

Appendix 4D

Half-year financial report
For the half-year ended 31 December 2014

Simonds Group Limited

ACN: 143 841 801

This half year report is provided to the Australian stock exchange (ASX) under ASX Listing Rule 4.2A.3.

SIMONDS GROUP LIMITED (ASX: SIO)
APPENDIX 4D
HALF-YEAR ENDED 31 DECEMBER 2014

Results for Announcement to the Market for the half year ended 31 December 2014						
Revenue from ordinary activities (\$m)	Up	23.8	by	9%	to	299.2
Profit/(Loss) from ordinary activities before tax (\$m)	Down	(22.2)	by	543%	to	(18.1)
Profit/(Loss) from ordinary activities after tax (\$m)	Down	(23.7)	by	817%	to	(20.8)

Net tangible asset backing per ordinary share	Amount per share
As at 31 December 2014 (cents)	8.23
As at 30 June 2014* (cents)	9.32

Dividends	Amount per share	Franked amount per share
For the half-year ended 31 December 2014** (cents)	13.90	13.90
For the half-year ended 31 December 2013 (cents)	5.75	5.75

* Net tangible asset backing per ordinary share as at 30 June 2014 have been adjusted for the share split which took place on 24 September 2014. Please refer note 7 of the financial statements for details.

** The directors declared a fully franked special dividend of 13.9 cents per share (\$19.410 m) to the holders of the pre IPO fully paid ordinary shares in respect of the financial half-year ended 31 December 2014. This dividend has been paid to facilitate the assignment and repayment of related party loans outstanding.

Half Year Financial Report

Simonds Group Limited
For the half-year ended 31 December 2014

Simonds Group Limited
Financial Report for the half-year ending 31 December 2014

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Directors' report

The Directors of Simonds Group Limited (SGL) submit herewith the financial report of Simonds Group Limited and the entities it controls (the Group) for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

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

Name	Date appointed	Position
Vallence Gary Simonds	24 May 2010	Chairman
Paul McMahon	25 September 2014	Managing Director & CEO
Matthew Chun	25 September 2014	Non-executive Director
Leon Gorr	25 September 2014	Non-executive Director
Richard Colless	25 September 2014	Non-executive Director
Susan Oliver	6 October 2014	Non-executive Director

Review of operations

Simonds Group Limited is an ASX listed integrated homebuilder (Simonds Homes) and Registered Training Organisation (Builders Academy Australia). Simonds Homes is the number one homebuilder in Victoria and currently operates display homes in over 57 locations across Victoria, Queensland and South Australia with plans to expand display homes in New South Wales. Simonds Homes relates to the residential construction operating segment of the business. Builders Academy Australia is a Registered Training Organisation with a focus on offering nationally accredited qualifications in building and construction. Builders Academy Australia offers training programs to 2,773 participants in Victoria. SGL also has a land development operating segment which includes activities relating to land developments and sales.

The Company was registered on 24 May 2010 and listed on the Australian Stock exchange on 17 November 2014. Statutory consolidated net loss after tax attributable to the owners of SGL for the period ended 31 December 2014 was \$20.839 m (2013: profit of \$2.906 m). SGL's underlying performance during the half-year has been calculated to exclude the impact of the costs associated with the listing of SGL on the Australian Securities Exchange. These exclude offer costs associated with the offer of shares in SGL, equity settled executive payments, IPO restructure costs and tax adjustments recognised as part of the offer.

Half year ended 31 December 2014	Sales	EBITDA ¹	EBIT ²	NPAT
1H2015 statutory results	299.2	(15.7)	(17.7)	(20.8)
Offer costs	-	4.1	4.1	4.1
Equity settled executive payments	-	26.8	26.8	26.8
IPO restructure costs	-	0.6	0.6	0.6
Impact of applying effective tax rate	-	-	-	(1.4)
1H2015 pro forma results	299.2	15.8	13.7	9.2

¹ EBITDA is NPAT (\$20.839 m) before interest (\$0.542 m), tax (\$2.756 m) and depreciation & amortisation (\$2.009 m).

² EBIT is NPAT (\$20.839 m) before interest (\$0.542 m) and tax (\$2.756 m).

