

Appendix 4D

Half-year financial report
For the half-year ended 31 December 2015

Simonds Group Limited

ACN: 143 841 801

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

SIMONDS GROUP LIMITED (ASX: SIO)
APPENDIX 4D
HALF-YEAR ENDED 31 DECEMBER 2015

Results for Announcement to the Market for the half-year ended 31 December 2015						
Revenue from ordinary activities (\$m)	Up	19.0	by	6%	to	318.2
Loss from ordinary activities before tax (\$m)	Down	16.5	by	(84)%	to	(3.0)
Loss from ordinary activities after tax (\$m)	Down	20.1	by	(90)%	to	(2.2)

Net tangible asset backing per ordinary share	Amount per share
As at 31 December 2015 (cents)	0.13
As at 30 June 2015 (cents)	13.9

Dividends	Amount per share	Franked amount per share
For the half-year ended 31 December 2015 (cents)	-	-
For the half-year ended 31 December 2014 (cents)	13.90	13.90

Half-Year Financial Report

Simonds Group Limited
For the half-year ended 31 December 2015

Simonds Group Limited

Financial Report for the half-year ending 31 December 2015

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Note: This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Simonds Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

The directors of Simonds Group Limited ("the Company") submit herewith the financial report of the consolidated entity consisting of the Company and the entities it controlled (the "Group") for the half-year ended 31 December 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 end of the half-year year are:

Name	Date appointed	Position
Vallence Gary Simonds	24 May 2010	Chairman
Susan Oliver	6 October 2014	Deputy Chair
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

The above named directors held office during and since the end of the half-year.

* Paul McMahon resigned on 22 January 2016.

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.
Susan Oliver	<ul style="list-style-type: none"> • Susan is currently a director of an ASX listed company CNPR and a member of the investment committee of Industry Funds Management effective 1 January 2016. Susan is also Founding Chair of Scale Investors • Susan's past directorships include: Coffey International, 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 • Susan was awarded 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.

NAME

EXPERIENCE AND DIRECTORSHIPS

Matthew Chun

- Matthew has over 23 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

- Current Trustee of the SCG Trust
- 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).

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.

Paul McMahon

- 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.
- Paul resigned as Managing Director and CEO effective 22 January 2016.

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.Gary Simonds	56,138,895	-	-
Paul McMahon	4,040,561	-	-
Leon Gorr	56,180	-	-
Susan Oliver	17,000	-	-

Company Secretary

Mr. Robert G Stubbs has 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.

On 25th February 2016, Mr. Luke Heathcote was appointed as a Company Secretary of Simonds Group Limited. Luke is a CPA and holds a Bachelor of Commerce from La Trobe University.

Principal activities

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

Operating and Financial Review

Earnings per share

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

- earnings after tax attributable to shareholders (statutory profit); and
- the weighted average number of ordinary shares outstanding during the period ended 31 December 2015, which have been applied retrospectively in calculating EPS for the comparative period.

		31 Dec 2015	31 Dec 2014	30 June 2015
	Note	cents per share	cents per share	cents per share
Statutory EPS				
Basic	4	(1.46)	(15.47)	(7.41)
Diluted	4	(1.46)	(15.47)	(7.41)

The Company continues to maintain an appropriate balance sheet, with unused borrowing facilities of \$18.6 million as at 31 December 2015. Significant investment continues in the expansion of the Group's operations in all geographic markets in the residential and registered training sectors.

Operating cash flows

Cash generated from operations included in the cash flow statement on page 17 of the financial statements is \$1.1m positive for the period.

Business Overview

Simonds Group Limited is an ASX-listed integrated homebuilder (Simonds Homes), Registered Training Organisation (Builders Academy Australia) and small-scale land developer, Discover Developments.

Simonds Homes is the number one homebuilder in Victoria and currently operate 112 display homes in over 59 locations across Victoria, Queensland, South Australia and New South Wales. The increase in the display presence since June 2015 reflects continuation of the long-term growth and diversification strategy of Simonds Homes.

