

Appendix 4E



For the full-year ended 30 June 2015

Simonds Group Limited

ACN: 143 841 801

This preliminary final report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A

FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

APPENDIX 4E

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross referenced to the 2015 Consolidated Financial Report as at 30 June 2015 and the accompanying notes in accordance with Listing Rule 4.3A.

1. Company Details and Reporting Period

Simonds Group Limited
ACN: 143 841 801

Reporting period: Year ended 30 June 2015
Previous reporting period: Year ended 30 June 2014

2. Results for Announcement to the Market

Comparison to prior period	Increase / Decrease (\$m)	Change (%)	\$m
Revenue from ordinary activities	Up 85.02	by 16%	to 628.82
Profit / (Loss) from ordinary activities before tax	Down (13.10)	by 119%	to (2.13)
Profit / (Loss) from ordinary activities after tax	Down (16.37)	by 219%	to (8.88)

3. Statement of comprehensive income with notes to the statement

Refer to page 23 of the 2015 Consolidated Financial Report as at 30 June 2015 and the accompanying notes.

4. Statement of financial position with notes to the statement

Refer to page 24 of the 2015 Consolidated Financial Report as at 30 June 2015 and the accompanying notes.

5. Statement of changes in equity

Refer to page 25 of the 2015 Consolidated Financial Report as at 30 June 2015 and the accompanying notes.

6. Statement of cashflows with notes to the statement

Refer to page 26 of the 2015 Consolidated Financial Report as at 30 June 2015 and the accompanying notes.

7. Dividends

Dividends	Amount per share (cents)	Franked amount per share (cents)
For the year ended 30 June 2015 ⁽¹⁾	5.30	5.30
Special dividend during the year ended 30 June 2015 ⁽²⁾	13.96	13.96
For the year ended 30 June 2014	5.75	5.75

- (1) The directors declared a fully franked final dividend of 5.30 cents per share (\$7.932 million) on 19 August 2015 to the post IPO holders of fully paid ordinary shares for the period since listing, to be paid on 25 September 2015. Dividends will be paid to holders of shares under the Simonds Group Limited Employee Share Plan on 29 September 2015. The dividend will be paid to all shareholders on the Register of Members on 26 August 2015.
- (2) The directors declared a fully franked special dividend on 24 September 2014 of 13.96 cents per share (\$19.501 million) to the holders of the pre IPO fully paid ordinary shares in respect of the financial year ended 30 June 2015. This dividend was paid to facilitate the assignment and repayment of the majority of related party loans outstanding.

Record date	Date
Record date for determining entitlements to the dividend	26 August 2015

8. Dividend reinvestment plan

Not applicable.

9. Net tangible assets per security

Net tangible asset backing per ordinary share	Amount per share (cents)
As at 30 June 2015	14.91
As at 30 June 2014 ⁽³⁾	9.32

(3) 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 23 of the financial statements for details.

10. Entities over which control has been gained during the period

Not applicable.

11. Details of associate and joint ventures

Not applicable.

12. Other significant information

Not applicable.

13. Accounting standards used by foreign entities

Not applicable.

14. Commentary on results for the period

Refer to page 5 of the 2015 Consolidated Financial Report as at 30 June 2015, specifically the Directors' report and the Operating and Financial Review section.

15. Status of the audit

The 2015 Consolidated Financial Report has been audited. The Independent Auditor's Report is set out on page 20 of the 2015 Consolidated Financial Report as at 30 June 2015.

16. Dispute or qualification if not yet audited

Not applicable.

17. Dispute or qualification if audited

Not applicable.

Financial Report



For the year ended 30 June 2015

Simonds Group Limited
ACN: 143 841 801

Simonds Group Limited
Financial Report for year ending 30 June 2015

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Directors' report

The directors of Simonds Group Limited ("the Company") submit herewith the annual financial report of the consolidated entity consisting of the Company and the entities it controlled (the "Group") for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

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

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

The particulars of the directors are as follows:

NAME	EXPERIENCE AND DIRECTORSHIPS
Vallence Gary Simonds	<ul style="list-style-type: none"> 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 Gary holds directorships for a number of private Australian companies.
Paul McMahon	<ul style="list-style-type: none"> Paul has over 15 years of experience working in the Australian homebuilding industry having initially joined Simonds in 1999. Paul has led the executive team of Simonds Group for the last 7 years and has overseen the growth in Simonds Homes site starts, the establishment of Builders Academy Australia, and the Simonds Group's listing on the ASX.
Matthew Chun	<ul style="list-style-type: none"> 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 ASX listed Becton Property Group 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.
Richard Colless	<ul style="list-style-type: none"> Founded and served as Executive Director of Pacific Mutual Australia Limited, a major Australian and New Zealand real estate fund manager. Member of JPMorgan Australia Advisory Board from 2005 to 2010 Formerly Consultant to the NSW Premier's Office (1998-1999) and Director of Events NSW (1998-2011) Non-Executive Director and Chairman of ING Real Estate Management Ltd, from 2004 until September 2010 Served as Chairman of the Sydney Swans AFL from 1994 to 2014 (the longest serving chairman in the AFL).

NAME

EXPERIENCE AND DIRECTORSHIPS

Leon Gorr (B.Juris., LLB, MAdmin (Monash))

- 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) and previously a director of Starpharma Ltd
- In 2011 Leon was acknowledged for his contribution to the tax profession being inducted as a "Tax Legend" at the 50th Tax Institute of Victoria State Convention.

Susan Oliver

- Susan is currently a director of ASX 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.

Directors' Shareholding

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

Directors	Fully Paid Ordinary shares	Share options	Convertible notes
	Number of units	Number of units	Number of units
V.G Simonds	56,138,895	-	-
Paul McMahon	4,040,561	-	-
Leon Gorr	56,180	-	-
Susan Oliver	17,000	-	-

Remuneration of key management personnel

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

Company Secretary

Mr. Robert G Stubbs held the position of Company Secretary of Simonds Group Limited from 25 September 2014. 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.

Principal activities

The Company's principal activities in the course of the financial year were the design and construction of residential dwellings, the development of residential land and providing registered training courses.

Operating and Financial Review

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 12. 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 30 June 2015, 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 30 June 2015:
 - Basic: 147,625,959
 - Diluted: 148,604,182

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	30 Jun 2015 cents per share	30 Jun 2014 cents per share
Statutory EPS			
Basic	12	(6.02)	5.36
Diluted	12	(5.98)	5.36
Pro forma EPS			
Basic		14.31	8.36
Diluted		14.22	8.36

Balance sheet

The Company's healthy balance sheet with strong cash reserves, with unused borrowing facilities of \$30.827 million as at 30 June 2015, places the company in a strong position for future growth.

Operating cash flows

Cash generated from operations included in the cashflow statement on page 26 of the financial statements are negative for the period. Increased investment in display homes to support the national footprint strategy and an increase in trade receivables as a result of increased revenue and a temporary change in invoicing cycles resulted in this net cash outflow.

Business Overview

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 108 display homes in over 59 locations across Victoria, Queensland, South Australia and New South Wales.

Builders Academy Australia is a Registered Training Organisation with a focus on offering nationally accredited qualifications in building and construction. The origins of Builders Academy Australia date back more than ten years, when the Simonds Group established its training division. Embedded within one of Australia's leading home builders, Builders Academy Australia is 'builders training

builders', offering a clear career employment pathway for course participants as well as a well-trained network of employees, suppliers and contractors of Simonds Homes.

Outlook

Simonds Homes Australia's sales pipeline at an all-time high with the Growth States of New South Wales, Queensland and South Australia the key to expanded future earnings for Simonds Homes Australia.

BAA course pipeline continues to grow with new course offerings as the Company continues to diversify future earnings. Facilitating job opportunities for graduates of BAA courses continues to be a key focus for BAA.

Across the Group, future acquisition opportunities will continue to be explored for both Simonds Homes and BAA.

Risk Management

The risk management process at Simonds Group Limited has been established to analyse and manage business risks, as well as identifies business process improvement opportunities. The risk assessment process includes an estimation of the likelihood of risk occurrence and potential impact on the financial results. All business units perform risk assessments on a regular basis and this is reported to the Audit & Risk Committee where relevant.

Set out below are summaries of the key risks which may materially impact the execution and achievement of the business strategies and prospects for the Group in future financial years. These key risks should not be taken to be a complete or exhaustive list of risks faced by the Company.

Downturn in the industries in which we work

The Company's revenue and growth is susceptible to any downturn in the industries and geographies we service. The Company has developed a diversified portfolio of businesses with exposures across industries and geographies and across a broad range of service offerings. While general economic conditions are outside the Group's control this diversification mitigates the risk of a downturn in any one area.

Competition

Simonds Group Limited's business is susceptible to competition for the provision homes and course offerings in the markets in which we operate. This risk is mitigated by a large diversified client base reducing the impact of pricing strategies and demands from any one customer.

Reliance on key personnel

There can be no assurance that the Company will be able to retain key personnel and the departure of such personnel may affect adversely the business until suitable replacements are recruited. The Company endeavours to ensure that it remains competitive in terms of remuneration and other incentives, and reviews employee incentive arrangements from time to time with a view to aligning management's and employees' interests with those of the Company and its shareholders.

Other risks

- Operational risk;
- Risks associated with integration of acquired businesses;
- Financial risks arising from fraud, regulatory breaches and bad debts.

Non-IFRS financial information

The financial measures included in the Directors' Report have been calculated to exclude the impact of various costs and adjustments associated with the Company's listing on the stock exchange. The directors believe the presentation of non-IFRS financial measures is useful for the users of this financial report as they reflect the underlying financial performance of the business and can be directly compared to the forecasts given in the Prospectus issued on 22 October 2014.

