Appendix 4E

For the year ended 30 June 2023

Simonds Group Limited

ACN: 143 841 801

This report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

SIMONDS GROUP LIMITED (ASX: SIO)

APPENDIX 4E

YEAR ENDED 30 JUNE 2023

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross referenced to the 2023 Consolidated Financial Report as at 30 June 2023 and the accompanying notes in accordance with Listing Rule 4.3A.

Company Details and Reporting Period

Simonds Group Limited
ACN: 143 841 801

Reporting period:	Year ended 30 June 2023
Previous reporting period:	Year ended 30 June 2022

Results for Announcement to the Market for the year ended 30 June 2023						
Revenue from ordinary activities from continuing operations ($m)	Up	$34.9m	by	5.1%	to	$722.4m
Loss from ordinary activities before tax from continuing operations ($m)	Down	($15.4m)	by	82.8%	to	($34.0m)
Loss from ordinary activities after tax from continuing operations ($m)	Down	($11.3m)	by	92.6%	to	($23.5m)
Profit after tax from discontinued operations ($m)	Down	($2.4m)	by	(96.0%)	to	$0.1m
Net Loss after tax ($m)	Down	($13.6m)	by	140.2%	to	($23.3m)
Net Loss attributable to members ($m)	Down	($13.6m)	by	140.2%	to	($23.3m)

Dividends	Amount per share (cents)	Franked amount per share (cents)
For the year ended 30 June 2023	Nil	Nil
For the year ended 30 June 2022	Nil	Nil

Net tangible asset backing per ordinary share	Amount per share (cents)
As at 30 June 2023 (including right-of-use assets)	3.48
As at 30 June 2022 (including right-of-use assets)	6.01

Net assets backing per share at 30 June 2023 was 4.02 cents (30 June 2022: 9.16 cents).

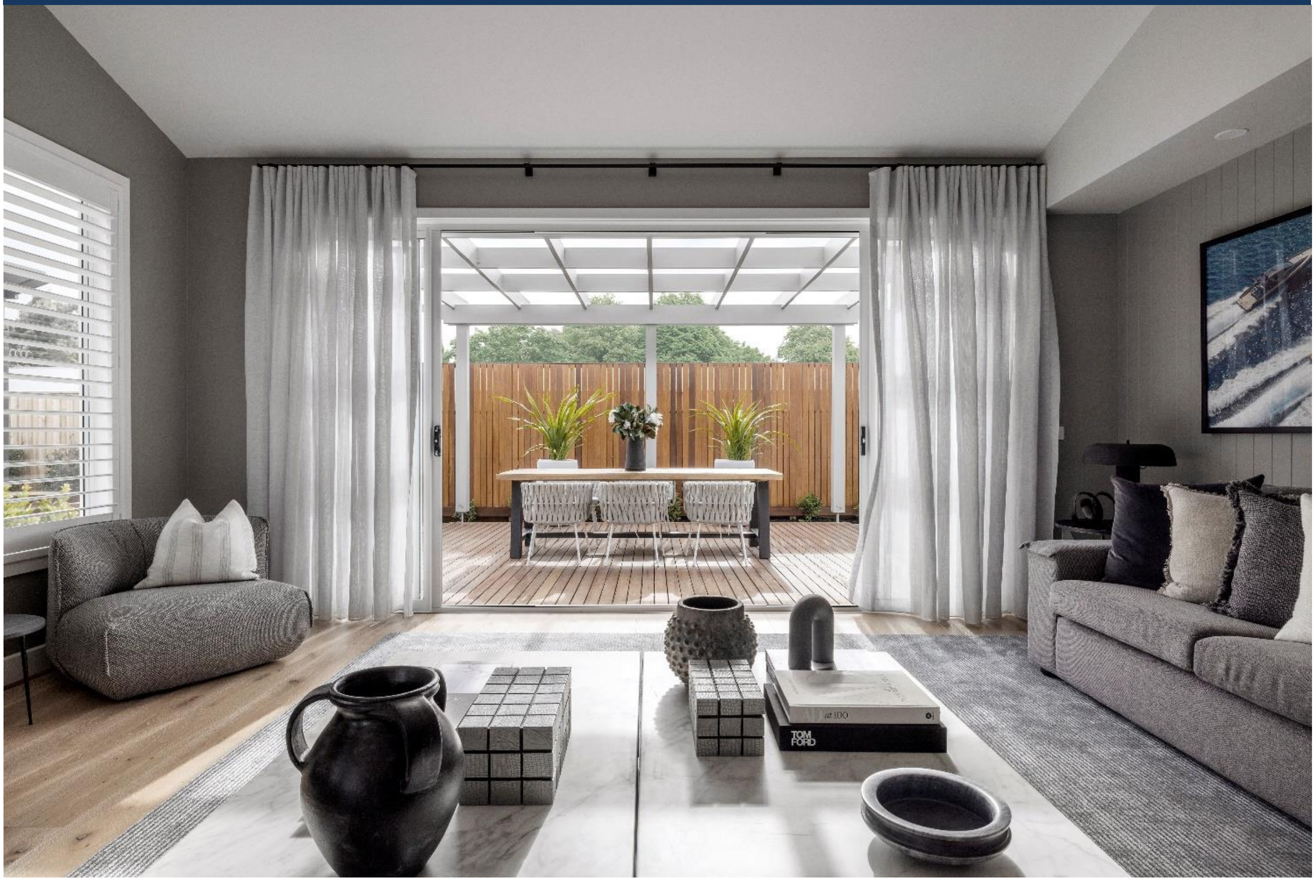
Other Information

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

For a brief explanation of the results presented in this Appendix 4E, please refer to the ASX announcement on the results for the year ended 30 June 2023 and the financial report.

Simonds Group Limited
ACN: 143 841 801

Financial Report for the year ended 30 June 2023



Simonds Group Limited
Financial Report for year ended 30 June 2023

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 2023. To comply with the provisions of the *Corporations Act 2001*, the directors' report as follows:

Information about the directors

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

Current Directors		
Name	**Date appointed**	**Current Position**
Rhett Simonds	20 April 2016	Chief Executive Officer (CEO) and Executive Chairman
Mark Simonds	20 September 2017	Executive Director
Piers O'Brien	20 September 2017	Non-Executive Director
Andrew Bloore	27 July 2021	Non-Executive Director
David Denny	1 November 2021	Independent Non-Executive Director
Richard Grellman[1]	9 May 2023	Independent Non-Executive Director

Former Directors			
Name	**Date appointed**	**Date resigned**	**Position**
Iain Kirkwood[2]	20 September 2017	9 May 2023	Independent Non-Executive Director

The particulars of the directors are as follows:

NAME	EXPERIENCE AND DIRECTORSHIPS
Rhett Simonds	• Rhett is the Chief Executive Officer (CEO) and Executive Chairman of the Board. • Rhett holds a Bachelor of Commerce from Deakin University. • Rhett has been involved with the business since joining the Simonds Group of Companies in 2005. Rhett has a strong focus on the property and construction sector, where he sits on a number of private company boards. • In addition to his experience in the property and construction sector, Rhett is a director of and investor in a number of technology and finance related businesses.
Mark Simonds	• Mark holds a registered builder's licence in Victoria, NSW, Queensland and South Australia. Mark has spent over 40 years immersed in the volume home building industry. • Prior to Simonds Group Limited listing in 2014, Mark was fully engaged in the day-to-day executive management of Simonds Homes. From 1973 until its listing, Mark worked alongside his father Gary Simonds, and understands what is required for a successful volume building business. • Mark is the Deputy Chairman of Simonds Consolidated, which is primarily focussed on venture capital, private equity, building and construction and the broader real estate sector.

[1] On 9 May 2023, Simonds announced the appointment of Richard Grellman as an independent, non-executive director.
[2] On 9 May 2023, Simonds announced the retirement of Mr Iain Kirkwood as independent, non-executive director and Chair of the Company's Audit & Risk Committee.

NAME	EXPERIENCE AND DIRECTORSHIPS
Piers O'Brien	• Piers is a qualified lawyer with over 20 years' professional experience. • Piers is a member of the Group's Audit & Risk Committee and Nomination & Remuneration Committee. • Piers is the Chief Operating Officer of the Simonds Family Office before which he spent the previous 12 years working in in-house legal roles as both General Manager Legal and General Counsel. During this time, he managed the legal function at ASX 200 company Skilled Group Limited for approximately 8 years. • Piers started his career in private practice with K&L Gates Lawyers (and its predecessor firms) where he spent 8 years specialising in mergers and acquisitions, corporate transactions and board advisory work.
Andrew Bloore	• Andrew is an experienced Non-Executive Director, Entrepreneur, and farmer. He has designed, built and sold a number of businesses focussed on the development of key disruptive technologies and distribution services in traditional markets, to create business efficiencies including Smartsuper, SuperIQ and Class Super. • Andrew has worked on a range of Senate and Treasury Committees, and with the Australian Taxation Office Regulations Committee on regulation of the superannuation industry. • In 2016, Andrew sold his superannuation administration business to AMP, stepped down from the Senate and Treasury Committees and is now focussed on contributing to the organisations as a Non-Executive Director. • Andrew is currently Chairman of Guild Group and an Independent, Non-Executive Director of Insignia Financial Limited. Andrew is also a Non-Executive Director of Simonds Family Office Pty Ltd. • Andrew is the Chair of the Group's Nomination & Remuneration Committee and a member of the Group's Audit & Risk Committee.
David Denny	• David was appointed as an Independent, Non-Executive Director of Simonds Group Limited on 1 November 2021. • David was a Partner of PriceWaterhouseCoopers (PwC) for 21 years, including as the practice leader of PwC's Mergers & Acquisition advisory and Corporate Finance advisory businesses in Australia and the Asia-Pacific region. • David has extensive international experience, including cross-border transactions, international leadership roles and a secondment to Asia. • David is a member of the Group's Audit & Risk Committee and Nomination & Remuneration Committee.
Richard Grellman	• Richard is Chairman of FBR Ltd and Lead Independent Director of The Salvation Army in Australia. • Mr Grellman has been a professional non-executive director since 2000. Prior to that, he worked at KPMG for 32 years, including as a partner from 1982 to 2000. His practice focussed on the provision of strategic advice and services to the financial Services sector. • In 2007, Richard was appointed a member of the Order of Australia for service to the community, particularly through leadership roles with Mission Australia and fundraising with Variety, The Children's Charity, and to the finance and insurance sectors. • Richard is the Chair of the Group's Audit & Risk Committee and a member of the Nomination & Remuneration Committee.

NAME	EXPERIENCE AND DIRECTORSHIPS
Iain Kirkwood	• Iain was educated at Glenalmond College in Scotland and holds a Master of Arts from Oxford University. Iain is a Fellow of CPA Australia (FCPA). • Iain was the Chair of the Group's Audit & Risk Committee and member of the Nomination & Remuneration Committee until his retirement on 9 May 2023. • Iain is an experienced listed company Non-Executive Director & Chairman and has worked as a senior Executive and Non-Executive Director across a range of industries, including auditing, resources, manufacturing and latterly healthcare in Australia, the USA and Britain. • Iain is Chairman of Bluechip Ltd, former Chairman of Novita Healthcare Limited and has held Non-Executive Director roles with Medical Developments International Ltd and Vision Eye Institute Ltd. • Iain began his business career with Arthur Andersen & Co in London and went on to hold several senior financial and general management positions in Woodside Petroleum Ltd, Santos Ltd, Pilkington Plc, F.H Faulding & Co Ltd and Clinuvel Pharmaceuticals Ltd.

