

ANNUAL REPORT 2020

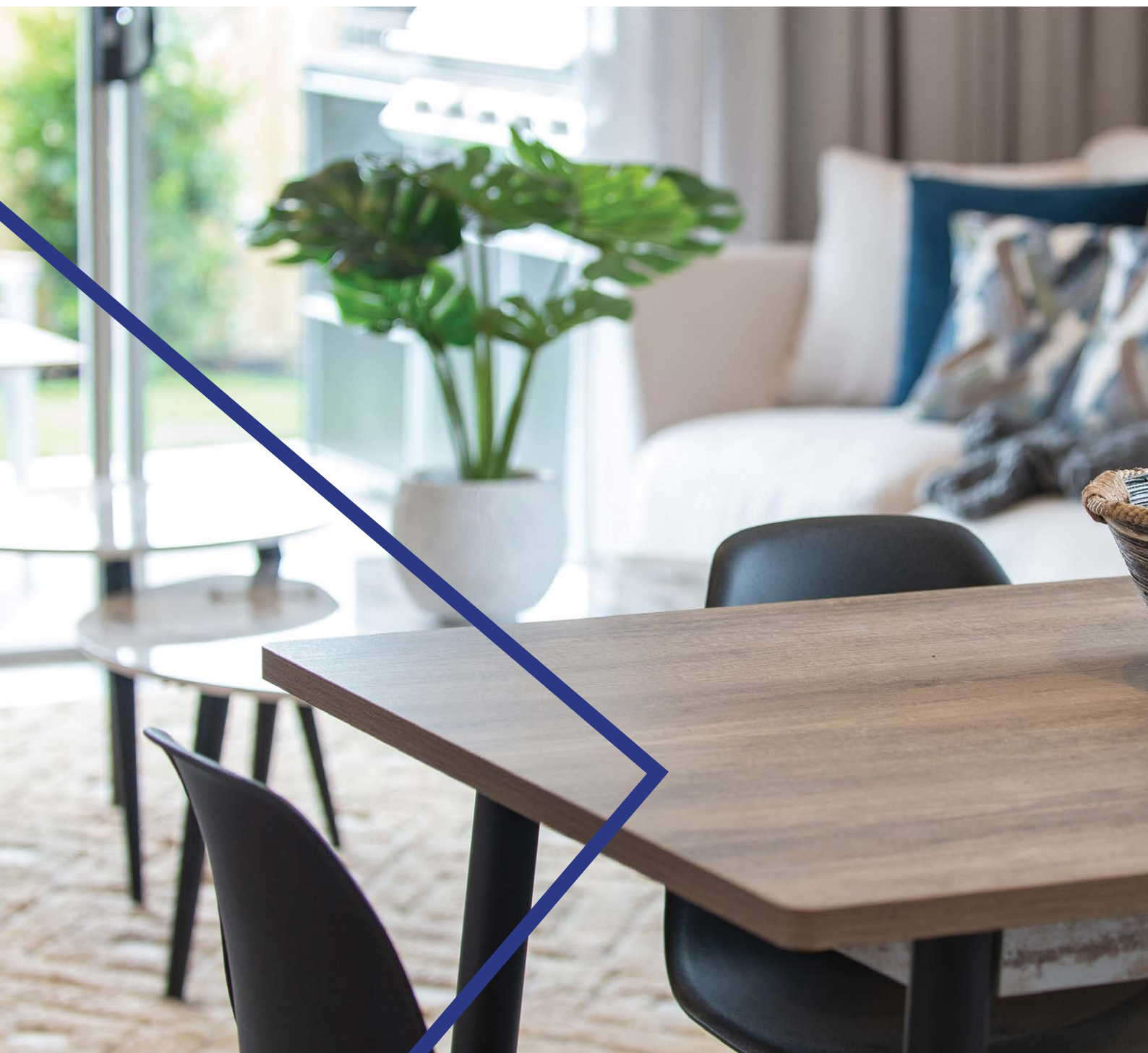
A building family,  
building for families  
for 70 years



**Simonds Group**

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# OUR FOUNDING PRINCIPLES



## STRATEGY

Leading by innovation,  
winning through diversification

## INNOVATION

Listening to the market drives  
our ability to create and innovate

## WELLNESS

Health and wellness for  
employees and contractors  
at work and at home

## SUSTAINABILITY

Sustainable sourcing and materials  
without compromising quality

## COMMUNITY

Community is the glue  
of our society

## WHS

A safety culture embedded  
into the business

## HISTORY

A 70 year legacy as the  
backbone of an enduring brand

## FAMILY

In the Simonds name, across  
the Simonds staff and to the  
wider family of home owners

## LOCAL

Employing and engaging locals  
as staff and suppliers as a priority

Started as  
a family business

Today we are  
a building family



## RHETT

“Today, we have not only reshaped our business but are at the forefront of reshaping the industry, through diversification, technology and our people focus.”

## GARY

“The team responded effectively and efficiently by rapidly implementing onsite safety programs, changing the sales mix to be more online orientated, and accelerating Builders Academy Australia (BAA) to online, self-paced learning.”

## MARK

“COVID-19 has prioritised health, family and security for everyone. The homes we build are now where people live and work. FY20 saw range and processes fine-tuning, without compromising quality or our lifetime structural guarantee.”

Focused on getting families into homes

Family remains core to our brand



## A HERITAGE OF LEADERSHIP

Over the past 12 months the Simonds Group have progressed our strategic plan to reshape the business. We redefined our core purpose, reset our strategy and ensured the right structures were in place to achieve these goals.

Diversification has been a key strategy. Our focus has always been on putting families into homes. In the last 12 months we have expanded what this means. We launched Start Point, we added to the Simonds Homes range and we started affordable housing projects with governments in South Australia and Victoria. In FY20, we recorded 2,395 housing starts and anticipate growth into FY21. Due to our continuous focus on innovation and diversification, more people than ever will live in a Simonds home.

From the more than 50,000 Australians that live in their dream Simonds home; the 6,000+ contractors that build these homes every year; the suppliers that have supported us for decades; our shareholders that have invested their funds believing in our brand; and the 800+ staff that call the Simonds Group home, the Simonds family goes far beyond those carrying

the family name. In FY20, this growing Group also includes the expanding number of tradies educated through our building and construction courses, and for the first-time government and affordable housing residents that are experiencing the design and build of a Simonds home.

This year Rhett Simonds joined the business as Joint CEO in February 2020 seeing a return of the founding family to the operations. Together with Kelvin Ryan, this leadership team is always focused on helping people get into a new home. Home ownership has been and always will be, at the heart of the Simonds Group business.

When Gary Simonds built his first house 70 years ago, a home for his mum, family was the first thought in his mind. Since then the Simonds name from Gary through to his son, Mark and now his grandson Rhett, have made putting families into homes a priority.

First as a private family-owned company, and then in 2014 with Simonds Group becoming a public company, our family has expanded exponentially.

### KELVIN

“We are a resilient organisation with great pride in what we do. We are uniquely placed to provide homes and education that can have a profound impact on the lives of so many Australians.”

# CHAIRMAN'S LETTER



**Dear Shareholders,**

On behalf of the Board we have pleasure in presenting the 2020 Annual Report to you,

a year in which there were two very distinct halves. Half one in which the Group performed solidly and in line with expectations, and half two in which we had to respond rapidly to the burgeoning impact of the COVID-19 pandemic.

The financial results for the year, which are laid out in detail in this report, show that EBITDA was \$31.5 million (FY19: \$23.2 million) and NPAT from continuing operations was \$7.1 million, down \$4.6m on FY19 due to the impact of the lower sites starts and the investment made in developing and marketing new business channels.

Your directors have determined, notwithstanding the strong operational cash flow and strengthening of the

balance sheet, the uncertainty created by the COVID-19 pandemic is such that no dividend will be paid in respect of the 2020 financial year.

In the first half the company generated \$22.7 million in cash from operations strengthening the Group's balance sheet include repayment of debt. We continued to focus on improving operating performance by taking out costs and committed to investing in developing new sales channels to market.

All this momentum changed in February and March as the severity of the impact of the COVID-19 pandemic became increasingly apparent. Few of us, if any, could have imagined this event. The Joint CEO's report which follows, goes into some detail as to how the company has handled the multiple, complex challenges. At all times the health and wellbeing of our staff was and remains our priority focus.

However, against this difficult and testing environment, it was heartening to see strong interest

re-emerging from customers towards the year end. The Federal Government stimulus package generated significant interest and we have been working hard to secure customers to ensure Simonds is their first choice to build a new home.

We obviously can't predict what next year will bring, when the world will get back to normal nor what a "new normal" will look like. Indeed as this report is being penned, Victoria is back in a Stage 4 lockdown until 13 September. However, we are quietly confident that the Simonds brand will be in strong demand when we come out of this episode.

The directors also remain committed to the Group's strategies to deliver shareholder value through innovation, alternative sales channels and wellness. We also have a commitment to investment in people and maintaining the highest standards of safety.

The Simonds team have shown exemplary commitment and have worked way and beyond normal expectations during trying and



difficult times. Thank you and we look forward to your continuing efforts as, together, we all work our way through this extraordinary period.

Simonds Homes survived the 1990 recession, the Global Financial Crisis in 2008 and various other challenges in the 70 years of its existence and has set the standard for building homes. COVID-19 is likely to be the greatest challenge in our lifetime.

We will come out of this episode with a new sense of perspective, new ways of working and lessons learned which will benefit our business for the future.

Finally thank you to all our shareholders. Please keep safe and stay healthy.



Iain Kirkwood  
Chairman



The strength of the Simonds brand is that it carries with it the promise of a family home built to a high-quality standard, delivered on-time, backed by a safe and efficient building process.



# CEOs' LETTER



## Dear Shareholders,

In our first year as Joint CEOs, we are pleased to be able to share insights into the performance of the business through a challenging period for the industry. The significant downturn in the market, which started in early 2019, was further exacerbated by more restrictive lending conditions and flowed through to impact our FY20 starts. This was followed by the unprecedented effect of the COVID-19 pandemic which is predicted to see 600,000+ job losses nationally<sup>1</sup> and housing construction to fall by 25% in 2020<sup>2</sup>.

Pleasingly, the alignment of the executive team, and agile response to these challenges, has enabled the Group to finish the year in a positive position as we have continued to deliver a number of firsts:

- > Winning our first contracts to build government housing in South Australia and Victoria.
- > After becoming the first volume-home builder to be fully certified in Quality, Safety and Environment, achieving accreditation under AS 4801 Safety, ISO 9001 Quality and ISO 14001 Environment in 2019, we have maintained that status.
- > BAA launched a number of new training products that supported learners with business to business arrangements and also began delivery to international students.