Builders Academy Australia is a Registered Training Organisation with a focus on offering nationally accredited qualifications in the building and construction sector. The origins of Builders Academy Australia date back to 2005, 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 pathway opportunity to a builders license. With the successful acquisition of City Wide Building Training Services (CWBTS) in July 2015, BAA can now offer building and construction courses in the New South Wales and Queensland markets.

The BAA business was approved as a VET FEE-HELP provider on 29 December 2015 which allows BAA to offer its Diploma Level courses to eligible students across Australia.

The Simonds land development segment has continued to expand with the first Simonds Land Syndicate fully subscribed. This segment focuses on small scale land development sites that complement the Simonds Homes building and construction activity in regional and suburban areas where Simonds earns both sales and development project fee income.

Outlook

Simonds Homes' sales pipeline continues to remain strong with the growth states of New South Wales, Queensland and South Australia the key to future earnings growth. Combined with the expanding display home presence in these markets, the pipeline is expected to remain strong throughout calendar 2016.

BAA continues to grow geographically into Queensland and New South Wales through the CWBTS acquisition supported by a number of new course offerings within the building and construction training sector including online courses. The approval of BAA as a VET FEE-HELP provider will also support this interstate expansion. Importantly, further investment in student welfare, engagement and compliance has been a key feature of BAA's activities along with a growing focus on facilitating job opportunities for BAA graduates.

Risk Management

The risk management process at Simonds Group Limited has been established to analyse and manage business risks, as well as identify business and operational 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 and 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 the future. These key risks should not be taken to be a complete or exhaustive list of risks faced by the Company.

Changes to Government regulation

The Company is exposed to government policy in the Vocational Education and Training sector and must abide by certain legislation and contracts with government entities to which it is a party. As such, changes to government policy at certain state and federal levels could result in declining revenue or increased expenses or may affect BAA's growth strategy as part of its compliance with any such changes. BAA continues to invest heavily in the compliance and administrative functions of the business to ensure a strong, compliant and student focussed business

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 a diversified portfolio of businesses with growing 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

The Company is susceptible to competition for the provision of 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.

Auditor's independence declaration

The auditor's independence declaration is included on page 10 of the half-year report.

Subsequent events

Closure of Madisson Projects division

On 21 January 2016, the Board determined that the Simonds Group will undertake an orderly closure of its Madisson Projects division. The division operates in the medium-density market, building apartments and custom townhouses for commercial developers using their own concepts, designs and specifications. This specific market has experienced a significant drop in margins for builders as the land costs have increased for commercial developers with no commensurate increase in customer buying prices leading to significant margin pressure.

In the past four months to December 2015, Madisson has completed and handed over 6 projects with contract value totalling \$42.1m. However, during this period Madisson has been unsuccessful in winning a number of tenders at appropriate margins for the risks involved.

At the end of January 2016, Madisson had 3 projects remaining with contract values totalling \$25.4m, which are all forecast to be completed by September 2016. An independent review instigated by the Board confirmed that the financial impact for FY16 of the Madisson closure, including operating losses from existing projects, is in the range of \$7.0m - \$8.5m after tax net loss.

Simonds will continue to operate in the growing medium-density housing market by providing quality affordable townhouses directly to our retail customers through the Simonds Homes "Precinct" range.

Acquisition of Gemmill Homes Group Pty Ltd

On 16 November 2015, the Company announced its intention to acquire 100% of Gemmill Homes Pty Limited ("Gemmill"). This included a call option for the purchase of Gemmill for a non-refundable fee of \$0.1m which is exercisable by the Company at its sole discretion at any time until 31 July 2016. On 24 February 2016, the Board has decided to terminate the option to acquire Gemmill.

Resignation of Mr Paul McMahon as CEO and Managing Director

On 22 January 2016, Mr Paul McMahon resigned as CEO and Managing Director of the Simonds Group. Mr Robert Stubbs was appointed acting CEO from 25 January 2016 until the appointment of Mr Matthew Chun effective 1 April 2016.

Appointment of Mr Matthew Chun as CEO and Managing Director

On 19 February 2016, Mr Matthew Chun was announced as the newly appointed CEO and Managing Director of the Simonds Group. Mr Matthew Chun will take office on 1 April 2016.