Directors' report (cont'd)

Review of operations (cont'd)

SGL benefited from strong sales of \$299.2 m across the Group with gross margin at 22.7% versus prospectus gross margin of 22.0%. Strong site starts in Victoria and South Australia coupled with expansion into Queensland and New South Wales has contributed to an 8.6% year on year increase in revenue. Builders Academy Australia (BAA) has continued to increase its footprint, with 2,773 participants in Victoria as at 31 December 2014. SGL is on track to achieve FY15 prospectus forecast.

Earnings per share

The directors have elected to present Earnings per Share (EPS) on both a statutory and pro forma basis. The calculation of "Statutory EPS" is presented in Note 6. The calculation of "Pro forma EPS" is presented below.

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

- profit after tax attributable to shareholders (Statutory Profit); and
- the weighted average number of ordinary shares outstanding during the period ended 31 December 2014, which have been applied retrospectively in calculating EPS for the comparative period.

Pro forma EPS is a non-IFRS measure which has been calculated based on:

- statutory profit after tax adjusted on a pro forma basis for:
 - the impacts arising from the IPO related costs; and
 - related income tax effect
- the weighted average number of ordinary shares outstanding during the period ended 31 December 2014:
 - Basic: 143,901,383
 - Diluted: 144,266,858

The directors believe that the presentation of Pro forma EPS provides users with a better understanding of financial performance and allows for a more relevant comparison of financial performance between financial periods.

	Note	31 Dec 2014 cents per share	31 Dec 2013 cents per share
Statutory EPS			
Basic	6	(14.48)	2.08
Diluted	6	(14.44)	2.08
Pro forma EPS			
Basic		6.42	2.08
Diluted		6.40	2.08

Balance sheet

SGL's healthy balance sheet with strong cash reserves, no external borrowings except for \$1.996 m asset finance as at 31 December 2014, places the company in a strong position for future growth.

Operating cash flows

Cash generated from operations included in the cashflow statement on page 17 of the half year report are negative for the period. The company elected to pay creditors early during the period and this temporary change in payment cycles resulted in this net cash outflow.

Directors' report (cont'd)

Outlook

Strong national dwelling starts supported by underlying demand and net migration continue to provide solid leads and increasing sales pipeline. Continued expansion into NSW and Queensland where there is significant stock deficiency, support our substantial increase in display locations in these regions. BAA is focused on organic growth and the growth through key acquisitions of targeted registered training organisations.

SGL anticipates further benefits should be realised in 2H2015 from improved operating systems, further procurement opportunities and increased product diversification.

Change in the state of affairs

The company changed its constitution during the half year ended 31 December 2014 and converted from an Australian proprietary company to an Australian public company. During the half-year ended 31 December 2014, the company undertook an Initial Public Offering (IPO) on the Australian Stock Exchange (ASX) in order to facilitate the sale of 59.72% interest in Simonds Group Limited. Following the completion of the offer, entities associated with Vallence Gary Simonds, Paul McMahon and other management own 60,987,716 shares or 40.28% and other investors own 90,424,552 shares or 59.72% of the company.

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of the half-year report.

Subsequent events

On 9 January 2015, the Group exchanged contracts for the acquisition of City-Wide Building and Training Services Pty Ltd (CWBTS). The transaction is subject to the completion of certain conditions precedent, including the consent of the NSW & QLD governments for transfer of funding contracts. Management has not completed the allocation of the purchase price to the assets acquired.

Dividends

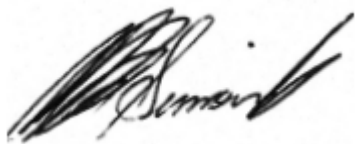
The directors declared a fully franked special dividend on 24 September 2014 of 13.9 cents per share (\$19.410 m) to the holders of the pre IPO fully paid ordinary shares in respect of the financial half-year ended 31 December 2014. This dividend was paid to facilitate the assignment and repayment of the majority of related party loans outstanding. As at 31 December 2014, loans to related parties amounted to \$0.763 m which will be repaid by 30 June 2015.

Rounding of amounts

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with the Class Order amounts in the directors report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the Directors



Vallence Gary Simonds
Chairman
Melbourne, 26 February 2015

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

26 February 2015

Dear Board Members

Simonds Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Simonds Group Limited.