- > The decision to partner with children's cancer charity My Room, and as first home partner for the rebadged "Home for a Cure" annual initiative.
- > Prior to the pandemic, BAA launched live online and self-paced learning and so were amongst the few able to ensure no disruption to learning programs.

## Financial performance

This has all been achieved during a year where we have generated positive cash flows and further strengthened the balance sheet.

Overall, the Group's revenue of \$664.8 million, was down \$22.9 million or 3.3% on FY19, and EBITDA of \$31.5 million was up \$8.3 million or 35.8% on FY19 due to the introduction of the new lease Accounting Standard offsetting the lower site starts. Our future pipeline of sales accepted and contracted will provide continued momentum moving into FY21 and beyond.

Our balance sheet health has significantly improved over the past three financial years, on the back of the results achieved, with net assets increased to \$17.3 million as at 30 June 2020 from \$11.4 million in the previous corresponding period.

The Group continues to focus on improving and delivering sustainable operating performance through cost efficiency, increasing sales through displays and investment in developing new channels to market.

## Our strategy

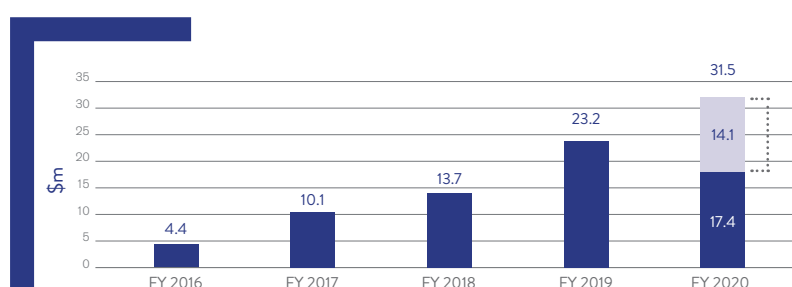
The Simonds difference is our ability to influence two critical enablers that are our two core business units:

- > **Simonds Homes:** Providing access to affordable home ownership; and
- > **Education:** Our registered training organisation, Builders Academy Australia (BAA) assists people seeking qualifications to enter the building and construction workforce or advance their careers.

These two complementary businesses ensure excellence in service and product that has been synonymous with the Simonds Group for three generations. Building on the foundations established in the previous two financial years through the 'Back to Basics' approach initiated in 2018, the Group has a strong, stable industry-experienced leadership team and is well structured to drive the business forward.

Our core purpose continues to focus on maximising the strength of the Simonds brand to become a leader in Australian home building and be recognised for the high-quality craftsmanship and the good-value homes we build.

## EBITDA



FY20 EBITDA now does not include lease expenses which totalled \$14.1 million. AASB16 now requires leases to be capitalised as an asset meaning the \$14.1m expense which would have previously reduced EBITDA is now reported within Depreciation & Amortisation (D&A) and Interest expense thus resulting in a higher EBITDA figure.

<sup>1</sup> MBA April 2020 Industry Forecasts.  
<sup>2</sup> CBA June 2020 Building Approvals Report.



We do this by working in partnership with key land developers, leveraging our supply chain to meet the market in terms of product mix and innovation in the key growth corridors of major Australian cities across the east coast and southern Australia.

The key elements of the Group's strategy for the year ahead and beyond are:

- > continue to ensure the safety of our staff and sub-contractors working on site is paramount;
- > organically grow our existing business whilst pursuing new business growth opportunities to deliver increased site starts, revenues and bottom-line results;
- > improve operating margins;
- > maintain focus on cost control and debt levels; and
- > broaden our product offering by developing new and innovative product across the range.

### Safety first

We have continued to strengthen our safety, environmental and quality management systems. The primary objective of our safety program is to recognise safety as a core value across all areas of the business, and it results in a positive safety culture and a healthy, engaged workforce.

Our safety management systems remain highly visible across the Group and we continue to strive for improvements in safe work practises. We remain committed to safety in the home building sector. Importantly, we have a voice in industry through our involvement in the Volume Builders Safety Alliances in each state and through our active participation in industry programs around the country with the regulators.



Young people coming into the residential building industry are able to come through BAA to upskill and become better tradespeople.



# CEOs' LETTER (CONT'D)

## Delivering for our customers

We recognise that many customers are entrusting their life savings with us. So it's important for us to see first home buyers who have worked hard to put their finances together, are able to get onto the property ladder with Simonds Homes.

Simonds Homes is one of the largest and most successful volume housing building construction companies in Victoria. It is important to note our ongoing expansion into South Australia, New South Wales and Queensland. This diversifies risk and increases opportunity across the country.

We continue to innovate and develop market-leading product. As well as our industry-leading home designs and house and land packages, our innovative Start Point product launched this year in Victoria, South Australia and Queensland gets first home buyers into a home they never thought they could afford.

We have also connected with more buyer markets as we expanded the Simonds Homes range with 10 new designs, refreshed the Precinct range with 15 new designs, updated the SimVesta offer and commenced affordable housing projects with governments in South Australia and Victoria. The Group was able to pivot in response to the sudden changes impacting our market. In FY20, we recorded 2,395 housing starts, which was a 7% decline on FY19, compared to industry<sup>1</sup> forecasts of a decline of 10 to 13% in FY20. Our ongoing innovation and diversification has enabled us to broaden our capacity to deliver homes to more buyer segments.

<sup>1</sup> Forecast decline in new, detached home approvals across the states Simonds operates in (Victoria, NSW, Queensland and South Australia) by HIA and BIS-Shrapnel.

## Delivering the best education

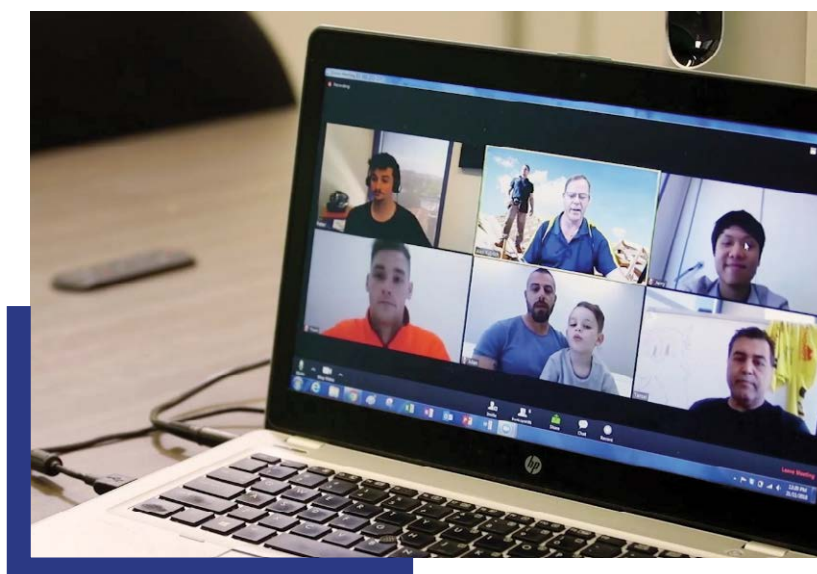
Young people coming into the residential building industry are able to come through BAA to upskill and become better tradespeople. The academy provides high-quality, nationally accredited Building and Construction qualifications in skilled needs areas. As a regulated sector, BAA continues to ensure strong governance, quality management systems and processes are in place across its operations whilst aligning all activities with the needs of the Building and Construction industries. All courses are delivered with the promise of 'builders training builders'.

With BAA moving to online, self-paced learning, this has enabled us to grow our footprint to other states. Without question FY20 has been the best year BAA has experienced. Student enrolments were up 35.5%, revenue increased by 16.7% and EBITDA up 71% on FY19. Students studying under apprenticeship and traineeships doubling during the period. BAA has broadened the range of qualifications it offers and it is expected to generate additional revenue in FY21.

It is also important to us that we have seen an increase in participation from women and from minority groups. Construction is not an exclusive club, and BAA creates new work and learning opportunities for Australians and international students.

## Digital transformation

The COVID-19 pandemic has fast-tracked the digital transformation of our business. Simonds Group pivoted from an operational perspective with more than 800 staff working from home. This period has opened our eyes to other ways to sell beyond the traditional display house and sales consultant. We pushed transformation of our sales approach, as we identified online and virtual avenues for homes to be sold. Online engagement with buyers looking to build their home, and with people seeking qualifications to enter the building and construction workforce has shown the potential of the future of our Company.





### Future outlook

Varied conditions across the residential property market experienced over the past 12-18 months are likely to continue through the remainder of calendar 2020 and into 2021. With the unprecedented situation presented by COVID-19 we expect this period to continue to present some significant challenges and opportunities for the Group.

We will continue to look for ways to expand and diversify our sales through our existing and new sales channels and opening new ways to market as well as improving our operating margins. The business continues to improve its market penetration, sales and ultimately, its site starts by strengthening its relationships with land developers, locating display homes in major growth zones, consolidating our product range and continuing to innovate and release new product to the market.

The outlook for the Group is generally supported by market fundamentals with the currently low interest rates forecast to remain in place for the short to medium term, combined with strong population growth and modest economic growth.

### Acknowledgements and thanks

We take this opportunity to thank again our customers, loyal and talented staff and trades, suppliers, trainers, industry partners and the Board and shareholders of Simonds Group for their valuable input and support during the year.

**Rhett Simonds**  
Joint CEO and Managing Director,  
Simonds Group Limited

**Kelvin Ryan**  
Joint CEO and Managing Director,  
Simonds Group Limited

## 1949

Gary Simonds starts his apprenticeship.

## 1951 – 1953

Gary builds his first house; a home for his mum. And from here Gary's life long dedication to building homes for Australian families began.

## 1968

Simonds Homes opened the first Display Centre in Werribee.

## 1970

In just two years, Simonds build an average of 3 homes per year.

## 1973

Gary's son, Mark Simonds, starts his apprenticeship.

## 1976

Mark Simonds joins the business.

## 1979

Simonds build an average of 12 homes per year.

## 1980

By the 80's Simonds were building 100 homes per year.

## 1995

Simonds wins first award – "Best Display Home under \$100k".

## 1999

Building 1,000 homes per year makes Simonds a household name.

## 2005

BAA established to provide trade training.

## 2002 – 2006

Gary's grandson, Rhett Simonds joins the business.

HIA Award – "Best Custom-Built home over \$1,000,000".

## 2009

Expansion to Queensland (Qld). Simonds Homes grows to building 2,000 homes per year.

## 2011

Geelong Football Club grounds named Simonds Stadium.