Rounding of amounts

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

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

On behalf of the Directors



Vallenge Gary Simonds
Chairman

Melbourne, 25 February 2016

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

25 February 2016

Dear Board Members

Simonds Group Limited

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

As lead audit partner for the review of the financial statements of Simonds Group Limited for the half-year ended 31 December 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 review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Andrew Reid
Partner
Chartered Accountant

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

We have reviewed the accompanying half-year financial report of Simonds Group Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 13 to 27.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Simonds Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Partner
Chartered Accountants
Melbourne, 25 February 2016

Directors' declaration

The directors declare that:

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

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

On behalf of the Directors



Vallenge Gary Simonds
Chairman
Melbourne, 25 February 2016

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2015

	Consolidated	
	Half-year ended 31 Dec 2015	Half-year ended 31 Dec 2014
Notes	\$'000	\$'000 (restated ¹)
Revenue	318,227	299,203
Cost of sales	(258,672)	(231,220)
Gross profit	59,555	67,983
Interest income	31	177
Other gains and losses	21	(78)
Administration expenses	(52,711)	(49,463)
Marketing and selling expenses	(9,015)	(8,633)
Share based payments expenses	10 (291)	(28,347)
IPO restructure costs	-	(605)
Finance costs	(615)	(542)
Loss before tax	(3,025)	(19,508)
Income tax benefit / (expense)	831	(2,756)
LOSS FOR THE PERIOD	(2,194)	(22,264)
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	(2,194)	(22,264)
Loss for the period attributable to:		
Owners of the Company	(2,194)	(22,264)
Total comprehensive income attributable to :		
Owners of the Company	(2,194)	(22,264)
Earnings per share		
Basic (cents per share)	4 (1.46)	(15.47)
Diluted (cents per share)	(1.46)	(15.47)

The accompanying notes form part of these financial statements

(1) Restated consolidated statement of profit and loss and other comprehensive income. (Refer to Note 1.4)

Condensed consolidated statement of financial position as at 31 December 2015

	Notes	31 Dec 2015 \$'000	30 June 2015 \$'000 (restated ¹)
Assets			
<i>Current Assets</i>			
Cash and bank balances		448	5,477
Trade and other receivables		41,297	44,956
Inventories	7	61,333	71,686
Other assets		4,628	6,809
Total current assets		107,706	128,928
<i>Non-Current Assets</i>			
Property, plant and equipment		9,150	7,433
Intangible assets		8,492	4,080
Deferred tax assets		3,903	3,675
Financial assets		493	-
Total non-current assets		22,038	15,188
Total assets		129,744	144,116
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables		65,989	75,685
Borrowings	5	6,835	-
Finance lease liability		1,349	908
Provisions		11,618	11,786
Income in advance		12,134	9,704
Total current liabilities		97,925	98,083
<i>Non-Current Liabilities</i>			
Provisions		6,828	6,384
Borrowings	5	7,280	-
Finance lease liability		2,318	1,877
Deferred tax liabilities		6,709	11,117
Total Non-Current Liabilities		23,135	19,378
Total liabilities		121,060	117,461
Net assets		8,684	26,655
Equity			
Issued capital	6	12,911	13,590
Share buy-back reserve		(7,204)	-
Share based payments reserve		29,559	29,424
Retained earnings		(26,582)	(16,359)
Total equity		8,684	26,655

The accompanying notes form part of these financial statements

(1) Restated consolidated statement of financial position. (Refer to Note 1.4)