Reconciliation of statutory financial statements to pro forma results

A reconciliation of the 2015 statutory to pro forma results is summarised below as follows:

Year ended 30 June 2015	Sales	EBITDA ¹ (Unaudited)	EBIT ² (Unaudited)	NPAT
FY2015 statutory results	628.8	2.4	(1.6)	(8.9)
Impact of statutory reclassifications	5.6	-	-	-
Offer costs	-	4.9	4.9	4.9
Equity settled executive payments	-	26.8	26.8	26.8
IPO restructure costs	-	0.6	0.6	0.6
Non-recurring items	-	0.1	0.1	0.1
Impact of applying effective tax rate	-	-	-	(2.4)
FY2015 pro forma results	634.4	34.8	30.8	21.1

¹ EBITDA is NPAT (-\$ 8.883 million) before interest (\$0.530 million), tax (\$6.751 million) and depreciation & amortisation (\$4.022 million).

² EBIT is NPAT (-\$8.883 million) before interest (\$0.530 million) and tax (\$6.751 million).

Changes in the state of affairs

The Company changed its constitution during the year ended 30 June 2015 and converted from an Australian proprietary company to an Australian public company. During the year ended 30 June 2015, 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 owned 60,987,716 shares or 40.28% and other investors owned 90,424,552 shares or 59.72% of the Company.

Subsequent events

The following subsequent events have arisen since 30 June 2015:

City-Wide Building and Training Services acquisition of 1 July 2015

On 1 July 2015, the acquisition of City-Wide Building and Training Services was completed. Cash consideration of \$3.0 million was paid at the date of completion, and a further contingent consideration of up to a maximum of \$1.0 million may be payable subject to specific performance related key performance indicators. Management is currently assessing the goodwill on acquisition and this will be disclosed in the subsequent financial period.

Share buy-back

The Company intends to undertake an on-market share buy-back ("buy-back") to enable the Company to buy-back up to a maximum 7.5 million shares within a 12 month period. The buy-back is part of the Company's ongoing capital management strategy. The share buy-back is expected to commence on 7 September 2015 for a period of no more than 12 months. The Company will only buy-back shares at such time and in such circumstances as it considers beneficial to the efficient capital management of the Company.

Dividends

The directors declared a fully franked special dividend on 24 September 2014 of 13.96 cents per share (\$19.501 million) to the holders of the pre IPO fully paid ordinary shares in respect of the financial year ended 30 June 2015. This dividend was paid to facilitate the assignment and repayment of the majority of related party loans outstanding. As at 30 June 2015, loans to related parties amounted to nil (30 June 2014: \$17,988 million).

In respect to the financial year ended 30 June 2015, the directors declared a final dividend of 5.30 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares to be paid on 25 September 2015. Dividends will be paid to holders of shares under the Simonds Group Limited Employee Share Plan on 29 September 2015.

Indemnification of officers and auditors

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

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

Directors meetings

The following table sets out the number of directors meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 15 board meetings, 6 Nomination and Remuneration Committee meetings and 4 Audit and Risk Management Committee meetings were held.

	Board of Directors		Nomination and Remuneration Committee		Audit and Risk Management Committee	
Directors	Held*	Attended	Held*	Attended	Held*	Attended
Vallence Gary Simonds	15	15	-	-	-	-
Paul McMahon	13	13	-	-	-	-
Matthew Chun	13	13	6	6	4	4
Richard Colless	13	11	-	-	-	-
Leon Gorr	13	12	6	6	4	4
Susan Oliver	12	12	6	6	4	4

*Meetings held has been adjusted to reflect the number of meetings since the date of appointment for each director.

Non-audit services

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

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

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

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

Remuneration report

Introduction

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of key management personnel (KMP) for the year ended 30 June 2015.

The KMP disclosed¹ in this report are listed in the table below:

Name	Position	Appointment Date*
Vallence Gary Simonds	Chairman	25 September 2014
Susan Oliver	Independent Non-executive Director	6 October 2014
Matthew Chun	Independent Non-executive Director	25 September 2014
Richard Colless	Independent Non-executive Director	25 September 2014
Leon Gorr**	Independent Non-executive Director	25 September 2014
Paul McMahon	Managing Director and Chief Executive Officer (CEO)	25 September 2014
Robert Stubbs	Chief Financial Officer (CFO) & Company Secretary	25 September 2014
Michael Gerolemou	Chief Human Resources Officer (CHRO)	1 November 2014
Chris Troman²	Chief Operating Officer (COO)	15 December 2014
Gerard Healy³	General Manager, Builders Academy Australia (GMBAA)	1 November 2014

*Appointment date is the date appointed to position as at 30 June 2015.

** Leon Gorr is a Partner of HWL Ebsworth Lawyers, a supplier to the Company. Following the successful IPO and a review of HWL Ebsworth's involvement post IPO, the Board determined that Mr Gorr is deemed Independent in line with relevant ASX Guidelines.

Remuneration Policy Summary

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

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

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

¹ No disclosed KMP were KMPs at 1 July 2014 and have since resigned

² Chris Troman has moved into role of CEO – Simonds Homes as at 1 July 2015

³ Gerard Healey has moved into role of CEO – BAA as at 1 July 2015

Executive Remuneration Principles and Strategy

A key principle of the Group's approach to executive remuneration is that it should demonstrate strong links with Group performance and shareholder returns. Remuneration is aligned with Group performance by:

- requiring a significant portion of remuneration to vary with short-term and long-term performance; and
- applying challenging financial measures of performance.

The remuneration of KMP is structured taking into account the following factors:

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

Remuneration Governance in Year Ended 30 June 2015

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

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

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

The Board's Role in Remuneration

The Board approved the Nomination and Remuneration Committee Charter on 17 November 2014.

The decisions of the Committee are subject to approval by the Board.

The Board also has the authority to directly seek independent, professional and other advisers as required for the Board to carry out its responsibilities.

The Board appoints, removes and/or replaces members of the Committee at its discretion.

The Nomination and Remuneration Committee (the Committee)

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

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

The Committee reviews remuneration strategy and policy at least once a year and has the authority to engage external professional advisers with the approval of the Board.

During the 2015 financial year, the Board approved the engagement of remuneration consultants Crichton & Associates to undertake a review of various Simonds Group Limited Board and executive remuneration practices, including Short Term Incentive (STI) and Long Term Incentive (LTI) in the lead up to the listing of Simonds Group Limited on the ASX. The fees paid to Crichton & Associates for the remuneration recommendations and other advisory services, primarily relating to the listing, were \$11,250.

Further, during June 2015, the Committee approved the engagement of Pricewaterhouse Coopers (PwC) to provide guidance to the Board on the remuneration of the KMP, including non-executive directors for the year ending 2015. The fees paid to PwC for the remuneration review, were \$26,720.

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

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- PwC was engaged by, and reported directly to, the chairman of the Committee. The agreement for the provision of remuneration consulting services was executed by the chairman of the Committee under delegated authority from the Board.
- The report containing the remuneration recommendations was provided by PwC directly to the chairman of the Committee; and
- PwC was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, PwC was not permitted to provide any member of the management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the KMP.

The Committee meets at least twice throughout the year. The CEO, CFO, external auditors and any remaining directors are also regularly invited to attend meetings. No individuals are present during any discussions related to their own remuneration arrangements.

During the year ended 30 June 2015, the Committee was at all times comprised of three non-executive directors being Susan Oliver (Chairman), Matthew Chun and Leon Gorr.

Further details of the Committee's responsibilities are outlined in the Corporate Governance Statement, available from the Group's website at www.simondsgroup.com.au.

Non-executive director Remuneration

Non-executive directors are remunerated by way of fixed fees in the form of cash and superannuation in accordance with Recommendation 8.3 of the ASX Corporate Governance Council's Principles and Recommendations.

During the year ended 30 June 2015, fees paid to non-executive directors totalled \$416,716 (exclusive of superannuation).

Shareholdings of non-executive directors are set out on page 4 of this directors' report.

The Company and each of the non-executive directors have agreed terms of appointment (as permitted under the ASX Listing Rules). Non-executive directors are not appointed for a specific term and their appointment may be terminated by notice from the individual director or otherwise pursuant to section 203B or 203D of the Corporations Act 2001.

The maximum annual aggregate directors' fee pool limit is \$750,000 and was approved at the Annual General Meeting of Simonds Group Limited held on 2nd October 2014.

Remuneration tables for non-executive directors for the year ended 30 June 2015 are set out on page 15 of this remuneration report.