Directors' Shareholding

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

Directors	Fully Paid Ordinary shares (Number)	Share options (Number)
Rhett Simonds	14,044	450,000
Mark Simonds	56,741	-
Andrew Bloore	848,683	-
Piers O'Brien	-	-
David Denny	-	-
Richard Grellman	-	-

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.

Company Secretary

Amanda Jones was appointed Company Secretary of Simonds Group Limited on 27 June 2022. Amanda is a member of the Senior Leadership Team and the Group's General Counsel. Amanda holds a Bachelor of Arts /Bachelor of Laws (Hons) from Monash University and is a Fellow of the Governance Institute of Australia. Prior to joining the Group, Amanda held the roles of General Counsel & Company Secretary and General Manager Corporate Services at MaxiPARTS Limited (ASX:MXI, formerly MaxiTRANS Industries Limited).

Operating and Financial Review

Principal activities

The Group's principal activities during the financial year were the design, sale and construction of residential dwellings.

Business Overview

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

The Group has strategically diversified into alternative channels to market which will include the construction of higher density dwellings, delivered through the Project and Wholesale Division. Simonds has also commenced completion and rectification works for domestic building insurance claimants, impacted by insolvencies within the industry.

The Group also maintains a small development land portfolio via direct land ownership.

Operations

Group revenue from continuing operations for the period was $722.432 million compared to the previous corresponding period of $687.493 million. The increase in Group revenue reflects the impact of increased site start values of jobs going to site and increased workdays with no COVID restrictions or shutdowns compared to preceding period. However, this increase was offset by the inflationary impacts on cost as a result of the supply and trade labour challenges faced by the construction industry during this period. The Company continued to trade through the lower margin contracts signed prior to January 2022, which have gone to site late FY22 and during the current financial period.

Simonds Homes recorded 1,951 site starts for the period, 425 down on the previous corresponding period. The reduction in site starts is attributable to various external factors including prolonged weather delays, and higher cancellations given the higher interest rate environment and corresponding challenges with affordability.

In response to the challenges experienced, the Group has raised further capital to strengthen its balance sheet and implemented various strategic initiatives to counter further emerging risks. These initiatives included the investment in resources to support the new channels to market and various cost reduction initiatives aimed at right sizing the overhead cost base. During the financial year two separate rounds of redundancies were announced to align the resourcing with the target operating model. In addition, external consultants were utilised to support the business with a significant overhead reduction exercise. This will result in a leaner overhead base in the subsequent financial period.

The operational challenges and investment in new initiatives resulted in an EBITDA loss of $11.395m, which is $15.082m lower than the prior year.

Increase in Issued Share Capital

On 21 December 2022, the Group, announced that it had completed a $25.5 million equity raise by way of a traditional pro rata renounceable entitlement offer of new ordinary shares in the company to existing shareholders. The offer was fully underwritten by the largest shareholder and founder, Vallence Gary Simonds. The proceeds from the equity raise were utilised to support working capital in light of the challenging trading and macroeconomic conditions and to invest in strategic growth initiatives.

Earnings per share

The calculation of earnings per share (EPS) is presented in note 10.

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 year ended 30 June 2023 of 158,855,699 (2022: 146,258,855).

	Note	30 June 2023 cents per share	30 June 2022 cents per share
EPS from continuing operations			
Basic	10	(9.18)	(8.33)

Balance sheet

The Group maintained a strong net cash position (measured by cash and cash equivalents) of $15.102 million as at 30 June 2023, primarily as a consequence of the December capital raise, offset by losses incurred due to adverse market conditions and expenses incurred right-sizing the business and establishing diversified channels to market. Simonds has no debt, and the banking facilities (unused) were extended up to 31 December 2024. While the banking facilities are typically unused, it provides the Group with additional liquidity options and opportunities to re-investing into capabilities supporting future growth.

During the year, the Group continued to operate within its banking covenants. Refer to Note 3 for further details.

Working capital remains stable and is aligned with the operational activity. Display inventory has remained constant as the business continues to invest in future sales capability, while carefully managing the cash impact of new display homes.

Operating cash flows

The challenging operational environment has resulted in reduced operating cash flows of ($4.093m) (2022: Deficit of $2.335m). Collections from customers remained strong but was offset by increased supply and labour input costs during the period.

Future developments

Despite the challenges of FY23, Simonds remains in a strong financial position with a positive outlook ahead. The equity raised during the year, coupled with the strategic initiatives to diversify channels to market and reduce overheads have created a solid foundation for the Group to deliver sustained and profitable growth.

Whilst the higher interest rate environment and cost of living pressure will continue to impact residential customers in the near term, the investment in new channels during FY23 will allow Simonds to play a meaningful role assisting customers to complete their builds under relevant Domestic Building Insurance programs as well as develop solutions aligned with State and Federal Government investments in affordable housing.

Supply chain challenges continue to ease as the industry moves past peak construction, improving build times and productivity. The group will remain focussed on cost efficiency and re-invest in new initiatives to drive growth and rebuild the balance sheet. The Group is excited about the opportunities ahead.

Summary of key business risks

The Board is optimistic about the Group’s future trading performance but acknowledges there are certain factors that may pose a risk to the achievement of the Group’s business strategies and future performance, which include softer sales volumes given the current interest rate environment and consumer confidence in the residential construction industry.

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

<u>Liquidity</u>

Although the Group has a strong liquidity position, management remains mindful of the impact unexpected working capital movements can have on the cash position. Strict daily cash flow forecasting measures are in place to provide management with visibility on near and medium-term cash requirements and include upside and downside resilience testing.

<u>New channels to market</u>

Management has invested in resources to support the new channels added to our current product mix. Understanding the risks to execute effectively in these spaces are critical to avoid unnecessary cost or losses. Specific industry experts were appointed to ensure the risk exposures are well understood and managed. Key performance measures are frequently reviewed by the management team to ensure risks are appropriately managed.

<u>Impact of macroeconomic pressures</u>

The current macro-economic environment has led the RBA to announce several interest rate increases which have reduced customers' borrowing capacity over the past 12 months. The reduced borrowing capacity, including the decrease in affordability has negatively impacted sales for residential dwellings. It is uncertain how long these conditions will continue, impacting consumer sentiment and willingness to commit to large investment decisions.

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

Trade labour challenges will continue in the short term but are expected to ease significantly over the next 6-12 months.

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

Subsequent events

On 31 July 2023, Simonds Group Limited announced it has reached an agreement with Victorian Managed Insurance Authority (VMIA) to facilitate processing of claims made by former customers of Porter Davis Homes. This agreement may have a positive effect on revenue in FY24.

Apart from above, there are no other events that occurred subsequent to the reporting date that may significantly affect Group's operations, results or state of affairs in future periods.

Dividends

Given the financial results of the Group for the current financial year combined with the intent to rebuild the balance sheet, the directors have determined that no dividend will be paid in relation to the 2023 financial year (2022: nil). Future dividends will be subject to the directors' assessment of the Company's financial position at the appropriate time.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors 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 as 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, 13 Board meetings, 3 Nomination & Remuneration Committee meetings and 5 Audit & Risk Committee meetings were held.

	Board of Directors		Nomination & Remuneration Committee		Audit & Risk Management Committee	
Directors	Held*	Attended	Held*	Attended	Held*	Attended
Rhett Simonds	13	13	3	3	5	4
Mark Simonds	13	11	3	3	5	4
Iain Kirkwood	11	11	2	2	4	4
Piers O'Brien	13	13	3	2	5	5
Andrew Bloore	13	12	3	3	5	4
David Denny	13	13	3	3	5	5
Richard Grellman	2	2	1	1	1	1

* Meetings held has been adjusted to reflect the number of meetings since the date of appointment, and to exclude meetings where there was conflict of interest 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 28 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 auditor's 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 in note 28 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & 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

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for FY2023 summarising this past year and the associated remuneration for our Chief Executive Officer and Key Management Personnel (KMP).

People are a substantive part of everything we do at Simonds. This is reflective of our core values and the commitments we make to each other, our shareholders, customers, suppliers and key stakeholders.

In FY2023, like others in the residential construction industry, Simonds operated in a challenging environment of rising construction costs and labour shortages and restructured the business by strengthening its core operations.

As the year progressed, a range of factors continued to impact the residential building sector and the Simonds business. These included prolonged wet weather and flooding, supply shortages and delivery delays for materials, availability of skilled labour, interest rate rises, reduced customer borrowing capacity, delays to land registration and inflation.

Throughout what was a difficult period, our workforce demonstrated resilience and commitment to advancing Simonds.

As we move into FY2024, our team will continue to drive growth and capitalise on emerging opportunities. We will maintain our commitment to the health and safety of our entire workforce and continue to value their contributions towards maintaining business continuity.

As part of its ongoing renewal and succession planning, the Board is committed to ensuring a strong membership and mix of skills, knowledge and experience. The addition of Mr Richard Grellman AM to the team is testament to this. In addition, the Nomination and Renumeration Committee will continue to test and evolve its approach to remuneration. This demonstrates our commitment to be both responsible and effective with regard to remuneration of our most valuable asset, our people.

Yours sincerely

R A Bloore

Chair, Nomination & Remuneration Committee

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 2023.

In addition to the Directors, the following executives are also KMP of the Group during or since the year ended 30 June 2023.

Senior Executives

Name	Position
David McKeown[1]	Group Chief Financial Officer (CFO)
Bertus Strydom[2]	Executive General Manager – Finance

Remuneration Policy Summary

The Simonds Group Limited remuneration policy has been designed to ensure 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.

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.

The remuneration of KMP is structured considering 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
- other appropriate benchmarks and targets to reward senior executives of the Group and individual performance.

[1] On 19 January 2023, Simonds announced the appointment of Mr. David McKeown as the Group Chief Financial Officer.
[2] Mr. Bertus Strydom was the Interim Group Chief Financial Officer from 22 June 2022 to 19 January 2023. He returned to role as Executive General Manager of Finance after 19 January 2023.

The Nomination & Remuneration Committee (the Committee)

The Committee assists the Board by providing advice in relation to the remuneration packages for KMP, and oversees management succession planning, performance targets and the remuneration of employees.

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

The Committee engages external remuneration consultants from time to time to provide advice on remuneration related issues. During the year ended 30 June 2023, no reviews for KMP and no remuneration recommendations were provided (as defined by the *Corporations Act 2001*).

No individuals are present during any discussions related to their own remuneration arrangements. 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

During the year ended 30 June 2023, fees paid to non-executive directors totalled $395,226 (exclusive of superannuation and cash salary and fees). There were no increases in director's fees in FY23. For FY24, work is currently under-way to determine any changes to fees paid to non-executive directors.

Non-executive directors are not appointed for a specific term and their appointment may end by notice from the individual director or otherwise pursuant to section 203B or 203D of the *Corporations Act 2001* and the Company's constitution.

The maximum annual aggregate for fees paid to Non-Executive Directors is $750,000. This limit was approved at the Annual General Meeting of Simonds Group Limited held on 2 October 2014.

KMP Remuneration Framework

The KMP remuneration framework comprises three principal elements:

- a total fixed remuneration (TFR) comprising a fixed component, consisting of a base salary, superannuation contributions and other related allowances;
- a performance based, variable 'at risk' component, comprising cash and/or equity settled short-term incentives (STI); and
- a performance and service based, variable 'at risk' component, comprising of options and/or performance rights and/or cash equivalents referred to as long-term incentives (LTI).

Executive Remuneration Components

TFR overview

TFR is benchmarked against the market median, also known as the 50th percentile, referencing market practice and comparable and similar sized organisations. 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

Given the financial results of the Group for FY23, no STI payments were made in relation to FY23.