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2015

	Issued capital \$'000	Share buy-back reserve \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2014	822	-	-	14,074	14,896
Issue of shares – executive subscription	3,523	-	-	-	3,523
Issue of shares – capital raising	9,298	-	-	-	9,298
Employee share plan	-	-	28,347	-	28,347
Dividends paid	-	-	-	(19,410)	(19,410)
Loss for the period (restated)	-	-	-	(22,264)	(22,264)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year (restated)	-	-	-	(22,264)	(22,264)
Balance at 31 December 2014 (restated)	13,643	-	28,347	(27,600)	14,390
Balance at 30 June 2015	13,590	-	27,375	(14,310)	26,655
Restatement	-	-	2,049	(2,049)	-
Balance at 1 July 2015 (restated)	13,590	-	29,424	(16,359)	26,655
Share buy-back	(679)	(7,204)	-	-	(7,883)
Employee share plan	-	-	291	-	291
Performance rights exercised	-	-	(156)	-	(156)
Dividends paid	-	-	-	(8,029)	(8,029)
Loss for the period	-	-	-	(2,194)	(2,194)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(2,194)	(2,194)
Balance at 31 December 2015	12,911	(7,204)	29,559	(26,582)	8,684

The accompanying notes form part of these financial statements

(1) Restated consolidated statement of financial position. (Refer to Note 1.4)

Condensed consolidated statement of cash flows for the half-year ended 31 December 2015

	Notes	Half-year ended 31 Dec 2015 \$'000	Half-year ended 31 Dec 2014 \$'000
Cashflows from operating activities			
Receipts from customers		318,386	293,199
Payments to suppliers and employees		<u>(304,452)</u>	<u>(299,502)</u>
Cash generated from operations		13,934	(6,303)
Interest paid		(615)	(542)
Income taxes paid		<u>(12,193)</u>	<u>(5,386)</u>
<i>Net cash (used in)/generated from operating activities</i>		1,126	(12,231)
Cashflows from investing activities			
Interest Received		32	177
Proceeds from disposal of plant, property and equipment		67	46
Payments for plant, property, equipment and intangible assets		(1,928)	(1,414)
Payment to acquire subsidiary and its working capital (net of the cash assumed)		(1,154)	-
Investment in land fund		<u>(493)</u>	<u>-</u>
<i>Net cash used in investing activities</i>		(3,476)	(1,191)
Cash flows from financing activities			
Repayment of borrowings		-	(716)
Proceeds from borrowings		14,115	-
Payment for leases		(882)	(338)
Proceeds from issue of share capital		-	12,821
Payments for share buy-back		(7,883)	-
Repayment of related party loans		-	17,377
Dividends paid to shareholders		<u>(8,029)</u>	<u>(19,410)</u>
<i>Net cash (used in)/generated from financing activities</i>		(2,679)	9,734
<i>Net (decrease)/increase in cash and cash equivalents</i>		(5,029)	(3,688)
Cash and cash equivalents at the beginning of the year		<u>5,477</u>	<u>15,895</u>
<i>Cash and cash equivalents at the end of the period</i>		<u>448</u>	<u>12,207</u>

The accompanying notes form part of these financial statements

Notes to financial statements

1. Significant accounting policies

1.1 Statement of compliance

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

1.2 Basis of Preparation

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

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

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 accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.3 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 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of the AASB 1031 Materiality'

1.4 Restatement of executive share based payments

During 2015, following the resignation of the CEO, the Company identified an error in the treatment of share based payment expenses relating to the CEO and certain key executives of the Group, which required restatement of the comparative financial statements. The restatement relates to amounts payable to these executives by Simonds Family Office Pty Ltd for services rendered as part of the initial public offering process. Accordingly, share based payments expense for the period ended 31 December 2014 was increased by \$1.4 million, retained earnings at 30 June 2015 decreased by \$2.0 million and share based payments reserve increased by \$2.0 million. The restatement did not require an adjustment to the previously reported net assets of the Group at 30 June 2015, nor did it alter the previously reported cash flow of the Group for the year ended 30 June 2015.