As lead audit partner for the review of the financial statements of Simonds Group Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Andrew Reid
Partner
Chartered Accountant

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the Members of Simonds Group Limited

We have reviewed the accompanying half-year financial report of Simonds Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 32.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Simonds Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Simonds Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to be "AR", written over a light grey rectangular background.

Andrew Reid
Partner
Chartered Accountants
Melbourne, 26 February 2015

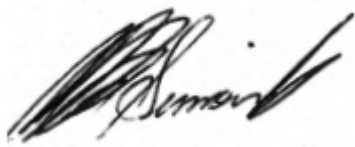
Directors' declaration

The directors declare that:

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

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Vallence Gary Simonds', is written over a faint, circular embossed seal.

Vallence Gary Simonds
Chairman
Melbourne, 26 February 2015

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2014

	Notes	Consolidated	
		Half-year ended 31 Dec 2014	Half-year ended 31 Dec 2013
		\$'000	\$'000
Revenue		299,203	275,437
Cost of sales		(231,220)	(215,824)
Gross profit		67,983	59,613
Interest income		177	198
Other gains and losses		(78)	(18)
Administration expenses		(45,401)	(41,963)
Inventory write-down		-	(5,633)
Marketing and selling expenses		(8,633)	(7,629)
Share based payments expenses	12	(26,922)	-
Costs associated with initial public offering		(4,062)	-
IPO restructure costs		(605)	-
Finance costs		(542)	(488)
Profit / (Loss) before tax		(18,083)	4,080
Income tax expense		(2,756)	(1,174)
PROFIT / (LOSS) FOR THE PERIOD		(20,839)	2,906
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(20,839)	2,906
Profit / (Loss) for the period attributable to:			
Owners of the Company		(20,839)	2,906
Total comprehensive income attributable to :			
Owners of the Company		(20,839)	2,906
Earnings per share			
Basic (cents per share)	6	(14.48)	2.08
Diluted (cents per share)		(14.44)	2.08

The accompanying notes form part of these financial statements

Condensed consolidated statement of financial position as at 31 December 2014

	Notes	31 Dec 2014 \$'000	30 June 2014 \$'000
Assets			
<i>Current Assets</i>			
Cash and bank balances		12,207	15,895
Trade and other receivables		31,725	42,946
Inventories	9	53,533	63,947
Other assets		3,927	1,705
Total current assets		101,392	124,493
<i>Non-Current Assets</i>			
Trade and other receivables		8	160
Property, plant and equipment		6,539	6,839
Intangible assets		1,927	1,889
Deferred tax assets		4,113	2,284
Total non-current assets		12,587	11,172
Total assets		113,979	135,665
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables		51,005	73,810
Borrowings		458	1,170
Income tax payable		11,523	8,979
Provisions		11,408	10,126
Income in advance		9,963	7,184
Total current liabilities		84,357	101,269
<i>Non-Current Liabilities</i>			
Borrowings		1,538	1,700
Provisions		6,504	7,265
Deferred tax liabilities		7,190	10,535
Total Non-Current Liabilities		15,232	19,500
Total liabilities		99,589	120,769
Net assets		14,390	14,896
Equity			
Issued capital	7	13,643	822
Share based payments reserve		26,922	-
Retained earnings		(26,175)	14,074
Total equity		14,390	14,896

The accompanying notes form part of these financial statements

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2014

		Issued capital \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2013		822	-	18,614	19,436
Dividends paid		-	-	(1,031)	(1,031)
Profit for the period		-	-	2,906	2,906
Other comprehensive income for the year, net of income tax		-	-	-	-
Balance at 31 December 2013		822	-	20,489	21,311
Balance at 1 July 2014		822	-	14,074	14,896
Issue of shares – executive subscription	7,12	3,523	-	-	3,523
Issue of shares – capital raising (net of transaction costs)	7	9,298	-	-	9,298
Share based payments (Executive share based payment)	12	-	26,799	-	26,799
Share based payments (Employee share plan)	12	-	123	-	123
Dividends paid	5	-	-	(19,410)	(19,410)
Profit for the period		-	-	(20,839)	(20,839)
Other comprehensive income for the year, net of income tax		-	-	-	-
Balance at 31 December 2014		13,643	26,922	(26,175)	14,390

The accompanying notes form part of these financial statements

Condensed consolidated statement of cash flows for the half-year ended 31 December 2014