LTI overview

The Group's LTI Plan enables a proportion of remuneration to be linked to Group performance over the long term and 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 sustainable shareholder wealth. The LTI Plan allows the granting of Performance Rights and/or options and/or cash equivalents that vest after a defined period, subject to Group and individual financial and non-financial performance hurdles. Vesting conditions may be waived at the absolute discretion of the Board.

The LTI payment is cash based or in shares at the Board's discretion as part of the annual remuneration review after finalisation of the Group's audited results.

No LTIs were offered during FY23.

Long term Incentive Key Features

<table>
<tr><th>Award Structure</th><th colspan="2">FY2021 Cash Rights</th></tr>
<tr><td>Consideration for the Performance Rights</td><td colspan="2">The Cash Rights will be granted for nil consideration.</td></tr>
<tr><td>Grant Date</td><td colspan="2">25 June 2021</td></tr>
<tr><td>Expiry date</td><td colspan="2">30 November 2023</td></tr>
<tr><td>Vesting Period</td><td colspan="2">Each right has a vesting period of approximately three years.</td></tr>
<tr><td>Performance Measure</td><td colspan="2">Vesting of Performance Rights is dependent on one discrete performance measure (hurdle):

FY2023 EPS
The performance measure is to achieve an EPS target for the financial year ending 30 June 2023.</td></tr>
<tr><td rowspan="5">CAGR EPS Vesting Schedule</td><td>FY2023 EPS</td><td>Percentage of Performance Rights to vest:</td></tr>
<tr><td>Below 6.00 cps</td><td>None</td></tr>
<tr><td>Between 6.01cps and 8.93 cps</td><td>Straight line pro-rata vesting between 25% and 50%</td></tr>
<tr><td>Between 8.94 cps and 9.58 cps</td><td>Straight line pro-rata vesting between 51% and 100%</td></tr>
<tr><td>At or above 9.59 cps</td><td>100%</td></tr>
<tr><td>Service Vesting Condition</td><td colspan="2">The Service Vesting Condition is continuous employment with the Company from Grant date to vesting date.</td></tr>
<tr><td>Other conditions</td><td colspan="2">These rights may be settled in either shares in the Company or the equivalent value in cash, at the discretion of the Board.</td></tr>
</table>

The following tables provide details of performance rights allocated to KMP pursuant to the LTI Plan.

Number of cash settled performance rights granted, vested, and expired/forfeited

FY2023						
Name	**Performance Rights 1 July 2022**	**Performance Rights Granted**	**Performance Rights Vested**	**Performance Rights Expired / Forfeited**	**Other**	**Balance 30 June 2023**
R Simonds	633,824	-	-	(183,824)	-	450,000
TOTAL	**633,824**	**-**	**-**	**(183,824)**	**-**	**450,000**

Remuneration Structure and Performance/Shareholder Wealth Creation

The Group's annual financial performance and indicators of shareholder wealth are summarised below.

Financial Performance	FY2023 Statutory Actual[2] $m	FY2022 Statutory Actual $m	FY2021[4] Statutory Actual $m	FY2020 Statutory Actual $m	FY2019 Statutory Actual $m
Revenue	722.4	687.5	661.6	664.8	687.7
EBITDA	(11.4)[1]	3.7	27.5	31.5	23.2
NPAT	(23.3)	(9.7)	4.7	5.5	11.7
Share Price at end of period ($)	0.16	0.20	0.60	0.35	0.33
Dividends (cents per share)	-	-	-	-	-
EPS (cents per share)[3]	(9.18)	(8.33)	2.59	4.95	8.16

[1] Statutory EBITDA is net loss after tax from continuing operations ($23.450m) before financing items $2.254m, tax benefit ($10.534m), and depreciation and amortisation $20.335m.
[2] The Madisson business was discontinued on 21 January 2016 and is classified as a discontinued operation after this date. As the Madisson business is a discontinued operation it is not reflected in the results presented above for FY2017-2022. The Group's wholly owned subsidiary, Builders Academy Australia was disposed 30 November 2021. BAA was classified as a discontinued operation for current financial year with comparative information re-presented.
[3] EPS is based on Earnings for continuing operations only.
[4] Comparative figures have been re-presented to classify discontinued operations consistently with current year disclosure.

Remuneration Tables – Details of KMP Remuneration

Details of the remuneration of KMP, including directors of the Group are set out in the following tables.

FY2023	Short Term Employee Benefits					Termination Benefits	Post-employment benefits	Long-term benefits	Share-based Payments (SBP)		Percentage of remuneration fixed and at risk	
	Directors Fees $	Cash Salary and Fees $	Short Term Incentive $	Non-monetary benefits $	Annual Leave $	Termination Payments $	Super $	Long Service Leave $	Performance Rights / Options $	Total $	Fixed %	At Risk %
Current Non-Executive Directors												
P O'Brien	86,758	-	-	-	-	-	9,110	-	-	95,868	100%	0%
A Bloore	109,589	-	-	-	-	-	11,507	-	-	121,096	100%	0%
D Denny	86,758	-	-	-	-	-	9,110	-	-	95,868	100%	0%
R Grellman[1]	17,846	-	-	-	-	-	1,874	-	-	19,720	100%	0%
Former Non-Executive Directors												
I Kirkwood[2]	94,275	-	-	-	-	-	9,899			104,174	100%	0%
Total	**395,226**	**-**	**-**	**-**	**-**	**-**	**41,500**	**-**	**-**	**436,726**		
Current Executive Directors												
R Simonds	-	674,708	-	9,718	52,445	-	25,292	14,378	(59,973)	716,568	100%	0%
M Simonds	91,324	-	-	-	7,252	-	9,589	1,655	-	109,820	100%	0%
Total	**91,324**	**674,708**	**-**	**9,718**	**59,697**	**-**	**34,881**	**16,033**	**(59,973)**	**826,388**		
Current Senior Executives[3]												
D McKeown[4]	-	214,227	-	4,535	17,673	-	12,646	175	-	249,256	100%	0%
B Strydom	-	168,351	-	5,183	12,676	-	14,328	119	-	200,657	100%	0%
Total	**-**	**382,578**	**-**	**9,718**	**30,349**	**-**	**26,974**	**294**	**-**	**449,913**		
TOTAL KMP	**486,550**	**1,057,286**	**-**	**19,436**	**90,046**	**-**	**103,355**	**16,327**	**(59,973)**	**1,713,027**		

[1] On 9 May 2023, Simonds announced the appointment of Richard Grellman as an independent, non-executive director. Mr Richard Grellman is also the Chair of the Group's Audit & Risk Committee and a member of the Nomination & Remuneration Committee.

[2] On 9 May 2023, Simonds announced the retirement of Mr Iain Kirkwood as independent, non-executive director and Chair of the Company's Audit & Risk Committee.

[3] Due to restructure in the current year, the senior executive KMPs were reassessed with respect to the relevant statutory guidance. As a result, the number of non-directors KMPs reduced to only CEO and CFO.

[4] On 19 January 2023, Simonds announced the appointment of Mr. David McKeown as the Group Chief Financial Officer.

FY2022	Short Term Employee Benefits					Termination Benefits	Post-employment benefits	Long-term benefits	Share-based Payments (SBP)		Percentage of remuneration fixed and at risk	
	Directors Fees $	Cash Salary and Fees $	Short Term Incentive $	Non-monetary benefits $	Annual Leave $	Termination Payments $	Super $	Long Service Leave $	Performance Rights / Options $	Total $	Fixed %	At Risk %
Current Non-Executive Directors												
I Kirkwood	113,394	-	-	-	-	-	11,339	-	-	124,733	100%	0%
P O'Brien	86,758	-	-	-	-	-	8,676	-	-	95,434	100%	0%
A Bloore	102,137	-	-	-	-	-	10,214	-	-	112,351	100%	0%
D Denny	57,839	-	-	-	-	-	5,784	-	-	63,623	100%	0%
Former Non-Executive Directors												
D Cassidy	9,132	-	-	-	-	-	913	-	-	10,045	100%	0%
N Kearney	9,132	-	-	-	-	-	913	-	-	10,045	100%	0%
Total	**378,392**	**-**	**-**	**-**	**-**	**-**	**37,839**	**-**	**-**	**416,231**		
Current Executive Directors												
R Simonds	-	676,432	-	9,384	60,802	-	23,568	11,457	(102,031)	679,612	100%	0%
M Simonds	91,324	-	-	-	8,085	-	9,132	2,490	-	111,031	100%	0%
Total	**91,324**	**676,432**	**-**	**9,384**	**68,887**	**-**	**32,700**	**13,947**	**(102,031)**	**790,643**		
Current Senior Executives												
B Strydom	-	23,074	-	787	1,959	-	1,247	18	-	27,085	100%	0%
T Bradfield[1]	-	298,269	-	6,285	22,944	127,046	17,676	-	-	472,220	100%	0%
C Worth[2]	-	373,036	-	8,615	42,444	-	19,894	12,804	-	456,793	100%	0%
D Brand[3]	-	39,703	-	787	3,537	-	3,970	38	-	48,035	100%	0%
Former Senior Executives												
M Myers	-	94,108	-	2,307	6,954	228,236	5,892	(28,106)	(192,901)	116,490	100%	0%
Total	**-**	**828,190**	**-**	**18,781**	**77,838**	**355,282**	**48,679**	**(15,246)**	**(192,901)**	**1,120,623**		
TOTAL KMP	**469,716**	**1,504,622**	**-**	**28,165**	**146,725**	**355,282**	**119,218**	**(1,299)**	**(294,932)**	**2,327,497**		

[1] On 3 June 2022 Simonds announced Tim Bradfield will be leaving on 3 September 2022, details of his remuneration information were included in FY22 table.

[2] C Worth ceased being a KMP during financial year 2023, his employment ended 3 February 2023.

[3] D Brand ceased being a KMP during financial year 2023, his employment ended 11 July 2023.

Key terms of the Executive Services Agreement Group Chief Executive Officer (CEO) & Executive Chairman

The material terms of the Executive Services Agreement between Rhett Simonds and the Company for the role of Group CEO & Managing Director are as follows:

Term:	No fixed term. Ongoing until terminated by either party in accordance with the Agreement.
Total Fixed Remuneration (TFR):	$700,000 per annum (including superannuation).
Short Term Incentive (STI) for FY21:	STI eligibility up to $600,000 per annum, subject to performance. No STI payment was made in relation to FY23.
Long Term Incentive (LTI) for FY21	LTI eligibility up to the value of $300,000 per annum may be offered pursuant to the Simonds Group Employee Share Plan . LTI participation and terms are at the discretion of the Board. No LTI offer was made in FY23.
Notice Period / Termination Entitlements:	The notice of termination periods in Mr Simonds' employment are: • 3 months if notice is provided by Mr Simonds to the Company; and • 6 months if notice is provided by the Company to Mr Simonds. Employment may be ended immediately in certain circumstances including misconduct, incapacity, mutual agreement or in the event of a fundamental change in the Group CEO's role or responsibilities. The Company may elect to make a payment in lieu of any unserved notice period.
Post-Employment Restraint:	A 12-month post-employment restraint provision applies.

Executive Service Agreements other key terms

		Minimum Notice Period	
Name	**Contract Length**	**Termination by Executive**	**Termination by Company**
R Simonds	No fixed term	3 months	6 months
M Simonds	No fixed term	1 month	1 month
D McKeown	No fixed term	3 months	3 months
B Strydom	No fixed term	2 months	2 months

STI Payments to KMP

No STIs were paid to KMP in respect of FY23.

