) and Residential revenue ($2.6 million).

FY14 EBITDA at $21.6 million was $0.1 million below the previous year however the EBITDA margin remained steady at 4.0%. A $4.6 million increase in operating expenses was largely due to employee benefits and information technology costs. Employee benefits increased by $3.9 million due to indexation and a 5.3% headcount growth. Information technology costs were up by $1.4 million following the decision to host business IT infrastructure in a private cloud managed environment rather than on-premise as operating leases rather than direct acquisition.

Residential

Residential site starts in the housing sector increased by 2% to 2,211 in FY14. Site start volume recorded growth in South Australia (63 or 90.0%) and New South Wales (47 or 188.0%) offset by a contraction in Queensland (105 or 46.3%). Site starts in Victoria increased 36 or 1.9% relative to the comparative period. Residential recorded a change in product mix with 238 site starts for the newly-introduced, lower-priced Express product, resulting in a net overall revenue reduction compared to FY13. This was partially offset by an increase in townhouse/apartment sector revenue of nearly 39% ($18.6 million).

Residential EBITDA decreased slightly from $20.9 million to $20.1 million with the margin reducing from 3.9% to 3.8%. Housing cost of sales continued to reduce on a per site basis as a result of increased operational efficiencies culminating in ETS spend as a percentage of revenue dropping further to 0.6%, while cost of sales in the apartment/townhouse sector increased due to certain projects not being delivered on time and on budget.

Registered Training

BAA changed its business model in February 2014 from an internal training provider to an externally-focussed RTO. The revenue uplift of $2.4 million and EBITDA improvement of $0.9 million was achieved in the last quarter of the financial year.

Land Development

Land Development contribution to the Group EBITDA was not significant, reducing from $0.4 million (5.5%) to $0.2 million (5.0%).

Pro forma historical statements of cash flows: FY13 compared to FY12

Set out in Table 13 is the summary pro forma historical statements of cash flows for FY12 and FY13.

Table 13: Summary pro forma net cash flows: FY13 compared to FY12

	Pro forma historical	
$m	FY12	FY13
EBITDA	**7.3**	**21.7**
Add back non-cash costs recorded in EBITDA	0.5	0.8
Change in working capital	(7.7)	3.2
Maintenance capital expenditure	(1.0)	(1.0)
Net cash flows from operations before growth capital expenditure	**(0.9)**	**24.7**
Growth capital expenditure	(2.2)	(0.6)
Net cash flows from operations before financing and taxation	**(3.1)**	**24.1**

Changes in working capital

The reduction in working capital in the FY13 year was primarily a result of a reduction in the value of inventory of display and speculative homes and development land of $2.8 million. In addition the warranty provision increased by $1.1 million.

Capital Expenditure

Maintenance capital expenditure in both FY12 and FY13 related mainly to the purchase of motor vehicles for use by company staff, and office furniture and fittings.

Growth capital expenditure of $2.2 million in FY12 and $0.6 million in FY13 related mainly to the development of Simonds Group's proprietary construction and operations software.

Pro forma historical statements of cash flows: FY14 compared to FY13

Set out in Table 14 is the summary pro forma historical net cash flows for FY13 and FY14.

Table 14: Summary pro forma net cash flows: FY14 compared to FY13

	Pro forma historical	
$m	FY13	FY14
EBITDA	**21.7**	**21.6**
Add back non-cash costs recorded in EBITDA	0.8	0.2
Change in working capital	3.2	8.4
Maintenance capital expenditure	(1.0)	(2.0)
Net cash flows from operations before growth capital expenditure	**24.7**	**28.2**
Growth capital expenditure	(0.6)	(1.4)
Net cash flows from operations before financing and taxation	**24.1**	**26.8**

Changes in working capital

The FY14 reduction in working capital was primarily a result of a $7.1 million reduction in inventory of display and speculative homes and land and a $1m increase in the warranty provision.

Capital Expenditure

The increase in maintenance capital expenditure from $1 million to $2 million in FY13 can primarily be attributed to leasehold improvements and furniture and fittings that were mainly related to the relocation of the Simonds Group's head office.

Growth capital expenditure in FY14 of $1.4 million related primarily to the development of the Simonds Group's proprietary software applications including SimBuild and SimGallery.

7.9 Forecast Financial Information

The basis of preparation of the FY15 Forecast Financial Information is detailed in Section 7.12. This section includes the Directors' best estimate assumptions specific to the forecast period. In addition to these specific assumptions, the general assumptions adopted in preparing the Forecast Financial Information are also detailed below.

However, the actual results are likely to vary from those forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Simonds Group, the Directors and management and are not readily predictable. Simonds Group, its Directors, management or any other person cannot give you any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 7.13, the risk factors set out in Section 6 and the Investigating Accountant's Report on the Forecast Financial Information set out in Section 8. A comparison of the pro forma forecast income statement to the statutory forecast income statement is set out in Section 7.12.

7.10 General Assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- No material change in the competitive and operating environments in which Simonds Group operates.
- No significant deviation from current market expectations of global or Australian economic conditions relevant to the housing and vocational education and Registered Training industry in Australia.
- No material business acquisitions or disposals.
- No material industrial strikes or other disturbances, environmental costs or legal claims.
- Retention of key personnel.
- No significant change in legislative regimes (including tax) and regulatory environments in the jurisdictions in which Simonds Group or its key customers or suppliers operate.
- No changes in applicable Australian Accounting Standards and other mandatory professional reporting requirements of the Corporations Act which would have a material effect on Simonds Group's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures.
- No change in the Company's capital structure other than as set out in, or contemplated by, this Prospectus.

- No material amendment to any material agreement or arrangement related to the Company's business.
- The offer proceeds in accordance with the key dates set out in this Prospectus.
- None of the risks factors listed in Section 6 have a material adverse impact upon the operations of the Company.

7.11 Directors' best estimate assumptions

The Forecast Financial Information is based on various best estimate assumptions, of which the key assumptions are set out in Sections 7.10 and 7.12. The assumptions below are a summary only and do not represent all factors that will affect Simonds' forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of Forecast Financial Information set out in Section 7.2, the general assumptions set out in this Section and the risk factors set out in Section 6.

7.12 Specific assumptions

The basis of the specific assumptions that have been applied in the preparation of the Forecast Financial Information in respect of the forecast period, is set out below.

Residential key assumptions

The Company has estimated the revenue component of the Forecast Financial Information by consideration of:

- The number of site starts (as a measure of volume) which have been anticipated by reference to the FY14 results and regional market trends.
- Revenue per site start is a function of anticipated product mix in each region and build program timeframes with reference to the FY14 performance and market trends.
- Townhouse and apartment revenue for projects under construction at 1 July 2014 is a function of contractual arrangements and build program timeframes. Future project revenue is a function of anticipated contractual value, estimated build program timeframes and the probability of converting identified opportunities to contracted projects.

The Company has estimated the cost of sales and operating expense components of the Forecast Financial Information by consideration of:

- Anticipated cost of sales, including building materials, subcontractor and warranty and maintenance costs, with reference to forecast product offerings. Bills of Quantity and agreements with major suppliers establish the basis for the cost profile of each product offering.
- Anticipated labour costs taking into account forecast headcount, increases for salaried employees based on historical trends, and sales commissions by reference to forecast site starts.
- Anticipated levels of other costs including display centre, marketing and occupancy costs reflecting forecast business activity or in line with contractual arrangements or historical performance.

Registered Training key assumptions

Key factors taken into account by Simonds Group management in estimating revenues for the Registered Training segment are as follows:

- Student numbers enrolled at 1 July 2014 and anticipated new students with reference to recent market demand trends.
- Funding per course with reference to government funding contracts.

Key factors taken into account in estimating the expenses for the Registered Training segment are as follows:

- External referral agent commissions, facilitators and venue hire fees, by reference to anticipated student enrolments and recent market trends.
- Anticipated labour costs required to support BAA's transition to a B2C provider.

Land development key assumptions

Key factors taken into account by Simonds Group management in estimating revenues and cost of sales for the Land Development segment are as follows:

- The number of land lots based on historical experience and sales contracts currently under negotiation.
- Anticipated lot prices with reference to recent market trends.

Depreciation

Depreciation and amortisation charges are based on the existing asset base and depreciation and amortisation rates and forecast additional depreciation on capital expenditure to be incurred during FY15.

Net Interest Expense

Simonds Group is forecast to incur net interest expense of $0.4 million in FY15 in connection with the banking facilities described in Section 9.4.

Tax

The effective tax rate assumed in the proforma forecast is 31%, reflective of the anticipated tax rate following completion of the Offer.

Estimates included in the statutory forecast statement of cash flows for voluntary disclosure payments are materially accurate.

Summary of pro forma statements of profit or loss: FY15 compared to FY14

The pro forma forecast statement of profit or loss for FY15 has been prepared on the basis of Simonds Group's forecast for the financial year ending 30 June 2015.

Set out in Table 15 is the summary pro forma statements of profit or loss for FY14 and FY15.

Table 15: Summary pro forma statements of profit or loss: FY15 compared to FY14

$m	Pro forma historical FY14	Pro forma forecast FY15	Change	Change %
Revenue	**543.8**	**638.2**	**94.4**	**17.4%**
Less Cost of sales	(427.1)	(497.5)	(70.4)	16.5%
Gross Profit	**116.7**	**140.7**	**24.0**	**20.6%**
Employee benefits expense	(63.2)	(69.8)	(6.6)	10.4%
Marketing expenditure	(5.2)	(7.9)	(2.7)	51.9%
General and adminstration expenditure	(26.7)	(29.0)	(2.3)	8.6%
Operating expenses	**(95.1)**	**(106.7)**	**(11.6)**	**12.2%**
EBITDA	**21.6**	**34.0**	**12.4**	**57.4%**
EBITDA by reporting segment				
Residential	20.1	24.3	4.2	20.9%
Registered Training	1.3	9.8	8.5	653.8%
Land Development	0.2	(0.1)	(0.3)	(150.0%)
Group EBITDA	**21.6**	**34.0**	**12.4**	**57.4%**

Group revenue is anticipated to increase by $94.4 million or 17.4% to $638.2 million in the FY15 forecast period. Residential is anticipated to account for $73 million or 77.3% with anticipated housing volume growth and an uplift in the townhouse and apartment sector. Registered Training is forecast to contribute an increase of $16.4 million or 17.4% of the increase, reflecting a full year of trading as an externally-focussed RTO.

EBITDA is anticipated to increase by $12.4 million to $34.0 million, with Residential and Registered Training contributing $4.2 million and $8.5 million respectively. The forecast increase in gross profit of $24.0 million or gross profit margin increasing from 21.5% in FY14 to 22.0% relfects the anticipated contribution of Registered Training.

An anticipated $11.6 million increase in operating expenses includes employee benefits, advertising and marketing and display centre costs. The anticipated increase to employee benefits reflects employee remuneration indexation in addition to headcount increases in Registered Training and Residential to support their anticipated growth. Sales commission expense uplift has been anticipated in line with Residential revenue growth. Marketing expenditure is expected to increase by $2.7 million of which Registered Training media campaigns comprises $1.5 million. The EBITDA margin is forecast to increase from 4.0% to 5.3%.