Notes	Half-year ended 31 Dec 2014 \$'000	Half-year ended 31 Dec 2013 \$'000
Cashflows from operating activities		
Receipts from customers	293,199	260,988
Payments to suppliers and employees	<u>(299,503)</u>	<u>(244,084)</u>
Cash generated from operations	(6,304)	16,904
Interest paid	(542)	(488)
Income taxes paid	<u>(5,386)</u>	<u>(252)</u>
<i>Net cash (used in)/generated from operating activities</i>	(12,232)	16,164
Cashflows from investing activities		
Interest Received	177	198
Proceeds from disposal of plant, property and equipment	47	77
Payments for plant, property, equipment and intangible assets	<u>(1,414)</u>	<u>(1,089)</u>
<i>Net cash used in investing activities</i>	(1,190)	(814)
Cash flows from financing activities		
Repayment of borrowings (external)	(716)	(1,287)
Proceeds from borrowing (external)	-	-
Payment for leases	(338)	(414)
Proceeds from issue of share capital	12,821	-
Repayment of related party loans	17,377	(1,606)
Dividends paid to shareholders (Pre IPO)	<u>(19,410)</u>	<u>(1,031)</u>
<i>Net cash (used in)/generated from financing activities</i>	9,734	(4,338)
<i>Net (decrease)/increase in cash and cash equivalents</i>	(3,688)	11,012
Cash and cash equivalents at the beginning of the year	<u>15,895</u>	<u>13,560</u>
<i>Cash and cash equivalents at the end of the year</i>	<u>12,207</u>	<u>24,572</u>

The accompanying notes form part of these financial statements

Notes to financial statements

1. General information

The Company is incorporated in Australia and is a for-profit entity. The Company listed on the Australian Stock Exchange (ASX) on a conditional and deferred settlement basis on 17 November 2014. The Company's registered office and principal place of business is as follows:

Level 4, 570 St Kilda Road
MELBOURNE VIC 3004

These financial statements comprise the Condensed consolidated financial statements of the Company and the entities it controls (the "Group"). The principal activities of the Group are the design and construction of residential dwellings, the development of residential land and providing registered training courses.

2. Significant accounting policies

2.1 Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 30 June 2014 annual financial report.

2.2 Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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 directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards

2.3 Restatements

During 2014, as part of an overall review of the Group's tax structure, the Company identified an error in the deferred tax balances relating to construction work in progress (WIP) and purchase order liabilities, which required restatement of the 30 June 2013 comparative financial statements. It was impracticable to allocate the deferred tax liabilities on WIP between opening balance liabilities due to the level of granularity of information available in prior periods. Accordingly, opening retained earnings at 1 July 2012 was reduced by \$9.771 million as a result of an increase in the opening deferred tax liability. The Company was able to allocate the restatement of the deferred tax liability relating to purchase order liabilities between prior periods. Consequently, profit for the year ending 30 June 2013 was reduced by \$0.654 million as a result of a comparable increase in current tax liabilities. The overall restatement of tax liabilities reduced opening net assets at 1 July 2013 by \$10.425 million.

2. Significant accounting policies (cont'd)

2.4 Changes in Accounting Policies

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non - Financial Assets'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
 - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
 - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
 - Part C: 'Materiality'

2.5 Business combinations

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

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

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

2. Significant accounting policies (cont'd)

2.5 Business combinations (cont'd)

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 acquiree 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.

2.6 Goodwill

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

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

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

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

2.7 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.

2. Significant accounting policies (cont'd)

2.7 Revenue recognition (cont'd)

2.7.1 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. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as income in advance. 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.

2.7.2 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.

2.7.3 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.

2.7.4 Interest income

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.

2.8 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.

2. Significant accounting policies (cont'd)

2.8 Leasing (cont'd)

2.8.1 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.

2.9 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.

2.10 Employee benefits

2.10.1 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.

2.10.2 Superannuation contributions

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

2.10.3 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.

2.10.4 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.

2. Significant accounting policies (cont'd)

2.11 Taxation

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

2.11.1 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.

2.11.2 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.

2.11.3 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.

2. Significant accounting policies (cont'd)

2.11 Taxation (cont'd)

2.11.4 Tax consolidation

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

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.