KMP Shareholdings

Shareholdings of KMP are set out below:

FY2023	Number of shares			
Name	**Opening balance**	**Acquired**	**Other**	**Closing balance**
Non-executive Directors				
A Bloore	-	848,683	-	848,683
Former Non-Executive Directors				
I Kirkwood	75,000	108,333	-	183,333
Total Non-Executive Directors	**75,000**	**957,016**	**-**	**1,032,016**
Executive Directors				
R Simonds	14,044	-	-	14,044
M Simonds	56,741	**-**	**-**	56,741
Total Executive Directors	**70,785**	-	-	**70,785**
TOTAL KMP	**145,785**	**957,016**	**-**	**1,102,801**

FY2022	Number of shares			
Name	**Opening balance**	**Acquired**	**Other**	**Closing balance**
Non-executive Directors				
I Kirkwood	75,000	-	-	75,000
Former Non-Executive Directors				
N Kearney	90,000	-	-	90,000
D Cassidy	30,000	-	-	30,000
Total Non-Executive Directors	**195,000**	**-**	**-**	**195,000**
Executive Directors				
R Simonds	14,044	-	-	14,044
M Simonds	56,741	**-**	**-**	56,741
Total Executive Directors	**70,785**	-	-	**70,785**
Former Senior Executives				
M Myers	20,000	105,368	-	125,368
Total Senior Executive	**20,000**	**105,368**	**-**	**125,368**
TOTAL KMP	**285,785**	**105,368**	**-**	**391,153**

Loans to Director

The Group has not provided any loans to directors or their related parties during the year ended 30 June 2023 (2022: Nil).

Other KMP Transactions

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

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:

	Cost of goods		Leases and services rendered		Non-cash remuneration	
	30 June 2023 $	30 June 2022 $	30 June 2023 $	30 June 2022 $	30 June 2023 $	30 June 2022 $
Vallence Gary Simonds and related entities:						
Properties leased on an arms-length basis	-	-	273,000	283,425	-	-
Advisory fee paid during the year	-	-	100,913	100,457	-	-
Remuneration for employee services	-	-	63,302	69,342	-	-
Service payment to The Trustee for the Consolidated Yacht Charter Trust	50,087	12,313	-	-	-	-
Car park provided	-	-	-	-	19,437	18,769
	50,087	**12,313**	**437,215**	**453,224**	**19,437**	**18,769**
Simonds Family Office Pty Ltd[1]						
Supply payment to Delos Welltek Australia Pty Ltd[2]	90,680	170,141	-	-	-	-
Consulting services	-	-	642,762	-	-	-
	90,680	**170,141**	**642,762**	**-**	**-**	**-**
Mark Simonds and related entities:						
Payment for use of building licence	-	-	200,000	166,667	-	-
Remuneration for employee services	-	-	67,887	11,808	-	-
	-	**-**	**267,887**	**178,475**	**-**	**-**
David Denny and related entities:						
Tomlucsar Investments Pty Ltd - Consulting services	-	-	**30,000**	-	-	-
Total	**140,767**	**182,454**	**1,377,864**	**631,699**	**19,437**	**18,769**

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

[2] There is a Supply Agreement between Delos Welltek Australia Pty Ltd and Simonds Group for the inclusion of the "DARWIN Essentials Package" into all homes in Victoria. Simonds Family Office Pty Ltd (of which Mark Simonds and Rhett Simonds are directors) hold 25% interest in Delos Welltek Australia Pty Ltd. Mark Simonds and Rhett Simonds were directors of Delos Welltek Australia Pty Ltd till 5 October 2022.

Auditor’s independence declaration

The auditor’s independence declaration is included after this report on page 23.

Rounding of amounts

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

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

On behalf of the directors

Rhett Simonds

Chief Executive Officer and Executive Chairman

Melbourne, 28 August 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SIMONDS GROUP LIMITED

In relation to our audit of the financial report of Simonds Group Limited for the year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(b) no contraventions of any applicable code of professional conduct.

PKF	**Kenneth Weldin**
Melbourne, 28 August 2023	**Partner**

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

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of Simonds Group Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the Directors' Declaration of the Company and of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Simonds Group Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	*How our audit addressed this matter*
Cash flow forecasts The Group has incurred a net loss after tax of $23.3m (2022: $9.7m) and negative operating cash flows of $4.1m (2022: $2.3m) for the year ended 30 June 2023. The results were driven by industry and economic challenges including increased pressure on labour and material costs, and rising interest rates. The Group maintains a positive net asset position of $14.5m (2022: $13.5m), which is underpinned by a strong cash balance of $15.1m (2022: $11.1m), and a successful capital raising announced to the market in December 2022. The Group is dependent on the generation of forecast positive cash flows from the Group's operations for at least the 12 months following the approval of the annual financial report and continuing use of its borrowing facilities to maintain adequate working capital. The Group's cash flow forecast as presented by the directors includes judgements and estimates based on the directors' input of key market and operational assumptions. Given the current macroeconomic climate and its impact on the construction industry through high supply cost inflation, supply chain and trade labour shortages and increased costs of living, we considered the appropriateness of these cashflows to be a key audit matter	Our procedures included, but were not limited to, the following: ▪ Assessing the cash flow forecast prepared by Management for at least 12 months from the anticipated date of signing the financial statements and challenging the reasonableness of significant assumptions within the forecast. ▪ Reperforming calculations in the budget and cash flow forecast to determine the mathematical accuracy of the model. ▪ Reviewing financial results subsequent to year end as well as historical forecast figures to assess the reliability of Management forecasts. ▪ Assessing the reasonableness and extent of Management's sensitivity analysis, and the impact on the compliance with covenants for at least the 12 months following the approval of the financial report. • Remaining professionally sceptical and challenging of Management's plans for mitigating identified exposures. • Reviewing the appropriateness and robustness of going concern disclosures in the financial report, in consultation with our technical team. • Assessing the Group's updated borrowing facilities. • Assessing the appropriateness of the disclosures in Note 3 to the financial statements.

Key audit matter	*How our audit addressed this matter*
Revenue recognition and work in progress on construction contracts At 30 June 2023 the Group's revenue amounted to $722.4m (FY22: $687.5m). In addition, there were associated contract related liabilities and assets which unwind from the balance sheet as the Group satisfies related contracted performance obligations. • Accrued revenue: $54.3m (2022: $67.6m) • Deferred Revenue: $13.2m (2022: $20.5m) Revenue from construction contracts is recognised over time as performance obligations are fulfilled. Construction revenue is recognised with 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 as disclosed in Note 3. As disclosed in Note 4, significant management estimation is required in assessing the percentage of completion on the construction contracts. The recognition of revenue and the related accounting for contract costs involves estimation and judgement and impacts the measurement of significant assets and liabilities, requiring our focus on this area as a key audit matter.	Our procedures included, but were not limited to, the following: • Reviewing and validating Management's revenue recognition policy and assessing the principles, judgements and estimates outlined therein to AASB 15 and customer contracts. • Performing analytical reviews to understand the movements in revenue relative to performance in previous year's and budget expectations. • Conducting a walkthrough of controls in operation across the Group to obtain an understanding and evaluation of their design and implementation. • Testing the operating effectiveness of these controls in place with respect to the revenue recognition process and associated contract asset and liability balances. • Recalculating revenue recognised based on the stage of completion for a sample of jobs across each revenue segment. • For the above sample, agreeing job data/inputs back to supporting documentation. • Performing an impairment assessment over recognised work in progress balances, with a particular focus on any jobs indicating a negative margin. • Testing the integrity of the work in progress reconciliation and monthly reports to the corresponding revenue and costs of goods sold recognised in the statement of profit or loss. • Reviewing the appropriateness of the presentation and disclosure of revenue related balances within the financial statements. • Assessing the appropriateness of the disclosures in Notes 4 and 12 to the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and in doing so, we consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PKF

Report on the Remuneration Report

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of the Company for the year then ended complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PKF **Melbourne, 28 August 2023**	**Kenneth Weldin** **Partner**

Directors' declaration

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards;

c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and giving a true and fair view of the financial position and performance of the Group; and

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 2016/785. 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 3 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

Rhett Simonds

Chief Executive Officer and Executive Chairman

Melbourne, 28 August 2023

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
Continuing operations			
Revenue	4	722,432	687,493
Cost of sales		(603,211)	(551,645)
Gross profit		119,221	135,848
Expenses	9	(130,616)	(132,161)
(Loss) / profit before financing items, depreciation and amortisation		**(11,395)**	**3,687**
Depreciation and amortisation charges	15,16,33	(20,335)	(20,296)
Loss before financing items and tax		**(31,730)**	**(16,609)**
Financing items			
Interest expense	6	(2,254)	(2,021)
Net financing cost		**(2,254)**	**(2,021)**
Loss before tax		**(33,984)**	**(18,630)**
Income tax benefit / (expense)	7	10,534	6,440
Loss from continuing operations after tax		**(23,450)**	**(12,190)**
Discontinued operations			
Profit from discontinued operations after tax	8	117	2,521
Loss after tax for the year		**(23,333)**	**(9,669)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive loss for the year		**(23,333)**	**(9,669)**
Earnings per share			
From continuing operations			
Basic and diluted (cents per share)	10	(9.18)	(8.33)
From continuing and discontinued operations			
Basic and diluted (cents per share)	10	(9.13)	(6.61)

The accompanying notes form part of these financial statements. Comparative figures have been re-presented to classify discontinued operations consistently with current year disclosure.

Consolidated statement of financial position

As at 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
Assets			
Current Assets			
Cash and cash equivalents		15,102	11,133
Trade and other receivables	11	39,941	38,210
Tax receivable	7	52	9,933
Accrued revenue	12	54,312	67,569
Inventories	13	19,012	18,442
Other assets	17	1,845	2,418
Total current assets		130,264	147,705
Non-Current Assets			
Property, plant and equipment	15	4,491	5,980
Intangible assets	16	1,956	4,602
Right-of-use assets	33	19,972	25,626
Deferred tax assets	7	3,852	-
Total non-current assets		30,271	36,208
Total assets		**160,535**	**183,913**
Liabilities			
Current Liabilities			
Trade and other payables	18	89,696	91,566
Deferred revenue		13,185	20,473
Borrowings	19	364	286
Lease liability	33	11,693	11,962
Provisions	20	13,880	15,669
Total current liabilities		128,818	139,956
Non-Current Liabilities			
Lease liability	33	9,399	14,758
Provisions	20	7,837	9,115
Deferred tax liabilities	7	-	6,632
Total non-current liabilities		17,236	30,505
Total liabilities		**146,054**	**170,461**
Net assets		**14,481**	**13,452**
Equity			
Issued capital	21	37,867	13,505
Reserves	22	21,644	21,644
Accumulated losses		(45,030)	(21,697)
Total equity		**14,481**	**13,452**

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2023

Consolidated	Notes	Issued capital $'000	Share based payments reserve $'000	Share buy-back reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2021		**12,911**	**30,034**	**(7,204)**	**(13,492)**	**22,249**
Profit after tax for the year		-	-	-	(9,669)	(9,669)
Employee share plan expense	27	594	(38)	-	620	1,176
Performance and service rights (vested / forfeited)	27	-	(304)	-	-	(304)
Transfer to accumulated losses		-	(844)	-	844	-
Balance at 30 June 2022		**13,505**	**28,848**	**(7,204)**	**(21,697)**	**13,452**
Balance at 1 July 2022		**13,505**	**28,848**	**(7,204)**	**(21,697)**	**13,452**
Loss after tax for the year		-	-	-	(23,333)	(23,333)
Issue of new shares	21	25,521	-	-	-	25,521
Share issue transactions cost	21	(1,159)	-	-	-	(1,159)
Balance at 30 June 2023		**37,867**	**28,848**	**(7,204)**	**(45,030)**	**14,481**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2023

	Notes	30 June 2023 $'000	30 June 2022 $'000
Cash flows from operating activities			
Receipts from customers		813,478	735,610
Payments to suppliers and employees		(825,198)	(738,616)
Cash utilised in operations		(11,720)	(3,006)
Finance costs	6	(2,254)	(2,275)
Income taxes refund		9,881	2,946
Net cash (used in) / generated from operating activities	30	**(4,093)**	**(2,335)**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,046	504
Payments for property, plant and equipment		(1,875)	(3,858)
Payments for intangible assets		(76)	(2,875)
Net cash from disposal of discontinued business		-	8,972
Net cash (used in) / generated from investing activities		**(905)**	**2,743**
Cash flows from financing activities			
Net proceeds of borrowings		78	-
Net repayment of borrowings		-	(26)
Repayment of lease liability		(15,473)	(12,940)
Proceeds from issue of equity		25,521	910
Payment of share issue transaction costs		(1,159)	-
Net cash generated from / (used in) financing activities		**8,967**	**(12,056)**
Net Increase / (decrease) in cash and cash equivalents		**3,969**	**(11,648)**
Cash and cash equivalents at the beginning of the year		11,133	22,781
Cash and cash equivalents at the end of the year		**15,102**	**11,133**

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

1. General information

The Company is incorporated in Australia and is a for-profit entity.