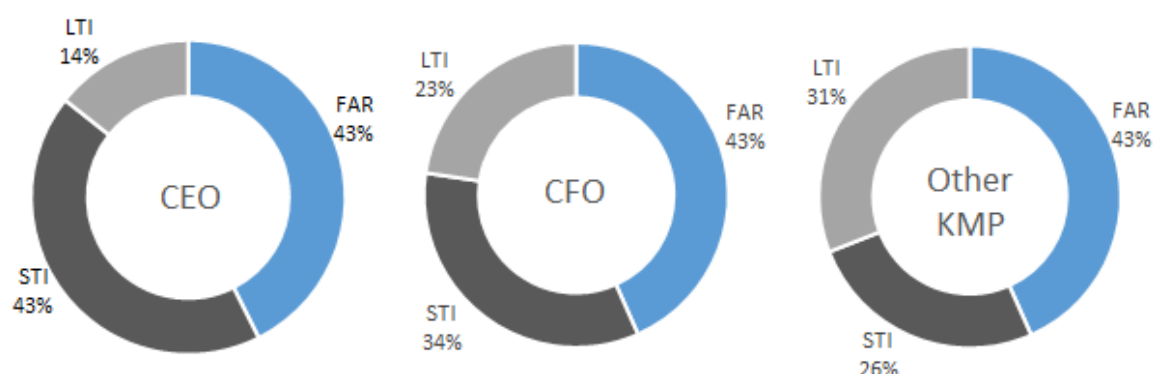
The Board will review director fees for year ending 30 June 2016 subsequent to any and all recommendations made by the Committee at the next meeting scheduled

KMP Remuneration Framework

The KMP remuneration framework comprises three principal elements:

- a fixed component, consisting of a base salary, superannuation contributions and other related allowances (FAR);
- a performance based, variable 'at risk' component, comprising cash and equity settled short-term incentives (STI); and
- a performance and service based, variable 'at risk' component, comprising of long term options – long term incentive (LTI)

The Group's mix of fixed and at risk components for each of the KMP disclosed in this report, as a percentage of total target annual remuneration for financial year 2015, is as follows:



KMP Remuneration Components

FAR overview

FAR is the sum of base salary and fixed employee benefits such as superannuation. FAR is benchmarked against a peer group of direct competitors and a general industry peer group. Selection of the comparator group is based on the similarity of the roles in question (including but not limited to nature/comparability of the role itself, industry, revenue, headcount and complexity of operations).

FAR is benchmarked against the market median, also known as the 50th percentile, which is inclusive of all fixed benefits (generally base salary, superannuation, benefits such as motor vehicles, car parking, insurances and related FBT costs). While comparative levels of remuneration are monitored on a periodic basis, there is no contractual requirement or expectation that any adjustments will be made.

STI overview

The Group STI Plan ensures that a proportion of remuneration is tied to Group performance measured annually in line with the financial year. Executives can only realise their STI at-risk component if challenging pre-determined objectives are achieved.

This aligns executive interests with shareholder interests and focuses executive performance.

The STI payment is made in cash or in shares at the Board's discretion (inclusive of any superannuation components) as part of the annual remuneration review after finalisation of the Group's audited results.

LTI overview

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

This aligns executive interests with shareholder interests and focuses executive performance on sound business decisions resulting in sustainable shareholder wealth. LTI consists of the granting of Performance Rights that vest after a three year period, subject to individual and Group financial and non-financial performance hurdles.

The key features of the 2015 LTIs are:

Award Structure	Performance Rights	
Consideration for the Performance Rights	The Performance Rights will be granted for nil consideration	
Vesting Period	Each tranche has a vesting period of three years	
Performance Measure (Tranche 1)	Vesting of Performance Rights is dependent on three discrete performance measures (hurdles):	
	<i>Grant Date</i>	<i>17 November 2014</i>
	Tranche 1 Total Share Holder Return (TSR) representing 1/3 of the Performance Rights Granted.	Up to 1/3 of the Performance Rights granted will vest if the Group's (TSR) achieves the following percentile ranking against the constituent companies within the S&P/ASX Small Ordinaries Index (ASX Code XSI), excluding resources, over the Measurement Period
	Tranche 2 (CAGR EPS) representing 1/3 of the Performance Rights Granted.	<ul style="list-style-type: none"> The Measurement Period for the CAGR EPS Hurdle shall be the three financial years 2015, 2016 and 2017. EPS CAGR will be calculated based on the pro-forma NPAT for the year ended 2015 and not the statutory profit or reported EPS for that year. <p>The specific EPS methodology will be determined by the Board.</p>
TSR Vesting Schedule (Tranche 2)	Tranche 3 Prospectus Forecast Earnings representing 1/3 of Performance Rights Granted.	<ul style="list-style-type: none"> 1/3 of the Performance Rights granted will vest if the Group achieves the Prospectus forecast in earnings for the year ended 30 June 2015. <p>Any Performance Rights which fail to meet the Vesting Conditions on or before the Vesting Date shall immediately lapse: there will be no retesting.</p>
	<i>Simonds Group Limited Percentile Ranking</i>	<i>Percentage of Performance Rights to vest</i>
	Less than the 50 th percentile	None
	At or above the 50 th percentile	50% (straight-line interpolation between the 50 th and 75 th percentile)
	At or above the 75 th percentile	100%

CAGR EPS Vesting Schedule (Tranche 3)	<i>CAGR in EPS</i>	<i>Percentage of Performance Rights to vest:</i>
	Less than 26.3% per annum	None
	At or above 26.3% per annum	50% (straight-line interpolation between 26.3% and 29% per annum)
	At or above 29.0% per annum	100%
Prospectus Forecast Earnings Vesting Condition	1/3 of the Performance Rights granted will vest in three years if Simonds Group Limited achieves the Prospectus forecast earnings for the year ended 30 June 2015	

Remuneration Structure and Performance/Shareholder Wealth Creation

The Group's annual financial performance and indicators of shareholder wealth for the current financial period are summarised below. As the Group listed on 17 November 2014, the corresponding performance measures for the financial periods prior to this date have not been included.

The Board believes it misleading to provide historical information from prior to listing on the ASX, with the exception of 2015 pro forma financial information as described in the Prospectus and the 2014 statutory actual results due to changes in the Company Remuneration Policy, structure and ownership. The Board believes a comparison to the Prospectus pro forma forecasts and prior year (during which the KMP commenced managing the business) is more meaningful for assessing the performance of KMP and their remuneration relative to Group performance.

	FY2015		FY2014
	Prospectus Pro Forma Forecast	Pro Forma Actual	Statutory Actual
Financial Performance	\$m	\$m	\$m
Sales	638.2	634.4	543.8
EBITDA	34.0	34.8	15.7
EBIT	29.9	30.8	11.8
NPAT	20.4	21.8	7.5

Remuneration Tables – Details of KMP Remuneration

Details of the remuneration of the KMP, including Directors (as defined in AASB 124 Related Party Disclosures) of the Group are set out in the following tables. As this represents the Group's first year in which section 300A of the Corporations Act 2001 applied to its KMP, comparative information has not been provided.

2015	Short Term Employee Benefits				Post-employment benefits	Long-term benefits		Share-based Payments (SBP)		
Name	Directors Fees \$	Cash Salary and Fees \$	Short Term incentive \$	Non-monetary benefits \$	Super \$	Annual Leave \$	Long Service Leave \$	Executive IPO SBP ⁽¹⁾ \$	Performance Rights \$	Total \$
Non-Executive Directors (NED)										
Vallence Gary Simonds	111,462	298,874 ⁽²⁾	-	16,266 ⁽²⁾	18,615 ⁽²⁾	13,322 ⁽²⁾	2,900 ⁽²⁾	-	-	461,439
Richard Colless	68,548	-	-	22,849	-	-	-	-	-	91,397
Leon Gorr	62,907	-	-	-	5,976	-	-	-	-	68,883
Matthew Chun	83,799	20,595 ⁽³⁾	-	-	6,481	-	-	-	-	110,875
Susan Oliver	90,000	-	-	-	-	-	-	-	-	90,000
Total NED	416,716	319,469	-	39,115	31,072	13,322	2,900	-	-	822,594
Other KMP										
Paul McMahon	-	540,667	600,000	34,000	18,783	72,638	10,491	11,865,047	86,002	13,227,627
Robert Stubbs	-	343,739	300,000	20,000	18,783	33,621	7,285	268,815	51,601	1,043,844
Michael Gerolemou	-	247,687	100,000	20,000	18,783	21,868	4,738	-	34,401	447,477
Chris Troman	-	275,256	300,000	14,487	14,088	24,354	5,277	-	51,601	685,063
Gerard Healy	-	213,333	100,000	20,833	17,515	22,119	4,793	-	34,401	412,994
Total Other KMP	-	1,620,682	1,400,000	109,320	87,952	174,600	32,584	12,133,862	258,006	15,817,005
TOTAL KMP	416,716	1,940,151	1,400,000	148,435	119,024	187,922	35,484	12,133,862	258,006	16,639,599

(1) 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. Refer note 29.1 of the financial statements.

(2) Amounts paid to Vallence Gary Simonds, excluding director's fees, relate to the pre IPO period where Vallence Gary Simonds was an employee of the Company.

(3) Amounts paid to Matthew Chun, excluding director's fees, relate to the pre IPO period where Matthew Chun provided consulting services to the Company.

STI Payments to KMP for year ended 30 June 2015

Details of KMP STI for year ended 30 June 2015 are set out in the table below KMP STI may vary based on individual performance and results achieved.

Name	Maximum Potential STI \$	Achieved Year Ended 30 June 2015 \$	% of the Maximum Potential	% Forfeited
Paul McMahon	600,000	600,000	100%	0%
Robert Stubbs	300,000	300,000	100%	0%
Michael Gerolemou	100,000	100,000	100%	0%
Chris Troman	300,000	300,000	100%	0%
Gerard Healy	100,000	100,000	100%	0%

KMP LTI

The following tables provide the details of performance rights allocated to the KMP pursuant to the LTI Plan. The grant of performance rights to the CEO was approved by the Nomination and Remuneration Committee on 10 November 2014 and ratified by the Board on 17 December 2014 in accordance with Listing Rule (10.14). Details of grants made to the CEO and other KMP are provided in the following tables:

Number of equity instruments granted and vested in year ended 2015 - Performance Rights

Name	Performance Rights 1 July 2014	Performance Rights Granted	Performance Rights Vested	Performance Rights Expired / Forfeited	Balance 30 June 2015
Paul McMahon	-	280,898	-	-	280,898
Robert Stubbs	-	168,539	-	-	168,539
Michael Gerolemou	-	112,360	-	-	112,360
Chris Troman	-	168,539	-	-	168,539
Gerard Healy	-	112,360	-	-	112,360

Value of performance rights granted, exercised and expired/forfeited in year ended 30 June 2015 which will vest after a three year period in 2017.