Residential

The Group intends to expand its display home footprint by approximately 24% in FY15 to a portfolio of 114 by June FY15 with additional display homes in Queensland and New South Wales to support the growth strategy in these states. The increase in display presence is expected to drive an increase in site starts of 222 or 10%, from 2,211 in FY14 to 2,433 in FY15. Queensland site starts are expected to increase by 78 (or 64%) and NSW by 17 (24%), with 113 coming from Victoria. Product offering mix is anticipated to remain broadly in line with historical trends.

Apartment/townhouse revenue is expected to increase by $7.8 million or 11.7% to $74.5 million. Of this amount, 43.9% is represented by projects under construction or contracted and awaiting start. Another 37.1% represents projects agreed but not contracted. The balance of 19.0% is made up of probability-weighted identified opportunities.

EBITDA in the Residential segment is anticipated to increase by $4.2 million or 20.9% with contributions of:

- Housing sector: Simonds Group is anticipating revenue growth predominantly from additional site starts and gross profit contribution broadly in line with recent trends.
- Townhouse and apartments sector: Simonds Group is anticipating the pipeline of existing and new projects will be delivered within scope and schedule.

This growth will be partially offset by:

- Display centre costs are forecast to increase by $2.0 million associated with the intended expansion of the display centre portfolio.
- Marketing expenditure is anticipated to increase by $1.1 million.
- Sales commission growth of $1.1 million or 12.4% is anticipated in line with site starts.

The Residential EBITDA margin is anticipated to increase from 3.8% to 4.0% and the segment is forecast to comprise 71.5% of Group EBITDA compared to 93.1% in FY14.

Registered Training

Registered Training revenue is forecast to increase in FY15, up by $16.4 million to $20.2 million. The uplift is a result of a full year of operations as an externally-focussed RTO relative to FY14, which included only the last quarter of trading under the new business model. Approximately 50% of FY15 revenue is forecast to be derived from students enrolled or registered at 30 June 2014.

EBITDA is forecast to grow from $1.3 million to $9.8 million reflecting anticipated business activity growth partially offset by additional investment in management resources and media campaigns.

Land Development

Land Development revenue is forecast to increase by $5.0 million to $9.0 million in FY15, the EBITDA contribution from this segment will not be significant to the Group EBITDA result and mainly represents the run-down of existing projects.

Summary of pro forma statements of cash flows: FY15 compared to FY14

Set out in Table 16 is the summary pro forma net cash flows for FY14 and FY15.

Table 16: Summary pro forma net cash flows: FY15 compared to FY14

$m	Pro forma historical FY14	Pro forma forecast FY15
EBITDA	**21.6**	**34.0**
Add back non-cash costs recorded in EBITDA	0.2	0.5
Change in working capital	8.4	(2.9)
Maintenance capital expenditure	(2.0)	(1.0)
Net cash flows from operations before growth capital expenditure	**28.2**	**30.6**
Growth capital expenditure	(1.4)	(2.2)
Net cash flows from operations before financing and taxation	**26.8**	**28.4**

Change in Working Capital

Simonds Group is forecast to invest in trade receivables from an anticipated increase in business activity in both the house and apartment/townhouse sectors relative to FY14, funded by an increase in trade payables. Inventory of unsold display homes at year end relative to FY14 will increase, offset by a reduction in land stock held for sale.

Capital Expenditure

Simonds Group is forecasting increased capital expenditure including the investment in new back office software applications for finance, ordering and procurement, payroll and estimating, gallery upgrades and the establishment of a sales office in New South Wales, and ongoing renewal of the vehicle fleet. Asset financing will be used to fund the motor vehicle purchases.

7.13 Sensitivity Analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Simonds Group, its Directors and management, and depends upon assumptions with respect to future business decisions, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of the assumptions on the forecasts, set out below is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on the FY15 pro forma forecast NPAT of $20.4 million is presented.

Table 17: Sensitivity analysis on pro forma forecast EBITDA for FY15

Assumption	Notes	Increase / (decrease)	FY15 NPAT ($m)
Residential site start volume	1	+ / – 1 percentage point	0.8
Residential timing of project delivery	2	+ / – 1 month	0.5
Residential gross profit margin	3	+ / – 50 basis points	2.1
Registered training enrolled student numbers	4	+ / – 10 percentage points	0.6

Notes

1. *Impact on FY15 NPAT of forecast house site starts increasing or decreasing by 1% relative to that assumed in FY15.*
2. *Impact on FY15 NPAT of forecast townhouse and apartment development projects commencing early or being delayed by one month. The sensitivity is based on the average monthly contribution from the townhouse and apartment projects.*
3. *The full year impact of an increase or decrease of 50 basis points in the gross profit margin of the Residential reporting segment assumed in FY15.*
4. *Impact on FY15 NPAT of forecast new student enrolments increasing or decreasing by 10% relative to that assumed in FY15.*

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the FY15 forecast EBITDA. In practice, changes in variables may offset each other or be additive, and it is likely that Simonds Group management would take further measures in response to any adverse change in one variable to minimise the net effect on the Simonds Group EBITDA.

7.14 Dividend Policy

Depending on available profits and the financial position of Simonds Group, it is the current intention of Simonds to pay dividends.

The Directors intend to pay 65% of Simonds' NPAT as a dividend commencing in FY16.

The Directors anticipate that the first dividend to Shareholders will be determined in respect of the period from 1 January 2015 to 30 June 2015 with reference to available profits and the financial position of Simonds Group and will become payable in October 2015. It is intended that future dividends will be franked to the maximum extent possible.

In assessing the dividend payment in future periods the Directors may consider a number of factors, including the general business environment, the operating results and financial condition of Simonds Group, future funding requirements, capital management initiatives, tax considerations (including the level of franking credits available), and contractual, legal or regulatory restrictions on the payment of dividends by Simonds Group, and any other factors the Directors may consider relevant.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. Please read the Forecast Financial Information in conjunction with the assumptions underlying its preparation as set out in Sections 7.10, 7.11 and 7.12 and the risk factors set out in Section 6.

8 INVESTIGATING ACCOUNTANT'S REPORT

8. Investigating Accountant's Report

Deloitte Corporate Finance Pty Limited
ACN 003 833 127
AFSL 241457

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

The Directors
Simonds Group Limited
Level 4, 570 St Kilda Road
Melbourne VIC 3004

22 October 2014

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT ON PRO FORMA HISTORICAL, STATUTORY FORECAST AND PRO FORMA FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the Directors of Simonds Group Limited (formerly Simonds Homes Holdings Pty Ltd) ("the Company") for inclusion in a Prospectus to be issued by the Company in respect of the initial public offering of fully paid ordinary shares in the Company ("the Offer") and listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the pro forma Statement of Profit or Loss for the three years ended 30 June 2014
- the pro forma Statement of Cash Flows for the three years ended 30 June 2014
- the pro forma Statement of Financial Position as at 30 June 2014 as set out in Section 7 of the Prospectus

(the Pro forma Historical Financial Information).

Deloitte.

The Pro forma Historical Financial Information has been derived from the Statements of Profit or Loss and Cash flows for the three years ended 30 June 2014 and the Statement of Financial Position as at 30 June 2014 (Historical Financial Information), after adjusting for the effects of pro forma adjustments described in Section 7 of the Prospectus.

The Historical Financial Information has been extracted from the financial report of the Company for the three years ended 30 June 2014, which was audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued unmodified audit opinions on the financial reports. The Pro forma Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance and cash flows.

The Forecast

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the forecast Statement of Profit or Loss and the forecast Statement of Cash Flows of the Company for the year ending 30 June 2015 as set out in Section 7 of the Prospectus (the Statutory Forecast Financial Information). The director's best-estimate assumptions underlying the Statutory Forecast Financial Information are described in the Financial Section of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies;

- the pro forma forecast Statement of Profit or Loss and the pro forma forecast Statement of Cash Flows of the Company for the year ending 30 June 2015 as set out in Section 7 of the Prospectus (the Pro forma Forecast Financial Information). The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Section 7 of the Prospectus (the Pro forma Adjustments). An audit or review has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at 1 July 2014 . Due to its nature the Pro forma Forecast Financial Information does not represent the Company's actual prospective financial performance and cash flows for the year ending 30 June 2015.

(together the Forecast Financial Information).

Deloitte.

The Forecast Financial Information have been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2015. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and /or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any option on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 6 and Section 7 of the Prospectus respectively. The sensitivity analysis set out in Section 7 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecasts will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Pro forma Historical Financial Information and the Forecasts that are free from material misstatement, whether due to fraud or error.

Deloitte.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Pro forma Historical Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

A review 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 reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Pro forma Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Historical Financial Information of Company from its audited financial statements for the years ended 30 June 2014;
- consideration of the appropriateness of Pro forma Adjustments described in Section 7 of the Prospectus;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of Company and its auditors; and
- a review of the accounting policies adopted and used by the Company over the period for consistency of application.

The Forecast Financial Information

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- consideration of the Pro forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro forma Forecast Financial Information.

Deloitte.

Conclusions

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 7 of the Prospectus.

The Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information

(ii) in all material respects, the Statutory Forecast Financial Information:

a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 7 of the Prospectus,
b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards

(iii) the Statutory Forecast Financial Information itself is unreasonable.

The Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information

(ii) in all material respects, the Pro forma Forecast Financial Information:

a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 7 of the Prospectus,
b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred as at 1 July 2014.

(iii) the Pro forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 7 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Deloitte.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours faithfully

Ashley Miller
Authorised Representative of Deloitte Corporate Finance Pty Limited (AFSL Number 241457)
AR Number 461007

Deloitte.

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

July 2014

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

9 ADDITIONAL INFORMATION

9. Additional Information

9.1 Incorporation

Simonds Group Limited was incorporated in Victoria on 24 May 2010 as "Simonds Homes Holdings Pty Ltd", and changed its name to Simonds Group Limited and its status from a proprietary company to a public company on 26 September 2014.

9.2 Company tax status

Simonds will be treated as an Australian tax resident company for Australian income tax purposes.

9.3 Corporate Structure

The table below sets out the interests of the Existing Shareholders as at the Prospectus Date and immediately following the Offer.

