

Appendix 4D

For the half year ended 31 December 2020

Simonds Group Limited

ACN: 143 841 801

This half year financial report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2.A.

SIMONDS GROUP LIMITED (ASX: SIO)

APPENDIX 4D

HALF YEAR ENDED 31 DECEMBER 2020

Half year ended: Half year ended 31 December 2020

Previous corresponding period: Half year ended 31 December 2019

Results for Announcement to the Market for the half year ended 31 December 2020					
Revenue from ordinary activities from continuing operations	Down	(\$2.5m)	by	(0.8%)	to \$325.0m
Profit from ordinary activities before tax from continuing operations	Down	(\$3.5m)	by	(55.6%)	to \$2.8m
Profit from ordinary activities after tax from continuing operations	Down	(\$2.2m)	by	(53.7%)	to \$1.9m
Loss after tax from discontinued operations	Down	(\$0.0m)	by	0.0%	to (\$0.7m)
Net Profit after tax	Down	(\$2.3m)	by	(67.6%)	to \$1.1m
Net profit attributable to members	Down	(\$2.3m)	by	(67.6%)	to \$1.1m

Refer to the Simonds Group Limited Interim Financial Report and the Director's Report for commentary on the above results.

Net tangible asset backing per ordinary share¹	Amount per share
As at 31 December 2020 (cents)	6.80
As at 30 June 2020 (cents)	5.87

Net assets backing per share at 31 December 2020 was 12.86 cents (30 June 2020: 11.92 cents)

Dividends	Amount per share	Franked amount per share
For the half year ended 31 December 2020 (cents)	-	-
For the half year ended 31 December 2019 (cents)	-	-

Other Information

This report is based on the financial report which has been reviewed by Deloitte Touche Tohmatsu.

For a brief explanation of the results presented in this Appendix 4D, please refer to the ASX announcement on the results for the half year ended 31 December 2020 and the financial report.

¹ For the purposes of this calculation, Net tangible assets exclude Intangible assets and include Right-of-use assets.



Simonds Group
31 December 2020

Simonds Group Limited

ABN 54 143 841 801

Interim Financial Report for the half year ended 31 December
2020



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Simonds Group Limited
Interim Financial Report for the half year ended 31 December 2020

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Directors' report

The directors of Simonds Group Limited (the "Company") submit herewith the financial report of the consolidated entity consisting of the Company and the entities it controlled (the "Group") for the half year ended 31 December 2020. 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 half year are:

Current Directors		
Name	Date appointed	Current Position
Iain Kirkwood	20 September 2017	Independent Non-Executive Director and Chairman
Neil Kearney	20 September 2017	Independent Non-Executive Director
Delphine Cassidy	20 September 2017	Independent Non-Executive Director
Rhett Simonds ¹	20 April 2016	Chief Executive Officer (CEO) and Managing Director
Mark Simonds	20 September 2017	Executive Director
Piers O'Brien	20 September 2017	Non-Executive Director

Former Directors			
Name	Date appointed	Date resigned	Position
Kelvin Ryan ²	5 March 2018	31 December 2020	Joint Chief Executive Officer (CEO) and Managing Director

Operating and financial review

Principal activities

The Group's principal activities during the half year were the design, sales and construction of residential dwellings and providing registered training courses.

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 includes single and double storey detached homes, with a target market being first and second home families in the metropolitan areas of state capital and large regional cities.

Builders Academy Australia (BAA) is a Registered Training Organisation with a focus on offering nationally accredited qualifications in building and construction. Embedded within one of Australia's leading home builders, BAA's core offering is 'builders training builders'. Completion of courses offered

¹ On 10 December 2020 Simonds announced the appointment of Rhett Simonds as Group CEO and Managing Director with effect from 1 January 2021. Prior to this date, Rhett Simonds was the Joint CEO and Managing Director and was a non-executive director appointed to the Board on 20 April 2016.

² On 10 December 2020 Simonds announced the retirement of Kelvin Ryan as Joint CEO and Managing Director effective from 31 December 2020.



enables successful students to increase their career and employment opportunities; as well as provide a well-trained network of employees, suppliers and contractors for Simonds Homes.

The Group maintains a small development land portfolio via direct land ownership, and participation in other development land projects via indirect holdings.

Operations

Group revenue from continuing operations for the period was \$325.021 million compared to the previous corresponding period of \$327.480 million. Simonds Homes recorded 1,172 site starts for the period, an increase of 29 or 2.5% on the previous corresponding period. The slight reduction in Group revenue is predominantly due to the impact of COVID-19 restrictions contributing to lower productivity on site.