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 14 to the financial statements. The Group's principal activities during the financial year were the design, sale and construction of residential dwellings.

2. Application of new and revised accounting standards

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

All standards that were mandatorily effective have been adopted and had no material impact on reporting position or performance.

In addition, the Group have chosen to early adopt *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*, which has resulted in the disclosure of material accounting policy information rather than significant accounting policies.

Accounting policy information is material only if:

- there has been a change in accounting policy
- it relates to a choice within the Accounting Standards
- it describes an accounting policy developed where there was no explicit accounting standard requirement
- it relates to an area of significant judgement or estimation
- the balance or transaction is complex and the accounting policy is needed to explain the treatment to the user

As a result of adopting this standard, there has been a significant reduction in the disclosure of accounting policies. Standards and interpretations in issue not yet adopted.

Standards and interpretations in issue not yet adopted

At the date of signing these financial statements, the Directors have reviewed all Standards and Interpretations on issue but not yet effective and do not expect these Standards and Interpretations to have a material effect on the financial statements of the Group.

3. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group.

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') as issued by the International Accounting Standards Board (IASB). The financial statements were authorised for issue by the directors on 28 August 2023.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost.

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.

Comparatives have been reclassified where appropriate to ensure consistency and comparability with the current period.

Rounding of amounts

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

Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a net loss after tax of $23.333m (2022: loss $9.669m) and negative operating cash flows of $4.093m (2022: deficit operating cash flows of $2.335m) for the year ended 30 June 2023. These results were impacted as the industry continued to trade through the low margin fixed price contracts affected by supply inflation and lower productivity, flowing from constrained supply chains. In light of these challenges, the Group raised $25.521m of equity to fund the working capital requirements and future strategic initiatives to facilitate future growth and capabilities.

As at 30 June 2023, the Group had a positive net asset value position of $14.481m (2022: $13.452m) and a strong cash balance of $15.102m (2022: $11.133m) measured by cash and cash equivalents. The Group currently does not utilise the banking facilities and has sufficient liquidity to support the forecasted working capital needs.

Higher interest rates and cost of living pressure will continue to impact residential sales. In response to these challenges, the Group has:

- Invested in alternative sales channels that are counter-cyclical to the retail segment.
- Implemented various organisational wide transformation initiatives to materially reduce overheads.
- Extended the current banking facilities until 31 December 2024.

The Group has implemented detailed cash forecasting tools to manage short- and longer-term liquidity needs. The forecasts indicate that the Group will operate within the agreed banking covenants and that it will have sufficient available liquidity, inclusive of undrawn facilities, to finance its operations and future growth aspirations.

Based on the available information to the Directors at the date of signing this financial report, the Directors are of the opinion that the Group will be able to pay its debts as and when they fall due and accordingly the Directors consider it appropriate for the financial report to be prepared on the going concern basis.

4. Revenue

Accounting policy

Revenue recognition

Construction contracts

Contracts entered into are for the construction of residential homes. The construction of each dwelling is taken to be one performance obligation. The transaction price is normally fixed at the start of the contracts. When a variation for the building works is required and agreed upon per the contract the variation will be included in the transaction price and accounted for accordingly. The performance obligation is recognised and fulfilled over time and as such revenue is recognised over time.

Revenue earned is referenced to the stage of completion of the contract activity, based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Our customers are invoiced on achievement of each key milestone in the build program. Invoices are paid on normal commercial terms. Deposit payments received prior to work being performed are recognised as deferred revenue on the balance sheet.

Display homes

Revenue in respect of the sale of display homes is recognised at a point in time when control is transferred to customer. Revenue is measured at the transaction price agreed under the contract.

Variable consideration

Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved (as this is the point in time when there can be reasonable assurance that there will be significant reversal) known as “constraint” requirements. The Group assesses the constraint requirements on a periodic basis when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance. Where variations in design or requirements are entered into, the transaction price is updated to reflect these when the variation has been agreed.

Contract assets and liabilities

The Group has adopted the terms accrued revenue for ‘contract assets’ and deferred revenue for ‘contract liabilities’ as defined within AASB 15 ‘Revenue from Contracts with Customers’. Accrued revenue is the Group’s right to payment for goods and services transferred to a customer where that right to payment is conditional on something other than passage of time. Deferred revenue is the Group’s obligation to transfer goods or services to a customer at the earlier of (a) when the customer pays consideration or (b) the time that the customer’s consideration is due for goods and services the Group will yet provide.

Contract fulfilment costs

Costs incurred prior to the commencement of construction of building may arise due to feasibility studies, environmental impact studies and preliminary design activities as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

Incremental costs

Commissions payable to sales consultants in respect of contracts to build are recognised as an asset when expected to be recovered and released over the period of the build.

Financing components

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Other revenue

Revenue received in respect of the Group arranging a purchaser to acquire land from a land developer is recognised once all benefits of owning the land are transferred to the new owner.

The following is an analysis of the Group's revenue for the year.

	30 June 2023 $'000	30 June 2022 $'000
Continuing operations		
Revenue from residential construction contracts	722,432	687,493
	722,432	**687,493**
Discontinued operations	**-**	**6,357**
	722,432	**693,850**

Critical accounting judgement - percentage of completion on the construction contracts

Percentage complete is based on the estimated cost to construct a building incurred to date, compared against the total estimated cost of completing that building. The total cost of that build is based on a historical average of similar builds. The amount of revenue recognised during the build is based on this percentage complete calculation. This historical average is reviewed annually to ensure that it is a materially accurate reflection of current build costs.

Estimate of construction contracts on a percentage completion basis, in particular with regard to accounting for variations of cost, 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.

5. Segment information

Products and services from which reportable segments derive their revenue

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

No operating segments have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable segments are:

- *Residential construction* - this includes activities relating to contracts for residential home construction, speculative home building and the building of display home inventory.
- *Development* - this includes activities relating to land development and sales.
- *Discontinued operations*
    - House of Learning Pty Ltd and City-Wide Building and Training Services Pty Ltd previously formed the registered training segment which was divested on 30 November 2021 and as such are presented as a discontinued operation in this year's annual financial report (refer note 8 for more information).

      Madisson Homes Australia Pty Ltd is a subsidiary of the Group and in the prior years formed part of the residential construction segment. Madisson Homes operated in the medium density market, building apartments and townhouses for commercial developers using the concepts, designs and specifications provided by the developers. Consistent with the prior reporting period, this business unit has been presented as a discontinued operation (refer note 8 for more information).

Segment revenues and results

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

	Segment revenue		Segment (loss) / profit before tax	
Continuing operations	30 June 2023 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2022 $'000
Residential construction	772,432	687,493	(33,906)	(18,611)
Land development	-	-	(78)	(19)
	772,432	**687,493**	**(33,984)**	**(18,630)**
Discontinued operations	**-**	**6,357**	**167**	**3,603**
Consolidated segment revenue and profit/(loss) before tax for the period	**772,432**	**693,850**	**(33,817)**	**(15,027)**

Segment assets and liabilities

	30 June 2023 $'000	30 June 2022 $'000
Segment assets		
Residential construction	156,227	173,387
Land development	239	586
	156,466	**173,973**
Discontinued operations	165	7
Total segment assets	**156,631**	**173,980**
Current tax receivable	-	9,933
Deferred tax assets	3,904	-
Total assets	**160,535**	**183,913**
Segment liabilities		
Residential construction	165,251	182,629
Land development	189	273
	165,440	**182,902**
Discontinued Operations	1,359	1,671
Total segment liabilities	**166,799**	**184,573**
Deferred tax liability	(20,745)	(14,112)
Total liabilities	**146,054**	**170,461**

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

Other segment information

	Interest expense		Depreciation and amortisation	
Continuing operations	30 June 2023 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2022 $'000
Residential construction	2,240	1,888	19,959	18,875
Land development	14	133	376	1,421
	2,254	**2,021**	**20,335**	**20,296**
Discontinued operations	**-**	**254**	**-**	**252**
Total	**2,254**	**2,275**	**20,335**	**20,548**

	Additions to non-current assets	
Continuing operations	30 June 2023 $'000	30 June 2022 $'000
Residential construction	12,544	16,719
Land development	289	252
	12,833	**16,971**
Discontinued operations	**-**	**342**
	12,833	**17,313**

Revenue by Geographical region

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

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the year ended 30 June 2023 and the year ended 30 June 2022.

6. Finance costs

	30 June 2023 $'000	30 June 2022 $'000
Interest on bank overdrafts, loans and leases		
Continuing operations	2,254	2,021
Discontinued operations	-	254
	2,254	**2,275**

7. Income taxes

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.

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.