Name	Tranche	Fair value at grant date per share	No. of Performance Rights	Total Accounting Fair Value year ended	Exercised	Accounting Value Expired / Forfeited
		\$ per share		\$	\$	\$
Paul McMahon	TSR	1.0349	93,633	96,901	-	-
	EPS	1.5512	93,633	145,244	-	-
	Prospectus	1.5512	93,633	145,244	-	-
Robert Stubbs	TSR	1.0349	56,180	58,141	-	-
	EPS	1.5512	56,180	87,146	-	-
	Prospectus	1.5512	56,179	87,145	-	-
Michael Gerolemou	TSR	1.0349	37,453	38,760	-	-
	EPS	1.5512	37,453	58,097	-	-
	Prospectus	1.5512	37,454	58,099	-	-
Chris Troman	TSR	1.0349	56,180	58,141	-	-
	EPS	1.5512	56,180	87,146	-	-
	Prospectus	1.5512	56,179	87,145	-	-
Gerard Healy	TSR	1.0349	37,453	38,760	-	-
	EPS	1.5512	37,453	58,097	-	-
	Prospectus	1.5512	37,454	58,099	-	-

Executive Service Agreements

Name	Position	Appointment Date	Contract Length	Minimum Notice Period	
				Termination by Executive	Termination by Company
Paul McMahon	CEO	25 September 2014	No fixed term	3 months	3 months
Robert Stubbs	CFO	25 September 2014	No fixed term	3 months	3 months
Michael Gerolemou	CHRO	1 November 2014	No fixed term	3 months	3 months
Chris Troman	COO	15 December 2014	No fixed term	3 months	3 months
Gerard Healy	GMBA	1 November 2014	No fixed term	3 months	3 months

Loans to Director

The Group has provided Vallenge Gary Simonds, and his related parties, with an unsecured, short-term loan during the financial year ended 30 June 2015. The loan has exceeded \$100,000 during the reporting period. The assignment and repayment of these related party loans occurred during the year ended 30 June 2015 as part of the companies listing on the Australian Stock Exchange (ASX).

The following table outlines amounts in relation to the loan made to Vallenge Gary Simonds and his related parties.

	Balance as at 01 July 2015	Interest charged	Arm's length interest differential (i)	Allowance for doubtful receivables	Balance as at 30 June 2015	Highest loan balance during the period
	\$	\$	\$	\$	\$	\$
2015	17,988,353	-	265,605	-	-	17,988,353

- (i) The amount above refers to the difference between the amount of interest paid and payable in the reporting period and the amount of interest that would have been charged on an arms-length basis.

Other KMP Transactions

During the financial year, the Group entered into a number of transactions with related parties of KMP. This part of the Remuneration Report is to be read in conjunction with note 28 Related Parties included on page 58 of the financial statements for the year ended 30 June 2015.

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

2015

Consolidated revenue includes the following amounts arising from transactions with KMP of the Group or their related parties:

Revenue - Sales	1,033,202
	<u>1,033,202</u>

Consolidated profit includes the following expenses arising from transactions with KMP of the Group or their related parties:

Leasing and rental costs	494,287
Purchase of goods	1,763,525
	<u>2,257,812</u>

Total assets arising from transactions with KMP of the Group or their related parties:

Current	297,556
Allowance for doubtful receivables	-
Non-Current	-
	<u>297,556</u>

Total liabilities arising from transactions with KMP of the Group or their related parties:

Current	50,065
Non-Current	-
	<u>50,065</u>

Auditor's independence declaration

The auditor's independence declaration is included after this report on page 19.

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 that Class Order amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the directors



Vallence Gary Simonds
Director

Melbourne, 19 August 2015

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

19 August 2015

Simonds Group Limited

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

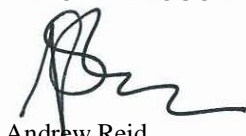
As lead audit partner for the audit of the consolidated financial report of Simonds Group Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Andrew Reid
Partner
Chartered Accountants

Independent Auditor's Report to the members of Simonds Group Limited

Report on the Financial Report

We have audited the accompanying financial report, of Simonds Group Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Simonds Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Simonds Group Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Andrew Reid

Partner

Chartered Accountants

Melbourne, 19 August 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;
- b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements; and
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity
- d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 15 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



Vallence Gary Simonds
Director

Melbourne, 19 August 2015

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2015

	Notes	Year ended 30/06/15 \$'000	Year ended 30/06/14 \$'000
Revenue	5	628,820	543,803
Cost of sales		<u>(486,359)</u>	<u>(424,487)</u>
Gross profit		142,461	119,316
Interest income	7	213	361
Other gains and losses	8	(86)	(217)
Administration expenses		(92,798)	(86,699)
Inventory write-back / (write-down)	14	(348)	(6,466)
Marketing and selling expenses		(17,676)	(14,105)
Share based payments expenses	29	(27,375)	-
Costs associated with initial public offering		(4,913)	-
Initial public offering restructure costs		(605)	-
Finance costs	9	<u>(1,005)</u>	<u>(1,220)</u>
Profit / (Loss) before tax		(2,132)	10,970
Income tax expense	10	<u>(6,751)</u>	<u>(3,479)</u>
PROFIT / (LOSS) FOR THE YEAR		(8,883)	7,491
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		<u>(8,883)</u>	<u>7,491</u>
Profit / (Loss) for the year attributable to:			
Owners of the Company		<u>(8,883)</u>	<u>7,491</u>
Total comprehensive income attributable to :			
Owners of the Company		<u>(8,883)</u>	<u>7,491</u>
Earnings per share			
Basic (cents per share)	12	<u>(6.02)</u>	<u>5.36</u>
Diluted (cents per share)	12	<u>(5.98)</u>	<u>5.36</u>

The accompanying notes form part of these financial statements

Consolidated statement of financial position as at 30 June 2015

	Notes	Year ended 30/06/15 \$'000	Year ended 30/06/14 \$'000
Assets			
<i>Current Assets</i>			
Cash and bank balances	30	5,477	15,895
Trade and other receivables	13	44,956	42,946
Inventories	14	71,686	63,947
Other assets	18	6,809	1,705
Total current assets		128,928	124,493
<i>Non-Current Assets</i>			
Trade and other receivables	13	-	160
Property, plant and equipment	16	7,433	6,839
Intangible assets	17	4,080	1,889
Deferred tax assets	10	3,675	2,284
Total non-current assets		15,188	11,172
Total assets		144,116	135,665
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables	19	75,685	82,789
Borrowings	20	908	1,170
Provisions	21	11,786	10,126
Income in advance	22	9,704	7,184
Total current liabilities		98,083	101,269
<i>Non-Current Liabilities</i>			
Borrowings	20	1,877	1,700
Provisions	21	6,384	7,265
Deferred tax liabilities	10	11,117	10,535
Total Non-Current Liabilities		19,378	19,500
Total liabilities		117,461	120,769
Net assets		26,655	14,896
Equity			
Issued capital	23	13,590	822
Share based payments reserve	29	27,375	-
Retained earnings	24	(14,310)	14,074
Total equity		26,655	14,896

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity for the year ended 30 June 2015

	Notes	Issued capital \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2013		822	-	8,189	9,011
Dividends paid		-	-	(1,606)	(1,606)
Profit for the period		-	-	7,491	7,491
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		-	-	7,491	7,491
Balance at 30 June 2014		822	-	14,074	14,896
Balance at 1 July 2014		822	-	14,074	14,896
Issue of shares – executive subscription	23,29	3,523	-	-	3,523
Issue of shares – capital raising (net of transaction costs)	23	9,245	-	-	9,245
Share based payments (Executive share based payment)	29	-	26,799	-	26,799
Share based payments (Employee share plan)	29	-	576	-	576
Dividends paid	25	-	-	(19,501)	(19,501)
Profit / (Loss) for the year		-	-	(8,883)	(8,883)
Other comprehensive income for the year, net of income tax		-	-	-	-
Total comprehensive income for the year		13,590	27,375	(14,310)	26,655
Balance at 30 June 2015		13,590	27,375	(14,310)	26,655

The accompanying notes form part of these financial statements

Consolidated statement of cash flows for the year ended 30 June 2015

	Notes	Year ended 30/06/15 \$'000	Year ended 30/06/14 \$'000
Cashflows from operating activities			
Receipts from customers		608,981	538,292
Payments to suppliers and employees		<u>(603,894)</u>	<u>(509,760)</u>
Cash generated from operations		5,087	28,532
Interest paid		(1,005)	(1,220)
Income taxes paid		<u>(10,326)</u>	<u>(250)</u>
<i>Net cash generated from operating activities</i>	30	(6,244)	27,062
Cashflows from investing activities			
Interest Received		213	361
Prepayment for acquisitions (refer note 34)		(3,000)	-
Proceeds from disposal of plant, property and equipment		183	427
Payments for plant, property and equipment and intangible assets		<u>(5,770)</u>	<u>(3,387)</u>
<i>Net cash used in investing activities</i>		(8,374)	(2,599)
Cash flows from financing activities			
Repayment of borrowings (external)		(716)	(15,114)
Proceeds from borrowing (external)		-	-
Costs associated with initial public offering		(5,668)	
Payment for leases		(672)	(975)
Amounts advanced from and (repaid) to related parties		17,989	(4,433)
Proceeds from the issue of share capital		12,768	-
Dividends paid to shareholder		<u>(19,501)</u>	<u>(1,606)</u>
<i>Net cash used in financing activities</i>		4,200	(22,128)
<i>Net increase in cash and cash equivalents</i>		(10,418)	2,335
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>	30	<u>5,477</u>	<u>15,895</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. On 26 September 2014, Simonds Homes Holdings Pty Ltd completed its conversion to a public company. The Company's name changed to Simonds Group Limited (the Company) on that date and 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 consolidated financial statements of the Company and the entities it controls (the "Group"). The entities controlled by the Company are detailed in note 15 to the financial report. The principal activities of the Group are the design and construction of residential dwellings, the development of residential land and providing registered training courses.