## 2012

Expansion to South Australia (SA).

## 2014

Simonds Group Limited listed on stock exchange.

## 2015

Simonds expands into New South Wales (NSW).

## 2018

### FEBRUARY

Kelvin Ryan starts as CEO

### AUGUST

Lifetime Structural Guarantee & Wellness campaign launched



### SEPTEMBER

A wellness focus for the company is launched nationally

# BUILDING A STRONG, DIVERSE BUSINESS OVER 70 YEARS

## 2019

### MARCH

SimVesta refresh

**SimVesta**

### APRIL

Xpress launch in Victoria

**Xpress**  
Built by **SIMONDS**

### JUNE

Precinct refresh

**PRECINCT**  
Built by **SIMONDS**

### JULY

Masterpiece Dual Occ. refresh

**MASTERPIECE**  
Built by **SIMONDS**

Simonds awarded AS4801,  
ISO 9001 and ISO 14001  
accreditation

### NOVEMBER

Simonds appointed to  
first SA Government  
affordability projects

### DECEMBER

Xpress launch in NSW

Start Point launch in Victoria

**START  
POINT**

## 2020

### FEBRUARY

Rhett Simonds starts as  
Joint CEO alongside  
Kelvin Ryan

Start Point launch in Qld

**START  
POINT**

Limited Edition  
launched nationally

**LIMITED  
EDITION**  
BUILT BY **SIMONDS**

### MARCH

Simonds responds quickly  
to COVID-19, minimising the  
impact on customers and staff

### MAY

SA Government affordable  
homes build commences

### JUNE

The My Room 'Home for  
a Cure' 2019 auction buyer  
moves in

# OUR PRODUCTS



‘Over the past 3 years we have continued to lead, innovate, diversify our product and respond to changes across our markets.’

## Design

Simonds Homes has innovated and responded to the changing needs of the market. We have grown significantly by increasing the design portfolio to deliver more options to prospective homeowners. This includes 48 new designs for Simonds Homes in two ranges – Simonds Home Range (25) and Simonds Metro Range (23); 9 designs to launch the Precinct Terrace Range of a medium density product suitable for city fringes. The Simonds Homes range also had a Specification restructure to be in line with market needs.

The ranges now offered by the Simonds Group include Simonds Homes, Metro, Start Point, Precinct, SimVesta, Masterpiece, Limited Edition and Xpress. This year also saw us progressively release Start Point and Xpress ranges in NSW, Qld, SA in addition to Victoria, so more people can access Simonds’ design quality.

Partnering with governments in South Australia and Victoria has led to us delivering spaces that encourage positive and healthy living that the Simonds brand is known for, applied to DHHS housing and the NDIS. We are now on the Preferred Builder Panel for future DHHS work.

Over the past 3 years we have continued to lead, innovate, diversify and respond to the market. Across each range, high design standards and liveability makes each product desirable to prospective owners.

## Construction

Efficient construction is driven by two key drivers – the people that enable the construction, and the structure that enables them to operate efficiently.

In the 2020 financial year, we have focused on getting the right people into the right positions. We provide on the job training for all new starters to ensure they succeed in their roles. This is exemplified by the many staff that have been with us for over a decade. This continual attention to professional development is a benchmark that we strive for.

In terms of structure, we have now completed the alignment of the team structure for both Construction and Maintenance where they now align with Sales and Operations. This has allowed us to consolidate teams across all regions and realise teamwork synergies to improve delivery, quality and customer service.

The right people, empowered in the right way, delivers benefits to the entire organisation but importantly ensures our customers receive the best products and service every time.

## Operations

Over the past 12 months we have been undertaking several transformation programs that will deliver operational improvements. The initial stages of system and business improvement initiatives will carry on into FY21. We will continue to realise benefits from these activities long term.

We have been more customer focused as a priority. Customer-directed activities in terms of sales, marketing and operations leads to more consistent starts which are a key benchmark for the Group.

System and business improvements together with customer focus has meant we have been proactive in protecting our margin. Our investment into people including training and development of personnel has led to improved quality management, service delivery and superior customer service.

When a Simonds home is built that is only the beginning of the customer journey. We treat every Simonds homeowner as a customer for life.

## Suppliers

Many of the suppliers to Simonds have been our partners for decades. These supply relationships range from small local businesses to large multi-nationals. Our procurement process has delivered on cost reductions throughout FY20 through improved supplier arrangements and a willingness to work together on more efficient processes that deliver mutual benefit.

We have sought to improve processes through streamlining products and services, with an increased focus on standardisation of our practices nationally. Because of this we are seeing improvements in construction outcomes that ensures consistency and margin stability.

# BUILDERS ACADEMY AUSTRALIA

Simonds is uniquely placed as the only National volume builder with its own Registered Training Organisation (RTO) that offers qualifications to the broader building sector. Builders Academy Australia (BAA) continues to deliver high quality, nationally accredited Building and Construction qualifications developing skilled workers for high demand areas in the Building and Construction industries.

Before the COVID-19 physical distancing requirements came into effect, BAA had already introduced varied online delivery options including a live and interactive Virtual Classroom model, as well as a self-paced online delivery model. These introductions had supported growth across different student cohorts and geographical locations. As COVID-19 related restrictions came into place, BAA was able to scale the offerings of these online models, resulting in minimal disruption to learners and continuity of training delivery.

With BAA and CWBTS's ability to respond quickly to the changing landscape, and their established strong brand as a leader in the trades training and adult education space, BAA's strong results included outcomes such as:

- > Experienced 300% growth in apprenticeships and doubled EBITDA year on year.
- > More students graduated during the year as compared to previous years including an increasing number from NSW and Qld (approximately 20% of total students).
- > More in-demand building courses have been onboarded in civil construction, OHS and safety, leadership and management. This increases BAA's footprint in the training industry.
- > Launched into the international students market with traction anticipated in FY21 and beyond.

The team at Simonds Group believes that employment is empowering and becoming qualified for a trade can increase social mobility, student confidence and morale. BAA have led many social initiatives and promoted diversity.

- > Establishing formal partnerships with Top 100 Women and Tradeswomen Australia to help increase female participation in trades.
- > Establishing relationships with businesses representing a range of multi-cultural groups and launching training and employment initiatives supporting these learners.
- > Being the first Private RTO to have their apprentices invited to take part in the regional WorldSkills Carpentry competition that celebrates the best in industry.
- > Being announced as a finalist at the 2020 Victorian Training Awards for the category of Small Training Provider of the Year. This is the same category against which BAA was a finalist in 2017 and winner of in 2018.







BAA continues to ensure strong governance, quality management systems and processes are in place across its operations.

BAA leadership team is stable with most having been in the team for 5 years. This provides BAA with a pool of growing leaders to turn to as the business needs of the future are being identified.

### Staff training and development

During COVID-19, staff were also offered training opportunities and over 150 Simonds staff have signed on for leadership training for 12 months providing them with a Diploma of Leadership and Management. This training and skill development will continue to aid in the improvement in technical quality and leadership ability of the Simonds team and support the Group's growth over its next stage of business operations.

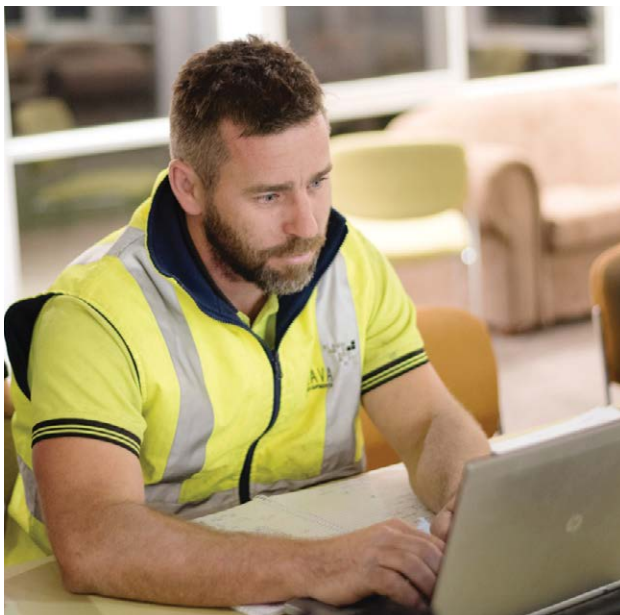


### Case study

## KIRSTY O'CONNOR

“I’m studying my Certificate IV in Building and Construction via the virtual classroom. I’ve got a family and two young boys, so to be able to have the kids at home at 6 o’clock, go into the office and do what I need to do, and finish by 9 o’clock is great.

The Certificate IV is perfect because it gives you the ground knowledge. If you have got the background knowledge you can move forward.”



# HOW WE SUPPORT OUR PEOPLE

## Safety

Simonds continues to improve its safety performance. ISO 9001, ISO 14001 and AS4801 certification in the areas of Quality, Environment and Safety were all retained. Simonds remains the first and only national residential volume builder to hold all three standards.

Simonds has maintained a strong commitment to its safety values along with the health and wellbeing of its employees and contractors. We see safety as the backbone of our business and we address safety as the first agenda item in our management meetings. We promote a positive safety culture along with wellness to any stakeholder engaged. This has been extended through COVID-19 with the establishment of engagement protocols and business continuity programs.

Simonds is recognised as a leader in safety in the building sector, and has a strong presence in the Volume Building Safety Alliances in the states that it operates in. We are committed to continuous improvement and “best safety practice” in our systems.

We work with our contractors, and through our contractor management tool, Linksafe, we monitor and report on their compliance to regulations and to our safety standards.

Simonds actively organised and participated in The Residential Builders UV campaign. With our industry partners we prompted a sun smart approach when working on site. We had 500 contractors participate in breakfast toolbox meetings around Victoria along with our industry partners.

Simonds have maintained better than average workers compensation industry rates by performing 78 % better than our industry sector in Victoria.

## Continuity during COVID-19

Keeping everyone safe and healthy is our priority. Simonds are committed to maintaining our onsite operations and will continue to do everything we can to ensure that homes are completed.

We have engaged with all suppliers to minimise any potential disruptions to the delivery of materials required for the completion of new homes. At this stage, this proactive measure has delivered favourable outcomes and we do not foresee any significant delays or shortages. We have developed systems and processes in line with government health advice to ensure that all urgent maintenance and warranty support can continue with minimal disruption.

## Sustainability

By working continuously with our suppliers, we are able to ensure our building materials are sustainably sourced, with our key material suppliers obtaining the relevant accreditations for their respective industries. All timber sourced is AFS or FSC accredited and materials such as steel and concrete contain significant recycled content. Recycling is also a key focus at Simonds with many recyclable products being separated from general waste. Examples of this are brick, roof tiles and plasterboard.