	Shares held as at Prospectus Date	Shares held at Prospectus Date (%)	Shares held post Completion	Shares held post Completion (%)
Entities associated with Gary Simonds	139,644,290	95.78%	55,857,716	36.89%
Entities associated with Paul McMahon*	4,800,000	3.29%	4,000,000	2.64%
Other entities associated with management	1,350,000	0.93%	1,130,000	0.75%
New Shareholders	–	–	90,424,552	59.72%
Total	**145,794,290**	**100.00%**	**151,412,268**	**100.00%**

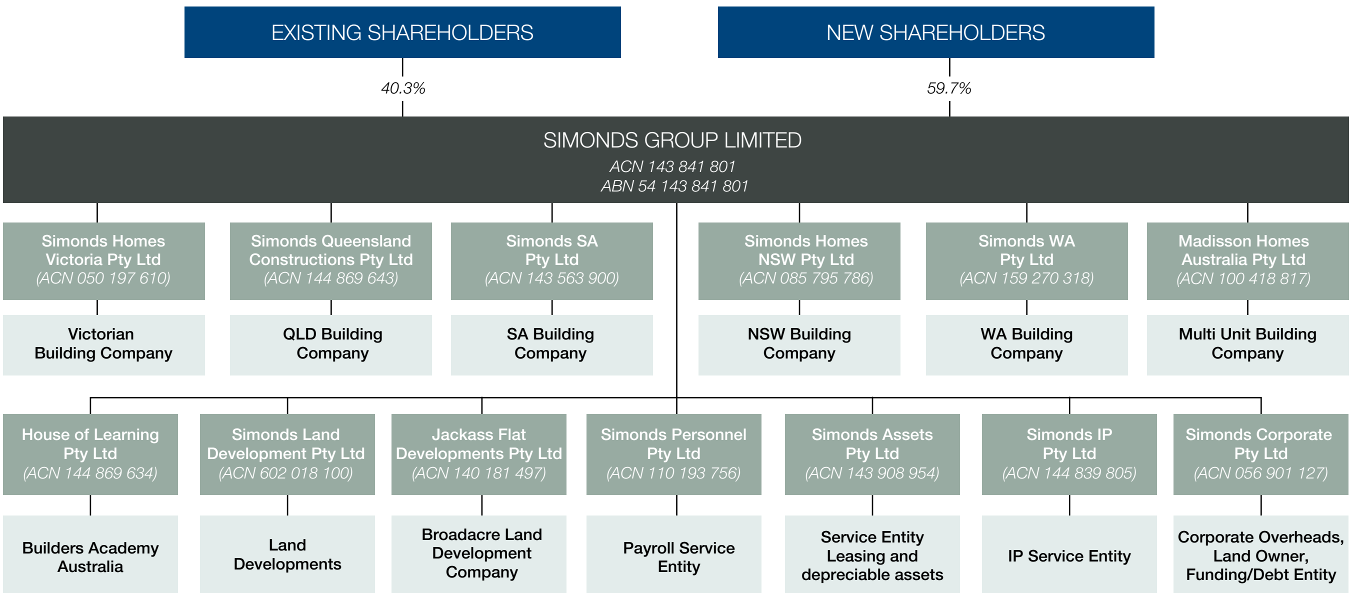
** Paul McMahon will also be issued approximately 280,900 performance rights at Listing*

Information on the number of shares that will be subject to voluntary escrow arrangements and the terms of the escrow arrangements are set out in Section 9.12.

Simonds Group proposes to issue approximately 1,752,809 performance rights to executives at Listing under the ESP. Further information is set out in Section 9.6.

Listing

The Group's structure at Listing will be as follows:



Each of the entities below Simonds Group are wholly owned subsidiaries of Simonds Group.

9.4 Material Contracts

The Directors consider that there are a number of contracts which are significant or material to Simonds Group or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares.

Summaries for material contracts set out in this Prospectus do not purport to be complete and are qualified by the text of the contracts themselves.

Selling Shareholders' Deed Poll

SaleCo is a special purpose vehicle which has been established to enable the Selling Shareholders to sell a portion of their Sale Shares in Simonds Group. The Selling Shareholders have executed deed polls in favour of SaleCo under which they irrevocably offer to sell their Sale Shares to SaleCo free from encumbrances and third party rights and conditional upon the Listing of the Shares on ASX (**Deed Poll**). As at the Prospectus Date, Selling Shareholders have irrevocably offered to sell 84,806,574 Sale Shares to SaleCo.

The Sale Shares which SaleCo acquires from the Selling Shareholders will be transferred to successful Applicants under the Offer at the Offer Price. The price payable for these Sale Shares is also the Offer Price.

SaleCo has no material assets, liabilities or operations other than its interest in the deed polls described above. The directors and shareholders of SaleCo are Matthew Chun, Leon Gorr and Richard Colless. Simonds Group has indemnified SaleCo and the directors of SaleCo for any loss which SaleCo or the directors of SaleCo may incur as a consequence of the Offer.

Underwriting agreement

The Offer is being underwritten by the Joint Lead Managers pursuant to an underwriting agreement, dated 21 October 2014, between the Joint Lead Managers, Simonds Group and SaleCo (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint lead Managers have agreed to act as underwriter, joint lead manager and bookrunner of the Offer.

Commissions, fees and expenses

Simonds Group and SaleCo (as "**Offerors**") have agreed to pay the following fees:

(a) **Financial Advisory Fee**: Financial Advisory Fee of 1.00% of the capital raised under the Offer, to Moelis; and

(b) **Joint Lead Manager/Bookrunner Fee**: A Joint Lead Manager/Bookrunner Fee equal to 2.50% of the total equity capital raised by the Offerors under the Offer in equal proportions. The Joint Lead Manager/Bookrunner Fee is payable promptly on the day Simonds Group receives the subscription moneys payable for all of the Shares offered under the Offer (excluding the Employee Gift Offer), provided that Group and SaleCo have received an account (including, if applicable, a tax invoice) from the Joint Lead Managers.

The Company has entered into an agreement with the Selling Shareholders associated with Gary Simonds whereby those Selling Shareholders will pay the underwriting fee related to the selldown by the Selling Shareholders, proportionate to the amount paid for the Sale Shares over the total amount raised under the Offer.

The Joint Lead Manager/Bookrunner Fee will, to the extent not previously paid to the Joint Lead Managers, be payable from the subscription moneys paid under the Offer and subject to set-off by the Joint Lead Managers.

In addition to the fees described above, Simonds Group and SaleCo have agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

Termination events

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement and on or before the date of issue of Shares under the Offer (without any cost or liability by notice to Simonds Group, SaleCo and the other Joint Lead Manager), by notice in writing to the Offerors specifying the relevant event:

(a) (**listing approval**) ASX does not approve the admission of the Company to the Official List and Official Quotation of the Offer Shares (subject to conditions acceptable to the Underwriters, acting reasonably) by 5pm on the Business Day before the Settlement Date, or if granted, the approval is subsequently withdrawn, qualified (other than conditions acceptable to the Underwriters, acting reasonably) or withheld (or ASX indicates to the Offerors or the Underwriters that the approval is likely to be withdrawn, qualified or withheld);

(b) (**Certificate**) the Offerors do not provide a Certificate as and when required by the Agreement or a statement in any Certificate is untrue or incorrect in any respect;

(c) (**insolvency events**) SaleCo or any member of the Company's Group, as applicable, becomes Insolvent;

(d) (**suspension, modification or amendment**) any licence, permit, authorisation or consent which is material when considered in the context of the Prospectus or necessary to conduct the business of any material member of the Group or SaleCo is suspended, modified, withdrawn or amended in a manner unacceptable to the Underwriters (acting reasonably);

(e) (**Timetable**) any event specified in the Timetable is delayed for more than three Business Days without the prior written consent of the Underwriters (not to be unreasonably withheld);

(f) (**Offerors offer refund**) the Offerors doing any of the following without the prior written consent of the Underwriters: repaying, or offering to repay, any monies the Offerors receive in relation to Valid Applications; or offering one or more applicants an opportunity to withdraw their Valid Application(s);

(g) (**default**) a default by the Offerors or the Company in the performance of any of the material obligations under the Agreement occurs;

(h) (**market movement**) the S&P/ASX300 Index published by ASX is at any time up to and including the date of Completion of the Offer at a level that is 10% or more below its level as at 5.00pm on the ASX trading day immediately preceding the date of the Agreement and remains so for three consecutive trading days prior to the Settlement Date.

(i) (**proceedings – ASIC**) ASIC commences any enquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with the Offerors or any of the directors of either of them in their capacity as directors of an Offeror, the Company, the Offer, Offer Materials or the Prospectus and such enquiry, investigation or proceedings is not addressed, disposed of or withdrawn (in each case to the Underwriters' reasonable satisfaction) on or before the 10th Business Day following commencement, the taking of the action or seeking of remedy or, if the Allotment Date occurs prior to that 5th Business Day, before 10:00am on the Allotment Date;

(j) (**events**) any of the following events occur in respect of the Offer:

  (i) ASIC gives notice of an intention to hold a hearing under section 739(2) of the Corporations Act;

  (ii) ASIC issues an order under section 739(1A) of the Corporations Act or an interim order under section 739(3) or section 739) of the Corporations Act;

  (iii) ASIC applies for an order under sections 1324B or 1325 of the Corporations Act in relation to the Offer Materials or the Prospectus;

  (iv) an application is made by ASIC for an order under Part 9.5 in relation to the Offer or the Prospectus and such application becomes public or is not withdrawn within two Business Days after it is made;

  (v) ASIC commences any inquiry or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Offer or the Prospectus and such investigation or hearing becomes public or is not withdrawn within two Business Days after it is commenced;

  (vi) any person (other than an Underwriter) who has previously consented to the inclusion of their name or any statement in the Prospectus withdraws that consent; or

  (vii) any person (other than an Underwriter) gives a notice under section 730(1) of the Corporations Act in relation to the Prospectus;

(k) *(**ASX Waiver and ASIC modifications**) ASX withdraws, revokes or amends the ASX Waivers, or ASIC withdraws, revokes or amends the ASIC Modifications; or

(l) (**representations and warranties**) a representation or warranty contained in the Agreement (other than in paragraphs (c), (d), (e) and (f)) on the part of the Offerors is breached or becomes not true or correct in a material respect;

(m)*(**disclosures in Due Diligence Report**) the Due Diligence Report or verification material or any other information supplied by or on behalf of the Offerors to an Underwriter in relation to the Group or the Offer is or becomes false or misleading or deceptive, including by way of omission;

(n) *(**hostilities**) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, Russia, the People's Republic of China, Indonesia or any member state of the European Union or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;

(o) *(**contravention**): the Offerors or the Company contravenes:

  (i) any law, regulation, authorisation, ruling, consent, judgment, order or decree of any Governmental Agency;

  (ii) its constitution or the Company Constitution or another constituent document; or

  (iii) the Listing Rules; or

  (iv) an Encumbrance or document which is binding on:

    (A) the Offerors; or

    (B) an asset of the Offerors; or

    (C) the Company;

(p) *(**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Agreement), or any national or provincial authority, any of which does or is likely to prohibit, restrict or regulate the Offer, capital issues, the level or likely level of Valid Applications or stock markets;

(q) *(**disruption in financial markets**) any of the following occurs:

  (i) a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;

(ii) any adverse change in the political or economic conditions or financial markets in Australia, the United States of America or the United Kingdom, or in foreign exchange rates or any development involving a prospective change in the political or economic conditions or financial markets in any of those countries, or in foreign exchange rates; or

(iii) trading in securities generally on ASX, the New York Stock Exchange, and/or the London Stock Exchange is suspended or limited in a material respect on two or more consecutive days;

(r) *(change in directors) a change in the directors of the Offerors occurs;

(s) *(charges) the Offerors charges, or agrees to charge, the whole or a substantial part of the property of the Company or any of the Company's Related Bodies Corporate other than:

(i) a charge over any fees or commissions to which the Offerors is or will be entitled; or

(ii) any charge that replaces a charge that is existing as at the date of the Agreement and in favour of the same chargee; or

(iii) as contemplated in the Prospectus;

(t) *(new information) a new circumstance which is materially adverse to an investor arises (whether or not the Offerors announces it) that would have been required to be included in the Prospectus had it arisen before the Prospectus was lodged with ASIC;

(u) *(unauthorised public statements) the Offerors issues a material public statement concerning the Offer which has not been approved by the Underwriters, other than in accordance with the Agreement or as required by law;

(v) *(adverse change) any adverse change occurs or is reasonably likely to occur in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and/or the Offerors and/or the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company and/ or the Offerors), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Offerors and/or Group from those respectively disclosed in the Prospectus;

(w) *(Supplementary Prospectus) in the opinion of an Underwriter (acting reasonably) the Offerors become required to give, or give, a Supplementary Prospectus in accordance with the Corporations Act;

(x) *(Offer Materials/Prospectus) an Underwriter is of the opinion (acting reasonably) that:

(i) there is a material omission from the Prospectus or any Supplementary Prospectus of material required by the Corporations Act to be included;

(ii) an Prospectus does not contain all material information required to comply with all applicable laws; or

(iii) any Offer Material contains a statements which in a material respect is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission).