2. Application of new and revised accounting standards

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

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 year.

New and revised Standards and amendments thereof and Interpretations effective for the current 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'

2.2 Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective that are relevant to the Group.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied the financial year ending
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

At the date of authorisation of the financial statements, there have been no IASB Standards or IFRIC Interpretations in issue but not yet effective.

The directors have yet to assess the impact of the adoption of these Standards and Interpretations in future periods on the financial statements of the Group. The Group does not intend to adopt these Standards and Interpretations before their effective date.

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS'). The financial statements were authorised for issue by the directors on 19 August 2015.

3.2 Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and

3.2 Basis of preparation (cont'd)

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.

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.

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

The principle accounting policies are set out below.

3.3 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.

3. Significant accounting policies (cont'd)

3.3 Basis of consolidation (cont'd)

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.

3.4 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.

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

3. Significant accounting policies (cont'd)

3.4 Business Combinations (cont'd)

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.

3.5 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.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

3.6.1 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.

3. Significant accounting policies (cont'd)

3.6 Revenue Recognition (cont'd)

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.

3.6.2 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.

3.6.3 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.

3.6.4 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.

3.7 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.

3.7.1 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.

3. Significant accounting policies (cont'd)

3.7 Leasing (cont'd)

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.

3.8 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.

3.9 Employee benefits

3.9.1 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.

3.9.2 Superannuation contributions

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

3.9.3 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.

3.9.4 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.

3.10 Taxation

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

3.10.1 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.

3. Significant accounting policies (cont'd)

3.10 Taxation (cont'd)

3.10.2 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.

3.10.3 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.

3.10.4 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

3. Significant accounting policies (cont'd)

3.10 Taxation (cont'd)

any tax funding arrangements amounts (refer below). Any difference between these amounts is 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.

3.11 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.

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

3.12 Intangible assets

3.12.1 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

3. Significant accounting policies (cont'd)

3.12 Intangible assets (cont'd)

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.

3.12.2 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.

3.13 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.

3. Significant accounting policies (cont'd)

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

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.

3.14 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.

3.15 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.

3.15.1 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.

3.15.2 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'.

3. Significant accounting policies (cont'd)

3.16 Financial instruments

3.16.1 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.

3.16.2 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.

3.17 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.

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.

3.18 Share-based payment transactions

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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 impairment losses on 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 impairment losses on land development

The Group holds land stock for development, which is recorded as inventory in the financial statements. 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.

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.

Change of discount rate used in employee entitlements provision

There was a change in the discount rates used for calculating provision annual leave and long service leave from the government bond rate to the corporate bond rate. This resulted in a net impact of \$0.025 million.

5. Revenue

The following is an analysis of the Group's revenue for the year (excluding interest income – see note 7).

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Revenue from construction contracts	594,613	536,050
Revenue from rendering of registered training services	23,172	3,829
Revenue from sale of development land	11,035	3,924
	628,820	543,803

6. Segment information

6.1 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 Building Academy Australia.
- *Land development* - this includes activities relating to land developments and sales.

6.2 Segment revenues and results

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

	Segment revenue		Segment profit	
	Year ended 30/06/15	Year ended 30/06/14	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000	\$'000	\$'000
Residential construction	594,613	536,050	20,552	14,802
Registered training	23,172	3,829	10,296	1,365
Land development	11,035	3,924	(663)	(5,197)
			30,185	10,970
Unallocated costs	-	-	(39,068)	(3,479)
Total	628,820	543,803	(8,883)	7,491

Segment revenue reported represents revenue generated from external customers. There was no inter-segment sales in the current year. (2014: \$0.592m).

Segment profit represents the profit after tax earned by each segment. This is the measure of 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.

6. Segment information (cont'd)

Unallocated costs include offer costs incurred as part of the Company's official listing on the Australian Stock Exchange (ASX) of \$4.913 million, management incentive and share based payments of \$26.799 million as disclosed in note 29, business restructuring costs \$0.605 million and tax of \$6.751 million (2014: \$3.479 million).

6.3 Segment assets and liabilities

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Segment assets		
Residential construction	131,780	116,597
Registered training	6,388	4,003
Land development	6,774	15,065
Total Segment assets	144,942	135,665
Segment liabilities		
Residential construction	117,167	119,731
Registered training	770	542
Land development	350	496
Total segment liabilities	118,287	120,769

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

6.4 Other segment information

	Interest expense		Depreciation and amortisation	
	Year ended 30/06/15	Year ended 30/06/14	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000	\$'000	\$'000
Residential construction	492	512	4,022	3,827
Registered training	-	-	-	-
Land development	513	708	-	-
Total	1,005	1,220	4,022	3,827

6. Segment information (cont'd)

6.4 Other segment information (cont'd)

In addition to the interest expense and the depreciation and amortisation reported above, impairment losses of \$0.348 million (2014: \$6.466 million) were recognised in respect of the display homes and land stock held on hand as at 30 June 2015. These impairment losses were attributable to the following reporting segments:

	Impairment losses	
	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Residential	348	1,972
Registered training	-	-
Land development	-	4,494
Total impairment	348	6,466

6.5 Revenue by Geographical region

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

6.6 Information about major customers

No single customer contributed 10% or more to the Groups revenue for the year ended 30 June 2015 and the year ended 30 June 2014.

7. Interest income

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Interest income:		
Bank deposits	165	361
Other	48	-
	213	361

8. Other gains and losses

Loss on disposal of property, plant and equipment	86	217
	86	217

No other gains or losses have been recognised, other than disclosed in note 14 in relation to impairment losses recorded on inventory of display homes and land stock.

9. Finance costs

Interest on bank overdrafts and loans	743	739
Other interest expense	262	481
	1,005	1,220

10. Income taxes

10.1 Income tax recognised

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Current tax		
In respect of the current year	8,726	5,666
In respect of prior years	(47)	-
	<u>8,679</u>	<u>5,666</u>
Deferred tax		
In respect of the current year	(1,255)	(2,187)
In respect of prior years	(673)	-
	<u>(1,928)</u>	<u>(2,187)</u>
Total income tax expense/(benefit) recognised in the current year	<u>6,751</u>	<u>3,479</u>

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

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Profit before tax from continuing operations	(2,132)	10,970
Income tax expense calculated at 30% (2014: 30%)	(653)	3,291
Effect of Executive Share Based Payments non-deductible	8,040	-
Effect of concessions (research and development and other allowances)	(179)	-
Effect of expenses that are not deductible in determining taxable profit	84	188
	<u>7,291</u>	<u>3,479</u>
Effect of deductible IPO costs being recognised in equity	(226)	-
Adjustments recognised in the current year in relation to the current tax of prior years	(314)	-
Income tax expense recognised in profit or loss	<u>6,751</u>	<u>3,479</u>

The tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

10. Income taxes (cont'd)

10.2 Current tax assets and liabilities

	Year ended 30/06/15 \$'000	Year ended 30/06/14 \$'000
Current tax liabilities		
Income tax payable	6,215	8,979
	6,215	8,979

10.3 Deferred tax balances

Deferred tax assets	3,675	2,284
Deferred tax liabilities	(11,117)	(10,535)
Net deferred tax	7,442	8,251

	Opening balance \$'000	Under / over \$'000	Recognised in profit or loss \$'000	Other \$'000	Closing balance \$'000
2015					
Construction Contracts income	(10,331)	(468)	(147)		(10,946)
Capitalised Expenses	(221)		83		(138)
Property, Plant & Equipment	512	(495)	554		571
Blackhole Expenses	126		842	226	1,195
Maintenance Liability	248	160	9		417
Employee Entitlements	1,229	55	208		1,492
Other	186	75	(294)		(33)
	(8,251)	(673)	1,255	226	(7,442)

	Opening balance \$'000	Under / over \$'000	Recognised in profit or loss \$'000	Other \$'000	Closing balance \$'000
2014					
Construction Contracts income	(12,408)	-	2,077	-	(10,331)
Capitalised Expenses	(120)	-	(101)	-	(221)
Property, Plant & Equipment	445	-	67	-	512
Blackhole Expenses	210	-	(84)	-	126
Maintenance Liability	193	-	55	-	248
Employee Entitlements	1,248	-	(19)	-	1,229
Other	(165)	-	165	-	-
Doubtful Debts	159	-	27	-	186
	(10,438)	-	2,187	-	(8,251)

11. Profit for the year

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Profit for the year has been arrived at after charging (crediting):		
Loss on sale or disposal of non-current assets	86	217
Office Leasing Expense	6,393	6,059
Depreciation and Amortisation Expense	4,022	3,827
Employee Benefits Expense	57,316	51,390
Post-employment benefits	4,040	3,518
Share based payments expense	27,375	-
Inventory write-down	348	6,466
Finance Costs	1,005	1,220
Bad debt	320	93

12. Earnings per share

	Year ended 30/06/15	Year ended 30/06/14
	Cents per share	Cents per share
Basic earnings per share	(6.02)	5.36
Diluted earnings per share	(5.98)	5.36

12.1 Basic earnings per share

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

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Profit for the year attributable to owners of the Company	(8,883)	7,491
Earnings used in the basic earnings per share	(8,883)	7,491
	Shares	Shares
Weighted average number of ordinary shares for the purposes of the basic earnings per share	147,625,959	139,644,290

* Weighted average number of ordinary shares as at 30 June 2014 have been adjusted for the share split which took place on 24 September 2014. Please refer to note 23 Issued capital for details.