2. Segment information

2.1 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 services the Group provides. No operating segments have been aggregated in arriving at the reportable segments of the Group. Specifically the Group's reportable segments under AASB 8 are as follows:

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

2.2 Segment revenues and results

The following is an analysis of the Groups revenue and results by reportable segment for the half-years under review:

	Segment revenue		Segment profit/(loss) (restated ¹)	
	Half-year ended 31/12/15	Half-year ended 31/12/14	Half-year ended 31/12/15	Half-year ended 31/12/14
	\$'000	\$'000	\$'000	\$'000
Residential construction	305,589	281,733	(5,802)	8,743
Registered training	11,567	10,889	3,773	4,965
Land development	1,071	6,581	(853)	(326)
	<u>318,227</u>	<u>299,203</u>	<u>(2,882)</u>	<u>13,382</u>
Unallocated costs	-	-	688	(35,646)
Total	<u>318,227</u>	<u>299,203</u>	<u>(2,194)</u>	<u>(22,264)</u>

(1) Restated segment profit / (loss) (Refer Note 1.4)

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

Unallocated costs include management incentive and share based payments of \$nil (2014: \$28.2m), tax benefits of \$0.8m (2014: tax expenses \$2.8m), costs associated with initial public offering of \$0.1m (2014: \$4.1m) and business restructuring costs of \$nil (2014: \$0.6m).

2.3 Segment assets and liabilities

The following is an analysis of the Group's assets by reportable operating segment:

	Half-year ended 31/12/15	Year ended 30/06/15
	\$'000	\$'000
Segment assets		
Residential construction	119,535	130,954
Registered training	5,757	6,388
Land development	4,452	6,774
	129,744	144,116
Segment liabilities		
Residential construction	114,908	116,341
Registered training	5,884	770
Land development	268	350
	121,060	117,461

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

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

3. Dividends

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

	Half-year ended 31/12/15		Year ended 30/06/15	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Special dividend	-	-	13.96	19,501
Final dividend	5.30	8,029	-	-
	5.30	8,029	13.96	19,501

4. Earnings per share

	Half-year ended 31/12/15	Half-year ended 31/12/14 (restated ¹)
	Cents per share	Cents per share
Basic earnings per share	(1.46)	(15.47)
Diluted earnings per share	(1.46)	(15.47)

(1) Restated Earnings per share (Refer Note 1.4)

4.1 Basic earnings per share

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

	Half-year ended 31/12/15	Half-year ended 31/12/14 (restated ¹)
	\$'000	\$'000
Loss for the period attributable to owners of the Company	<u>(2,194)</u>	<u>(22,264)</u>
Earnings used in the basic earnings per share	<u>(2,194)</u>	<u>(22,264)</u>
	Shares	Shares
Weighted average number of ordinary shares for the purposes of the basic earnings per share	<u>149,794,568</u>	<u>143,901,383</u>

(1) Restated basic earnings per share (Refer Note 1.4)

4.2 Diluted earnings per share

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	Half-year ended 31/12/15	Half-year ended 31/12/14
	Shares	Shares
Shares deemed to be issued for no consideration in respect of:		
- Performance rights	1,476,412	307,768
- Service rights	<u>218,917</u>	<u>57,707</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>1,695,329</u>	<u>365,475</u>

5. Borrowings

	Half-year ended 31/12/15	Year ended 30/06/15
Current Borrowings	\$'000	\$'000
Commercial Bills	1,835	-
Display Fund Facility	<u>5,000</u>	<u>-</u>
	<u>6,835</u>	<u>-</u>
	Half-year ended 31/12/15	Year ended 30/06/15
Non-Current Borrowings	\$'000	\$'000
Commercial Bills	<u>7,280</u>	<u>-</u>
	<u>7,280</u>	<u>-</u>

6. Issued Capital

Issued capital as at 31 December 2015 amounted to \$12,911,152 (143,841,655 ordinary shares).

	Number of shares		Share capital	
	Half - year ended 31/12/15	Year ended 30/06/15	Half - year ended 31/12/15 (\$)	Year ended 30/06/15 (\$)
Balance at beginning of the period	151,412,268	27,928,858	13,590,304	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
Cancelled Shares (iv)	(7,570,613)	-	(679,152)	-
Transaction costs	-	-	-	(754,948)
Balance at end of the period	143,841,655	151,412,268	12,911,152	13,590,304

- (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.
- (iii) Additional capital of \$10.0 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 account as a deduction in equity for the year ended 30 June 2015. As part of the listing on the ASX, 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.
- (iv) On 20 August 2015, SIO announced its intention to undertake an on-market share buy-back ("buy-back") to enable the company to acquire up to a maximum of 7.5m shares within a 12-month period. The buy-back was part of the company's ongoing capital management strategy, and determined by the Directors to be an appropriate use of Group capital resources given current market conditions. The Company bought back 7,570,613 of its issued shares for a total amount of \$7,883,309. As a result, a reduction in capital of \$679,152 has been recognised based on its implied value per share (8.97c) and the remaining balance was recorded in the Share Buy-back reserve.