(y) *(prosecution) any of the following occur:

(i) a director of the Offerors is charged with an indictable offence;

(ii) any Government Authority commences any public action against the Offerors or any of the directors of either of them in their capacity as a director of the relevant Offeror, or announces that it intends to take such action except where that action is disposed or withdrawn (in each case to the Underwriters' reasonable satisfaction) on or before the 10th Business Day following commencement or announcement of that action or, if a future Settlement Date occurs earlier than that 10th Business Day, before 10:00am on that Settlement Date; or

(iii) any director of an Offeror is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;

(z) *(Proceedings – persons other than ASIC) a person other than ASIC commences any enquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with the Offerors, the Offer or the Prospectus and such enquiry, investigation or proceedings is not disposed of or withdrawn to the Underwriters' reasonable satisfaction on or before the 5th Business Day following commencement, the taking of the action or seeking of remedy or, if a future Settlement Date occurs prior to that 5th Business Day, before 10:00am on that Settlement Date; or

(aa) *(representations and warranties) a representation or warranty contained in the Agreement on the part of the Offerors is breached or becomes not true or correct in a material respect.

(ab) (Fraud) the Offerors or any Officer of either of the Offerors is charged in relation to fraudulent, misleading or deceptive conduct whether or not in connection with the Offer;

(ac) *(withdrawal of consent) any person (other than the Underwriters) whose consent to the issue of the Prospectus is required by the Corporations Act withdraws their consent or any person otherwise named in Prospectus with their consent (other than the Underwriters) withdraws their consent;

(ad) (withdrawal of offer) the Offerors withdraw the Prospectus, the Offer or any part of the Offer, or one or more of the Offerors indicate that it does not intend to proceed with the Offer or any part of the Offer;

(ae) *(**forecast**) any forecast or forward looking statement in the Prospectus becomes, in the reasonable opinion of an Underwriter, incapable of being met;

(af) *(**material agreements**) any of the Material Contracts is rendered void or voidable or breached in a material respect or is not duly completed and performed in accordance with its terms or is terminated or amended without the consent of the Underwriters (such consent not to be unreasonably withheld).

Material events

Where an event set out above is preceded by an asterisk (*), an Underwriter may only terminate on the basis of that event if in the reasonable opinion of that Underwriter, the event:

(a) has had, or is likely to have, a material adverse effect on the financial condition, financial position or financial prospects of the Company or on the market price of the Shares or has caused, or is likely to cause, a material reduction in the level, or likely level, of applications for Offer Shares; or

(b) leads, or is likely to lead:

- (i) to a contravention by that Underwriter of, or that Underwriter being involved in, a contravention of, the Corporations Act or any other applicable law; or
- (ii) to a liability for that Underwriter under the Corporations Act or any other applicable law.

Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by Simonds Group and SaleCo to the Joint Lead Managers (as well as common conditions precedent, including ASIC and ASX granting the modifications and waivers necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by Simonds Group and SaleCo relate to matters such as conduct of Simonds Group and SaleCo, power and authorisations, information provided by Simonds Group and SaleCo, financial information, information in this Prospectus, the conduct of the Offer, compliance with laws, ASX Listing Rules and other legally binding requirements.

Simonds Group's undertakings include that it will not, without the prior written consent of the Underwriters, at any time after the date of the Agreement and before the expiration of 3 months after Completion, allot or agree to allot or indicate in any way that it may or will allot or agree to allot any Shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity or otherwise undertake any "prescribed occurrence" (as that term is given its meaning in section 652C of the Corporations Act except that a reference to "target" shall be a reference to the Company), of the Company other than pursuant to the Offer, the Agreement, as otherwise described in the Prospectus.

Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or negligence of an indemnified party, Simonds Group and SaleCo agree to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

Debt Facility Agreement

Debt funding requirements of the Group are provided by Commonwealth Bank of Australia (**CBA**) under the terms of a facility agreement dated 27 June 2013 (**Facility Agreement**) between CBA (as lender) and various Group Companies (as borrowers and guarantors) and a letter of offer dated 30 January 2013 (**Letter of Offer**) between CBA (as lender) and Jackass Flat Developments Pty Ltd (**JFD**) (as borrower).

Document	Borrower	Facility	Amount	Term
Facility Agreement	Group Companies	Bill facility	$10 million	2 year term maturing June 2015, subject to annual review
Facility Agreement	Group Companies	Multi-option facility (comprising contingent liability, overdraft and bill facilities)	$11 million	No expiry date, but subject to annual review
Facility Agreement	Group Companies	Equipment (asset) finance facility	$4 million	Not specified (contract specific)
Letter of Offer	Jackass Flat Developments Pty Ltd	Bill facility	$2.5 million	Maturing 2 years from date of first funding under Letter of Offer (Letter of Offer is dated 30 January 2013), subject to annual review
			Total: $27.5 million	

These facilities are secured by securities over all assets, and real property mortgages over certain properties, of relevant Group Companies.

The Facility Agreement and the Letter of Offer contain financial covenants in relation to leverage, fixed charge cover and borrowing base ratios customary for corporate style facilities of this nature.

The Facility Agreement and the Letter of Offer also contain customary conditions precedent to drawing, representations and warranties, undertakings, events of default and indemnities.

An application for new increased facilities from CBA has been made and is currently being reviewed by CBA. The Directors are not aware of any restrictions that would preclude CBA from providing new facilities to the Group.

Related Party Transactions – Arm's Length

Subsidiaries of the Company have entered into transactions with related parties of the Company. These transactions are as follows:

(a) a lease of a property located in Strathdale, Victoria, for use as an office by Simonds Group from the wife of Gary Simonds, Pamela Simonds. The lease expires 30 September 2019, subject to the Company extending the lease for an additional five terms of one year. Rent of $20,500 plus GST is payable per annum and is subject to CPI annual increase except rent is to be reviewed to market at the start of an option term;

(b) a lease of a property located in Geelong, Victoria, for use as an office by Simonds Group from Gary Simonds and Pamela Simonds. The lease expires 30 September 2019, subject to the Company extending the lease for an additional five terms of one year. Rent of $62,000 plus GST is payable per annum and is subject to CPI annual increase except rent is to be reviewed to market at the start of an option term;

(c) a lease of a property located in Point Cook, Victoria, for use as an office by Simonds Group from a company controlled by Gary Simonds, SH Regional Offices Pty Ltd. The lease expires 30 September 2019, subject to the Company extending the lease for two further two year terms, and then an additional two further terms of one year. Rent of $169,950 plus GST is payable per annum and is subject to CPI annual increase except rent is to be reviewed to market at the start of an option term.

(d) the acquisition of 15 properties from a company controlled by Gary Simonds, Simonds Development Projects No 1 Pty Ltd. The total purchase price for these properties was $3.3 million (plus GST);

(e) a licence agreement with SFO Consulting Pty Ltd, an entity controlled by SFO Consulting Pty Ltd, for the sub-licence of part of Level 4, 570 St Kilda Road. The licence commences on 1 December 2014, and expires 30 November 2019, such to a further term of 5 years and 363 days subject to the Company renewing the head-lease. A licence fee is $20,444 per annum (plus GST), subject to a 3% increase on each anniversary of the commencement date; and

(f) a services agreement with SFO Consulting Pty Ltd, an entity related to Gary Simonds.

The agreement commenced on 1 October 2014 and subject to the termination provisions set out in the agreement, will terminate on 30 August 2015 unless extended for a further 12 months with the agreement of both parties.

Pursuant to the agreement SFO Consulting Pty Ltd will provide product design services to the Company, including but not limited to, working directly and indirectly with Sales, Marketing, Design & Product Range management for house design services, analysis and identification of opportunities, product and systems improvements, technical liaison and application, quality control and monitoring, managing internal and external relationships, working on other projects nominated by Simonds, product research and development, display home design and presentation and general administration and documentation of the above services (**Services**).

The Services provided by SFO Consulting Pty Ltd will be provided by Mark Simonds personally. Mark Simonds is the son of Gary Simonds and was an employee of the Group prior to the Offer.

The Company will pay SFO Consulting Pty Ltd $10,000 per month (plus GST) for providing the Services.

Upon termination of the agreement, Mark Simonds Pty Ltd will be subject to a restraint of trade period of up to 3 years. Simonds Group may elect to reduce the restraint of trade period, or eliminate the period in its entirety. The enforceability of the restraint clause is subject to all usual legal requirements.

Member approval for the entry into the above transactions was not sought as the Directors have resolved that each of these transactions are on terms equivalent to an arm's length transaction, or on terms more favourable to the Company than an arm's length transaction.

Any further related party transactions will be assessed by the Board from time to time and will be considered by the Audit and Risk Management Committee in accordance with the Audit and Risk Management Committee Charter.

Related Party Transactions – Reasonable Remuneration

Paul McMahon was previously entitled to a cash bonus from the Simonds Group upon sale of the business. Paul McMahon has agreed to forego this entitlement in consideration for receiving the cash and Shares set out in Section 4.6, which he is receiving from entities associated with Gary Simonds (outside the Group).

Member approval for the entry into the this transaction was not sought as the Directors resolved that the financial benefit that may be received by Paul McMahon's related entities under this transaction is reasonable given the value of the benefits under previous employment terms with the Company and that Paul McMahon has agreed to forego that benefit by entering into this transaction.

Deed of Indemnity

The Company has entered into a Deed of Indemnity with SaleCo and the directors of SaleCo in connection with any loss which SaleCo or the directors of SaleCo incurs as a consequence of the Offer.

9.5 Constitution and rights attaching to Simonds shares

Rights

The rights attaching to Shares are:

- set out in the Constitution; and
- in certain circumstances, regulated by the Corporations Act, Listing Rules, ASX Settlement Operating Rules and the general law.

Copies of the Constitution are available for inspection during business hours at the Company's registered address while the Prospectus is current.

Set out below is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights, privileges and restrictions attaching to the Shares as set out in the Constitution. The Constitution is consistent with the Listing Rules and is subject to the Listing Rules in all respects while the Company maintains its listing on the ASX.

All Shares issued pursuant to this Prospectus will from the time they are issued, rank pari passu with all the Company's Existing Shares.

Voting Rights

Subject to any special rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at general meetings of Shareholders, each Shareholder entitled to vote may vote in person or proxy, attorney or representative unless a poll is demanded by:

- the Chairman;
- not less than five Shareholders having the right to vote at the meeting; or
- a Shareholder or Shareholders present who are together entitled to not less than 5% of the total voting rights of all the Shareholders having the right to vote on the resolution at the meeting.

Every Shareholder present in person or by proxy, attorney or representative will have one vote on a show of hands. On a poll every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder will, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have, one vote for each Share held.