12 Earnings per share (cont'd)

12.2 Diluted earnings per share

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

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Earnings used in the calculation of basic earnings per share	(8,883)	7,491
Relevant adjustments	-	-
Earnings used in the calculation of diluted earnings per share from continuing operations	(8,883)	7,491

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:

	Year ended 30/06/15	Year ended 30/06/14
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	147,625,959	139,644,290
Shares deemed to be issued for no consideration in respect of:		
- Performance rights	823,766	-
- Service rights	154,457	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	148,604,182	139,644,290

13. Trade and other receivables

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Current		
Trade receivables	44,324	24,853
Allowance for doubtful debts	-	(320)
	44,324	24,533
Goods and Services Tax receivable	-	-
Other	632	425
Loans to related parties (refer to note 13.2)	-	17,988
	44,956	42,946
Non-current		
Loans to related parties (refer to note 13.2)	-	-
Other	-	160
	-	160

Trade receivables include an amount owing from Vallence Gary Simonds and related entities of \$0.298 million (2014: \$0.372 million). Please refer to note 28 for details of amounts owed from related parties.

13. Trade Receivables (cont'd)

13.1 Trade receivables

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

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

13.1.1 Age of receivables that are past due but not impaired

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
46-60 days	2,304	930
61-90 days	1,230	714
91-120 days	626	1,065
Over 120 days	1,551	1,543
Total	5,711	4,252
Average age (days)	97	104

Average credit terms for customers are 7 to 45 days. Receivables past due but not impaired primarily relate to final settlement payments upon completion of construction and supplier rebates, where terms vary.

13.1.2 Movement in allowance for doubtful debts

Balance at the beginning of the year	320	227
Impairment losses recognised on receivables	-	145
Amounts written off during the year as uncollectible	(320)	(52)
Amounts recovered during the year	-	-
Balance at the end of the year	-	320

13.2 Loans to related parties

During the year, loans to related parties of \$17.988 million were repaid. Loans to related parties were under the control of Vallence Gary Simonds, a director of the Company. As at 30 June 2015, loans to related parties amounted to nil (30 June 2014: \$17.988 million).

13.3 Other

Other receivables are generally made up of asset protection deposits with councils and other operating activities of the Group.

14. Inventories

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Work in progress on construction contracts	36,886	35,955
Speculative & display homes, land stock	34,800	27,992
	71,686	63,947

Write downs of display homes to net realisable value recognised as an expense during the year ended 30 June 2015 amounted to \$0.348 million (2014: \$1.972 million). The expense has been disclosed as a separate item on the Consolidated Statement of Profit or loss and other Comprehensive Income.

15. Subsidiaries

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

Name	Principle activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2015	2014
Simonds Homes Victoria Pty Ltd	Residential – Victoria	Australia	100%	100%
Simonds Homes NSW Pty Ltd	Residential – NSW	Australia	100%	100%
Simonds Queensland Constructions Pty Ltd	Residential – Queensland	Australia	100%	100%
Simonds SA Pty Ltd	Residential – South Australia	Australia	100%	100%
Simonds WA Pty Ltd	Residential – Western Australia	Australia	100%	100%
Madisson Homes Australia Pty Ltd	Residential – Victoria	Australia	100%	100%
Simonds Personnel Pty Ltd	Payroll service entity	Australia	100%	100%
Simonds Assets Pty Ltd	Asset service entity	Australia	100%	100%
Simonds IP Pty Ltd	Intellectual property service entity	Australia	100%	100%
Simonds Corporate Pty Ltd	Asset service entity	Australia	100%	100%
Jackass Flat Developments Pty Ltd	Land development and sales	Australia	100%	100%
Simonds Land Development Pty Ltd	Land development and sales	Australia	100%	100%
House of Learning Pty Ltd	Registered training organisation	Australia	100%	100%

- Simonds Group limited is the head entity within the tax consolidated group.
- The Groups subsidiaries are members of the tax consolidated group.
- Simonds Group Limited and its subsidiaries have entered into a deed of cross guarantee with Simonds Group Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

16. Property, plant and equipment

	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture and fittings \$'000	Display home furniture, fixtures & fittings \$'000	Motor Vehicles \$'000	Plant and equipment \$'000	Total \$'000
Cost							
Balance at 1 July 2013	3,265	1,688	1,600	132	5,703	1,289	13,677
Additions	875	310	662	70	1,797	-	3,714
Disposals	(1,940)	(15)	(100)	(7)	(1,186)	(20)	(3,268)
Balance at 30 June 2014	2,200	1,983	2,162	195	6,314	1,269	14,123
Cost							
Balance at 1 July 2014	2,200	1,983	2,162	195	6,314	1,269	14,123
Additions	1,245	304	385	274	1,677	24	3,909
Disposals	(7)	-	-	-	(1,623)	-	(1,630)
Balance at 30 June 2015	3,438	2,287	2,547	469	6,368	1,293	16,402

* The Groups' obligations under finance leases (note 20) are secured by motor vehicles with a carrying value of \$2.869 million (2014: \$2.154 million)

16. Property, plant and equipment (cont'd)

	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture and fittings \$'000	Display home furniture, fixtures & fittings \$'000	Motor Vehicles \$'000	Plant and equipment \$'000	Total \$'000
Accumulated depreciation							
Balance at 1 July 2013	(2,097)	(1,453)	(522)	(67)	(2,175)	(897)	(7,211)
Depreciation expense	(655)	(193)	(329)	(110)	(1,215)	(180)	(2,682)
Disposals / transfers	1,857	12	78	5	643	14	2,609
Balance at 30 June 2014	(895)	(1,634)	(773)	(172)	(2,747)	(1,063)	(7,284)
Accumulated depreciation							
Balance at 1 July 2014	(895)	(1,634)	(773)	(172)	(2,747)	(1,063)	(7,284)
Depreciation expense	(646)	(207)	(365)	(103)	(1,205)	(178)	(2,704)
Disposals / transfers	2	-	-	-	1,017	-	1,019
Balance at 30 June 2015	(1,539)	(1,841)	(1,138)	(275)	(2,935)	(1,241)	(8,969)
Net book value							
As at 30 June 2014	1,305	349	1,389	23	3,567	206	6,839
As at 30 June 2015	1,899	446	1,409	194	3,433	52	7,433

17. Intangible assets

	Computer Software	Capitalised courses	Total
	\$'000	\$'000	\$'000
Cost			
Balance at 1 July 2013	3,804	-	3,804
Additions	1,417	-	1,417
Disposals	-	-	-
Balance at 30 June 2014	5,221	-	5,221
Cost			
Balance at 1 July 2014	5,221	-	5,221
Additions	3,111	399	3,510
Disposals	-	-	-
Balance at 30 June 2015	8,332	399	8,731
Accumulated amortisation			
Balance at 1 July 2013	(2,187)	-	(2,187)
Depreciation Expense	(1,145)	-	(1,145)
Disposal/Transfers	-	-	-
Balance 30 June 2014	(3,332)	-	(3,332)
Accumulated amortisation			
Balance at 1 July 2014	(3,332)	-	(3,332)
Depreciation Expense	(1,265)	(54)	(1,319)
Disposal/Transfers	-	-	-
Balance 30 June 2015	(4,597)	(54)	(4,651)
Net Book Value			
As at 30 June 2014	1,889	-	1,889
As at 30 June 2015	3,735	345	4,080

18. Other assets

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Prepayments	3,008	1,273
Land deposits	663	275
Prepayment for acquisition	3,000	-
Other assets	138	157
	6,809	1,705
Current	6,809	1,705
Non-current	-	-
	6,809	1,705

19. Trade and other payables

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Trade payables	32,929	33,284
Construction accruals	28,238	31,959
Income tax payable	6,215	8,979
Goods and service tax payable	787	930
Other payables and accruals	7,516	7,637
	75,685	82,789

20. Borrowings

Current		
<u>Secured – at amortised cost</u>		
Commercial bills (i)	-	-
Equipment finance facility (ii)	-	716
Finance lease liability (iii)	908	454
	908	1,170
Non – current		
<u>Secured – at amortised cost</u>		
Commercial bills (i)	-	-
Finance lease liability (iii)	1,877	1,700
	1,877	1,700

20.1 Summary of borrowing arrangements

During the year, the Group executed an amended debt facility with the Commonwealth Bank of Australia (CBA), taking effect 19 March 2015. Details of the facility are as follows:

(i) The Groups Commercial bills consist of a \$10 million market rate loan, a \$25 million Multi Option Facility incorporating a market rate loan, overdraft facility, business corporate credit card facility and bank guarantee facility The Group's facilities are secured by:

- Joint and several liability guarantee.
- First ranking charge over all present and after-acquired property for all Simonds Group Ltd corporate entities and Jackass Flat Developments Pty Ltd ATF Jackass Flat Developments Unit Trust.
- The Group has unused commercial bills facilities of \$29.612 million as at 30 June 2015.