Balance sheet

The Group delivered a strong performance in the 2020 calendar year given the challenges presented by the COVID-19 pandemic. The Group's operating results were impacted by the effects of significant government restrictions on worksites, particularly in Victoria, as well as the federal government's Homebuilder stimulus package, as well as the investment made in marketing and developing new sales channels. With three consecutive years of positive results, the business is now in a much stronger position.

Improved operating results and cash flow management have enabled the Group to significantly improve its net cash position (measured by cash and cash equivalents less borrowings) to a net surplus of \$29.593 million at 31 December 2020 compared with \$25.910 million net surplus at 30 June 2020. The net assets of the Group have improved from \$17.247 million at 30 June 2020 to a net asset position of \$18.492 million at 31 December 2020.

Operating cash flows

The Group generated net operating cash flows of \$13.713 million, a decrease of \$8.997 million on the net operating cash flows recorded for the comparative half year period ended 31 December 2019 of \$22.710 million. This reflected the impact of lower receipts from customers offset by lower payments to suppliers and employees.

Impacts of COVID-19

During the first half of the 2021 financial year the global economy continued to suffer the effects from the COVID-19 pandemic. Due to the relative strength of the Group's balance sheet, high lead times associated with building homes and the Group's strong relationship with key suppliers and sub-contractors the business was able to withstand this impact. In order to mitigate future impacts on the business, the Group has maintained its vigilance on cost control and continued working capital management practices. The potential future impacts of COVID-19 may be further mitigated as the Group continues to broaden and diversify its sales channels into government housing and digital sales.

Future developments

Challenges remain in some areas with continued delays in registration of land by developers as well as customer financing, however changes made by APRA to relax constraints on customer borrowings combined with reduction in cash rates and the Federal Government's Homebuilder Stimulus Package, including its extensions, are anticipated to enable our customers with greater access to finance. In addition, the Group continues to leverage its strategic relationships with land developers to enable its customers to procure land in key growth zones.

Builders Academy Australia continues to focus on delivering high quality trade qualifications that meet the needs of the Australian workforce. Through diversifying funding sources, delivery modes and market segments including expanded delivery in states other than Victoria, Builders Academy Australia and City-Wide Building and Training Services continue to prepare graduates to realise

sustainable career outcomes. The business remains focused on meeting the increased demands placed on it from the ever-changing regulatory environment in this sector, and that continues to be a major risk and opportunity for the Group.

During the previous financial year (FY20), the Group invested in the development of new sales channels which have delivered revenue and cashflows in the current financial year (FY21). During the first half of FY21 the Group has continued investing in new sales channels to broaden and diversify the Group's offerings to customers.

COVID-19 is expected to continue to impact the Group in the second half of FY21 as state governments implement various counter measures. These include restrictions on access to sites, our display centres and other potential impacts across the supply chain. Management have taken a range of mitigating actions to reduce the impact of these factors on our business.

There are many uncertainties associated with the ongoing COVID-19 pandemic which make forward-looking statement problematic. Heightened demand created by the HomeBuilder stimulus has created pressure on trades that may prolong build times and impact trade rates. While the Group expects some volatility in the future because of COVID-19, and the impact of the cessation of government stimulus programs such as HomeBuilder, the Group notes that industry groups and analysts, including HIA, CBA and UBS, are forecasting positive growth through to 30 June 2021 and into FY22.

Summary of key business risks

The Board remains 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, particularly the potential ongoing impact of the COVID-19 pandemic may adversely affect the performance of the business.

There are some risks, specific to the Group's home building business and the delivery of training courses, 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.

Deterioration in economic conditions resulting in a fall in demand:

There are a number of general economic conditions, such as interest rate movements, 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 and/or fees received from students.

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.

As the COVID-19 pandemic's adverse impact on global and domestic economic conditions could cause a decline in demand for new housing within Australia, management continue to monitor the situation and ensure the Group has plans in place to respond appropriately.

Information Technology ("IT") security and data security breaches:

The potential failure of IT security measures may result in the loss, inability to access information, destruction or theft of customer, supplier, and financial or other commercially sensitive information including intellectual property. This has the potential to adversely affect operating results and potentially damage the reputation of the Simonds Homes or Builders Academy Australia brands, and/or create other liabilities for the Group.

There are a number of key controls either planned or already in place aligned to improving the security posture; the implementation, maintenance and supervision of operational policies intended to preserve the integrity of the IT systems and supporting infrastructure; regular independent audit and review of IT security; and the ongoing review, practice and updating of a disaster/crisis management plan relating to IT systems.