2.12 Property, plant and equipment

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

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

2. Significant accounting policies (cont'd)

2.12 Property, plant and equipment (cont'd)

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

Leasehold improvements	5 years or the period of the lease
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

2.13 Intangible assets

2.13.1 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.

2.13.2 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.

2.14 *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

2. Significant accounting policies (cont'd)

2.14 Impairment of tangible and intangible assets other than goodwill (cont'd)

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 cash generating 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.

2.15 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.

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.

Land at cost:

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

Speculative Homes and Displays

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

2.16 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).

2. Significant accounting policies (cont'd)

2.16 Provisions (cont'd)

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.

2.16.1 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.

2.16.2 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'.

2.17 Financial instruments

2.17.1 Financial assets

Investments in Subsidiaries

Investments in subsidiaries are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments 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.

2.17.2 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.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

2.18 Goods and services tax

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

- i) 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
- ii) 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.

2. Significant accounting policies (cont'd)

2.18 Goods and services tax (cont'd)

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.

2.19 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.

3. 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.

Provision for warranties

At each year end the Group considers its legal and constructive obligations for warranties and maintenance on properties constructed. Typically, the Group makes provision for warranties for a period of at least seven years following the completion of a construction contract. The directors take into account the annual build program, history of defects relating to materials used or in services provided and the historical liabilities the Company has assumed in respect of warranties in estimating the provision for warranties.

Recoverability of internally generated intangible assets

The Group has developed bespoke building program software, which supports the estimating, ordering and project management of the residential construction business. Intangible assets are amortised over a three year period. The directors annually review the software modules in use and the remaining estimated useful life of the software and consider whether any impairment loss is required to be recognised on the internally generated software.

Provision for Display Homes

The Group builds and maintains display homes on residential estates as part of the ongoing marketing activity of the residential construction business. 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 display home inventory is based on the directors' best estimate on the proceeds from sales of these assets less the selling costs.

Provision for Land development

The Group holds land stock for development, which is recorded as inventory in the financial statements. At 31 December 2014, the directors assessed the value of the land stock inventory, using an external valuer to determine the fair value of certain land titles

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.

4. Segment information

4.1 Products and services from which reportable segments derive their revenue

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of products and service the Group provides. No operating segments have been aggregated in arriving at the reportable segments of the Group. Specifically the Group's reportable segments under AASB 8 are as follows:

- *Residential Construction* - this includes activities relating to contracts for residential home construction, speculative home building and the building of display home inventory.
- *Registered training* - this includes activities relating to registered training provided by House of Learning Pty Ltd trading as Builders Academy Australia.
- *Land development* - this includes activities relating to land developments and sales.

4.2 Segment revenues and results

The following is an analysis of the Groups revenue and results by reportable segment.

	Segment revenue		Segment profit	
	Half-year ended 31/12/14	Half-year ended 31/12/13	Half-year ended 31/12/14	Half-year ended 31/12/13
	\$'000	\$'000	\$'000	\$'000
Residential construction	281,733	272,446	8,742	8,169
Registered training	10,889	483	4,966	355
Land development	6,581	2,508	(326)	(4,444)
	299,203	275,437	13,382	4,080
Unallocated costs	-	-	(34,221)	(1,174)
Total	299,203	275,437	(20,839)	2,906

Segment revenue reported represents revenue generated from external customers. There were inter-segment sales in the current year of \$0.012 m in relation to training services. (2013:\$0.291 m).

Segment profit represents the profit before tax earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Corporate overheads have been allocated to each of the segments in determining segment profit.

Unallocated costs include offer costs incurred as part of the Company's official listing on the Australian Stock exchange (ASX) of \$4.062 m, management incentive and share based payments of \$26.799 m as disclosed in note 12, business restructuring costs \$0.605 m and tax of \$2.756 m (2013: \$1.174 m).