Quality always counts and we value our suppliers’ initiatives in respect to sustainability, safety, materials sourcing and people management within their businesses.





## People and culture

The extended Simonds family that includes employees and contractors of Simonds Group are one of our most important considerations.

Staff initiatives throughout the year included ongoing workplace wellbeing, increased training and development, rigorous occupational health and safety, enhanced internal communications, celebrations of success and commitment and more.

Wellbeing became a recognised initiative in 2019 and 2020 saw this increase particularly as the company has supported staff through the impacts of COVID-19. All staff have been provided with access to the Employee Assistance Program with Assure, which was well established prior to the pandemic. New guidelines were provided to staff on how to be safe and well during work from home periods and liaison between all levels of staff has been a priority. “Checking in” is now very much part of our leadership culture.

The changing environment also gave us the opportunity to encourage staff to undertake leadership and building skills training. Both have been very popular and 2021 will see a workforce of improved capability. The changes heightened all of our safety considerations and staff have been delivered detailed information, advice and encouragement to adopt this with daily communication.

We have also taken time to recognise each other more regularly. Large scale awards have always been the norm and today colleagues are ‘shouting out’ for their team mates who are doing incredible things both at work and in their community.

And we’ve not forgotten showing appreciation to the so very many staff who have been with us for long periods of time – quite a few for over 20 years.

As a family, we are listening better, acting with greater consideration and being grateful. All have been a part of how the Simonds Group have always operated. This last year has been a great reminder of why we continue and re-emphasize why it’s so different and meaningful to be part of this unique organisation.

‘Quality always counts and we value our suppliers’ initiatives in respect to sustainability, safety, materials sourcing and people management within their businesses.’

# OUR COMMITMENT TO COMMUNITY

Simonds Group is committed to a broad range of community initiatives, from sponsorship and donations, to local employment and training. While the business operates across four states, each team member understands the importance of the local community and its value for families building their new homes. It is part of the culture of Simonds, to support, nurture and participate in developing healthy communities.

## Community outreach and sponsorship

At a national level, Simonds returned to reviewing the implementation of the strategy for state and local level partnering to ensure each activity is making a difference and building goodwill towards the brand. This review process was worthwhile as we were able to consider new opportunities where there was a gap and maintain support throughout the challenging pandemic period.

At a state level, Simonds supports a number of health sector organisations striving to help Australians live better. The Victorian charity My Rooms' "2019 Home for a Cure" program helped raise \$550,000 in vital funds for medical projects and equipment and aid for families dealing with childhood cancer. The campaign helped grow awareness about My Room with over 100,000 people online. The 2020 home has been committed to and built, to see more funds raised to ensure My Room can continue their exceptional work.



The relationship with the Salvation Army continued and Simonds facilitated a refresh of the Magpie Nest Café in Melbourne, which provides food and shelter for the homeless and disadvantaged. Support for the Flinders Foundation in Adelaide continued with planning for a charity home to raise significant funds for the prevention, cure and care programs delivered by Flinders Medical Centre.

Twenty sports groups were also well supported by Simonds, including the Geelong Football Club and their grassroots programs as well as local sports groups across Victoria, South Australia and New South Wales.

AFL, netball, soccer and cricket are all the codes supported by Simonds with these clubs playing vital roles in their community's wellness and connectedness.

Staff initiatives continue to be supported and 2020 saw even more staff undertake their own fundraising projects and profiling of their efforts with colleagues. The St Vinnie's CEO Sleep Out, Mission Australia, AHHA, Movember, R U OK Day, Polished Man, Cancer Council, Team Kill Cancer and Multiple Sclerosis Research Foundation to name a few, were supported by Simonds staff and the company and colleagues.



### Local engagement

FY20 also saw the Simonds Group committing to Victorian and South Australian local employment programs engaging local businesses and employing people with disabilities under the Public Tenant Employment Program (PTEP) in Victoria and a disability apprentice program with the South Australia Housing Authority. We are proud of the social impact of these initiatives.

The monthly Coffee Karma program, where funds raised by donations in the Head Office Level 1 café are donated monthly, saw a new local project beneficiary in Daniher's Drive, for MND.



Throughout the year, Simonds briefed our supplier networks on our major partnering initiatives and invited them to participate. We have been thrilled that over 50 suppliers across all areas of our supply chain, have been involved in some way with either free labour, materials or equipment. We are incredibly appreciative and thankful for their contributions. Their efforts have ensured major fund raising results, by creating homes and prize packages that are sustaining charity outcomes.



# FINANCIAL REPORT



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# DIRECTORS' REPORT

The directors of Simonds Group Limited (the "Company") submit herewith the annual financial report of the consolidated entity consisting of the Company and the entities it controlled (the "Group") for the financial year ended 30 June 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 financial 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
Kelvin Ryan <sup>1</sup>	5 March 2018	Joint Chief Executive Officer (CEO) and Managing Director
Rhett Simonds <sup>2</sup>	20 April 2016	Joint Chief Executive Officer (CEO) and Managing Director
Mark Simonds	20 September 2017	Executive Director
Piers O'Brien	20 September 2017	Non-Executive Director

1 From 1 February 2020, Kelvin Ryan has become a Joint Chief Executive Officer & Managing Director

2 On 29 January 2020 Simonds announced that it was implementing a Joint CEO structure with Rhett Simonds joining Kelvin Ryan as Joint CEO and Managing Director from 1 February 2020. Prior to this date, Rhett Simonds was a non-executive director and appointed to the Board on 20 April 2016.

### Former Directors

Name	Date appointed	Date resigned	Position
Scott Mahony	20 September 2017	25 May 2020	Non-Executive Director

## DIRECTORS' REPORT (CONT'D)

The particulars of the directors are as follows:

Name	Experience and Directorships
<p>Iain Kirkwood</p> 	<ul style="list-style-type: none"> <li>&gt; 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).</li> <li>&gt; Iain is a member of the Company's Audit &amp; Risk and Nomination &amp; Remuneration Committees.</li> <li>&gt; Iain is an experienced corporate 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.</li> <li>&gt; 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.</li> <li>&gt; Iain began his business career with Arthur Andersen &amp; 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 &amp; Co Ltd and Clinuvel Pharmaceuticals Ltd.</li> </ul>
<p>Neil Kearney</p> 	<ul style="list-style-type: none"> <li>&gt; Neil holds a Bachelor of Economics from Monash University, has completed the Advanced Management Program at INSEAD and is a Graduate of the Australian Institute of Company Directors.</li> <li>&gt; Neil chairs the Company's Audit &amp; Risk Committee.</li> <li>&gt; Neil has held senior executive roles in Australian and International companies, including Goodman Fielder Limited and National Foods Limited (including as Chief Financial Officer &amp; Chief Strategy Officer).</li> <li>&gt; Neil is currently Chairman of Huon Aquaculture Group Ltd, Chairman of Felton, Grimwade &amp; Bosisto's Pty Ltd and a Non-Executive Director of Craig Mostyn Group.</li> <li>&gt; Neil's previous directorships include Warrnambool Cheese and Butter Factory Company Holdings Limited and National Foods Limited.</li> </ul>
<p>Delphine Cassidy</p> 	<ul style="list-style-type: none"> <li>&gt; Delphine is an accountant with over 15 years' experience specialising in financial, accounting and treasury roles.</li> <li>&gt; Delphine chairs the Company's Nomination &amp; Remuneration Committee and is a member of the Company's Audit &amp; Risk Committee.</li> <li>&gt; Delphine has become an investor relations expert, working as a senior executive in this field for several ASX 200 Companies.</li> <li>&gt; Delphine has been a member of the Australasian Investor Relations Association (AIRA) Issues Committee and the ASX Issuer Services Working Group.</li> <li>&gt; Delphine is currently Chief Communications Officer at Orica Limited.</li> </ul>
<p>Kelvin Ryan</p> 	<ul style="list-style-type: none"> <li>&gt; Kelvin holds a Master of Technology Management Degree from Griffith University and Bachelor of Education from WACAE Nedlands.</li> <li>&gt; Kelvin possesses extensive experience in the volume home building industry as CEO of BGC Residential from 2009 until 2017 and has a strong awareness of the issues facing the industry.</li> <li>&gt; Kelvin has extensive experience in building and construction industries.</li> <li>&gt; Kelvin also has significant experience as a senior executive in mining and manufacturing industries both in Australia and internationally.</li> </ul>



Name	Experience and Directorships
Rhett Simonds	<ul style="list-style-type: none"> <li>&gt; Rhett holds a Bachelor of Commerce from Deakin University.</li> <li>&gt; 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.</li> <li>&gt; 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.</li> </ul>
Mark Simonds	<ul style="list-style-type: none"> <li>&gt; 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.</li> <li>&gt; 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.</li> <li>&gt; 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.</li> </ul>
Piers O'Brien	<ul style="list-style-type: none"> <li>&gt; Piers is a qualified lawyer with over 20 years' professional experience.</li> <li>&gt; Piers is a member of the Company's Nomination &amp; Remuneration Committee.</li> <li>&gt; 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.</li> <li>&gt; Piers started his career in private practice with K&amp;L Gates Lawyers (and its predecessor firms) where he spent 8 years specialising in mergers and acquisitions, corporate transactions and board advisory work.</li> </ul>
Scott Mahony	<ul style="list-style-type: none"> <li>&gt; Scott is a Chartered Accountant.</li> <li>&gt; Scott was a member of the Company's Audit &amp; Risk Committee up until the time of his resignation from the Board effective 25 May 2020.</li> <li>&gt; Scott joined Simonds Homes (then a private company) in 1999 and was Chief Financial Officer from 2008 to 2014.</li> </ul>

## DIRECTORS' REPORT (CONT'D)

### 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)
Iain Kirkwood	75,000	–
Neil Kearney	90,000	–
Delphine Cassidy	30,000	–
Kelvin Ryan	61,623	2,831,861
Rhett Simonds	14,044	183,824
Mark Simonds	56,741	–

### Remuneration of key management personnel

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

### Company Secretary

Paul Taylor was appointed Company Secretary of Simonds Group Limited on 16 April 2019. Paul is a member of the Executive Leadership Team and the Group's Company Secretary and General Counsel. Prior to joining Simonds Group, Paul held numerous roles at Cover-More Group Limited, including General Counsel and Head of Risk and Compliance. Paul holds a Master of Laws (Commercial) and Bachelor of Commerce (Hons) from the University of Melbourne.