Income tax recognised

	30 June 2023 $'000	30 June 2022 $'000
Current tax		
(Benefit) / expense in respect of the current year	-	(10,010)
(Benefit) in respect of prior years	-	(631)
	-	(10,641)
Deferred tax		
Expense/(benefit) in respect of the current years	(10,484)	4,787
Expense/(benefit) in respect of prior years	-	495
	(10,484)	5,282
Consolidated income tax expense recognised in the current year	**(10,484)**	**(5,359)**
Income tax (benefit) / expense from continuing operations	(10,534)	(6,440)
Income tax expense from discontinued operations	50	1,081
	(10,484)	**(5,359)**

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

(Loss) / profit before tax from continuing operations	(33,984)	(18,630)
(Loss) / profit before tax from discontinued operations	167	3,603
Profit before tax	**(33,817)**	**(15,027)**
Income tax (benefit) / expense calculated at 30% (2022: 30%)	(10,145)	(4,508)
Effect of Executive Share Based Payments non-deductible	(24)	(645)
Effect of expenses that are not deductible in determining taxable profit	180	(50)
Other adjustments	(495)	-
	(10,484)	(5,203)
Adjustments recognised in the current year in relation to deferred and current tax of prior years	-	(156)
Income tax (benefit) / expense recognised in profit or loss	**(10,484)**	**(5,359)**
Income tax (benefit) / expense from continuing operations	(10,534)	(6,440)
Income tax (benefit) / expense from discontinued operations	50	1,081
	(10,484)	**(5,359)**

The tax rate used for the 2023 and 2022 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Current tax assets and liabilities

	30 June 2023 $'000	30 June 2022 $'000
Income tax refundable	**52**	**9,933**[1]

Deferred tax balances

Amounts recognised in profit or loss		
Deferred tax assets	15,405	14,112
Deferred tax liabilities	(11,553)	(20,744)
Net deferred tax	**3,852**	**(6,632)**

2023	Opening balance $'000	Under / over $'000	Recognised in profit or loss $'000	Closing balance $'000
Construction Contracts income	(12,712)	-	1,510	(11,202)
Capitalised Courses and Product Design	(472)	-	121	(351)
Property, Plant, Equipment & Intangibles	791	-	860	1,651
Provision for warranty and contract maintenance	869	-	179	1,048
Employee Entitlements	2,021	-	(629)	1,392
DTA on losses	1,889	-	7,828	9,717
Other	982	-	615	1,597
	(6,632)	**-**	**10,484**	**3,852**

2022	Opening balance $'000	Under / over $'000	Recognised in profit or loss $'000	Closing balance $'000
Construction Contracts income	(7,215)		(5,497)	(12,712)
Capitalised Courses and Product Design	(609)		137	(472)
Property, Plant, Equipment & Intangibles	1,977	(494)	(692)	791
Provision for warranty and contract maintenance	1,067		(198)	869
Employee Entitlements	2,896		(875)	2,021
DTA on losses	-		1,889	1,889
Other	534	(1)	449	982
	(1,350)	**(495)**	**(4,787)**	**(6,632)**

[1] The Group utilised the loss carry back measures and carried back its tax loss made in the FY22 against its income tax liability in the preceding years, having regards to the amount of tax paid in those tax periods.

8. Discontinued Operations

Madisson Business

Following a comprehensive review initiated by the Directors on 16 November 2015, the Group announced a plan for the orderly closure of the Madisson business unit of the Group on 21 January 2016 upon completion of the remaining projects. All projects were completed in financial year ended 30 June 2017. As part of the warranty rules under the statutory regulations, the business is still incurring liability for warranty claims. As such, the expenses are predominantly related to warranty and related activities.

Loss for the year from the Madisson business

	30 June 2023 $'000	30 June 2022 $'000
Revenue	-	-
Expenses		
Insurance claim proceeds	2,263	-
Maintenance & warranty	(2,040)	(1,822)
Total recoveries / (expenses)	223	(1,822)
Profit / (Loss) before tax	223	(1,822)
Attributable income tax (expense) / benefit	(67)	547
Profit / (Loss) after tax for the year	**156**	**(1,275)**

Builders Academy Australia

On 30 September 2021, the Group entered into a sale agreement to dispose its wholly owned subsidiaries, Builders Academy Australia (BAA) and City-Wide Building & Training Services Pty Ltd (CWBTS), collectively referred to as House of Learning Pty Ltd (HOL), which operated as a registered training organisation. The disposal was completed on 30 November 2021, on which date control of BAA passed to the acquirer UP Education Australia Pty Ltd.

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

Loss for the year from Registered training operations are summarised as follows:

Revenue	-	6,357
Expenses	(56)	(6,974)
Loss before tax	(56)	(617)
Attributable tax benefit	17	185
Profit from disposal of BAA	-	6,041
Attributable tax expense	-	(1,813)
Net (loss) / profit after tax for the year	**(39)**	**3,796**

9. Expenses for the year

	30 June 2023 $'000	30 June 2022 $'000
Profit on disposal of property, plant and equipment and intangible assets	396	304
Marketing and selling expenses	(20,717)	(23,443)
Corporate and administrative expenses	(24,050)	(21,997)
Employee benefits expense	(81,450)	(84,622)
Transformation expenses (i)	(4,795)	(2,403)
	(130,616)	**(132,161)**

(i) The transformation costs include expenses attributable to non-underlying activities which are outside of ordinary course of the business such as restructure of the business. Included within transformation expenses are redundancy and related costs of $2.789m and corporate and administrative expenses of $2.006m, which are excluded from expenses lines above.

10. Earnings per share

	30 June 2023 Cents per share	30 June 2022 Cents per share
From continuing operations		
Total basic (loss) / profit per share	(9.18)	(8.33)
Total diluted (loss) / profit per share	(9.18)	(8.33)
From continuing and discontinued operations		
Total basic (loss) / profit per share	(9.13)	(6.61)
Total diluted (loss) / profit per share	(9.13)	(6.61)

Basic earnings per share

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

	30 June 2023 $'000	30 June 2022 $'000
From continuing operations		
Loss for the year attributable to owners of the Company	(23,450)	(12,190)
From continuing and discontinued operations		
Loss for the year attributable to owners of the Company	(23,333)	(9,669)

	Shares	Shares
Weighted average number of ordinary shares for the purposes of the basic earnings per share	255,436,124	146,258,855

Diluted earnings per share

	30 June 2023 $'000	30 June 2022 $'000
From continuing operations		
Loss for the year attributable to owners of the Company	(23,450)	(12,190)
From continuing and discontinued operations		
Loss for the year attributable to owners of the Company	(23,333)	(9,669)

	Shares	Shares
Weighted average number of ordinary shares for the purposes of the basic earnings per share	255,436,124	146,258,855
Shares deemed to be issued for no consideration in respect of: Performance Rights / Options	968,455	4,195,890
Weighted average number of ordinary shares for the purposes of the diluted earnings per share	256,404,579	150,454,745

11. Trade and other receivables

	30 June 2023 $'000	30 June 2022 $'000
Current		
Trade receivables (i)	39,384	37,572
	39,384	**37,572**
Other receivables	557	638
	39,941	**38,210**

(i) The amounts pertaining to related party receivables are disclosed within note 26.

Trade receivables

The average settlement terms for progress invoices in relation to residential contracts are between 7 and 45 days. The Group has written off all receivables that are known to be uncollectable. Prior to accepting a new customer for the 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 receivables, 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.

Age of receivables from continuing operations that are past due but not impaired

46 - 60 days	1,436	1,186
61 - 90 days	1,389	1,622
91 - 120 days	965	1,447
Over 120 days	5,060	2,574
Total	8,850	6,829
Average age (days)	123	114

Receivables past due but not impaired primarily relate to final settlement payments upon completion of construction and supplier rebate. The Group has included in its considerations for any expected credit loss of these receivables, with no current material indication requiring a provision as at 30 June 2023.

12. Accrued revenue

	30 June 2023 $'000	30 June 2022 $'000
Work in progress on residential construction contracts	**54,312**	**67,569**

13. Inventories

Speculative homes and Display, land stock	19,090	18,442
Provision for impairment of inventories	(78)	-
	19,012	**18,442**

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

Display homes costs includes direct costs of building the speculative and display homes.

The impairment provision of display homes above is assessed using recent market values. This assessment includes current independent valuations, current offers to purchase the display homes, and current asking prices to sell these display homes.

14. Subsidiaries

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

Name	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2023	2022
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%
Bridgeman Downs Land Project Pty Ltd	Land development and sales	Australia	100%	100%
Discover Developments Pty Ltd	Land development and sales	Australia	100%	100%
Discover Gisborne Pty Ltd	Land development and sales	Australia	100%	100%

- Simonds Group Limited is the head entity within the tax consolidated group.
- All Group 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 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report.
- No subsidiaries have been acquired or incorporated during the year ended 30 June 2023 (30 June 2022: None).

- The above companies represent a “Closed Group” for the Class Order. The closed Group’s Statement of Profit or loss and Other Comprehensive Income for the year and closed group’s Statement of Financial Position as at 30 June 2023 are the same as the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year and the Consolidated Statement of Financial Position as at 30 June 2023 disclosed on pages 29-30.

15. Property, plant and equipment

Accounting policy

The carrying amount of property, plant and equipment which is measured 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.

Depreciation is calculated on a straight-line basis so as to write off the net cost 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:

	Useful life
Leasehold improvements	5 years or the period of the lease
Computer equipment	3 - 5 years
Office furniture and fittings	5 years
Display home furniture, fixtures and fittings	2 years
Motor vehicles	5 years
Plant and equipment	5 years

	Leasehold improvements $'000	Computer equipment $'000	Office furniture & fittings $'000	Display home furniture, fixtures & fittings $'000	Motor Vehicles $'000	Plant and equipment $'000	Total $'000
Cost							
Balance at 1 July 2021	6,256	5,281	3,222	3,982	909	375	20,025
Additions	682	1,871	104	1,190	-	12	3,859
Disposals	-	(6)	-	(12)	(290)	-	(308)
Divestment of discontinued business	(71)	(83)	(51)	-	(36)	(58)	(299)
Balance at 30 June 2022	**6,867**	**7,063**	**3,275**	**5,160**	**583**	**329**	**23,277**
Cost							
Balance at 1 July 2022	6,867	7,063	3,275	5,160	583	329	23,277
Additions	-	207	36	1,327	-	-	1,570
Transfers	-	305	-	-	-	-	305
Disposals	-	(7)	(3)	(18)	(80)	-	(108)
Balance at 30 June 2023	**6,867**	**7,568**	**3,308**	**6,469**	**503**	**329**	**25,044**
Accumulated depreciation							
Balance at 1 July 2021	(5,008)	(3,694)	(2,088)	(2,424)	(788)	(228)	(14,230)
Depreciation expense	(596)	(1,078)	(358)	(1,325)	(56)	(68)	(3,481)
Divestment of discontinued business	3	11	1	-	247	3	265
Disposals	30	42	33	-	31	13	149
Balance at 30 June 2022	**(5,571)**	**(4,719)**	**(2,412)**	**(3,749)**	**(566)**	**(280)**	**(17,297)**
Accumulated depreciation							
Balance at 1 July 2022	(5,571)	(4,719)	(2,412)	(3,749)	(566)	(280)	(17,297)
Depreciation expense	(520)	(1,118)	(340)	(1,299)	(14)	(49)	(3,340)
Disposals	-	5	-	-	79	-	84
Balance at 30 June 2023	**(6,091)**	**(5,832)**	**(2,752)**	**(5,048)**	**(501)**	**(329)**	**(20,553)**
Net book value							
As at 30 June 2022	**1,296**	**2,344**	**863**	**1,411**	**17**	**49**	**5,980**
As at 30 June 2023	**776**	**1,736**	**556**	**1,421**	**2**	**-**	**4,491**

16. Intangible Assets

Accounting policy

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

	Useful Life
Computer Software	3 years
Capitalised Product Designs	3 years
Right of use asset	Over the life of the lease

Internally-generated intangible assets – research and development expenditure

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.