Dividend Rights

Subject to the rights persons (if any) holding of shares issued with special rights to a dividend (at present there are none), the Directors may declare a final dividend out of the profits of the Company in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Shareholders of such dividend. All dividends are to be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend.

Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

Transfer of Shares

A Shareholder may transfer Shares by a proper market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating dealings in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors. The Directors may decline to register a transfer of Shares, other than a proper market transfer.

New Share Issue

Subject to the Constitution, the Corporations Act, any other laws and the Listing Rules, the Directors may issue, allot or otherwise dispose of Shares to such person at such times at such price and on such terms and conditions and having attached to them such preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise and whether as preference shares as the Board from time to time determines.

General Meetings

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution of the Company, the Corporations Act or the Listing Rules. Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

Alteration to the Constitution

The Constitution can only be amended by special resolution passed by at least three quarters of Shareholders present and voting at a general meeting. At least 28 days written notice, specifying the intention to propose the resolution as a special resolution, must be given.

Variation of Rights

Subject to the Corporations Act, the rights attaching to any class of shares on issue in the Company may only be varied or abrogated in any way if the holders of 75% of the shares of that class on issue in the capital of the Company consent to the variation in writing, or by special resolution passed at a separate meeting of the holders of shares of that class unless their terms of issue say otherwise.

Directors

There must be a minimum number of three Directors, at least two Directors must ordinarily reside in Australia. The Constitution and the Corporations Act contain provisions relating to the rotation and election of Directors.

9.6 Employee Share Plan

Retention and effective, appropriate reward of our valued executives and employees is an important aspect of the company's remuneration strategy. Our strategy also embraces the principle of equity participation for all our staff.

With these duel goals paramount, the company has established a new employee equity plan developed to meet contemporary equity design standards with flexibility in the design and offer choices available. The plan also provides employees access to the taxation concessions available in Australia that encourage broad based employee share ownership.

Broad-based employee share ownership engenders goodwill amongst staff, engages employees in the success of the business and aligns employee, company and shareholder interests.

The plan, to be known as the Simonds Homes Employee Share Plan (**ESP**), will enable the Company, within the limits imposed, to offer employees a range of different employee share scheme (**ESS**) interests.

These ESS interests may include:

- Performance Rights;
- Options;
- Service Rights;
- Deferred Shares; and
- Exempt Shares.

Other ESS interests may be added as contemporary reward practices in Australia evolve.

It is anticipated that initial ESP offers, as set out below, will be made in conjunction with the Offer, as follows:

1. Performance Rights; and
2. Exempt Shares.

Whenever Simonds shares are required under the ESP, they will be acquired and held by the Simonds Group Employee Share Trust (**EST**). A summary of the key terms of the ESP are as follows:

- Eligibility to participate: The Board has the discretion to determine which employees are eligible to participate in the ESP. The definition of employee under the Plan Rules includes any full time or permanent part time employee or officer or executive director of the Company or any related body corporate of the Company.
- Vesting conditions: The vesting of any securities issued under the ESP, excluding Exempt Shares, may be conditional on the satisfaction of performance and/or service conditions as determined by the Board and advised to the employee in the individual's offer documents.

Price: Securities issued under the ESP may be issued at no cost to the participants. Options may be subject to payment of an exercise price by the participant which is determined by the Board and advised to the participant in the individual's offer documents.

Lapse/forfeiture: Securities issued under the ESP will lapse or be forfeited on the earliest of:

- any expiry date applicable to the securities;
- any date which the Board determines that vesting conditions applicable to the securities are not met or cannot be met;
- the participant dealing in respect of the securities in contravention of the ESP; and
- the Board determining that a participant has committed an act of fraud, is ineligible to hold the office for the purposes of Part 2D .6 of the Corporations Act, or is found to have acted in a manner that the Board considers constitutes gross misconduct.

Change of Control: On the occurrence of a Change of Control (as defined in the Plan Rules), the Board will determine, in its sole and absolute discretion, the manner in which vested and unvested securities issued under the ESP shall be dealt with.

Cessation of employment: All unvested securities issued under the ESP lapse immediately on termination of employment unless any Leaver's Policy applies or the Board determines otherwise depending on the circumstances.

No dealing/hedging: Dealing restrictions apply to securities issued under the ESP in accordance with the Plan Rules and the Company's share trading policy. It is prohibited to hedge or otherwise protect the value of unvested securities issued under the ESP.

Adjustments: Prior to the allocation of shares to a participant upon vesting or exercise of securities issued under the ESP, the Board may make any adjustments considers appropriate to the terms of securities in order to minimise or eliminate any material advantage or disadvantage to a participant resulting from a corporate action such as a capital raising or capital reconstruction.

Loans: There will be no loans allowed or provided under ESP, without shareholder approval.

Limits on securities issued: The number of shares that may be issued under the ESP is set with regard to the limits prescribed under ASIC Class Order 03/184 with respect to employee share scheme offers made without a prospectus. Currently these limits provide that the number of shares that may be issued, when aggregated with a number of shares issued during the previous five years from share issues under all employee share schemes established by the Company (including as a result of exercise of options to acquire shares granted to the previous five years under any such employee share scheme), must not exceed 5% of the total number of shares on issue, disregarding certain unregulated offers.

Initial grants under the ESP

It is anticipated In conjunction with the Offer, and fully costed in Simonds Group's financial estimates, the following initial ESP grants will be made:

1. Performance Rights

It is proposed that Performance Rights will be issued to two groups of executives:

Long Term Incentive Plan (LTIP)

An estimated $2.6 million of Performance Rights will be granted to nine (9) senior executives, including Paul McMahon (Group CEO and Managing Director) who will be granted approximately 280,900 of Performance Rights, subject to minimum service, group financial performance and a total shareholder return performance vesting conditions:

(a) employee being employed on the 3 year anniversary of the Listing;

(b) group financial performance exceeding the hurdles set by the Board; and

(c) the total shareholder return over 3 year period from Listing exceeding a relative benchmark measure as determined by the Board.

The number of Performance Rights issued will be based on the Offer Price (i.e. Number of Performance Rights to be issued = $2.6 million divided by the Offer price).

The purpose of this offer is to provide these senior executives of Simonds Homes Group with a long term service retention, above average financial performance growth goals and a total shareholder return relative measure consistent with contemporary ASX listed company practice.

Initial IPO Service Only Grant

An estimated $520,000 of Service Rights will be granted to seven (7) senior managers, subject to the employee being employed at the end of FY15 and FY16.

The number of Service Rights issued will be based on the Offer Price (i.e. Number of Performance Rights to be issued = $520,000 divided by the Offer price).

The purpose of this offer is to provide these senior managers of Simonds Group with a medium term service retention and to compensate them for a change to their annual bonus arrangements which will become part cash and part securities which will be subject to deferral.

2. Exempt Shares

Australian resident employees will be invited to receive $500 worth of Simonds Group Shares free. In addition, they will be offered an additional $500 worth of Simonds Group Shares if they agree to salary sacrifice $500 from their pre-tax remuneration over the period from December 2014 to 30 June 2015.

Under Australian taxation regulations companies are able to provide up to $1,000 per annum to employees exempt from tax, subject to meeting certain specified qualifying conditions.

Shares under the scheme once granted cannot be forfeited. Shares under the scheme will be held subject to a 3 year holding lock whilst the participant remains an employee.

The purpose of this offer is to encourage broad based employee share participation in Simonds Group.

9.7 Ownership restrictions

The sale and purchase of Shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

Foreign Acquisitions and Takeovers Act 1975 (Cth)

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated hat there is no objection to the proposed acquisition in terms of the Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Simonds.

9.8 New Zealand

This document has not been and will not be registered, filed with, or approved by any New Zealand regulatory authority under or in connection with the Securities Act 1978 (NZ). The document does not constitute a prospectus or investment statement under New Zealand law. This document is being distributed in New Zealand only to, and is directed only at, persons whose principal business is the investment of money or who, in the course of their business and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the Securities Act 1978 (NZ), or those persons who are paying a minimum subscription price of NZ$500,000 for the securities.

The Shares are not being offered or issued with a view to them being offered for sale to the public in New Zealand.

9.9 United States selling restrictions

The Shares are being offered and sold only outside of the United States, in an offshore transaction in reliance on Regulation S under the US Securities Act. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons, except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws.

You will be taken to have represented, warranted and agreed as follows:

- you understand that the Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold or resold in the United States, or to or for the account or benefit of US Persons, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- your are not in the United States or a US Person, and are not acting for the account or benefit of a US person;
- you have not and will not send this document or any other material relating to the Offer to any person in the United States or to any person that is, or is acting for the account or benefit of, a US Person; and
- you will not offer or sell the Shares in the United Sates or to, or for the account or benefit of, any US Person or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered or sold.

Terms used in this paragraph 9.9 have the meanings given to them by Regulation S under the US Securities Act.

9.10 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("Companies (Winding Up and Miscellaneous Provisions) Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong ("SFO"). No action has been taken in Hong Kong to authorise the issue of or register this document or to permit the distribution of this document or any documents issued in connection with it as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and rules made under that ordinance).

No advertisement, invitation or other document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and rules made under that ordinance).

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.11 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of the Shares to be issued from time to time by the Company pursuant to the Offer, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore except other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the applicable conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or
5. as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

9.12 Escrow arrangements

Each of the Existing Shareholders have agreed to a voluntary escrow arrangement with the Simonds Group under which they will be restricted from dealing in a specified number of Shares held by them.

The Existing Shareholders will be restricted from dealing in their remaining Shares from the date of Listing until the earlier of the release to ASX of the Company's preliminary financial results for the financial year ending 30 June 2016, or two years from the Prospectus Date.

With prior consent from the Board, the escrowed Shares may be pledged for money borrowed by the Shareholder. At the Prospectus Date, there have been no requests made for, and the Board has not provided consent to, the pledging of any escrowed Shares (referred to above) for money borrowed by Shareholders.

9.13 Allotment

The Company will proceed to allocate Shares as soon as possible after the Closing Date. Where no allocation is made to a particular Applicant or the number of Shares allocated is less than the number applied for by an Applicant, surplus Application Monies will be returned to that Applicant within 30 days of the Closing Date. No interest will be paid on refunded Application Monies.

Successful Applicants will be notified in writing of the number of Shares allocated to them as soon as possible following the allocation being made after the Closing Date. It is the responsibility of Applicants to confirm the number of Shares allocated to them prior to trading in Shares. Applicants who sell Shares before they receive notice of the number of Shares allocated to them do so at their own risk.

The Company reserves the right to accept or reject any Application and to allocate to any Applicant fewer Shares than applied for by that Applicant.

9.14 Dividend reinvestment plan

The Company does not currently have a dividend reinvestment plan. The Company may implement a dividend reinvestment plan in the future.

9.15 Taxation considerations

This section provides a general overview of certain Australian tax consequences for investors who acquire Shares through the Offer. The comments in this Section are based on the Australian taxation laws (including established interpretations of those laws) and understanding of the practice of the Australian Taxation Office as at the Prospectus Date.

This Section is general in nature and is not intended to be an authoritative or a complete statement of the Australian taxation laws. It should be noted that the Australian taxation laws are complex and the investor's own circumstances may affect the taxation outcomes of making an investment in the Company. It is therefore recommended that investors seek independent professional advice having regard to their own specific circumstances in considering an investment in the Company.