### Operating and financial review

#### Principal activities

The Group's principal activities during the financial 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 home builders, 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 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 \$664.8m compared to the previous corresponding period of \$687.7m. Simonds Homes recorded 2,395 site starts for the period, a reduction of 185 or 7.2% on the previous corresponding period. The reduction in Group revenue is predominantly due to the impact of the lower site starts and changes in product mix.

## Earnings per share

The calculation of EPS is presented in Note 11.

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 2020 of 143,841,655 (2019: 143,841,655).

	Note	30 June 2020 Cents per share	30 June 2019 Cents per share
<b>EPS from continuing operations</b>			
Basic	11	4.95	8.16

## Balance sheet

The Group delivered a strong performance in subdued market conditions in 2020 associated with a restricted lending environment and the challenges presented by the COVID-19 pandemic. The Group's operating results were impacted by both these factors, as well as the investment made in marketing and developing new sales channels. With three consecutive years of positive results, the business has now stabilised and is in a much stronger position.

During the year, the Group fully repaid the Simonds Homes Display Fund of \$5.000m at maturity in September 2019 and continued to operate well within its banking covenants.

Due to a change in accounting standards, certain operating leases are now represented on the balance sheet as 'Right-of-use assets' of \$22.700m and a 'Lease liability' of \$22.621m. Refer to the Notes to the Financial Report for more information on the impact of the implementation of the new accounting standard that has required this change in accounting treatment.

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 net surplus of \$25.910m at 30 June 2020 compared with \$1.200m indebtedness at 30 June 2019. The net assets of the Group have improved from \$11.408m at 30 June 2019 to a net asset position of \$17.247m at 30 June 2020.

## Operating cash flows

The Group generated \$48.923m in operating cash flows during the financial year ended 30 June 2020, an increase of \$42.868m in comparison with the prior corresponding period, impacted by the reclassification of payments for leases that were previously accounted for as operating leases from operating to financing activities. Improved operating cash flows were also derived from customer collections as well as the continued focus on cost efficiency.

The Group generated net cash flows of \$18.580m, a significant improvement on the net cash flows of \$2.692m in the financial year ended 30 June 2019.

## DIRECTORS' REPORT (CONT'D)

### Impacts of COVID-19

During the second half of the financial year the global economy was impacted from the COVID-19 pandemic. Due to the Group's balance sheet position and high lead times associated with building homes the impact was not significantly felt by the business immediately. In order to mitigate any future impacts on the business a review has been completed to ensure the Group is well prepared for any long-term adverse impact on the Australian economy. In addition, these potential impacts may be further mitigated as the Group has been able to broaden and diversify its sales channels to include 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 should enable greater access to finance by our customers. In addition, SHA 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.

The economic uncertainty in the wake of the COVID-19 pandemic and the inherent difficulty in predicting the speed and timing of any recovery make any forward-looking statement impossible. Notwithstanding this uncertainty, our industry and the Simonds brand has shown great resilience through previous challenging and unprecedented times. We remain vigilant and are prepared to respond to the recovery when it happens.

### 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 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 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**

On 3 August 2020, the Premier of Victoria announced Stage 4 restrictions for metropolitan Melbourne to apply until at least 13 September 2020, the Stage 4 restrictions increase the construction time to build homes and reduce visits to display homes. Management have taken a range of mitigating actions to reduce the impact of the restrictions.

There have been no other events that occurred subsequent to the reporting date that may significantly affect the Group’s operations, results or state of affairs in future periods.

### **Dividends**

The directors have determined, notwithstanding the strong operational cash flow and strengthening of the balance sheet, the uncertainty created by the COVID-19 pandemic is such that no dividend will be declared in relation to the 2020 financial year (2019: nil).

### **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 an officer or auditor.

## DIRECTORS' REPORT (CONT'D)

### 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, 12 Board meetings, 8 Nomination & Remuneration Committee meetings and 6 Audit & Risk Committee meetings were held.

Directors	Board of Directors		Nomination & Remuneration Committee		Audit & Risk Management Committee	
	Held*	Attended	Held*	Attended	Held*	Attended
Iain Kirkwood	12	12	8	8	6	6
Kelvin Ryan	12	11	8	5 <sup>^</sup>	6	5 <sup>^</sup>
Neil Kearney	12	12	8	–	6	6
Delphine Cassidy	12	11	8	8	6	1 <sup>^</sup>
Rhett Simonds	12	12	8	2 <sup>^</sup>	6	2 <sup>^</sup>
Mark Simonds	12	10	8	–	6	–
Piers O'Brien	12	12	8	8	6	1 <sup>^</sup>
Scott Mahony**	11	10	8	–	5	5

\* 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.

\*\* As announced on 26 May 2020 Scott Mahony resigned his position on the Board of Simonds Group Limited effective 25 May 2020.

<sup>^</sup> Attended as a Director not as a Committee member.

### Non-audit services

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

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the 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 32 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.

# DIRECTOR'S REPORT: REMUNERATION REPORT

Dear Shareholder,

We are pleased to present our Remuneration report for the financial year ended 30 June 2020.

At Simonds Group, the health, safety and wellbeing of our employees is of paramount importance and never has this been more prevalent than with the challenges presented by the COVID-19 pandemic.

Remuneration decisions made by the Board have been prudent with a lens on mitigating business risk and supporting business continuity planning. We feel these decisions have been measured and balanced given fluctuating market conditions and the potential impact on shareholders, our employees, suppliers and customers.

## **FY20 remuneration**

The short-term incentive plan is structured in three components – an EBITDA target, three individual KPI's with defined metrics and a CEO discretionary percentage. With the Group achieving the threshold target for EBITDA, the Board has approved for the short-term incentive plan payment to crystalize, however the timing of payment will be at the Board's discretion.

We have simplified the FY20 long-term incentive plan by having only one clear EPS hurdle, compared to the EPS and TSR hurdles included in previous years plans.

Given the prolonged impact of COVID-19, the Board agreed to take a 25% reduction in Directors fees.

## **Forward looking remuneration arrangements for FY21 and beyond**

Due to the uncertainty in the market, the Nomination & Remuneration Committee (NRC) resolved the FY21 Executive Leadership Team short-term incentives will be at the absolute discretion of the Board.

To all our employees who had to adapt quickly to very different working conditions, work diligently to meet these challenges, exceed productivity measures and continue to maintain the high quality service to our customers – we thank you.

There is great pride in being part of the Simonds Group and our resilience as an organisation, we believe, will help us to continue to adapt and respond.

We welcome shareholder feedback on this remuneration report.



**Delphine Cassidy**

Chair, Nomination & Remuneration Committee

# DIRECTOR'S REPORT: REMUNERATION REPORT (CONT'D)

## 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 2020.

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

### Non-Executive Directors (NED)

Name	Position	Appointment date
Iain Kirkwood	Independent Non-Executive Director and Chairman	20 September 2017
Neil Kearney	Independent Non-Executive Director	20 September 2017
Delphine Cassidy	Independent Non-Executive Director	20 September 2017
Piers O'Brien	Non-Executive Director	20 September 2017

### Former Non-Executive Directors (NED)

Name	Non-Executive Director	Appointment date	Resignation date
Scott Mahony	Non-Executive Director	20 September 2017	25 May 2020

### Executive Directors (ED)

Name	Position	Appointment date
Kelvin Ryan <sup>1</sup>	Joint Chief Executive Officer (CEO) & Managing Director	5 March 2018
Rhett Simonds <sup>2</sup>	Joint Chief Executive Officer (CEO) & Managing Director	1 February 2020
Mark Simonds	Executive Director	20 September 2017

1 From 1 February 2020, Kelvin Ryan has become a Joint Chief Executive Officer & Managing Director.

2 On 29 January 2020 Simonds announced that it was implementing a Joint CEO structure with Rhett Simonds joining Kelvin Ryan as Joint CEO and Managing Director from 1 February 2020. Prior to this date, Rhett Simonds was a non-executive director.

### Current senior executives

Name	Position	Appointment date
Mick Myers	Chief Financial Officer (CFO)	30 May 2016

## Remuneration policy summary

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

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

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



## 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 taking into account the following factors:

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

## Remuneration governance

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

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

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

## The Boards' role in remuneration

The Board approved the Nomination & Remuneration Committee Charter on 17 November 2014. The decisions of the Committee are subject to approval by the Board. The Board also has the authority to directly seek independent, professional and other advisers as required for the Board to carry out its responsibilities. The Board appoints, removes and/or replaces members of the Committee at its discretion.

## The Nomination & Remuneration Committee (the Committee)

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

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

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

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

The Committee met eight times during the year. The CEO and any other remaining directors are also regularly invited to attend meetings. No individuals are present during any discussions related to their own remuneration arrangements.

During the year ended 30 June 2020, the Committee was at all times comprised of at least two non-executive directors.

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](http://www.simondsgroup.com.au).

## DIRECTOR'S REPORT: REMUNERATION REPORT (CONT'D)

### Non-Executive Director remuneration

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

During the year ended 30 June 2020, fees paid to non-executive directors totalled \$528,951 (exclusive of superannuation and cash salary and fees). Given the prolonged impact of COVID-19, the Board agreed to take a 25% reduction in Directors fees commencing 1 May 2020.

Shareholdings of Non-Executive Directors are set out on page 44 of the directors' report.

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

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

Remuneration tables for Non-Executive Directors for the year ended 30 June 2020 are set out commencing on page 36 of this remuneration report.

### 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

The Group STI Plan ensures that a proportion of remuneration is tied to Group performance measured annually in line with the financial year. Executives can only realise their STI at-risk component if challenging pre-determined objectives are achieved. The achievement of the Group's budgeted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is an initial gateway to realise a STI amount.

All STI's are subject to the achievement of clear performance measures – the weighting of KPI's is as follows:

KPI's	Weighting
Group EBITDA	60%
KPIs for each individual (Including standard 10% allocation of Safety)	30%
CEO Discretion (except in the case of the Joint CEOs, STI, Board Discretion)	10%

Gateway	Gateway target
Nominated EBITDA (adjusted for lease accounting)	50%
EBITDA (adjusted for lease accounting)	100%

This aligns executive interests with shareholder interests and focuses executive performance on those areas aligned to the achievement of the Group's operational strategy.

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

### LTI overview

The Group's LTI Plan ensures that a proportion of remuneration is tied 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 sound business decisions resulting in sustainable shareholder wealth. LTI consists of 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.