7. Inventories

	Half-year ended 31/12/15 \$'000	Year ended 30/06/15 \$'000
Work in progress on construction contracts	23,522	36,886
Speculative & display homes, land stock	39,295	36,459
Provision for impairment of display homes and land stock	(1,484)	(1,659)
	61,333	71,686

8. Key Management Personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

9. Related party transactions

	Sale of goods		Purchases of goods	
	Half-year ended 31/12/15	Half-year ended 31/12/14	Half-year ended 31/12/15	Half-year ended 31/12/14
	\$'000	\$'000	\$'000	\$'000
V. Gary Simonds and related parties	36	682	521	248
Paul Mc Mahon and related entities	-	-	38	38
Leon Gorr and related entities	-	-	248	1,240
Matthew Chun and related entities	-	-	60	-
Total	36	682	867	1,526

	Amounts owed by related parties		Amounts owed to related parties	
	Half-year ended 31/12/15	Year ended 30/06/15	Half-year ended 31/12/15	Year ended 30/06/15
	\$'000	\$'000	\$'000	\$'000
V. Gary Simonds and related parties	-	298	145	4
Paul Mc Mahon and related entities	-	-	-	3
Leon Gorr and related entities	-	-	-	43
Matthew Chun and related entities	-	-	-	-
Total	-	298	145	50

V. Gary Simonds and related entities

Sale of goods to V. Gary Simonds and related entities are in respect to the construction of two homes for closely related family members of V. Gary Simonds. One of these homes was constructed and provided at cost. The second home has been constructed at the Group's usual list prices and on a normal arms-length basis. Also included in this amount is an amount recognised for a licence agreement with SFO Consulting Pty Ltd which incurs an annual licence fee of \$20,444 per annum. The amount recognised for the period ended 31 December 2015 is \$1,704.

The Company leases a number of properties from V. Gary Simonds and related entities on an arms-length basis which amounted to \$20,750 for the half period ended 31 December 2015 (Half-year 31 December 2014: \$248,221). Included in the purchase of goods is \$20,000 paid to Mark Simonds, a son of Gary Simonds, for consulting services provided. As part of the normal course of business, goods have been received from OzSoft Solutions Pty Ltd (VETtrak) and RTOMS Pty Ltd, two entities under the common control of a closely related family member of Gary Simonds.

Leon Gorr and related entities

Leon Gorr is both a director of the Company and a Partner at HWL Ebsworth Lawyers who has provided legal services to the Company during the year.

Matthew Chun and related entities

Matthew Chun is both a director of the Company and a Director at Chun Group who has provided advisory services as part of the normal course of business to the Company during the year.

Paul McMahon and related entities

Purchase of goods was made with respect to two display homes owned by Paul McMahon and related entities. This lease is on a normal arms-length transactions basis.

Loans to related parties

During the FY2015 year, loans to related parties of \$17.988m were repaid. Loans to related parties were under the control of Valleng Gary Simonds, a director of the company. As at 31 December 2015, loans to related parties amounted to \$nil (30 June 2015: \$nil).

9. Related party transactions (Cont'd)

Other related party transactions

Management incentive and share based payment transactions that took place during the period are disclosed in note 10.

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

10. Share based payments

Employee share plan

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

Share based payments made in the ordinary course of business to the management team for the half-year amounted to \$0.291m (31 December 2014: \$0.123m). Performance rights of 1,592,132 (2015: 1,348,316) were granted to 8 senior executives during the period and no service rights granted to senior managers.