4. Segment information (cont'd)

4.3 Segment assets and liabilities

	Half-year ended 31/12/14	Half-year ended 30/06/14
	\$'000	\$'000
Segment assets		
Residential construction	102,741	116,597
Registered training	2,057	4,003
Land development	9,181	15,065
Total Segment assets	113,979	135,665
Segment liabilities		
Residential construction	98,677	119,731
Registered training	429	542
Land development	483	496
Total segment liabilities	99,589	120,769

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

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

5. Dividends

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

	Half-year ended 31 December 2014		Year ended 30 June 2014	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Fully paid ordinary shares				
Interim dividend	-	-	-	-
Special dividend	13.9	19,410	-	-
Final dividend	-	-	5.7	1,606
	13.9	19,410	5.7	1,606

The directors declared a fully franked special dividend of 13.9 cents per share (\$19.410 m) on 24 September 2014 to the holders of the pre IPO fully paid ordinary shares in respect of the financial half-year ended 31 December 2014. This dividend was paid to facilitate the assignment and repayment of the majority of related party loans outstanding.

6. Earnings per share

	Half Year ended 31/12/14	Half Year ended 31/12/13
	Cents per share	Cents per share
Basic earnings per share	(14.48)	2.08
Diluted earnings per share	(14.44)	2.08

6. Earnings per share (cont'd)

6.1 Basic earnings per share

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

	Half Year ended 31/12/14	Half Year ended 31/12/13
	\$'000	\$'000
Profit / (Loss) for the period attributable to owners of the Company	(20,839)	2,906
Earnings used in the basic earnings per share	(20,839)	2,906
	Shares	Shares
Weighted average number of ordinary shares for the purposes of the basic earnings per share*	143,901,383	139,644,290

* Weighted average number of ordinary shares as at 31 December 2013 have been adjusted for the share split which took place on 24 September 2014. Please refer to note 7 Issued capital of the financial statements for details.

6.2 Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows.

	Half Year ended 31/12/14	Half Year ended 31/12/13
	\$'000	\$'000
Earnings used in the calculation of basic earnings per share	(20,839)	2,906
Relevant adjustments	-	-
Earnings used in the calculation of diluted earnings per share from continuing operations	(20,839)	2,906

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares issued in the calculation of basic earnings per share as follows:

	Half Year ended 31/12/14	Half Year ended 31/12/13
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	143,901,383	139,644,290
Shares deemed to be issued for no consideration in respect of:		
- Performance rights	307,768	-
- Service rights	57,707	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	144,266,858	139,644,290

7. Issued Capital

Issued capital as at 31 December 2014 amounted to \$13,643,006 (151,412,268 ordinary shares).

	Number of shares		Share capital	
	Half - year ended 31/12/14	Half - year ended 30/06/14	Half - year ended 31/12/14	Half - year ended 30/06/14
Balance at beginning of the period	27,928,858	27,928,858	822,059	822,059
Share split (i)	111,715,432	-	-	-
Issue of shares (ii)	6,150,000	-	3,523,193	-
Issue of shares (iii)	5,617,978	-	10,000,000	-
Transaction costs (iii)	-	-	(702,246)	-
Balance at end of the period	151,412,268	27,928,858	13,643,006	822,059

- (i) In accordance with section 254H of the Corporations Act 2001 (Cth), the ordinary shares of the Company were divided on the basis that every one ordinary share be converted into five ordinary shares in the capital of the Company.
- (ii) Additional capital of \$3.523 m (6,150,000 ordinary shares) was raised during the period through share subscriptions by executives from the management incentive. (Note 12)
- (iii) Additional capital of \$10 m (5,617,977 ordinary shares) was raised during the period as part of the Group's initial public offering. Transaction costs arising on the new share issue are accounted as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction. Transaction costs of \$0.702 m were accounted as a deduction in equity for the period ended 31 December 2014. (2013: nil). As part of the listing on the Australian Stock Exchange, the Company granted 137,191 shares (\$0.244 m) to employees for no consideration, which was recognised in the profit and loss at their fair value at grant date of \$1.78 on 20 November 2014.

8. Borrowings

At half year, the Group had utilised the equipment finance facility of \$1.966 m but had not drawn down on any commercial bills available under the existing facility.

9. Inventories

	Half - Year ended 31/12/14	Year ended 30/06/14
	\$'000	\$'000
Work in progress on construction contracts	23,967	35,955
Speculative & display homes, land stock	35,754	34,458
Provision for impairment of display homes and land stock	(6,188)	(6,466)
	53,533	63,947

10. Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

11. Related party transactions

During the period, loans to related parties of \$17.988 m were repaid. Loans to related parties were under the control of Vallence Gary Simonds, a director of the company. As at 31 December 2014, loans to related parties amounted to \$0.763 m (30 June 2014: \$17.988 m) which will be repaid by 30 June 2015.