### Long term incentive key features

Award structure	FY2020 Cash Rights	
<b>Consideration for the Performance Rights</b>	The Cash Rights will be granted for nil consideration.	
<b>Vesting Period</b>	Each right has a vesting period of approximately three years.	
<b>Performance Measure</b>	Vesting of Performance Rights is dependent on one discrete performance measure (hurdle):	
	<b>Grant date</b>	<b>9 March 2020</b>
	CAGR EPS	The Measurement Period for the Compound Annual Growth Rate (CAGR) EPS Hurdle is across the three financial years across the period 1 July 2019 to 30 June 2022.
<b>CAGR EPS Vesting Schedule</b>	<b>CAGR in EPS</b>	<b>Percentage of Performance Rights to vest:</b>
	Less than 7.5% per annum	None
	Between 7.5% and 10% per annum	Straight line interpolation applies
	At or above 10.0% per annum	100%
<b>Service Vesting Condition</b>	The Service Vesting Condition is continuous employment with the Company from Grant date to vesting date.	
<b>Other conditions</b>	These rights may be settled in either shares in the Company or the equivalent value in cash, at the discretion of the Board.	
Award structure	FY2019 Performance Rights	
<b>Consideration for the Performance Rights</b>	The Performance Rights will be granted for nil consideration.	
<b>Vesting Period</b>	Each tranche has a vesting period of approximately three years.	

## DIRECTOR'S REPORT: REMUNERATION REPORT (CONT'D)

Award structure	FY2019 Performance Rights	
<b>Performance Measure</b>	Vesting of Performance Rights is dependent on two discrete performance measures (hurdles):	
	<b>Grant date</b>	<b>1 March 2019</b>
	<b>Tranche 1</b> Total Share Holder Return (TSR) representing 50% of the Performance Rights Granted	Up to 50% of the Performance Rights granted will vest if the Group's (TSR) achieves a percentile ranking against the constituent companies within the S&P ASX Small Ordinaries Index (ASX Code XSI), excluding resource companies, over the Measurement Period. Percentile Ranking and percentage vesting rights are outlined below.
	<b>Tranche 2</b> (CAGR EPS) representing 50% of the Performance Rights Granted	The Measurement Period for the Compound Annual Growth Rate (CAGR) EPS Hurdle is across the three financial years across the period 1 July 2018 to 30 June 2021.
<b>TSR Vesting Schedule (Tranche 1)</b>	<b>Simonds Group Limited percentile ranking</b>	<b>Percentage of Performance Rights to vest</b>
	Less than the 50th percentile	None
	Between the 50th and 75th percentile	50% (straight-line interpolation between the 50th and 75th percentile)
	At or above the 75th percentile	100%
<b>CAGR EPS Vesting Schedule (Tranche 2)</b>	<b>CAGR in EPS</b>	<b>Percentage of Performance Rights to vest:</b>
	Less than 7.5% per annum	None
	Between 7.5% and 10% per annum	Straight line interpolation applies
	At or above 10.0% per annum	100%
<b>Service Vesting Condition</b>	The Service Vesting Condition is continuous employment with the Company from Grant date to vesting date.	
Award structure	FY2018 Cash Rights	
<b>Consideration for the Cash Rights</b>	The Cash Rights will be granted for nil consideration.	
<b>Vesting Period</b>	Each tranche has a vesting period of approximately three years.	
<b>Performance Measure</b>	Vesting of Cash Rights is dependent on two discrete performance measures (hurdles):	
	<b>Grant date</b>	<b>24 November 2017</b>
	<b>Tranche 1</b> Total Share Holder Return (TSR) representing 50% of the Cash Rights Granted	Up to 50% of the Cash Rights granted will vest if the Group's (TSR) achieves a percentile ranking against the constituent companies within the S&P ASX Small Ordinaries Index (ASX Code XSI), excluding resource companies, over the Measurement Period. Percentile Ranking and percentage vesting rights are outlined below.
	<b>Tranche 2</b> (CAGR EPS) representing 50% of the Per Rights Granted	The Measurement Period for the Compound Annual Growth Rate (CAGR) EPS Hurdle is across the three financial years across the period 1 July 2017 to 30 June 2020.

Award structure	FY2018 Cash Rights	
TSR Vesting Schedule (Tranche 1)	<b>Simonds Group Limited percentile ranking</b>	<b>Percentage of Cash Rights to vest</b>
	Less than the 50th percentile	None
	Between the 50th and 75th percentile	50% (straight-line interpolation between the 50th and 75th percentile)
	At or above the 75th percentile	100%
CAGR EPS Vesting Schedule (Tranche 2)	<b>CAGR in EPS</b>	<b>Percentage of Cash Rights to vest:</b>
	Less than 7.5% per annum	None
	Between 7.5% and 10% per annum	Straight line interpolation applies
	At or above 10.0% per annum	100%
<b>Service Vesting Condition</b>	The Service Vesting Condition is continuous employment with the Company from Grant date to vesting date.	

### Remuneration structure and performance/shareholder wealth creation

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

	FY2020	FY2019	FY2018	FY2017	FY2016
	Statutory actual <sup>2</sup>	Statutory actual <sup>2</sup>	Statutory actual <sup>2</sup>	Statutory actual <sup>2</sup>	Statutory actual <sup>2</sup>
<b>Financial performance</b>	\$m	\$m	\$m	\$m	\$m
Revenue	664.8	687.7	605.2	587.4	628.5
EBITDA	31.5 <sup>1</sup>	23.2	13.7	10.1	4.4
NPAT	5.5	11.7	4.8	2.1	(2.2)
Share Price at beginning of period (\$)	0.33	0.36	0.31	0.28	1.40
Share Price at end of period (\$)	0.35	0.33	0.36	0.31	0.28
Dividends (cents per share)	–	–	–	–	–
EPS (cents per share) <sup>3</sup>	4.95	8.16	3.31	1.44	(1.53)

1 Statutory EBITDA is net profit after tax from continuing operations \$7.114m before financing items \$1.502m, tax expenses \$3.784m, and depreciation and amortisation \$19.073m.

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 FY2016-2020.

3 EPS is based on Earnings for continuing operations only.

## DIRECTOR'S REPORT: REMUNERATION REPORT (CONT'D)

### Remuneration tables – details of KMP remuneration

Details of the remuneration of KMP, including directors (as defined in AASB 124 *Related Party Disclosures*) of the Group are set out in the following tables. Comparative information is also included below.

FY2020	Short term employee benefits				
	Directors fees \$	Cash salary and fees \$	Short term incentive \$	Non-monetary benefits \$	Annual leave \$
<b>Current Non-Executive Directors</b>					
I Kirkwood	150,685	–	–	–	–
N Kearney	106,545	–	–	–	–
D Cassidy	108,859	–	–	–	–
P O'Brien	84,475	–	–	–	–
<b>Former Non-Executive Directors</b>					
S Mahony <sup>1</sup>	78,387	–	–	–	–
<b>Total</b>	<b>528,951</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Current Executive Directors</b>					
K Ryan	–	685,456	475,000	–	37,789
R Simonds <sup>2</sup>	50,609	178,749	125,000	1,494	31,841
M Simonds	82,075	–	–	–	10,537
<b>Total</b>	<b>132,684</b>	<b>864,205</b>	<b>600,000</b>	<b>1,494</b>	<b>80,167</b>
<b>Current Senior Executives</b>					
M Myers	–	343,105	125,000	11,055	30,033
<b>Total</b>	<b>–</b>	<b>343,105</b>	<b>125,000</b>	<b>11,055</b>	<b>30,033</b>
<b>TOTAL KMP</b>	<b>661,635</b>	<b>1,207,310</b>	<b>725,000</b>	<b>12,549</b>	<b>110,200</b>

1 As announced on 26 May 2020 Scott Mahony resigned from his position on the Board of Simonds Group Limited effective 25 May 2020.

2 On 29 January 2020, Simonds announced it would be implementing a Joint CEO structure with Rhett Simonds joining Kelvin Ryan as Joint CEO and Managing Director from 1 February 2020. Prior to this date, Rhett Simonds was a non-executive director. Rhett Simonds remuneration received while in his capacity as a Non-Executive Director, are included in his Executive Director remuneration disclosures for the 2020 financial year. In both roles Rhett Simonds is considered a KMP.

Termination benefits	Post-employment benefits	Long-term benefits	Share-based payments	Percentage of remuneration fixed and at risk		
				Termination payments	Total	Fixed
\$	Super \$	Long service leave \$	Performance rights/options \$	\$	%	%
-	14,315	-	-	165,000	100%	0%
-	10,122	-	-	116,667	100%	0%
-	7,808	-	-	116,667	100%	0%
-	8,025	-	-	92,500	100%	0%
-	7,447	-	-	85,834	100%	0%
-	<b>47,717</b>	-	-	<b>576,668</b>		
-	21,003	4,610	313,239	1,537,097	49%	51%
-	14,622	4,180	21,446	427,941	66%	34%
-	8,531	1,017	-	102,160	100%	0%
-	44,156	9,807	334,685	2,067,198		
-	21,003	12,085	117,740	660,021	63%	37%
-	<b>21,003</b>	<b>12,085</b>	<b>117,740</b>	<b>660,021</b>		
-	<b>112,876</b>	<b>21,892</b>	<b>452,425</b>	<b>3,303,887</b>		

## DIRECTOR'S REPORT: REMUNERATION REPORT (CONT'D)

FY2019	Short term employee benefits				
	Directors fees \$	Cash salary and fees \$	Short term incentive \$	Non-monetary benefits \$	Annual leave \$
<b>Current Non-Executive Directors</b>					
I Kirkwood	155,251	-	-	-	-
N Kearney	109,589	-	-	-	-
D Cassidy	109,589	-	-	-	-
R Simonds	86,758	-	-	-	-
P O'Brien	86,758	-	-	-	-
S Mahony	86,758	-	-	-	-
<b>Total</b>	<b>634,703</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current Executive Directors</b>					
K Ryan	-	584,646	600,000	10,272	44,562
M Simonds	-	91,324	-	-	-
<b>Total</b>	<b>-</b>	<b>675,970</b>	<b>600,000</b>	<b>10,272</b>	<b>44,562</b>
<b>Current Senior Executives</b>					
M Myers	-	277,043	125,000	10,272	23,077
<b>Former Senior Executives</b>					
J Thorburn <sup>1</sup>	-	76,533	-	1,078	-
<b>Total</b>	<b>-</b>	<b>353,576</b>	<b>125,000</b>	<b>11,350</b>	<b>23,077</b>
<b>TOTAL KMP</b>	<b>634,703</b>	<b>1,029,546</b>	<b>725,000</b>	<b>21,622</b>	<b>67,639</b>

<sup>1</sup> John Thorburn ceased to be KMP on 5 September 2018.