Incentives	Vesting date	Fair value on the grant date	Other vesting condition
Performance rights	31 Aug 2018	\$1.41	Non market and Market
Performance rights	31 Aug 2017	\$1.03	Non market and Market
Services rights	14 Nov 2016	\$1.69	Non market vesting only

The following table outlines the share based payments made under the management incentive and employee share plan for the period ended 31 December 2015:

	Half-year ended 31/12/15	Year ended 31/12/14 (restated ¹)
	\$'000	\$'000
<u>Executive share based payment</u>		
Equity settled share based payments	-	6,337
Cash settled share based payments	-	21,887
	-	28,224
<u>Employee share plan</u>		
Share based payments	291	123
	291	28,347

(1) Restated share based payments expense (Refer Note 1.4)

11. Cash and cash equivalents

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

	Half-year ended 31/12/15	Half-year ended 31/12/14
Cash flows from operating activities		
Profit for the year	(2,194)	(22,264)
Income tax expense recognised in profit or loss	(831)	2,756
Finance costs recognised in profit or loss	615	542
Interest received	(31)	(177)
(Gain)/Loss on disposal of property, plant and equipment	(21)	78
Depreciation and amortisation of non-current assets	2,171	2,009
Management incentive and share based payments	135	28,347
Impairment loss recognised on inventories and loans to related parties	-	(278)
	(156)	11,013
Movements in working capital		
(Increase)/decrease in trade and other receivables	159	(6,004)
(Increase)/decrease in inventories	10,353	10,414
(Increase)/decrease in other assets	2,182	(2,222)
Increase/(decrease) in trade and other payables	1,120	(20,026)
Increase/(decrease) in provisions	276	522
Cash generated by operating activities	13,934	(6,303)
Interest paid	(615)	(542)
Income taxes paid	(12,193)	(5,386)
Net cash generated by operating activities	1,126	(12,231)

12. Business Combinations

12.1 Subsidiaries acquired

The acquisition of City-Wide Building and Training Services Pty Ltd (CWBTS) was completed on 1 July 2015. 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.

	<u>Principle activity</u>	<u>Date of acquisition</u>	<u>Proportion of shares acquired</u>	<u>Consideration transferred</u>
2015			%	\$'000
CWBTS	Provision of building & construction training	01/07/2015	100	3,500
				3,500

There were no subsidiaries acquired during the half-year ended 31 December 2014.

12. Business Combinations (Cont'd)

12.2. Consideration transferred

	\$'000
Cash	3,500
Contingent consideration arrangement (i)	-
Total	3,500

(i) Under the contingent consideration arrangement in the share sale and purchase agreement, the Group was required to pay the vendor an additional \$0.5m if CWBTS's performance indicators are met. This amount is an Earn Out amount based on the Gross Revenue for the calendar year 2015. This was not met and the Earn Out amount will not be paid as such the consideration is nil.

12.3 Assets and liabilities assumed at the date of acquisition

The initial accounting for the acquisition of CWBTS has been determined at the end of the reporting period. There are no other intangible assets identified and the assets acquired and liabilities assumed are as follow:

	\$'000
Cash	389
Trade receivables	663
Inventory	26
Plant and Equipment	26
Total assets	1,104
Trade payables and provisions	35
Total liabilities	35
Net assets	1,069
Cash paid	4,543
Net assets acquired	1,069
Goodwill	3,474

12.4 Non-controlling interests

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

12.5 Goodwill arising on acquisition

Goodwill of \$3,474,132 was recognised and allocated to Registered Training segment in the current period ended 31 December 2015.

12. Business Combinations (Cont'd)

12.6 Net cash outflow on acquisition of subsidiaries

	Half-Year ended 31/12/15	Year ended 30/06/15
	\$'000	\$'000
Consideration paid – Deposit pending regulatory approval	(500)	(3,000)
– final payment on completion	(1,043)	
Cash balance assumed at acquisition	389	-
	(1,154)	(3,000)

(i) Cash outflow of \$0.5m relates to a retention amount which was payable in accordance with the share purchase agreement pursuant to conditions being met.

13. Subsequent events

In the opinion of the Directors, other than the events mentioned in the Directors report, there have been no material matters or circumstances which have arisen between 31 December 2015 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of the affairs of the Group in subsequent financial periods.