(ii) Assets under finance lease are secured by the assets leased. The borrowings are at an average fixed rate of 5.89% with repayments periods not exceeding 5 years.

(iii) As at 30 June 2015, The Group has no external borrowings, except the finance lease liabilities. Unused facilities as at 30 June 2015 are \$1.215 million

21. Provisions

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Employee benefits (i)	6,462	5,837
Warranty and contract maintenance provision (ii)	11,006	11,021
Provision for make good	702	533
	18,170	17,391
Current	11,786	10,126
Non – current	6,384	7,265
	18,170	17,391

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees. During the year the Group elected to apply a corporate bond rate to non-current employee liabilities and this resulted in a net impact of \$0.026m

(ii) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties related to residential construction. The estimate has been made on the basis of historical warranty trends and may vary as a result of the annual build program, the history of defects relating to materials used or in the nature of services provided.

22. Income in advance

Arising from construction contracts	9,704	7,184
	9,704	7,184
Current	9,704	7,184
Non-current	-	-
	9,704	7,184

23. Issued capital

	\$	\$
151,412,268 fully paid ordinary shares (30 June 2014 27,928,858 shares)	13,590,304	822,059
	13,590,304	822,059

23. Issued Capital (cont'd)

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Number of shares		Share capital (\$)	
	Year ended 30/06/15	Year ended 30/06/14	Year ended 30/06/15	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)	-	-	(754,948)	-
Balance at end of the period	151,412,268	27,928,858	13,590,304	822,059

- (i) In accordance with S254H 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 million (6,150,000 ordinary shares) was raised during the period through share subscriptions by executives from the management incentive. (Note 29)
- (iii) Additional capital of \$10.000 million (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 \$0.755 million were accounted as a deduction in equity for the year ended 30 June 2015. (2014: nil). As part of the listing on the Australian Stock Exchange, the Company granted 137,191 shares (\$0.244 million) 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.

The holders of ordinary shares are entitled to receive dividends if declared from time to time and are entitled to one vote per share at meetings of the Company.

24. Retained earnings

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Retained earnings	(14,310)	14,074
	(14,310)	14,074
Balance at the beginning of the year	14,074	8,189
Profit attributable to owners of the Company	(8,883)	7,491
Payment of dividends (refer note 25)	(19,501)	(1,606)
Balance at the end of the year	(14,310)	14,074

25. Dividends

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

	Year ended 30 June 2015		Year ended 30 June 2014	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Fully paid ordinary shares				
Interim dividend	-	-	-	-
Special dividend	13.96	19,501	-	-
Final dividend	-	-	5.75	1,606
	13.96	19,501	5.75	1,606

The directors declared a fully franked special dividend of 13.96 cents per share (\$19.501 million) on 24 September 2014 to the holders of the pre IPO fully paid ordinary shares. This dividend was paid to facilitate the assignment and repayment of the majority of related party loans outstanding.

The directors declared a fully franked final dividend of 5.30 cents per share (\$7.932 million) on 19 August 2015 to the post IPO holders of fully paid ordinary shares in respect to the year ended 30 June 2015, to be paid on 25 September 2015. Dividends will be paid to holders of shares under the Simonds Group Limited Employee Share Plan on 29 September 2015. The dividend will be paid to all shareholders on the Register of Members on 26 August 2015.

The company's adjusted franking account balance as at 30 June 2015 is \$3,998,039 (2014: \$2,260,398)

26. Financial instruments

26.1 Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, cash, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings / (accumulated losses), as disclosed in notes 23, 24 and 29.

Operating cash flows are used to maintain and expand the Group's assets, as well as to make the routine outflows of payables, tax, dividends and repayment of maturing debt.

26.2 Categories of financial instruments

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

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	5,477	15,895
Trade and other receivables	44,956	43,106
Financial liabilities		
Trade and other payables	75,685	82,789
Borrowings	2,785	2,870

26 Financial instruments (cont'd)

26.3 Financial risk management objectives

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

26.4 Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. As at 30 June 2015, there were no borrowings other than finance leases.

Interest rate is managed by using a mix of fixed and variable rate debt with the Group's target of approximately 50% of forecast average borrowings held at fixed or variable capped rates of interest. Forecast borrowings are derived from rolling cashflow forecasts which include an allowance for potential acquisitions.

The rates are benchmarked against the BBSY bid rate (Australian Bank Bill Swap Reference Rate – Average Bid Rate) on a quarterly basis.

26.4.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- i) profit for the year ended 30 June 2015 would decrease/increase by \$134,900. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and
- ii) other comprehensive income for the year ended 30 June 2015 would decrease/increase by \$nil

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in loans.

26.5 Credit risk management

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

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

Registered training is delivered under the terms provided by the Department of Education and Early Childhood Development (the Department) in accordance with the Victorian Training Guarantee Program. The directors do not consider the terms of this program to expose the Group to material credit risk.

26 Financial instruments (cont'd)

26.6 Liquidity risk management

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

Year ended 30 June 2015	Weighted average effective interest rate %	< 6 months \$'000	6 -12 months \$'000	>1 -5 years \$'000	Total \$'000
Financial Liabilities					
Equipment finance	-	-	-	-	-
Finance lease liability	5.83	321	587	1,877	2,784
Borrowings	4.99	-	-	-	-
Financial Guarantees (i)	-	5,388	-	-	5,388
		5,709	587	1,877	8,172

Year ended 30 June 2014	Weighted average effective interest rate %	< 6 months \$'000	6 -12 months \$'000	>1 -5 years \$'000	Total \$'000
Financial Liabilities					
Equipment finance	8.48	716	-	-	716
Finance lease liability	6.70	252	202	1,700	2,154
Borrowings	5.21	-	-	-	-
Financial Guarantees (i)	-	8,723	-	-	8,723
		9,691	202	1,700	11,593

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

27. Key management personnel compensation

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

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Short-term employee benefits	3,905	8,960
Post-employment benefits	119	285
Share-based payments	12,392	-
Termination benefits	-	564
	16,416	9,809

28. Related party transactions

28.1 Trading Transactions

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

	Sale of goods		Leases and services rendered	
	Year ended 30/06/15	Year ended 30/06/14	Year ended 30/06/15	Year ended 30/06/14
	\$	\$	\$	\$
Vallence Gary Simonds and related entities	1,033,202	771,969	751,392	371,822
Paul McMahon and related entities	-	-	76,800	76,800
Leon Gorr and related entities	-	-	1,429,620	-

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	Year ended 30/06/15	Year ended 30/06/14	Year ended 30/06/15	Year ended 30/06/14
	\$	\$	\$	\$
Vallence Gary Simonds and related entities	297,556	18,360,029	3,750	-
Paul McMahon and related entities	-	-	3,200	-
Leon Gorr and related entities	-	-	43,115	-

Vallence Gary Simonds and related entities

Two homes have been constructed for closely related family members of Vallence Gary Simonds at the Groups usual list prices and in line with relevant internal discount policies. An additional amount of \$11,926 has been received for a sub-lease arrangement with SFO Consulting Pty Ltd.

The Group leases a number of properties from Vallence Gary Simonds and related entities on an arms-length basis and amounted to \$372,487 for the period ended 30 June 2015 (2014: \$360,572). These leases expire on 30 September 2019. Consulting services provided by Mark Simonds, a son of Vallence Gary Simonds, amounted to \$74,603. As part of the normal course of business, goods have been received from OzSoft Solutions Pty Ltd and RTOMS Pty Ltd, two entities under the common control of a closely related family member of Vallence Gary Simonds.

Paul McMahon and related entities

Two display homes owned by Paul McMahon and related entities are leased by the Group on a normal arms-length transaction basis.

Leon Gorr and related entities

Leon Gorr is both a director of the Company and a Partner at HWL Ebsworth Lawyers who have provided legal services to the Company during the year. Fees incurred as part of the IPO amounted to \$1,028,343, with the residual amount of \$401,277 relating to legal services provided as part of the normal course of business.

28.2 Loans to related parties

During the year, loans to related parties of \$17.988 million were repaid. Loans to related parties were under the control of Vallence Gary Simonds, a director of the Company. As at 30 June 2015, loans to related parties amounted to nil (30 June 2014: \$17.988 million).

28.3 Other related party transactions

Share based payment transactions that took place during the period and are disclosed in note 29.

28.3 Other related party transactions (cont'd)

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 was at 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.

29. Share based payments

29.1 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 \$0.576 million (2014: 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.

The following table outlines the share based payments made under the employee share scheme during the year ended 30 June 2015:

Incentives	Tranche	Grant date	Fair value at grant date	Vesting date	Other vesting condition
Performance rights	Tranche 1 (i)	17 Nov '14	\$1.03	31 Aug '17	Non market and Market
	Tranche 2 (ii)	17 Nov '14	\$1.55	31 Aug '17	Non market
	Tranche 3 (iii)	17 Nov '14	\$1.55	31 Aug '17	Non market
Services rights	Tranche 1	17 Nov '14	\$1.69	24 Nov '15	Non market vesting only
	Tranche 2	17 Nov '14	\$1.61	24 Nov '16	Non market vesting only

- (i) Vesting condition linked to the Group's Total Shareholder Return (TSR) and the percentile ranking against the constituent companies within the S&P / ASX Small Ordinaries Index
- (ii) Vesting condition linked to compound annual growth rate in Earnings Per Share (EPS) where EPS is calculated based on the pro-forma Net Profit Before Tax for the period ended 30 June 2015 with the specific EPS methodology to be determined by the board.
- (iii) Vesting condition linked to achievement of Prospectus forecast earnings for the period ended 30 June 2015.