Termination benefits	Post-employment benefits	Long-term benefits	Share-based payments	Percentage of remuneration fixed and at risk		
				Termination payments	Total	Fixed
\$	Super \$	Long service leave \$	Performance rights/options \$	\$	%	%
-	14,749	-	-	170,000	100%	0%
-	10,411	-	-	120,000	100%	0%
-	10,411	-	-	120,000	100%	0%
-	8,242	-	-	95,000	100%	0%
-	8,242	-	-	95,000	100%	0%
-	8,242	-	-	95,000	100%	0%
-	<b>60,297</b>	-	-	<b>695,000</b>		
-	20,531	1,081	214,960	1,476,052	45%	55%
-	13,805	-	-	105,129	100%	0%
-	<b>34,336</b>	<b>1,081</b>	<b>214,960</b>	<b>1,581,181</b>		
-	20,531	5,314	103,905	565,142	59%	41%
24,778	5,133	-	-	107,522	100%	-
<b>24,778</b>	<b>25,664</b>	<b>5,314</b>	<b>103,905</b>	<b>672,664</b>		
<b>24,778</b>	<b>120,297</b>	<b>6,395</b>	<b>318,865</b>	<b>2,948,845</b>		

## DIRECTOR'S REPORT: REMUNERATION REPORT (CONT'D)

### Key terms of the Executive Services Agreement Group Chief Executive Officer (CEO) & Managing Director

The material terms of the Executive Services Agreement between Kelvin Ryan and the Company for the role of Joint Group Chief Executive Officer (CEO) & Managing Director are as follows:

<b>Term:</b>	No fixed term. Ongoing until terminated by either party in accordance with the Agreement.
<b>Total Fixed Remuneration (TFR):</b>	\$725,000 (including superannuation) for the period from 1 July 2019 to 31 January 2020. \$362,500 per annum (including superannuation) from 1 February 2020 onwards.
<b>Short Term Incentive (STI) for FY20:</b>	STI eligibility up to \$600,000 per annum, subject to performance, up to 31 January 2020. STI eligibility up to \$300,000 per annum, subject to performance, from 1 February 2020 onwards.
<b>Long Term Incentive (LTI) for FY20:</b>	LTI eligibility up to the value of \$300,000 per annum will be offered pursuant to the Simonds Group Employee Share Plan up to 31 January 2020. LTI eligibility up to the value of \$150,000 per annum will be offered pursuant to the Simonds Group Employee Share Plan from 1 February 2020. LTI participation and terms are at the discretion of the Board.
<b>Other benefits:</b>	An allowance of \$175,000, payable from 1 April 2019 to 31 January 2020. An allowance of \$87,500 payable from 1 February 2020.
<b>Notice period/termination entitlements:</b>	The notice period of Mr Ryan's employment agreement has been increased from 6 months to 12 months. Employment may be ended immediately by the Company in certain circumstances including misconduct, incapacity, and mutual agreement or in the event of a fundamental change in the Joint CEO's role or responsibilities. The Company may elect to make a payment in lieu of any unserved notice period.
<b>Post-employment restraint:</b>	A 12-month post-employment restraint provision applies.

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

<b>Term:</b>	No fixed term. Ongoing until terminated by either party in accordance with the Agreement.
<b>Total Fixed Remuneration (TFR):</b>	\$362,500 per annum (including superannuation) from 1 February 2020 onwards.
<b>Short Term Incentive (STI) for FY20:</b>	STI eligibility up to \$300,000 per annum, subject to performance.
<b>Long Term Incentive (LTI) for FY20:</b>	LTI eligibility up to the value of \$150,000 per annum will be offered pursuant to the Simonds Group Employee Share Plan.  LTI participation and terms are at the discretion of the Board.
<b>Other benefits:</b>	An allowance of \$87,500 per annum.
<b>Notice period/termination entitlements:</b>	The notice period of Mr Simonds' employment agreement for Mr Simonds and the Company is 12 months.  Employment may be ended immediately by the Company in certain circumstances including misconduct, incapacity, and mutual agreement or in the event of a fundamental change in the Joint CEO's role or responsibilities.  The Company may elect to make a payment in lieu of any unserved notice period.
<b>Post-employment restraint:</b>	A 12-month post-employment restraint provision applies.

### Executive Service Agreements other key terms

Name	Contract length	Minimum notice period	
		Termination by Executive	Termination by Company
K Ryan	No fixed term	12 months	12 months
R Simonds	No fixed term	12 months	12 months
M Myers	No fixed term	6 months	6 months

### STI Payments to KMP

All STI's are subject to the achievement of clear performance measures – the weighting of the KPI's for KMP is as follows:

KPI's	Weighting
Group EBITDA	60%
KPIs for each individual (Including standard 10% allocation of Safety)	30%
CEO Discretion (except in the case of the Joint CEOs, STI, Board Discretion)	10%

Gateway	Gateway target
Nominated EBITDA (adjusted for lease accounting)	50%
EBITDA (adjusted for lease accounting)	100%

In the current financial year all above targets were met for relevant KMPs.

## DIRECTOR'S REPORT: REMUNERATION REPORT (CONT'D)

### KMP LTI

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

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

FY2020					
Name	Performance Rights 1 July 2019	Performance Rights granted	Performance Rights vested	Performance Rights expired/ forfeited	Balance 30 June 2020
K Ryan	–	698,529	–	–	698,529
R Simonds	–	183,824	–	–	183,824
M Myers	403,226	367,647	–	–	770,873
<b>TOTAL</b>	<b>403,226</b>	<b>1,250,000</b>	<b>–</b>	<b>–</b>	<b>1,653,226</b>

FY2019					
Name	Performance Rights 1 July 2018	Performance Rights granted	Performance Rights vested	Performance Rights expired/ forfeited	Balance 30 June 2019
M Myers	403,226	–	–	–	403,226
J Thorburn	403,226	–	–	(403,226)	–
<b>TOTAL</b>	<b>806,452</b>	<b>–</b>	<b>–</b>	<b>(403,226)</b>	<b>403,226</b>

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

FY2020					
Name	Performance Rights 1 July 2019	Performance Rights granted	Performance Rights vested	Performance Rights expired/ forfeited	Balance 30 June 2020
K Ryan	2,133,332	–	–	–	2,133,332
M Myers	648,193	–	(157,430) <sup>1</sup>	(157,431)	333,332
<b>TOTAL</b>	<b>2,781,525</b>	<b>–</b>	<b>(157,430)</b>	<b>(157,431)</b>	<b>2,466,664</b>

1 These vested performance rights were settled in cash.

FY2019					
Name	Performance Rights 1 July 2018	Performance Rights granted	Performance Rights vested	Performance Rights expired/ forfeited	Balance 30 June 2019
K Ryan	–	2,133,332	–	–	2,133,332
M Myers	314,861	333,332	–	–	648,193
J Thorburn <sup>1</sup>	314,861	–	–	(314,861)	–
<b>TOTAL</b>	<b>629,722</b>	<b>2,466,664</b>	<b>–</b>	<b>(314,861)</b>	<b>2,781,525</b>

1 John Thorburn ceased employment on 5 September 2018, as of this date, his performance rights were forfeited.

### Value of cash settled performance rights granted, exercised and expired/forfeited

	Rights issue	Tranche	Fair value at grant date \$ per right	Fair value at 30 June \$ per right	No. of Performance Rights	Accounting Fair Value at grant date \$	Exercised/ vested \$	Expired/ forfeited \$	Accrued Fair Value at 30 June \$	
<b>FY2020</b>										
	K Ryan	FY2020	EPS	0.34	0.35	698,529	237,500	–	–	81,495
	R Simonds	FY2020	EPS	0.34	0.35	183,824	62,500	–	–	21,446
	M Myers	FY2020	EPS	0.34	0.35	367,647	125,000	–	–	42,892
	M Myers	FY2018	TSR	0.19	0.11	201,613	38,306	–	–	20,903
			EPS	0.30	0.35	201,613	60,484	–	–	70,565
<b>FY2019</b>										
	M Myers	FY2018	TSR	0.19	0.14	201,613	38,306	–	–	17,177
			EPS	0.30	0.33	201,613	60,484	–	–	44,294
	J Thorburn <sup>1</sup>	FY2018	TSR	0.19	0.14	201,613	38,306	–	(38,306)	–
			EPS	0.30	0.33	201,613	60,484	–	(60,484)	–

1 John Thorburn ceased employment on 5 September 2018, as of this date, his performance rights were forfeited.

### Value of equity settled performance rights granted, exercised and expired/forfeited

	Rights issue	Tranche	Fair value at grant date \$ per right	No. of Performance Rights	Accounting Fair Value at grant date \$	Exercised/ vested \$	Expired/ forfeited \$	Accrued Fair Value at 30 June \$	
<b>FY2020</b>									
	K Ryan	FY2019	TSR	0.27	1,066,666	288,000	–	–	176,482
			EPS	0.38	1,066,666	405,333	–	–	270,222
	M Myers	FY2019	TSR	0.27	166,666	45,000	–	–	27,575
			EPS	0.38	166,666	63,333	–	–	42,222
	M Myers	FY2017	TSR	0.23	157,431	36,209	–	(36,209)	–
			EPS	0.35	157,430	55,100	(55,100) <sup>1</sup>	–	–
<b>FY2019</b>									
	K Ryan	FY2019	TSR	0.27	1,066,666	288,000	–	–	80,219
			EPS	0.38	1,066,666	405,333	–	–	134,741
	M Myers	FY2019	TSR	0.27	166,666	45,000	–	–	12,534
			EPS	0.38	166,666	63,333	–	–	21,053
	M Myers	FY2017	TSR	0.23	157,431	36,209	–	–	32,782
			EPS	0.35	157,430	55,100	–	–	49,885
	J Thorburn <sup>2</sup>	FY2017	TSR	0.23	157,431	36,209	–	(36,209)	–
			EPS	0.35	157,430	55,100	–	(55,100)	–

1 Rights were elected to be settled in cash at a value of \$0.41 per right equating to a total cash settlement of \$64,546.

2 John Thorburn ceased employment on 5 September 2018, as of this date, his performance rights were forfeited.

## DIRECTOR'S REPORT: REMUNERATION REPORT (CONT'D)

### KMP Shareholdings

Shareholdings of KMP are set out below:

Name	Number of shares			Closing balance
	Opening balance	Acquired	Other	
<b>FY2020</b>				
<b>Non-Executive Directors</b>				
I Kirkwood	75,000	-	-	75,000
N Kearney	90,000	-	-	90,000
D Cassidy	30,000	-	-	30,000
<b>Total Non-Executive Directors</b>	<b>195,000</b>	<b>-</b>	<b>-</b>	<b>195,000</b>
<b>Executive Directors</b>				
K Ryan	61,623	-	-	61,623
R Simonds <sup>1</sup>	14,044	-	-	14,044
M Simonds	56,741	-	-	56,741
<b>Total Executive Directors</b>	<b>132,408</b>	<b>-</b>	<b>-</b>	<b>132,408</b>
<b>Senior Executives</b>				
M Myers	20,000	-	-	20,000
<b>Total Senior Executive</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>20,000</b>
<b>TOTAL KMP</b>	<b>347,408</b>	<b>-</b>	<b>-</b>	<b>347,408</b>

<sup>1</sup> Mr R Simonds became Joint Group Chief Executive Officer and Managing Director on 1 February 2020.