Dividends on a Share – Australian tax resident

Dividends may be paid to shareholders by the Company. The Company may attach "franking credits" to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

Australian tax resident shareholders will be required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, subject to the comments below, the associated franking credits should also be included in the Australian tax resident shareholder's assessable income (that is, the dividends are required to be "grossed-up"). In such circumstances, shareholders are subject to tax at their applicable rate of tax on the grossed-up dividends received (but may be entitled to a tax offset for the associated franking credits as discussed below).

To the extent that the dividends are unfranked, there is no gross-up (or tax offset) and Australian resident shareholders should be subject to tax at their applicable rate of tax on the unfranked dividends received.

Generally, shareholders should be entitled to a "tax offset" equal to the amount of any franking credits received.

To the extent that the franking credits received by non-corporate shareholders that are individuals and complying superannuation entities exceed the amount of tax payable, those shareholders should be entitled to a refund from the Australian Taxation Office of any excess franking credits. Where the franking credits are less than the tax payable on the dividends, those shareholders will need to pay an additional amount of tax.

In relation to non-corporate shareholders that are trusts (other than trustees of complying superannuation entities) or partnerships, such shareholders should include any franking credits in determining the net income of the trust or partnership. The relevant beneficiary or partner may then be entitled to a corresponding tax offset, subject to certain requirements being satisfied.

Corporate shareholders are also entitled to a tax offset equal to the amount of franking credits received; however, unlike non-corporate shareholders, they are unable to claim refunds for excess franking credits. Where excess franking credits exist, a corporate shareholder should be entitled to have the surplus credits converted into carry forward tax losses.

Corporate shareholders (including those which are deemed to be companies) should also be entitled to a franking credit in their franking accounts equal to the franking credits received in respect of the dividends. A corporate shareholder may be able to then use the credits to make franked distributions to its shareholders.

There are certain limitations imposed by the Australian taxation law which may prevent a shareholder from obtaining the benefit of any franking credits. In this regard, shareholders seeking to claim tax offsets for franking credits must be "qualified persons" in respect of the relevant dividends.

In broad terms, shareholders who have held their Shares "at risk" for at least 45 days (excluding the dates of acquisition and disposal) should be qualified persons and should be able to claim a tax offset for the amount of franking credits received. Furthermore, individual Australian shareholders whose total franking tax offsets (for all franked distributions received in the income year) do not exceed $5,000 for the income year should generally be deemed to be qualified persons. Special rules apply to arrangements which involve the making of related payments to pass on the benefit of any dividends paid, or in the context of franked dividends received via trusts or partnerships.

On 30 June 2014, the Australian Parliament enacted legislation which prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of "dividend washing". "Dividend washing" is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on the ASX and then effectively repurchasing the same parcel of shares on a special ASX trading market. Investors should consider the impact of this change given their own personal circumstances.

In relation to trusts or limited partnerships, the rules surrounding the taxation of dividends are complex and advice should be sought to confirm the appropriate taxation considerations and treatment.

Dividends on a Share – non-Australian tax resident

Generally, unfranked dividends paid to shareholders that are not Australian tax residents should be subject to dividend withholding tax. To the extent that distributions to non-residents include unfranked dividends, the Company will withhold tax at the rate applicable to each non-resident shareholder. Australian dividend withholding tax is levied at a flat rate of 30% on the gross amount of the dividends unless a shareholder is a tax resident of a country that has an applicable double tax treaty with Australia. In these circumstances, the withholding tax is generally limited to 15%, although in certain cases, depending on the shareholder's country of residence and the size of their shareholding, the rate may be reduced further.

Fully franked dividends are not subject to Australian dividend withholding tax.

It is recommended that non-resident shareholders also consider the tax implications of receiving dividends from the Company under their respective domestic tax regimes.

Taxation of future share disposals – Australian tax resident

Most Australian resident investors will be subject to Australian CGT on the disposal of their Shares. Some investors will hold Shares on revenue account, trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own advice.

Broadly, Australian tax resident shareholders who acquire their Shares in the ordinary course of their business and/or hold their Shares on revenue account should be required to include any gains made on the disposal of the Shares in their assessable income. Conversely, any losses made on the disposal of Shares in these circumstances should be deductible.

Australian tax resident shareholders who hold their Shares on capital account will be required to consider the impact of the CGT provisions in respect of the disposal of their Shares.

Where the capital proceeds received on the disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident shareholder for an income year are considered collectively. To the extent that a net gain exists, such shareholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). Any remaining net gain (after the application of any carried forward tax losses) will then be required to be included in the Australian tax resident shareholder's assessable income (subject to comments below in relation to the availability of the CGT discount concession) and will be taxable at the shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against capital gains. Capital losses are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for 12 months or more prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual shareholder or trust, and a one-third reduction of a capital gain for an Australian resident complying superannuation entity shareholder. The concession is not available to corporate shareholders.

In relation to trusts or limited partnerships, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

Taxation of future share disposals – non-Australian tax resident

Non-resident shareholders who hold Shares on revenue account may need to include any Australian sourced profits recognised on the sale of Shares in their Australian assessable income unless an applicable double tax treaty provides relief from Australian taxation. Conversely, non-resident shareholders who make a loss on the disposal of the Shares in these circumstances may be entitled to claim the loss against other assessable income, provided the loss was made in the course of deriving assessable income from Australian sources.

Non-resident shareholders who hold their Shares on capital account should generally not be subject to Australian CGT upon disposal of their Shares except in limited circumstances; for example, where the Shares are used in the carrying on of a business through a permanent establishment in Australia or where the Shares are "indirect Australian real property interests" at the time of sale. In this regard, the Shares should be indirect Australian real property interests to the extent that, broadly, the following two requirements are satisfied:

- The Company is considered "land rich" for Australian income tax purposes (that is, greater than 50% of the market value of the company's underlying assets is derived from Australian real property interests or certain interests in relation to Australian minerals); and
- The non-resident shareholder has an associate-inclusive interest of at least 10% in the Company.

We note that it is unlikely that the Company is considered "land rich" for Australian income tax purposes but this analysis is required to be undertaken at the time of disposal.

Tax file number and Australian Business Number

A shareholder is not obliged to quote a TFN, or where relevant, ABN, to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal rate (currently 45%) plus Medicare Levy of 2% and Temporary Budget Repair Levy of 2% (only from FY15 to FY17) from certain dividends paid.

No withholding requirement applies in respect of fully franked dividends paid by the Company on the Shares.

Stamp duty

No stamp duty should be payable by a shareholder on the issue or acquisition of Shares pursuant to the Offer. Further, under current stamp duty legislation, stamp duty would not ordinarily be payable on any subsequent acquisition of Shares by a shareholder provided the Company remains listed on ASX.

Goods and services tax

Under current Australian GST Law, GST would not be applicable to the issue, acquisition or transfer of Shares. However, GST is likely to be applicable on any fees payable on brokerage services received in relation to the share transaction. The ability to recover any GST incurred in relation to this transaction as an input tax credit would vary according to individual circumstances and as such this should be reviewed by shareholders prior to making any claim.

9.16 General

Other than as stated in this Prospectus:

- No amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director or proposed Director to induce them to become, or qualify as, a Director;
- None of the following persons:
  - a Director or proposed Director;
  - each person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
  - a promoter of Simonds; or
  - a stockbroker to the issue and transfer of the Shares,
- holds or has held at any time in the two years before Prospectus Lodgement, an interest in:
  - the formation or promotion of Simonds;
  - the offer of the Shares; or
  - property acquired or proposed to be acquired by Simonds in connection with its formation or promotion of the Offer,
- or was paid or given, or agreed to be paid or given, any amount or benefit for services provided by such persons in connection with the formation or promotion of Simonds.

9.17 Interests of Directors

The Directors are not required to hold any Shares under the provisions of the Constitution. The Directors will hold the following Shares and Performance Rights in Simonds immediately following completion of the Offer. Interests include those held directly or indirectly.

Director	Shares	Performance Rights
Gary Simonds	55,857,716	Nil
Paul McMahon	4,000,000	280,900
Susan Oliver	Nil	Nil
Richard Colless	Nil	Nil
Matthew Chun	Nil	Nil
Leon Gorr	56,000	Nil

9.18 Interests of advisers and promoters

Simonds has engaged the following professional advisers:

- Each of Moelis and Morgans has agreed to act as a Joint Lead Manager of the Offer. They will share in fees of up to $4.0 million in respect of the total Offer proceeds (less the proceeds received in connection with the issue of the Exempt Shares), less their pro rata share of the aggregate value of fees payable under the Broker Firm Offer and stamping fees. All of the amounts payable to the Joint Lead Managers are payable by the Joint Lead Managers out of the fees payable to them by Simonds;
- Moelis has acted as financial advisor to the Offer. Simonds has paid, or agreed to pay, Moelis $1.6 million for these services to the Prospectus Date. Further information regarding these fees are described in Section 9.4;
- HWL Ebsworth has acted as Australian legal adviser to Simonds in relation to the Offer, has advised Simonds generally in relation to its admission to the Official List of ASX and has also performed work in relation to due diligence enquiries. Simonds has paid, or agreed to pay, $500,000 (plus GST) for these services to the Prospectus Date. Further amounts may be paid to HWL Ebsworth in accordance with its normal time based charge-out rates;
- Deloitte has provided financial and taxation advisory services to Simonds:
  - Deloitte Corporate Finance Pty Limited has prepared the Investigating Accountant's Report on The Financial Information included in this Prospectus. Deloitte Corporate Finance Pty Limited has also performed due diligence enquiries in relation to the historical and forecast financial information associated with the Offer; and
  - Deloitte Tax Services Pty Ltd has acted as taxation adviser to Simonds in relation to taxation matters associated with the Offer and has also provided other services in relation to the Offer.

- Simonds has paid, or agreed to pay, approximately $475,000 (plus GST) for these services to the Prospectus Date. Further amounts may be paid to Deloitte Corporate Finance Pty Limited and Deloitte Tax Services Pty Ltd in accordance with its normal time based charge-out rates; and

- Reid Advisory Pty Ltd has acted as project adviser to Simonds. Simonds has paid, or agreed to pay, approximately $300,000 (plus GST) for these services to the Prospectus Date. Further amounts may be paid to Reid Advisory in accordance with its normal time based charge-out rates.
- Chun Group Pty Ltd, a company associated with an Independent Director Matthew Chun, has provided consultancy services to Simonds in relation to the Offer. Simonds has paid, or agreed to pay, approximately $22,500 (plus GST) for these services to the Prospectus Date. In addition to these fees, Chun Group Pty Ltd will be paid other expenses it properly incurs in providing the consultancy services.
- Four executives of the Company and a consultant will receive a financial benefit from entities associated with Gary Simonds (outside of the Group) upon Listing. Refer to Section 4.6 for further information.

9.19 Costs of the Offer

The total estimated costs to the Company in connection with the Offer, including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses are currently estimated to be approximately $4.7 million.

9.20 Expiry Date

This Prospectus expires 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued on the basis of this Prospectus after the Expiry Date.