	Computer Software $'000	Capitalised courses $'000	Goodwill from acquisitions $'000	RTO Licence $'000	Capitalised Product Designs $'000	Total $'000
Cost						
Balance at 1 July 2021	6,603	2,948	2,603	1,245	4,817	18,216
Additions	1,097	261	-	-	1,517	2,875
Disposals	(257)	(2,271)	-	-	(522)	(3,050)
Divestment of discontinued business	(51)	(938)	(2,603)	(1,245)	-	(4,837)
Balance at 30 June 2022	**7,392**	**-**	**-**	**-**	**5,812**	**13,204**
Cost						
Balance at 1 July 2022	7,392	-	-	-	5,812	13,204
Additions	114	-	-	-	267	381
Transfers	-	-	-	-	(305)	(305)
Disposals	(1,012)	-	-	-	(75)	(1,087)
Balance at 30 June 2023	**6,494**	**-**	**-**	**-**	**5,699**	**12,193**
Accumulated amortisation						
Balance at 1 July 2021	(3,234)	(2,564)	-	(1,245)	(2,831)	(9,874)
Amortisation Expense	(1,932)	(225)	-	-	(1,132)	(3,289)
Disposals	1	2,271	-	-	477	2,749
Divestment of discontinued business	49	518	-	1,245	-	1,812
Balance 30 June 2022	**(5,116)**	**-**	**-**	**-**	**(3,486)**	**(8,602)**
Accumulated amortisation						
Balance at 1 July 2022	(5,116)	-	-	-	(3,486)	(8,602)
Amortisation Expense	(1,521)	-	-	-	(944)	(2,465)
Disposals	782	-	-	-	48	830
Balance 30 June 2023	**(5,855)**	**-**	**-**	**-**	**(4,382)**	**(10,237)**
Net Book Value						
As at 30 June 2022	**2,276**	**-**	**-**	**-**	**2,326**	**4,602**
As at 30 June 2023	**639**	**-**	**-**	**-**	**1,317**	**1,956**

17. Other assets

	30 June 2023 $'000	30 June 2022 $'000
Prepayments	1,704	2,191
Advance to sales consultants	10	42
Other assets	131	185
	1,845	**2,418**

18. Trade and other payables

Trade payables	54,026	61,817
Construction accruals	29,608	24,041
Goods and services tax payable	886	894
Other payables and accruals	5,176	4,814
	89,696	**91,566**

19. Borrowings

Current

Other borrowings	364	286
	364	**286**

Summary of borrowing arrangements

Details of the Group's borrowing facility as at 30 June 2023 are as follows:

Facility	Utilised $'000	Unutilised $'000	Interest Charge	Description	Maturity Date
Market Rate Loan	-	3,000	Variable Market Rate	The Group's facilities are secured by all Simonds Group Limited corporate entities.	31 December 2024
Bank Guarantees	1,309[1]	2,691	Fixed Market Rate		
Overdraft Facility	Nil	18,500	Overdraft Index Rate		
Business Corporate Credit Card Facility	1,000	-	Cash Advance Interest Rate	Charged Card facility made available to Simonds Group.	31 December 2024
Equipment Finance Facility	6,348[2]	1,652	Fixed Market Rate	Asset under leases are secured by the assets leased with repayments periods not exceeding 5 years.	31 December 2024
Total	**8,657**	**25,843**			

[1] Bank guarantees is disclosure in contingent liability note 32.

[2] Recorded as part of lease liabilities.

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

Facility	Utilised $'000	Unutilised $'000	Interest Charge	Description	Maturity Date
Microsoft Financing	364	-	Fixed Interest Rate	The Group entered into a Master Instalment Payment Agreement with De Lage Landen Pty Ltd, which covers license subscription for Microsoft products for the period from January 2023 to December 2023.	31 December 2023
Total	**364**	**-**			

20. Provisions

Accounting policy

Maintenance and warranty

Provisions for the cost of maintenance and warranty is the directors' best estimate of the expenditure required to settle the Group's obligations under legislative requirements.

Make good

Provisions for make good are based on the directors' best estimates of the costs required to reinstate the display homes and commercial leased properties under legislation; or requirement to be at a saleable standard.

	30 June 2023 $'000	30 June 2022 $'000
Provision for employee benefits (i)	7,865	10,521
Cash settled share-based payment	-	80
Provision for warranty and contract maintenance (ii)	12,010	12,967
Provision for make good (iii)	1,842	1,216
	21,717	**24,784**
Current	13,880	15,669
Non – current	7,837	9,115
	21,717	**24,784**

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees.

(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.

(iii) Provisions based on the directors' best estimates of the costs required to reinstate the display homes and commercial leased properties under legislation; or requirement to be at a saleable standard.

The movement in provisions during the financial year is as below:

2023	Employee benefits $'000	Cash settled share-based payment $'000	Warranty and contract maintenance $'000	Make good $'000	Total $'000
At 30 June 2022	10,521	80	12,967	1,216	24,784
Additional provision recognised during the year	3,861	6	4,655	1,238	9,760
Provision utilised during the financial year	(6,517)	(86)	(5,612)	(612)	(12,827)
At 30 June 2023	**7,865**	**-**	**12,010**	**1,842**	**27,717**

2022	Employee benefits $'000	Cash settled share-based payment $'000	Warranty and contract maintenance $'000	Make good $'000	Total $'000
At 30 June 2021	11,274	1,602	13,295	1,395	27,566
Additional provision recognised during the year	3,810	132	4,917	473	9,332
Provision utilised during the financial year	(4,563)	(1,654)	(5,245)	(652)	(12,114)
At 30 June 2022	**10,521**	**80**	**12,967**	**1,216**	**24,784**

Critical accounting judgements and key sources of estimation uncertainty - provision for maintenance and 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 up to ten 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 Group has assumed in respect of warranties in estimating the provision for warranties. The directors use a present value methodology to recognise the best estimate of the expenditure required to settle the Group's obligation.

The Group use an actuarial model based on historical maintenance and warranty spend to provide an estimate for the maintenance and warranty provision. Key assumptions in this model were developed by an independent actuary and are reviewed internally regularly, to ensure they remain appropriate for calculating the maintenance and warranty provision as at 30 June 2023 There has been no significant change to the model assumptions to those used in the prior financial year.

21. Issued capital

	30 June 2023 $'000	30 June 2022 $'000
359,906,450 fully paid ordinary shares (June 2022: 147,234,268)	37,867	13,505
	37,867	**13,505**

	Number of shares		Share capital ($'000)	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Balance at beginning of the period	147,234,268	143,841,655	13,505	12,911
Movement in ordinary shares	212,672,182	3,392,613	25,521	594
Share issue transaction costs	-	-	(1,159)	-
Balance at end of the period	**359,906,450**	**147,234,268**	**37,867**	**13,505**

22. Reserves

	30 June 2023 $'000	30 June 2022 $'000
Share Buy-back Reserve	(7,204)	(7,204)
Share Based Payment Reserve	28,848	28,848
	21,644	**21,644**

Share Buy-back Reserve

On 20 August 2015, the Group announced its intention to undertake an on-market share buy-back ("buy-back") to enable the Group to acquire up to a maximum of 7.570m shares within a 12-month period. The buy-back was part of the Group's ongoing capital management strategy and determined by the Directors to be an appropriate use of Group capital resources given current market conditions at the time. The Group bought back 7.570m of its issued shares and as a result, the balance between the total buy-back and the amount deemed a reduction in capital was recorded in the share buy-back reserve.

Share Based Payment Reserve

This reserve is used to recognise the value of equity settled benefits provided to employees and directors as part of their remuneration.

23. Dividends paid or payable

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

	Year ended 30 June 2023		Year ended 30 June 2022	
	Cents per share	Total $'000	Cents per share	Total $'000
Final dividend	-	-	-	-

The company's adjusted franking account balance as at 30 June 2023 is $9.760m (2022: $19.693m).

24. Financial Instruments

Accounting policy

Non-derivative financial instruments

Classification

The Group has classified its financial assets in the following measurement categories:

- Those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset. Measurement of cash and cash equivalents, trade receivables, loan and other receivables is at amortised cost.

Impairment

For trade receivables, loan and other receivables, the Group applies the simplified approach which requires expected lifetime loss to be recognised from initial recognition of the receivables. For all other financial instruments, the Group assesses expected credit loss on a forward-looking basis and the impairment methodology applied will depend on whether there has been a significant increase in credit risk.

Non-derivative financial liabilities

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. -After initial recognition, Trade and other payables are measured at amortised cost.

Capital risk management

Directors 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 19, cash, and equity attributable to equity holders of the parent, comprising issued capital, accumulated losses and dividends, as disclosed in notes 21 to 23.

Financial risk management

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 which are approved by the directors. The Chief Financial Officer is responsible for managing the Group's treasury requirements in accordance with this policy.

The Group hold the following financial instruments:

	30 June 2023 $'000	30 June 2022 $'000
Financial Assets		
Cash and Cash equivalents	15,102	11,133
Trade and other receivables	39,941	38,210
	55,043	**49,343**
Financial Liabilities		
Trade and other payables	89,696	91,566
Lease liabilities	21,092	26,720
Borrowings	364	286
	111,152	**118,572**

Market risk

i) Interest rate risk management

Refer to note 19 for details of debt facilities the Group holds as at 30 June 2023.

The Group is exposed to interest rate risk as the entities in the Group borrow funds at both fixed and variable interest rates. There is an interest rate exposure for these utilised facilities when they are used during each financial year (Refer to note 19 for details of these facilities).

A sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. 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 profit for the year ended 30 June 2023 would decrease/increase by $0.049m (2022: $0.032m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Credit risk

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 risk 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.

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.

Liquidity risk

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.

i) Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

Year ended 30 June 2023	< 6 months $'000	6 -12 months $'000	>1 -5 years $'000	Total $'000
Financial Liabilities				
Trade and other payables	89,696	-	-	89,696
Lease liabilities	698	10,995	9,399	21,092
Borrowings	364	-	-	364
	90,758	**10,995**	**9,399**	**111,152**

Year ended 30 June 2022	< 6 months $'000	6 -12 months $'000	>1 -5 years $'000	Total $'000
Financial Liabilities				
Trade and other payables	91,566	-	-	91,566
Lease liabilities	1,085	11,439	15,908	28,432
Borrowings	286	-	-	286
	92,937	**11,439**	**15,908**	**120,284**

25. 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:

	30 June 2023 $	30 June 2022 $
Short-term employee benefits	1,653,318	2,149,228
Post-employment benefits	103,355	119,218
Other long-term benefits	16,327	(1,299)
Termination benefits	-	355,282
Share-based payments	(59,973)	(294,932)
	1,713,027	**2,327,497**

26. Related party transactions

Trading Transactions

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

	Cost of goods		Leases and services rendered		Non-cash remuneration	
	30 June 2023 $	30 June 2022 $	30 June 2023 $	30 June 2022 $	30 June 2023 $	30 June 2022 $
Vallence Gary Simonds and related entities:						
Properties leased on an arms-length basis	-	-	273,000	283,425	-	-
Advisory fee paid during the year	-	-	100,913	100,457	-	-
Remuneration for employee services	-	-	63,302	69,342	-	-
Service payment to The Trustee for the Consolidated Yacht Charter Trust	50,087	12,313	-	-	-	-
Car park provided	-	-	-	-	19,437	18,769
	50,087	**12,313**	**437,215**	**453,224**	**19,437**	**18,769**
Simonds Family Office Pty Ltd[1]						
Supply payment to Delos Welltek Australia Pty Ltd[2]	90,680	170,141	-	-	-	-
Consulting services	-	-	642,762	-	-	-
	90,680	**170,141**	**642,762**	**-**	**-**	**-**
Mark Simonds and related entities:						
Payment for use of building licence	-	-	200,000	166,667	-	-
Remuneration for employee services	-	-	67,887	11,808	-	-
	-	**-**	**267,887**	**178,475**	**-**	**-**
David Denny and related entities:						
Tomlucsar Investments Pty Ltd - Consulting services	-	-	**30,000**	-	-	-
Total	**140,767**	**182,454**	**1,377,864**	**631,699**	**19,437**	**18,769**

At 30 June 2023, there were no balances outstanding from related parties (2022: nil).

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

[2] There is a Supply Agreement between Delos Welltek Australia Pty Ltd ad Simonds Group for the inclusion of the “DARWIN Essentials Package” into all homes in Victoria. Simonds Family Office Pty Ltd hold 25% interest in Delos Welltek Australia Pty Ltd. Mark Simonds and Rhett Simonds were directors of Delos Welltek Australia Pty Ltd till 5 October 2022.