29. Share based Payments (cont'd)

29.1 Share based payments (cont'd)

The following table outlines the share based payments made under the management incentive and employee share plan for the period ended 30 June 2015:

	Year ended 30/06/15	Year ended 30/06/14
<u>Executive share based payment</u>	<u>\$'000</u>	<u>\$'000</u>
Equity settled share based payments	6,337	-
Cash settled share based payments	20,462	-
	26,799	-
<u>Employee share plan</u>		
Share based payments	576	-
	<u>27,375</u>	<u>-</u>

29.2 Fair value of performance and service rights granted in the year

Service rights were priced using a Binominal Approximation Option Valuation Model. For performance rights subject to market vesting conditions only (Tranche 1) the model used was a Monte Carlo Simulation Model. For performance rights subject to non-market vesting conditions only (Tranche 2 and Tranche 3) the model used was a Binominal Approximation Option Valuation Model. Expected volatility is estimated using the daily rolling three year standard deviation of a relevant Peer Group. The risk free rate is derived from the average of the 2 and 3 year Commonwealth Treasury Bond Rate. This yield was converted to a continuously-compounded rate for the purposes of the rights valuation.

The following table outlines information relevant to the fair value of performance and service rights granted during the year:

Fair value model inputs and assumptions	Performance rights			Service rights	
	<i>Tranche 1</i>	<i>Tranche 2</i>	<i>Tranche 3</i>	<i>Tranche 1</i>	<i>Tranche 2</i>
Fair value at grant date	\$1.03	\$1.55	\$1.55	\$1.69	\$1.61
Exercise Price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Expected life of instruments (days)	1,018	1,018	1,018	372	738
Expected volatility	40%	40%	40%	40%	40%
Expected dividend yield	4.92%	4.92%	4.92%	4.92%	4.92%
Risk - free rate	2.57%	2.57%	2.57%	2.67%	2.71%

29. Share based Payments (cont'd)

29.3 Movements in performance and service rights during the year

The following reconciles the performance and service rights outstanding at the beginning and end of the year:

2015						
	Opening Balance	Granted during the year		Forfeited during the year		
	Number of rights	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Total
Performance rights						
Tranche 1	-	449,438	\$1.03	(37,453)	\$1.03	411,985
Tranche 2	-	449,438	\$1.55	(37,453)	\$1.55	411,985
Tranche 3	-	449,440	\$1.55	(37,454)	\$1.55	411,986
Service rights						
Tranche 1	-	168,549	\$1.69	-	-	168,549
Tranche 2	-	84,261	\$1.61	-	-	84,261
	-	1,601,126	\$1.42	112,360	\$1.42	1,488,766

29.3 Movements in performance rights during the year

The performance rights outstanding at the end of the year had an exercise price of \$0.00 (2014: Nil) and a weighted average contractual life of 1,018 days (2014: Nil). The service rights outstanding at the end of the year had an exercise price of \$0.00 (2014: Nil) and a weighted average contractual life of 494 days (2014: Nil).

29.4 Performance and service rights vested during the year

There were no performance or service rights which vested during the year.

30. Cash and cash equivalents

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

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Cash and bank balances	5,477	15,895
	5,477	15,895

30. Cash and cash equivalents (cont'd)

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

Cash flows from operating activities

Profit / (loss) for the year	(8,883)	7,491
Income tax expense recognised in profit or loss	6,751	3,479
Finance costs recognised in profit or loss	1,005	1,220
Interest received	(213)	(361)
Loss on disposal of property, plant and equipment	86	217
Costs associated with initial public offering	5,668	-
Depreciation and amortisation of non-current assets	4,022	3,827
Impairment loss recognised on inventories and loans to related parties	348	6,466
Management incentive and share based payments	27,375	-
	<u>36,159</u>	<u>22,339</u>
Movements in working capital		
(Increase)/decrease in trade and other receivables	(19,839)	(4,513)
(Increase)/decrease in inventories	(8,087)	13,647
(Increase)/decrease in other assets	(2,104)	(399)
Increase/(decrease) in trade and other payables	(1,819)	(2,208)
Increase/(decrease) in provisions	777	(584)
Cash generated by operating activities	<u>5,087</u>	<u>28,282</u>
Interest paid	(1,005)	(1,220)
Income taxes paid	<u>(10,326)</u>	<u>-</u>
Net cash generated by / (used in) operating activities	<u>(6,244)</u>	<u>27,062</u>

31. Commitments for expenditure

	Year ended 30/06/15	Year ended 30/06/14
	<u>\$'000</u>	<u>\$'000</u>
Lease commitments		
<u>Non – cancellable operating lease payments</u>		
No longer than 1 year	9,025	7,106
Longer than 1 year and not longer than 5 years	<u>14,739</u>	<u>12,218</u>
	<u>23,764</u>	<u>19,324</u>

The Group has no capital expenditure commitments. Lease commitments relate primarily to office leases, display home leases and information technology leases.

32. Auditors remuneration

	\$	\$
Audit or review of financial statements	319,500	188,000
IPO advisory costs	573,231	-
IPO tax costs	144,186	-
Non – audit services	<u>268,107</u>	<u>200,000</u>
	<u>1,305,024</u>	<u>388,000</u>

The Group's auditors are Deloitte Touche Tohmatsu Limited

33. Parent entity information

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

	Year ended 30/06/15	Year ended 30/06/14
	\$'000	\$'000
Statement of financial position		
Other financial assets	822	822
Trade and other receivables	50,396	6,867
Total assets	51,218	7,689
Trade and other payables	25,329	5,828
Total liabilities	25,329	5,828
Issued capital	13,590	822
Share based payments	576	-
Retained earnings	11,723	1,039
Total equity	25,889	1,861
Income statement		
Dividend Income	35,673	1,606
Operating expense	(1)	-
Share Based Payment	(576)	-
IPO Offer Costs	(4,913)	-
PROFIT FOR THE YEAR	30,183	1,606
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	30,183	1,606

34. Business Combinations

34.1 Subsidiaries acquired

The acquisition of City-Wide Building and Training Services Pty Ltd (CWBTS) was completed on 1 July 2015 and is disclosed in note 36 as a subsequent event. CWBTS was acquired to enable the Group to extend its established training offering in Victoria to the New South Wales and Queensland markets, and to expand the number of building and construction qualifications it can offer. There were no subsidiaries acquired during the year ended 30 June 2014.

	Principle activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
2015			%	\$'000
CWBTS	Provision of building & construction training	01/07/2015	100	4,000
				4,000

34. Business Combinations (cont'd)

34.2. Consideration transferred

	CWBTS \$'000
Cash	3,000
Contingent consideration (i)	1,000
	<hr/>
Total	4,000

(i) Contingent consideration of up to a maximum of \$1.0 million may be payable subject to specific performance related key performance indicators. Of this \$1.0 million, \$0.5 million is a Retention Amount which is payable 1 year after the completion date, 1 July 2016. The residual maximum of \$0.5 million is an Earn Out amount which is based on the Gross Revenue for the calendar year 2015.

34.3 Assets and liabilities assumed at the date of acquisition

Management is currently assessing the assets and liabilities assumed on acquisition and this will be disclosed in the subsequent financial period.

34.4 Non-controlling interests

There was no non-controlling interest recognised at the acquisition date as 100% of the CWBTS share capital was acquired.

34.5 Goodwill arising on acquisition

Management is currently assessing the goodwill on acquisition and this will be disclosed in the subsequent financial period.

34.6 Net cash outflow on acquisition of subsidiaries

	Year ended 30/06/15	Year ended 30/06/14
	<hr/> \$'000	<hr/> \$'000
Consideration paid in cash	3,000	-
Contingent consideration (i)	500	-
	<hr/>	<hr/>
	3,500	-

(i) Cash outflow of \$0.5 million relates to a Retention Amount which is payable 1 year after the completion date, 1 July 2016. As per the Share Purchase Agreement, this amount is held in Trust until satisfaction of the retention period condition.

35. Contingent liabilities

	Year ended 30/06/15	Year ended 30/06/14
	<hr/> \$'000	<hr/> \$'000
Other guarantees (i)	5,388	8,723
	<hr/>	<hr/>
	5,388	8,723

(i) Represents guarantees for property rentals, project contracts, crossing deposits and merchant facility. The Group has in place a guarantee with a Significant Investor Fund for the acquisition and leaseback of displays. There have been no funds received to date.

36. Subsequent events

The following subsequent events have arisen since 30 June 2015:

CWBTS Acquisition

On 9 January 2015, the Group entered a conditional contract to acquire 100% interest in City-Wide Building and Training Services Pty Ltd (CWBTS). The acquisition was conditional on a number of items including the consent of the NSW & QLD Governments to the transaction. On 1 July 2015, the acquisition of CWBTS was completed. Cash consideration of \$3.0 million was paid at the date of completion, and a further contingent consideration of up to a maximum of \$1.0 million may be payable subject to specific performance related key performance indicators. Management is currently assessing the goodwill on acquisition and this will be disclosed in the subsequent financial period.

Share buy-back

The Company intends to undertake an on-market share buy-back ("buy-back") to enable the Company to buy-back up to a maximum 7.5 million shares within a 12 month period. The buy-back is part of the Company's ongoing capital management strategy. The share buy-back is expected to commence on 7 September 2015 for a period of no more than 12 months. The Company will only buy-back shares at such time and in such circumstances as it considers beneficial to the efficient capital management of the Company.