9.21 Consents

Written consents to the issue of this Prospectus have been given and, at the time of Prospectus Lodgement, had not been withdrawn by the following parties:

- Each of Moelis and Morgans has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Joint Lead Managers and Underwriter to the Offer in the form and context in which it is named;
- Moelis has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Financial Advisor to the Offer in the form and context in which it is named;
- HWL Ebsworth has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Australian legal adviser to Simonds in relation to the Offer in the form and context in which it is named;
- Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Investigating Accountant to Simonds in relation to the Historical and Forecast Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Reports in the form and context in which it is included;
- Deloitte Touche Tohmatsu has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Auditor to Simonds Group in the form and context in which it is named;
- Deloitte Tax Services Pty Ltd has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Simonds's auditor and taxation adviser in the form and context in which it is named;
- Boardroom Pty Limited has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Boardroom Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as the Share Registry;
- Each of the Simonds personnel to whom a statement is attributed in this Prospectus has given, and has not withdrawn prior to Prospectus Lodgement, his or her written consent to the inclusion in this Prospectus of the statement attributed to him or her in the form and context in which it is included;
- Each of the Selling Shareholders has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus in the form and context in which it is named;
- Reid Advisory Pty Ltd has given, and has not withdrawn prior to Prospectus Lodgement, its written consent to be named in this Prospectus as Project Advisor to the Offer in the form and context in which it is named; and
- No entity or person referred to above (other than a Director of Simonds or SaleCo) has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above (other than a Director of Simonds or SaleCo) has not authorised or caused the issue of this Prospectus and expressly disclaims and takes no responsibility for any statements or omissions in the Prospectus except as stated above.

9.22 Litigation and claims

Simonds Homes is from time to time, party to various disputes and legal proceedings incidental to the conduct of its business. So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which Simonds is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Simonds.

A Simonds Group subsidiary, Simonds Homes Victoria Pty Ltd (ABN 35 050 197 610) (formerly named Simonds Homes Melbourne Pty Ltd), is currently involved in a claim in the Victorian Supreme Court – Affluent Investment (Hong Kong) Ltd v Simonds Homes Melbourne Pty Ltd (SCI -13-5850). The matter involves a claim by Affluent for an alleged breach of a referral agreement, unpaid referral fees, misuse of confidential information and bad faith. Gary Simonds has provided the Company a limited indemnity in relation to this litigation.

9.23 ASIC relief

Simonds Group has obtained from to ASIC for a declaration that the Corporations Act is modified such that Simonds Group does not have a relevant interest in its own shares by virtue of entering into the voluntary escrow deeds, as well as modification of Section 671B to require Simonds Group to make substantial holding disclosure of the relevant interest it would have acquired but for the relief, as a result of the voluntary escrow deeds.

9.24 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in Victoria and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

9.25 Statement of Directors

The Directors report that after due enquiries by them, in their opinion since the date of the audited financial statements in Section 7, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of Simonds, other than as disclosed in this Prospectus.

The issue of this Prospectus has been authorised by each of the Directors of the Company and each Director of SaleCo. Each Director of the Company and Director of SaleCo has consented to Prospectus Lodgement and issue of the Prospectus, and has not withdrawn that consent.

10

SIGNIFICANT ACCOUNTING POLICIES

10. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation of the Financial Information in Section 7.

Basis of preparation

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

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial are rounded off to the nearest thousand dollars, unless otherwise indicated.

The principle accounting standards are set out below.

10.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

10.2 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 acquire 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 acquire 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. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds 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 interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

10.3. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.6 above) 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.

10.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(a) Construction Contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by 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, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

(b) Sale of Speculative Homes, Displays and Land

Revenue from the sale of speculative homes, display homes and land is recognised when the goods are delivered and titles have passed at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(c) Rendering of registered training services

Revenue from registered training services is recognised over the duration of the course by reference to the percentage of services provided and when the group is entitled to claim the funding from the government.

(d) Dividend and interest income

Dividend income from investments is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided it is probably that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount on initial recognition.

10.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

10.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

10.7 Employee benefits

(a) Short-term and Long-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.

Liabilities recognised in respect of long term employee benefits are measured as 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.

(b) Superannuation contributions

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

(c) 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.

(d) 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.

10.8 Taxation

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

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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 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.

(b) 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

(c) 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.

(d) 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 Homes Holdings Pty Ltd.

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 the separate financial statements of the members of the tax-consolidated group 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.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangements amounts (refer below). Any difference between these amounts in recognised by the Group as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

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.

10.9 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance lease are depreciated over the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Leasehold improvements	5 years
Computer equipment	3 years
Office furniture and fittings	5 years
Display home furniture, fixtures and fittings	5 years
Motor vehicles	5 years
Plant and equipment	5 years

10.10 Intangible assets

(a) 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.

(b) 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. The intangible assets recorded in these financial statements are computer software, it is amortised on a straight-line basis over the estimated useful life of 3 years.

(c) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

(d) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

10.11 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).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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. 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cashgenerating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

10.12 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.

(a) Construction contracts

Construction work-in-progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. Contract costs include all costs directly related to specific contracts, and costs that are specifically chargeable to the customer under the terms of the contract. The stage of completion is measured using the percentage of completion method.

Costs expected to be incurred under penalty clauses and rectification provisions are also included.

(b) Land at cost

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

(c) Speculative Homes and Displays

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

10.13 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.

(a) Warranties

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

(b) Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 'Revenue'.

10.14 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost using the effective interest method less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Financial liabilities

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

10.15 Goods and services tax

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

- 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
- 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 cash flow statement 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.

10.16 Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services 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.

10.17 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described below,

(a) Provision for warranties

At each year end the Company considers its legal and constructive obligations for warranties and maintenance on properties constructed. Typically, the company makes provision for warranties for a period of at least seven years following the completion of a construction contract. The directors of the Company take into account the annual build program, history of defects relating to materials used or in services provided and the historical liabilities the company has assumed in respect of warranties in estimating the provision for warranties.

(b) Display Homes

The Group builds and maintains display homes on residential estates as part of the ongoing marketing activity of the residential construction business. This includes both unsold display homes and those which have been sold and are leased back for ongoing use on an arms length basis. The display homes unsold at reporting date are recorded as inventory in the statement of financial position. At each reporting date the directors assess the display home program and the probability of impairment losses being incurred on the display home inventory.

The provision for loss on unsold display home inventory is based on the directors' best estimate on the proceeds from sales of these assets less the selling costs.

(c) Provision for land development

The Group holds land stock for development, which is recorded as inventory in the financial statements. As at 30 June 2014, the directors assessed the value of the land stock inventory, using an external valuer to determine the fair value of certain land titles. A provision of $4.49 million has been made in the financial report for the year ended 30 June 2014 to write down the Group's land stock to its estimated net realisable value.

(d) Percentage of completion on the construction contracts

Estimate of construction contracts on a percentage completion basis, in particular with regard to accounting for variations, 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.

11 GLOSSARY

11. Glossary

Term	Meaning
$ or A$	Australian dollars
1H	First half
2H	Second half
ABN	Australian Business Number
AEDT	Australian Eastern Daylight Time
Applicant	A person who submits an Application
Application	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies or **Application Amount**	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASQA	Australian Skills Quality Authority
ASX	ASX Limited (ABN 98 008 624 691) or Australian Securities Exchange, as the context requires
ASX Principles and Recommendations	Third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	The ASX Settlement Operating Rules issued by ASX Settlement
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations
BAA or **Builders Academy Australia**	House of Learning Pty Ltd (ABN 21 144 869 634), trading as Builders Academy Australia
Board or **Board of Directors**	The board of Directors of Simonds
bps	Basis points, each basis point being one hundredth of one per cent
Broker	Any broker that has received an allocation of Shares
Broker Firm Offer	Offer to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their Broker
CAGR	Compound Annual Growth Rate
CBA	Commonwealth Bank of Australia (ABN 48 123 123 124)
Cents	Australian cents
CEO	Chief Executive Officer of the Group, being Paul McMahon
CFO	Chief Financial Officer
CGT	Capital gains tax

11. Glossary

Term	Meaning
Chairman	Chairman of the Board of Directors
CHESS	Clearing House Electronic Subregister System, operated in accordance with the Corporations Act
Closing Date	13 November 2014
Completion	Completion of the initial public offering contemplated under this Prospectus
Company, Simonds Group or **Simonds**	Simonds Group Limited (ABN 54 143 841 801)
Constitution	The constitution of Simonds
Contract Signed	Customer has entered into a contract with Simonds with a confirmed site start date for their home
Corporations Act	*Corporations Act 2001* (Cth)
Deed Poll	The irrevocable undertakings provided by the Selling Shareholders in favour of SaleCo to transfer the Sale Shares to SaleCo upon Completion
Director(s)	A member of the Board, either individually or combined, as the context requires
DPS	Dividends per Share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eligible Employees	A person who is a full-time or permanent part-time employee or officer, or director of the Company or any related body corporate of the Company, who is invited by the Board to participate in an offer
Employee Gift Offer	The offer of Shares to Eligible Employees as described in Section 5.9
Enrolled Participant	Participant has enrolled and commenced their course
Enterprise Value	The sum of market capitalisation at the Offer Price and pro forma net debt
EPS	Earnings per Share
ESS	Has the meaning given to it in Section 9.6
ESP	Simonds Homes Employee Share Plan, a summary of which is set out in Section 9.6
EST	Has the meaning given to it in Section 9.6
ETS	Extra to Schedule
Exempt Share	Has the meaning given to it in Section 9.6
Existing Management Shareholders	The Existing Shareholders that are associates of Paul McMahon and three other executives of Simonds Group
Existing Shareholders	The Shareholders of the Company as at the Prospectus Date
Existing Shares	The Shares held by the Existing Shareholders as at the Prospectus Date
Expiry Date	The date that is 13 months after the Prospectus Date
Exposure Period	The waiting period specified in section 727(3) of the Corporations Act, being a minimum period of seven days after Prospectus Lodgement, during which an Application must not be accepted. ASIC may extend this period for an additional seven days

Term	Meaning
Facility Agreement	As described in Section 9.4
Federal Government	Federal Government of Australia
FHB	First home buyer
Financial Information	The Historical Financial Information and the Forecast Financial Information
Forecast Financial Information	As described in Section 7
FY or **financial year**	52 week period ending on 30 June of each year
FY15F	Forecast financial year 2015
Goods and Services Tax or **GST**	Goods and services or similar tax imposed in Australia
Group	Simonds and its subsidiaries and controlled entities
Historical Financial Information	As described in Section 7
IFRS	International Financial Reporting Standards
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 5.9
Investigating Accountant	Deloitte Corporate Finance Pty Limited (ABN 003 833 127)
Investigating Accountant's Report	The report in respect of the Historical Financial Information and the report in respect of the Forecast Financial Information prepared by the Investigating Accountant, copies of which are included in Section 8
Joint Lead Managers and/or **Underwriters**	Moelis and Morgans
Listing	Admission to the Official List of ASX
Listing Rules	Listing rules of ASX
LTIP	Long term incentive plan, a summary of which is set out in Section 9.6
Madisson or Madisson Projects	Simonds Group's medium density construction contracting business
Metropolitan	Simonds Group's knock down and rebuild product offering
Moelis or **Financial Advisor**	Moelis Australia Advisory Pty Limited (ABN 72 142 008 446)
Morgans	Morgans Corporate Limited (ABN 32 010 539 607)
New Shares	Shares issued by Simonds to Successful Applicants
Non-Executive Director	A member of the Board of Directors who does not form part of Simonds' management
NPAT	Net profit after tax