Loans to related parties

During the year ended 30 June 2023 there were no loans to related parties outside the Group (2022: Nil).

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and disclosed in this note.

27. Share based payments

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.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

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. During the current financial year:

- Share based payments made to key management personal and other employees amounted to $0.072m (2022: $0.594m).
- As at 30 June 2023, performance rights / performance options remaining on issue:
    - FY2021 Plan: 600,000 (performance rights)
- No performance rights / performance options were granted (2022: Nil) during the period.

Incentives	Financial Year	Tranche	Grant Date	Fair Value at Grant Date	Vesting Date	Expiry Date	Other Vesting Condition	
Cash Settled	FY 2021	1	25 Jun' 2021	$0.50	30 Jun' 2023	30 Jun' 2023	Non-market	(1), (2)

Notes:

(1) Gateway Hurdle Condition exists whereby FY21 Performance Rights may not vest unless the individual remains employed up to and including 30 June 2023. These Performance Rights are settled either as shares in the Company or as cash at the discretion of the Board.

(2) 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.

The following table outlines the share-based expense (excluding forfeitures and lapses) under the management incentive and employee share plan for the year ended 30 June 2023:

	30 June 2023 $'000	30 June 2022 $'000
Employee share plan		
Share based expense	(80)	(38)
	(80)	**(38)**

Fair value of performance rights, service rights and options granted in the year

Cash rights subject to market-based vesting conditions.

	Fair value model inputs and assumptions					
	Fair value at grant date	Exercise Price	Expected life of instruments (days)	Expected volatility	Expected dividend yield	Risk - free rate
FY 2021 Cash rights T1:	$0.50	$0.00	736	nil	0%	nil

Movements in performance rights, service rights and options during the year

The following reconciles the cash rights, performance rights and option rights outstanding at the beginning and end of the financial year:

2023	Financial Year Issued	Opening balance	Granted during the year		Vested during the year		Forfeited during the year		Closing balance
		Number of rights	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Total number of rights
Cash Rights									
Tranche 1	FY 2021	600,000	-	-	-	-	-	-	600,000
Tranche 1	FY 2020	882,353	-	-	-	-	882,353	0.2	-
TOTAL		**1,482,353**	**-**	**-**	**-**	**-**	**882,353**	**0.2**	**600,000**

2022	Financial Year Issued	Opening balance	Granted during the year		Vested during the year		Forfeited during the year		Closing balance
		Number of rights	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Total number of rights
Cash Rights									
Tranche 1	FY 2021	2,050,000	-	-	-	-	1,450,000	0.38	600,000
Tranche 1	FY 2020	3,014,707	-	-	-	-	2,132,354	0.38	882,353
Performance Rights									
Tranche 1	FY 2019	1,866,666	-	-	1,095,333	0.27	771,333	0.27	-
Tranche 2	FY 2019	1,866,666	-	-	21,559	0.38	1,845,107	0.38	-
CEO Options									
EPS	FY 2017	2,275,720	-	-	2,275,720	0.53	-	-	-
TOTAL		**11,073,759**	**-**	**-**	**3,392,612**	**0.44**	**6,198,794**	**0.37**	**1,482,353**

Cash rights outstanding at the end of the current financial year had an exercise price of $nil (2022: nil).

The weighted average contractual life of cash rights was 836 days (2022: 835).

Performance and service rights vested during the year

No (2022: 1,116,892) performance rights and no (2022: 2,275,720) options were vested during the year ended 30 June 2023.

Performance and service rights forfeited during the year

There were 882,353 (2022: 3,582,354) cash rights and no (2022: 2,616,440) performance rights forfeited during the year.

28. Auditor's remuneration

	30 June 2023 $	30 June 2022 $
Audit or review of financial statements - Group	315,000	315,000
	315,000	315,000
Statutory assurance services required by the legislation to be provided by the auditor	-	35,500
Other services		
-Tax services	88,000	169,807
-Financial advisory services	-	165,658
	403,000	**685,965**

The Group's auditor is PKF Melbourne Audit & Assurance Pty Ltd. For the prior year, the Group's auditor was Deloitte Touche Tohmatsu

29. Commitments for expenditure

There were $0.850m capital commitments for the Group as at 30 June 2023 (2022: nil).

	30 June 2023 $'000	30 June 2022 $'000
Non – cancellable speculative home purchase payments		
No longer than 1 year	850	-
Longer than 1 year and not longer than 5 years	-	-
	850	**-**

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.

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

Cash flows from operating activities		
Net (Loss) / profit after tax for the year	**(23,333)**	**(9,669)**
Add / (deduct):		
Income tax expense recognised in profit or loss	(10,484)	(5,359)
Finance costs recognised in profit or loss	2,254	2,275
Gain on disposal of discontinued operation	-	(6,041)
Management incentive and share based payments	80	(1,186)
Depreciation and amortisation of non-current assets	20,335	20,548
	(11,148)	568
Movements in working capital		
(Increase) in trade and other receivables	(1,737)	(5,775)
(Increase) / decrease in inventories	(570)	8,869
Decrease / (increase) in other assets	13,880	(18,041)
(Decrease) / increase in trade and other payables	(1,870)	14,750
(Decrease) in provisions	(2,987)	(2,291)
(Decrease) in other liabilities	(7,288)	(1,086)
Cash (used in) operating activities	(11,720)	(3,006)
Net interest paid	(2,254)	(2,275)
Income taxes refund / (paid)	9,881	2,946
Net cash (used in) operating activities	**(4,093)**	**(2,335)**

Non-cash transactions

The Group acquired $10.881m of right-of-use assets during the financial ended 30 June 2023. The additions are non-cash and not included within investing activities in the consolidated statement of cash flows.

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Notes	30 June 2022 $'000	Financing cash flows $'000	Non-cash changes New leases $'000	30 June 2023 $'000
Other borrowings	19	286	78	-	364
Lease liabilities	33	26,720	(15,473)	9,845	21,092
Total liabilities from financing activities		**27,006**	**(15,395)**	**9,845**	**21,456**

31. Parent entity information

The parent entity is Simonds Group Limited. 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.

	30 Jun 2023 $'000	30 Jun 2022 $'000
Statement of financial position		
Current Assets	47,367	14,753
Non-current Assets	2,583	2,001
Total assets	**49,950**	**16,754**
Current Liability	13,930	4,329
Non-current Liability	2,783	2,120
Total liabilities	**16,713**	**6,449**
Net assets	**33,237**	**10,305**
Issued capital	37,867	13,505
Reserves	(35,048)	(35,048)
Accumulated profit	30,418	31,848
Total equity	**33,237**	**10,305**
Income statement		
Dividends from subsidiaries	-	4,390
Operating (loss) / profit before tax	(2,042)	1,558
Tax refund / (expense)	612	(2,435)
(Loss) / profit for the year	**(1,430)**	**3,513**

32. Contingent liabilities and contingent assets

Contingent Liabilities		
Bank guarantees	**1,309**	**2,299**

Litigation

There are a small number of legal matters relating to the construction of residential dwellings and personal injury claims from employees, contractors or the public that are the subject of litigation or potential litigation. A provision is raised in respect of claims where an estimate may be reliably established, and legal or other advice indicates that it is probable that the Group will incur costs either in progressing its investigation of the claim or ultimately in settlement.

33. Leases

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

The Group also leases equipment with contract terms of one to three years. These leases are short-term and/or leases of assets with a value at or below $10,000. For leases of low value assets and short-term leases the Group has elected not to recognise right-of-use assets and lease liabilities. The lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

Information about leases for which the Group is a lessee is presented below.

Amount recognised in profit or loss

	30 June 2023 $'000	30 June 2022 $'000
Lease under AASB 16		
Interest on lease liabilities	(1,511)	(1,594)
Depreciation expense on right-of-use assets	(14,530)	(13,778)
Expenses relating to short-term leases	(2,867)	(3,779)
Expenses relating to low value assets leases	(7)	(323)
(Loss) / gain on lease modification and cancellation	(536)	11
	(19,451)	**(19,463)**

Commitment for short-term leases and low value assets

Relating to leases classified as short-term and/or low value leases, the Group is committed to payments of $0.032m for leases under 1 year in duration and $nil for leases between 1 year and 5 years.

The total cash outflow for leases amounts to $19.247m (2022: $14.534m).

Lease liabilities

	30 June 2023 $'000	30 June 2022 $'000
Current	11,693	11,962
Non-current	9,399	14,758
	21,092	**26,720**
Leases expiring less than one year	11,693	11,962
Leases expiring between one and five years	9,399	14,758
Leases expiring more than five years	-	-

Right of use assets

	Commercial offices $'000	Display homes $'000	Display home furniture $'000	IT equipment $'000	Motor vehicles $'000	Total $'000
Cost						
Balance at 1 July 2021	18,427	6,938	5,582	1,479	6,965	39,391
Additions	945	4,073	1,967	266	3,328	10,579
Changes in value from lease modification and cancellation	1,134	311	-	6,016	-	7,461
Disposal of assets	(1,590)	(3,575)	(2,995)	(1,479)	(981)	(10,620)
Balance at 30 June 2022	**18,916**	**7,747**	**4,554**	**6,282**	**9,312**	**46,811**
Cost						
Balance at 1 July 2022	18,916	7,747	4,554	6,282	9,312	46,811
Additions	1,481	5,228	3,454	-	718	10,881
Reallocation	-	-	-	(266)	266	-
Changes in value from lease modification and cancellation	-	(362)	-	-	-	(362)
Disposal of assets	(2,835)	(5,372)	(2,972)	-	(2,898)	(14,077)
Balance at 30 June 2023	**17,562**	**7,241**	**5,036**	**6,016**	**7,398**	**43,253**
Accumulated amortisation						
Balance at 1 July 2021	(5,930)	(3,874)	(3,113)	(1,357)	(3,250)	(17,524)
Charge for the year	(4,295)	(3,937)	(2,375)	(1,203)	(1,968)	(13,778)
Changes in value from lease modification and cancellation	(10)	-	-	-	-	(10)
Disposal of assets	1,516	3,445	2,934	1,357	875	10,127
Balance 30 June 2022	**(8,719)**	**(4,366)**	**(2,554)**	**(1,203)**	**(4,343)**	**(21,185)**
Accumulated amortisation						
Balance at 1 July 2022	(8,719)	(4,366)	(2,554)	(1,203)	(4,343)	(21,185)
Charge for the year	(4,308)	(4,300)	(2,639)	(1,203)	(2,080)	(14,530)
Changes in value from lease modification and cancellation	-	-	3	-	-	3
Disposal of assets	2,235	5,112	2,736	-	2,348	12,431
Balance 30 June 2023	**(10,792)**	**(3,554)**	**(2,454)**	**(2,406)**	**(4,075)**	**(23,281)**
Carrying amount						
As at 30 June 2022	**10,197**	**3,381**	**2,000**	**5,079**	**4,969**	**25,626**
As at 30 June 2023	**6,770**	**3,687**	**2,582**	**3,610**	**3,323**	**19,972**

34. Subsequent events

On 31 July 2023, Simonds Group Limited announced it has reached an agreement with Victorian Managed Insurance Authority (VMIA) to facilitate processing of claims made by former customers of Porter Davis Homes. This agreement may have a positive effect on revenue in FY24.

Apart from above, there are no other events that occurred subsequent to the reporting date that may significantly affect Group's operations, results or state of affairs in future periods.