Subsequent events

Subsequent to the reporting date, on 5 February 2021, the Company has agreed with its bank an updated facility agreement with the following key changes:

- A Market Rate Loan facility is now available for up to \$0.560m
- The Equipment finance facility has been increased from \$6.000m to \$7.500m
- The limit for bank guarantees has increased from \$2.000m to \$3.000m
- All borrowing covenants remain the same, with the exception of, a borrowing base test has been replaced with a net assets test.

Other than included in this financial report, there have been no events that occurred subsequent to the reporting date that significantly affect the Group's operations, results or state of affairs in future periods.

Dividends

The directors have determined that no dividend will be declared in relation to the 31 December 2020 half year (31 December 2019: nil).

Auditor's independence declaration

The auditor's independence declaration is included after this report on page 10.

Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Class Order amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the directors



Iain Kirkwood
Chairman
Melbourne, 23 February 2021

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23 February 2021

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

Dear Board Members

Simonds Group Limited

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

As lead audit partner for the review of the financial statements of Simonds Group Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Genevra Cavallo
Partner
Chartered Accountant

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

Conclusion

We have reviewed the accompanying half-year financial report of Simonds Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 9 to 25.

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

- (a) giving a true and fair view of the Group's financial position as 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 23 February 2021

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 and notes thereto are in accordance with *the Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

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

On behalf of the Directors



Iain Kirkwood
Chairman
Melbourne, 23 February 2021

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Condensed consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2020

	Notes	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Continuing operations			
Revenue	2	325,021	327,480
Cost of sales		(245,766)	(252,762)
Gross profit		<u>79,255</u>	<u>74,718</u>
Expenses	4	(65,274)	(58,855)
Profit before financing items, depreciation and amortisation		13,981	15,863
Depreciation and amortisation charges		(10,414)	(8,815)
Profit before financing items and tax		<u>3,567</u>	<u>7,048</u>
<i>Financing items</i>			
Interest expense		(752)	(777)
Net financing cost		<u>(752)</u>	<u>(777)</u>
Profit before tax		<u>2,815</u>	<u>6,271</u>
Income tax expense		(962)	(2,179)
Profit from continuing operations after tax		<u>1,853</u>	<u>4,092</u>
Discontinued operations			
Loss from discontinued operations after tax	5	(716)	(716)
Profit after tax for the half year		<u>1,137</u>	<u>3,376</u>
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
		-	-
Total comprehensive income for the half year		<u>1,137</u>	<u>3,376</u>
Earnings per share		Cents per share	Cents per share
From continuing operations			
Basic	9	1.29	2.85
Diluted	9	1.27	2.69
From continuing and discontinued operations			
Basic	9	0.79	2.35
Diluted	9	0.78	2.22

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position

As at 31 December 2020

	Notes	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Assets			
<i>Current Assets</i>			
Cash and bank balances		31,086	28,282
Trade and other receivables		18,666	29,285
Accrued revenue		32,776	34,391
Inventories	8	28,848	34,248
Other assets		2,692	1,807
Total current assets		114,068	128,013
<i>Non-Current Assets</i>			
Property, plant and equipment		6,235	6,194
Intangible assets		8,709	8,798
Right-of-use assets	11	23,492	22,700
Deferred tax assets		2,576	556
Total non-current assets		41,012	38,248
Total assets		155,080	166,261
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables		58,837	80,593
Deferred revenue		1,051	1,624
Customer deposits		18,422	11,988
Tax payable		9,390	6,716
Borrowings	7	-	311
Lease liability		10,282	9,704
Provisions		15,053	14,871
Total current liabilities		113,035	125,807
<i>Non-Current Liabilities</i>			
Lease liability		13,418	12,917
Provisions		10,135	10,290
Total non-current liabilities		23,553	23,207
Total liabilities		136,588	149,014
Net Assets		18,492	17,247
Equity			
Issued capital		12,911	12,911
Reserves	10	22,629	22,521
Accumulated losses		(17,048)	(18,185)
Total equity		18,492	17,247

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2020

	Issued capital \$'000	Share buy-back reserve \$'000	Share based payments reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2019	12,911	(7,204)	29,522	(23,821)	11,408
Employee share plan	-	-	307	-	307
Profit for the period	-	-	-	3,376	3,376
Transfer to accumulated losses	-	-	(146)	146	-
Balance at 31 December 2019	12,911	(7,204)	29,683	(20,299)	15,091
Balance at 1 July 2020	12,911	(7,204)	29,725	(18,185)	17,247
Employee share plan	-	-	108	-	108
Profit for the period	-	-	-	1,137	1,137
Transfer to accumulated losses	-	-	-	-	-
Balance at 31 December 2020	12,911	(7,204)	29,833	(17,048)	18,492