Term	Meaning
Offer	The offer under this Prospectus of approximately 5.6 million New Shares for issue by the Company and the transfer of approximately 84.8 million Sale Shares by SaleCo
Offer Price	$1.78 per Share
Offer Shares	The Shares offered for transfer of issue under this Prospectus
Offerors	Simonds and SaleCo
Official List	The official list of ASX
Official Quotation	Official quotation on the market operated by ASX
Opening Date	30 October 2014
PF	Pro forma
Performance Right	Has the meaning given to it in Section 9.6
Priority Offer	The Offer of Shares under the Prospectus to Eligible Employees
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	The date on which a copy of the Prospectus is lodged with ASIC, being 22 October 2014
Prospectus Lodgement	Lodgement of this Prospectus with ASIC
quarter on quarter	Three months of a given year compared to the same three months of the previous year
Registered Participant	Participant registration paperwork has been completed and participant has committed to their course start date
RTO	Registered training organisation
Sales Accepts or **Sales Acceptances**	Customer has paid deposit to Simonds and Simonds are working with the customer on preparing a contract and other necessary preparatory work
Sale Shares	The Shares to be sold by the Selling Shareholders under the Offer
SaleCo	Simonds SaleCo Limited ACN 601 986 430
SaleCo Directors	Richard Colless, Matthew Chun and Leon Gorr
Section	A section of this Prospectus
Selling Shareholder	Existing Shareholders who have executed Deed Polls, being entities associated with Gary Simonds, an entity associated with Paul McMahon and other management
Settlement Date	19 November 2014
SFA	Securities and Futures Act, Chapter 289 of Singapore
SFO	Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong
Share	A fully paid ordinary share in the capital of Simonds
Share Registry	Boardroom Pty Limited (ABN 14 003 209 836)
Shareholder	A holder of Shares
Shareholding	The Shares held by a Shareholder

Term	Meaning
Simonds Homes	The Simonds Homes business operated by the Group, excluding BAA
Site Started	Construction has commenced on the customers home
Successful Applicant	An Applicant who is issued or transferred Shares under the Offer
TAFE	Technical and Further Education
TFN	Tax file number
Underwriting Agreement	As described in section 9.4
US or **United States**	The United States of America, its territories and provinces, any state of the United States of America and the District of Columbia
US$ or **US dollars**	United States dollars
US Person	Has the meaning given to it in Rule 902(k) under Regulation S of the US Securities Act
US Securities Act	United States Securities Act of 1933
VET	Vocational education and training
VET FEE-HELP	A Commonwealth Government loan scheme which assists students to pay for all or part of their tuition fees
VET Funding Agreement	As described in Section 3.4

Simonds Group Limited

ABN 54 143 841 801

Broker Firm Offer Application Form

Broker Reference – Stamp Only

Broker Code | Advisor Code

This is an Application Form for Shares in Simonds Group Limited (**Company**) on the terms set out in the Prospectus dated 22 October 2014. Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 1,405 Shares. This Application Form and your cheque or bank draft must be received by **5.00pm (AEST) on 13 November 2014**.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus dated 22 October 2014 and contains information relevant to a decision to invest in the Securities of the Company and you should read the entire Prospectus carefully before applying for Securities.

The Company's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on our website www.simondsgroup.com.au.

To meet the requirements of the *Corporations Act 2001* (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by the Prospectus dated 22 October 2014. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. The Company will send you a free paper copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy before the Prospectus expires on 22 November 2015.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

A **Number of Shares you are applying for**

Minimum of 1,405 Shares to be applied for

x $1.78 per Share =

B **Total amount payable**

$

C **Write the name(s) you wish to register the Securities in** ***(see reverse for instructions)***

Applicant #1

Name of Applicant #2 or <Account Designation>

Name of Applicant #3 or <Account Designation>

D **Write your postal address here**

Number/Street

Suburb/Town

State

Postcode

E **CHESS participant – Holder Identification Number (HIN)**

X

Important please note *if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your Application will be held on the Issuer Sponsored subregister.*

F **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

Applicant #2

Applicant #3

G **Cheque payment details –** PIN CHEQUE(S) HERE

Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A$

H **Contact telephone number (daytime/work/mobile)**

I **Email address**

By submitting this Application Form with your Application Amount, I/we declare that I/we:

Declaration

- ✓ have read the prospectus in full;
- ✓ have read the Privacy Policy (available at www.simondsgroup.com.au) in full;
- ✓ have received a copy of the electronic Prospectus or a print out of it;
- ✓ have this Application Form in accordance with the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Privacy Policy (available at www.simondsgroup.com.au);
- ✓ where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company and have provided that individual with a copy of, or details as to where to obtain, the Privacy Policy;
- ✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- ✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our application may be rejected by the Company in consultation with the Lead Manager in its absolute discretion;
- ✓ authorise the Lead Manager and the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Securities to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Company;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Securities, , nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Securities may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register the Prospectus, the Securities or the Offer.

Guide to the Broker Firm Offer Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

A If applying for Shares insert the ***number*** of Share for which you wish to subscribe at Item **A** (not less than 1,405 Shares). Multiply by A$1.78 to calculate the total Application Amount for Shares and enter the ***A$amount*** at Item **B**.

C Write your ***full name***. Initials are not acceptable for first names.

D Enter your ***postal address*** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**

F Enter your Australian ***tax file number*** (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.

G Complete ***cheque details*** as requested. Make your cheque payable to Simonds Group Limited – Application Account. Cross it and mark it 'Not Negotiable'. Cheques must be in Australian currency, and cheques must be drawn on an Australian bank.

H Enter your ***contact details*** so we may contact you regarding your Application Form or Application Monies.

I Enter your ***email address*** so we may contact you regarding your Application Form or Application Amount or other correspondence.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form with your cheque(s) or bank draft attached to your broker, and complete the broker details below:

Broker Contact Number	Broker Name

The Offer closes at 5.00pm (AEST) 13 November 2014

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and + 61 2 9290 9600 outside Australia.

Privacy Statement

Simonds Group Limited advises that Chapter 2C of the Corporations Act requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold Shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website (http://www.simondsgroup.com.au).The Corporations Act requires some of this information to be included in the Company's Shareholder register, which will be accessible by the public. The Company will collect, use, hold, and disclose your personal information in accordance with the Privacy Policy. For more detail on how the Company collects, stores, uses and discloses your information, please refer to our Privacy Policy. Alternatively contact the Company and the Company will send you a copy. It is recommended that you obtain a copy of the Privacy Policy and read it carefully.

Simonds Group Limited

ABN 54 143 841 801

Broker Firm Offer Application Form

Broker Reference – Stamp Only

Broker Code | Advisor Code

This is an Application Form for Shares in Simonds Group Limited (**Company**) on the terms set out in the Prospectus dated 22 October 2014. Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 1,405 Shares. This Application Form and your cheque or bank draft must be received by **5.00pm (AEST) on 13 November 2014**.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus dated 22 October 2014 and contains information relevant to a decision to invest in the Securities of the Company and you should read the entire Prospectus carefully before applying for Securities.

The Company's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on our website www.simondsgroup.com.au.

To meet the requirements of the *Corporations Act 2001* (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by the Prospectus dated 22 October 2014. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. The Company will send you a free paper copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy before the Prospectus expires on 22 November 2015.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

A **Number of Shares you are applying for**

Minimum of 1,405 Shares to be applied for

x $1.78 per Share =

B **Total amount payable**

$

C **Write the name(s) you wish to register the Securities in *(see reverse for instructions)***

Applicant #1

Name of Applicant #2 or <Account Designation>

Name of Applicant #3 or <Account Designation>

D **Write your postal address here**

Number/Street

Suburb/Town

State

Postcode

E **CHESS participant – Holder Identification Number (HIN)**

X

Important please note *if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your Application will be held on the Issuer Sponsored subregister.*

F **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

Applicant #2

Applicant #3

G **Cheque payment details –** PIN CHEQUE(S) HERE

Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A$

H **Contact telephone number (daytime/work/mobile)**

I **Email address**

By submitting this Application Form with your Application Amount, I/we declare that I/we:

Declaration

- ✓ have read the prospectus in full;
- ✓ have read the Privacy Policy (available at www.simondsgroup.com.au) in full;
- ✓ have received a copy of the electronic Prospectus or a print out of it;
- ✓ have this Application Form in accordance with the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Privacy Policy (available at www.simondsgroup.com.au);
- ✓ where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company and have provided that individual with a copy of, or details as to where to obtain, the Privacy Policy;
- ✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- ✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our application may be rejected by the Company in consultation with the Lead Manager in its absolute discretion;
- ✓ authorise the Lead Manager and the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Securities to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Company;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Securities, , nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Securities may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register the Prospectus, the Securities or the Offer.

Guide to the Broker Firm Offer Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

A If applying for Shares insert the ***number*** of Share for which you wish to subscribe at Item **A** (not less than 1,405 Shares). Multiply by A$1.78 to calculate the total Application Amount for Shares and enter the ***A$amount*** at Item **B**.

C Write your ***full name***. Initials are not acceptable for first names.

D Enter your ***postal address*** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**

F Enter your Australian ***tax file number*** (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.

G Complete ***cheque details*** as requested. Make your cheque payable to Simonds Group Limited – Application Account. Cross it and mark it 'Not Negotiable'. Cheques must be in Australian currency, and cheques must be drawn on an Australian bank.

H Enter your ***contact details*** so we may contact you regarding your Application Form or Application Monies.

I Enter your ***email address*** so we may contact you regarding your Application Form or Application Amount or other correspondence.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form with your cheque(s) or bank draft attached to your broker, and complete the broker details below:

Broker Contact Number	Broker Name

The Offer closes at 5.00pm (AEST) 13 November 2014

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and + 61 2 9290 9600 outside Australia.

Privacy Statement

Simonds Group Limited advises that Chapter 2C of the Corporations Act requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold Shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website (http://www.simondsgroup.com.au).The Corporations Act requires some of this information to be included in the Company's Shareholder register, which will be accessible by the public. The Company will collect, use, hold, and disclose your personal information in accordance with the Privacy Policy. For more detail on how the Company collects, stores, uses and discloses your information, please refer to our Privacy Policy. Alternatively contact the Company and the Company will send you a copy. It is recommended that you obtain a copy of the Privacy Policy and read it carefully.

Corporate Directory

Directors
Gary Simonds (Non-Executive Chairman)
Paul McMahon (CEO and Managing Director)
Susan Oliver (Independent Director)
Richard Colless (Independent Director)
Matthew Chun (Independent Director)
Leon Gorr (Non-Executive Director)

Company Secretary and CFO
Robert Stubbs

Registered Office
Level 4, 570 St Kilda Road
Melbourne VIC 3004

Financial Advisor, Joint Lead Managers and Underwriters
Moelis Australia Advisory Pty Ltd
Level 27, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Joint Lead Managers and Underwriters
Morgans Corporate Limited
Level 29, 123 Eagle Street
Brisbane QLD 4000

Project Advisor
Reid Advisory Pty Ltd
Level 25, 360 Collins Street
Melbourne VIC 3000

Website
www.simondsgroup.com.au

Auditor
Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

Investigating Accountant
Deloitte Corporate Finance Pty Limited
550 Bourke Street
Melbourne VIC 3000

Share Registry
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Legal Advisor
HWL Ebsworth
Level 26, 530 Collins Street
Melbourne VIC 3000

www.simonds.com.au