Significant Management incentive and share based payment transactions that took place during the period and are disclosed in note 12.

The Company purchased a number of properties from Simonds Development Projects No 1 Pty Ltd, which is under the control of Vallence Gary Simonds. These properties were acquired as they form part of the Company's display home portfolio. These properties were purchased for \$3.271 million, which approximated their arms-length value at the time.

Other related party transactions include the salaries and other benefits paid to directors and other key management personnel. These are in the ordinary course of business and not disclosed in the half-year financial report.

12. Share based payments

Executive share based payments

Prior to the Initial Public Offering, certain executives of Simonds Group agreed to vary their pre-existing contractual entitlements, which included various cash payments from the Group in the event of a sale of the business, including an Initial Public Offering (IPO), and depending on certain key performance indicators being met. The variation of contractual entitlements included the right to subscribe for 6,150,000 shares in Simonds Group Limited from a Vallence Gary Simonds associated entity prior to the IPO and cash payments by a Vallence Gary Simonds associated entity (outside of the Group) upon Completion of the IPO over a period of up to three years from the date of Listing, subject to certain service and other conditions. The aggregate value of these entitlements was determined with reference to the share price of the company at IPO date.

Employee share plan

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

Share based payments made in the ordinary course of business to the management team amounted to \$0.123 m (2013: nil) 1,348,316 performance rights were granted to 9 senior executives during the period and 252,810 service rights were granted 7 senior managers.

Incentives	Vesting date	Fair value on the grant date	Other vesting condition
Performance rights	31 Aug 2017	\$1.0349	Non market and Market
Services rights	14 Nov 2016	\$1.6927	Non market vesting only

The following table outlines the share based payments made under the management incentive and employee share plan for the period ended 31 December 2014:

	Half - Year ended 31/12/14	Year ended 30/06/13
<u>Executive share based payment</u>	\$'000	\$'000
Equity settled share based payments	6,337	-
Cash settled share based payments	20,462	-
	26,799	-
<u>Employee share plan</u>		
Share based payments	123	-
	26,922	-

13. Cash and cash equivalents

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

Cash flows from operating activities

Profit for the year	(20,839)	2,906
Income tax expense recognised in profit or loss	2,756	1,174
Finance costs recognised in profit or loss	542	488
Interest received	(177)	(198)
Loss on disposal of property, plant and equipment	78	18
Depreciation and amortisation of non-current assets	2,009	1,951
Management incentive and share based payments	26,922	-
Impairment loss recognised on inventories and loans to related parties	(278)	5,633
	<u>11,013</u>	<u>11,972</u>
Movements in working capital		
(Increase)/decrease in trade and other receivables	(6,004)	(13,575)
(Increase)/decrease in inventories	10,414	33,109
(Increase)/decrease in other assets	(2,222)	(1,044)
Increase/(decrease) in trade and other payables	(20,026)	(11,729)
Increase/(decrease) in provisions	522	(1,829)
Increase/(decrease) in other liabilities	-	-
Cash generated by operating activities	<u>(6,303)</u>	<u>16,904</u>
Interest paid	(542)	(488)
Income taxes paid	<u>(5,386)</u>	<u>(252)</u>
Net cash generated by / (used in) operating activities	<u>(12,232)</u>	<u>16,164</u>

14. Subsequent events

CWBTS Acquisition

On 9 January 2015, the Group exchanged contracts for the acquisition of City-Wide Building and Training Services Pty Ltd (CWBTS). The transaction is subject to the completion of certain conditions precedent, including the consent of the NSW & QLD governments for transfer of funding contracts. The estimated purchase price of \$4.0m will be settled in the following manner: \$3.0m upon completion of certain conditions precedent and \$1.0m will be settled upon completion of various performance related measures. Management has not completed the allocation of the purchase price to the assets acquired.

CWBTS is engaged in the delivery of Certificates II and III qualifications in construction, carpentry, concreting, scaffolding, steelfixing, formwork/falsework, civil construction, and civil construction plant operations, mostly in northern NSW and QLD. CWBTS was acquired with the objective of increasing the Group's national footprint and achieving Builders Academy Australia's vision to be Australia's number one provider of building and construction training.