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows

For the half year ended 31 December 2020

Notes	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash flows from operating activities		
Receipts from customers	375,777	397,527
Payments to suppliers and employees	(361,858)	(371,606)
Cash generated from operations	13,919	25,921
Finance costs	(206)	(777)
Income taxes (paid)	-	(2,434)
<i>Net cash generated from operating activities</i>	13,713	22,710
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	22	74
Payments for property, plant and equipment	(1,648)	(1,681)
Payments for intangible assets	(1,865)	(2,664)
<i>Net cash used in investing activities</i>	(3,491)	(4,271)
Cash flows from financing activities		
Repayment of borrowings	(931)	(6,753)
Repayment of lease liability	(6,487)	(7,045)
<i>Net cash used in financing activities</i>	(7,418)	(13,798)
Net increase in cash and cash equivalents	2,804	4,641
Cash and cash equivalents at the beginning of the period	28,282	9,702
<i>Cash and cash equivalents at the end of the period</i>	31,086	14,343

The accompanying notes form part of these financial statements.

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Notes to the condensed consolidated financial statements

1 Significant accounting policies

1.1 Statement of compliance

This half year financial report is a general purpose condensed consolidated half year financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*' ("AASB 134"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

The half year report does not include any notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

1.2 Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 '*Share-based Payment*' ("AASB 2"), leasing transactions that are within the scope of AASB 16 '*Leases*' ("AASB 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 '*Inventories*' ("AASB 102") or value in use in AASB 136 '*Impairment of Assets*' ("AASB 136").

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 30 June 2020. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.3 Application of new and revised accounting standards

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

There are no new standards effective in the current financial that have a material effect on the financial statements of the Group.

1.3.2 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.

Notes to the consolidated financial statements (continued)

2 Revenue

The following is an analysis of the Group's revenue for the half-year (excluding interest income).

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Continuing operations		
Revenue from residential construction contracts	318,064	321,732
Revenue from rendering of registered training services	6,957	5,748
Revenue from land developments	-	-
	325,021	327,480
Discontinued operations	-	-
	325,021	327,480

3 Segment information

3.1 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 under AASB 8 'Operating Segments' are as follows:

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

Madisson Homes 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 5 for more information).

3.2 Segment revenues and results

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

	Segment revenue		Segment profit / (loss) before tax	
	Half year ended		Half year ended	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Continuing operations				
Residential construction	318,064	321,732	1,449	5,256
Registered training	6,957	5,748	1,373	1,028
Land developments	-	-	(7)	(13)
	325,021	327,480	2,815	6,271
Discontinued operations	-	-	(1,023)	(1,022)
Consolidated segment revenue and profit before tax for the period	325,021	327,480	1,792	5,249

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Notes to the consolidated financial statements (continued)

3.3 Segment assets and liabilities

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Segment assets		
Residential construction	145,891	157,056
Registered training	7,397	4,710
Land developments	1,146	2,366
	154,434	164,132
Discontinued operations	646	2,129
Total segment assets	155,080	166,261
Segment liabilities		
Residential construction	109,488	143,032
Registered training	3,958	3,416
Land developments	8,280	248
	121,726	146,696
Discontinued operations	14,862	2,318
Total segment liabilities	136,588	149,014

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

4 Expenses for the half year

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Continuing operations		
(Loss)/Profit on disposal of property, plant and equipment and intangibles	(41)	30
Marketing and selling expenses	(12,370)	(10,135)
Corporate and administrative expenses	(9,989)	(9,682)
Employee benefits expense	(42,874)	(39,068)
	(65,274)	(58,855)
Discontinued operations (refer note 5)	(1,023)	(1,022)
Total expenses	(66,297)	(59,877)

5 Discontinued Operations

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.

Notes to the consolidated financial statements (continued)

5.1 Loss for the half year from discontinued operations are summarised as follows:

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue	-	-
Expenses	(1,023)	(1,022)
Loss before tax	(1,023)	(1,022)
Attributable income tax benefit	307	306
Net loss after tax for the period	(716)	(716)

5.2 Cash flow from discontinued operations:

Net cash inflows/ (outflows) from operating activities	6	(4)
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6 Dividends

During the half year ended 31 December 2020 the Group has not made any dividend payments (June 2020: \$nil) and no interim dividend has been declared for the half year ended 31 December 2020.

7 Borrowings

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
<i>Current</i>		
Other borrowings	-	311
	-	311

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Notes to the consolidated financial statements (continued)

7.1 Summary of borrowing arrangements

Details of the Group's borrowing facilities are as follows:

Facility	Utilised \$'000	Unutilised \$'000	Interest Charge	Description	Maturity Date
Bank Guarantees	1,176	824	Fixed Market Rate	The Group's facilities are secured by all Simonds Group Limited corporate entities. Simonds have extended the existing corporate finance facility arrangements in place with Commonwealth Bank Australia.	30 September 2021
Multi Option Facility	-	22,500	Variable Market Rate		
Business Corporate Credit Card Facility	1,000	-	Option Index Rate	Charged Card facility made available to Simonds Group	2 August 2021
Finance Lease	1,507	4,493	Fixed Market Rate	Asset under finance leases are secured by the assets leased with repayment periods not exceeding 5 years.	Repayment periods are not exceeding 5 years
Total	3,683	27,817			

8 Inventories

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Display homes, land stock	29,910	36,335
Provision for impairment of inventories	(1,062)	(2,087)
	28,848	34,248

The impairment provision of display homes above is based on 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. For the assessment at 31 December 2020, current market conditions (including the current pandemic) have been considered and an adjustment to impairment made as appropriate.

Notes to the consolidated financial statements (continued)

9 Earnings per share

	31 Dec 2020 Cents per share	31 Dec 2019 Cents per share
<i>From continuing operations</i>		
Total basic profit/loss per share	1.29	2.85
Total diluted profit/loss per share	1.27	2.69
<i>From continuing and discontinued operations</i>		
Total basic profit/loss per share	0.79	2.35
Total diluted profit/loss per share	0.78	2.22

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

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<i>From continuing operations</i>		
Profit for the half year attributable to owners of the Company	1,853	4,092
<i>From continuing and discontinued operations</i>		
Profit for the half year attributable to owners of the Company	1,137	3,376
	Shares	Shares
Weighted average number of ordinary shares for the purposes of the basic earnings per share	143,841,655	143,841,655

9.2 *Diluted earnings per share*

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<i>From continuing operations</i>		
Profit for the half year attributable to owners of the Company	1,853	4,092
<i>From continuing and discontinued operations</i>		
Profit for the half year attributable to owners of the Company	1,137	3,376
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	143,841,655	143,841,655
Performance rights	2,047,773	8,178,721
Weighted average number of ordinary shares for the purposes of the diluted earnings per share	145,889,428	152,020,376

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Notes to the consolidated financial statements (continued)

10 Reserves

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Share Buy-back Reserve	(7,204)	(7,204)
Share Based Payment Reserve	29,833	29,725
	22,629	22,521

11 Leases

The Group leases commercial offices, display homes, display home furniture, 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 low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The total cash outflow for leases amount to \$7.572 million (December 2019: \$7.045 million).

11.1 Right of use assets

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Opening written down value	22,700	25,215
Additions	4,545	5,818
Disposals	(34)	(46)
Depreciation charge for the period	(6,958)	(13,929)
Changes in value from lease modification and cancellation	3,239	5,642
Closing written down value	23,492	22,700

11.2 Amount recognised in profit or loss:

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<i>Lease under AASB 16</i>		
Interest on lease liabilities	(502)	(351)
Depreciation expense on right-of-use assets	(6,958)	(6,143)
Expenses relating to short-term leases	(455)	(60)
Expense relating to low value assets	(9)	(158)
Profit on lease revaluation	114	81
	(7,810)	(6,631)

11.3 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 \$0.316 million for leases under 1 year in duration and \$0.158 million for leases between 1 year and 5 years.

Notes to the consolidated financial statements (continued)

12 Subsequent events

Subsequent to the reporting date, on 5 February 2021, the Company has agreed with its bank an updated facility agreement with the following key changes:

- A Market Rate Loan facility is now available for up to \$0.560m
- The Equipment finance facility has been increased from \$6.000m to \$7.500m
- The limit for bank guarantees has increase from \$2.000m to \$3.000m
- All borrowing covenants remain the same, with the exception of, a borrowing base test has been replaced with a net assets test.

Other than included in this financial report, there have been no events that occurred subsequent to the reporting date that significantly affect the Group's operations, results or state of affairs in future periods.

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