Name	Number of shares			Closing balance
	Opening balance	Acquired	Other	
<b>FY2019</b>				
<b>Non-Executive Directors</b>				
I Kirkwood	75,000	-	-	75,000
N Kearney	-	90,000	-	90,000
D Cassidy	-	30,000	-	30,000
R Simonds	14,044	-	-	14,044
<b>Total Non-Executive Directors</b>	<b>89,044</b>	<b>120,000</b>	<b>-</b>	<b>209,044</b>
<b>Executive Directors</b>				
K Ryan	-	61,623	-	61,623
M Simonds	56,741	-	-	56,741
<b>Total Executive Directors</b>	<b>56,741</b>	<b>61,623</b>	<b>-</b>	<b>118,364</b>
<b>Senior Executives</b>				
M Myers	-	20,000	-	20,000
<b>Total Senior Executive</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>
<b>TOTAL KMP</b>	<b>145,785</b>	<b>201,623</b>	<b>-</b>	<b>347,408</b>

## Loans to director

The Group has not provided any loans to directors or their related parties during the year ended 30 June 2020 (2019: 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 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$	\$	\$	\$	\$	\$
<b>Vallence Gary Simonds and related entities:</b>						
Properties leased on an arms-length basis	-	-	296,422	266,982	-	-
Advisory fee paid during the year	-	-	97,717	57,154	-	-
Payment for use of building licence	-	-	-	42,846	-	-
Remuneration for employee services	-	-	59,934	61,018	-	-
Car Park provided	-	-	-	-	22,111	20,543
	-	-	<b>454,073</b>	<b>428,000</b>	<b>22,111</b>	<b>20,543</b>
<b>Simonds Family Office Pty Ltd<sup>1</sup></b>						
Supply payment to Delos Welltek Australia Pty Ltd <sup>2</sup>	2,332,853	191,972	-	-	-	-
<b>Mark Simonds and related entities<sup>3</sup>:</b>						
Payment for use of building licence	-	-	100,000	87,320	-	-
Remuneration for employee services	-	-	28,183	-	-	-
	-	-	<b>128,183</b>	<b>87,320</b>	-	-
<b>John Thorburn<sup>4</sup> and related entities:</b>						
Lease of display home on an arms – length basis	-	-	-	43,500	-	-
<b>Total</b>	<b>2,332,853</b>	<b>191,972</b>	<b>582,256</b>	<b>558,820</b>	<b>22,111</b>	<b>20,543</b>

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 the Simonds Group for the inclusion of the “DARWIN Essentials Package” into all of its 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.

3 Two family members of Mark Simonds are employed by the Group on a casual basis and their remuneration is based on an ‘arm’s length’ basis.

4 John Thorburn ceased employment on 5 September 2018, as of this date he ceased to be included as Key Management Personnel.

## DIRECTOR'S REPORT (CONT'D)

### Auditor's independence declaration

The auditor's independence declaration is included after this report on page 47.

### 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 report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the directors



**Iain Kirkwood**  
Chairman



**Kelvin Ryan**  
Joint Chief Executive Officer  
and Managing Director



**Rhett Simonds**  
Joint Chief Executive Officer  
and Managing Director

Melbourne, 26 August 2020



# AUDITOR'S INDEPENDENCE DECLARATION

**Deloitte.**

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

477 Collins Street  
Melbourne VIC 3000  
Tel: +61 3 9671 7000  
www.deloitte.com.au

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

26 August 2020

## **Simonds Group Limited**

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

As lead audit partner for the audit of the financial report of Simonds Group Limited for the financial year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Genevra Cavallo  
Partner  
Chartered Accountants

# INDEPENDENT AUDITOR'S REPORT



Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

477 Collins Street  
Melbourne VIC 3000  
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## Independent Auditor's Report to the Members of Simonds Group Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Simonds Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, 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, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) 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 & 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 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 report.

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 for 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Recognition of construction revenue and related contract assets</b></p> <p>For the year ended 30 June 2020, the Group's revenue from construction contracts totalled \$652.564 million, as disclosed in Note 5.</p> <p>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.</p> <p>As disclosed in Note 4, significant management estimation is required in assessing the following:</p> <ul style="list-style-type: none"> <li>- Estimation of total contract revenue and costs; and</li> <li>- Determination of stage of completion.</li> </ul>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process undertaken by management to account for the recognition of revenue and contract assets;</li> <li>• Testing relevant controls in respect of the revenue process;</li> <li>• Assessing management's determination of the percentage of completion allocated to each stage of the build process against historical cost profiles;</li> <li>• Testing a sample of inputs into management's model used to establish the percentage of completion allocated to each stage;</li> <li>• Assessing management's estimation of costs to complete, including comparing historical actual performance against forecast;</li> <li>• Recalculating on a sample basis, revenue recognised based on the stage of completion of selected jobs;</li> <li>• Challenging contracts which exhibited heightened risk characteristics; and</li> <li>• Agreeing on a sample basis, job data back to source documentation, including customer contracts, approved variations and job costs.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Notes 3, 4 and 5 to the financial statements.</p>

*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, ASX announcements and full year results presentation which we obtained prior to the date of the auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): the Chairman's Welcome Letter, Letter from the Group CEO and Managing Director, Financial Highlights and additional securities exchange information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT (CONT'D)

### Deloitte.

When we read the Chairman's Welcome Letter, Letter from the Group CEO and Managing Director and Financial Highlights, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgment to determine the appropriate action.

#### *Responsibilities of the Directors 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 ability of the Group 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 has 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 the 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 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 financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

# Deloitte.

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.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 29 to 45 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Simonds Group Limited, for the year ended 30 June 2020, 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.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Genevra Cavallo*

Genevra Cavallo  
Partner  
Chartered Accountants  
Melbourne, 26 August 2020

## 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, as stated in Note 3 to the financial statements;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the 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 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 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



**Iain Kirkwood**  
Chairman



**Kelvin Ryan**  
Joint Chief Executive Officer  
and Managing Director



**Rhett Simonds**  
Joint Chief Executive Officer  
and Managing Director

Melbourne, 26 August 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 June 2020 \$'000	30 June 2019 \$'000
<b>Continuing operations</b>			
Revenue	5	664,823	687,725
Cost of sales		(510,993)	(533,741)
<b>Gross profit</b>		<b>153,830</b>	<b>153,984</b>
Expenses	10	(122,357)	(130,797)
<b>Profit before financing items, depreciation and amortisation</b>		<b>31,473</b>	<b>23,187</b>
Depreciation and amortisation charges	16,17, 36	(19,073)	(4,732)
<b>Profit before financing items and tax</b>		<b>12,400</b>	<b>18,455</b>
<b>Financing items</b>			
Interest expense	7	(1,502)	(1,309)
<b>Net financing cost</b>		<b>(1,502)</b>	<b>(1,309)</b>
<b>Profit before tax</b>		<b>10,898</b>	<b>17,146</b>
Income tax expense	8	(3,784)	(5,410)
<b>Profit from continuing operations after tax</b>		<b>7,114</b>	<b>11,736</b>
<b>Discontinued operations</b>			
Loss from discontinued operations after tax	9	(1,615)	(1,428)
<b>Profit after tax for the year</b>		<b>5,499</b>	<b>10,308</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Reclassification adjustment relating to available for sale financial assets		-	(236)
<b>Total comprehensive income for the year</b>		<b>5,499</b>	<b>10,072</b>
<b>Earnings per share</b>			
From continuing operations			
Basic (cents per share)	11	4.95	8.16
Diluted (cents per share)	11	4.87	8.09
From continuing and discontinued operations			
Basic (cents per share)	11	3.82	7.17
Diluted (cents per share)	11	3.77	7.11

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2020

	Notes	30 June 2020 \$'000	30 June 2019 \$'000
<b>Assets</b>			
<i>Current Assets</i>			
Cash and cash equivalents	33	28,282	9,702
Trade and other receivables	12	29,285	27,430
Tax receivable	8	-	1,120
Accrued revenue	13	34,391	53,711
Inventories	14	34,248	35,459
Other assets	18	1,784	2,820
<b>Total current assets</b>		<b>127,990</b>	<b>130,242</b>
<i>Non-Current Assets</i>			
Property, plant and equipment	16	6,194	8,021
Intangible assets	17	8,798	6,388
Right-of-use assets	36	22,700	-
Deferred tax assets	8	556	-
<b>Total non-current assets</b>		<b>38,248</b>	<b>14,409</b>
<b>Total assets</b>		<b>166,238</b>	<b>144,651</b>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Trade and other payables	19	80,593	78,148
Deferred revenue		1,624	782
Customer deposits	22	11,988	15,300
Tax payable	8	6,716	-
Borrowings	20	288	9,036
Lease liability	36	9,704	-
Provisions	21	14,871	13,416
<b>Total current liabilities</b>		<b>125,784</b>	<b>116,682</b>
<i>Non-Current Liabilities</i>			
Borrowings	20	-	1,884
Lease liability	36	12,917	-
Provisions	21	10,290	8,576
Deferred tax liabilities	8	-	6,101
<b>Total non-current liabilities</b>		<b>23,207</b>	<b>16,561</b>
<b>Total liabilities</b>		<b>148,991</b>	<b>133,243</b>
<b>Net assets</b>		<b>17,247</b>	<b>11,408</b>
<b>Equity</b>			
Issued capital	23	12,911	12,911
Reserves	24	22,521	22,318
Accumulated losses	25	(18,185)	(23,821)
<b>Total equity</b>		<b>17,247</b>	<b>11,408</b>

The accompanying notes form part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

<b>Consolidated</b>	<b>Notes</b>	<b>Issued capital \$'000</b>	<b>Share based payments reserve \$'000</b>	<b>Share buy-back reserve \$'000</b>	<b>Investment revaluation reserve \$'000</b>	<b>Accumu- lated losses \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2018		12,904	30,391	(7,204)	236	(35,301)	1,026
Profit after tax for the year		-	-	-	-	10,308	10,308
Reclassification adjustment relating to available for sale financial asset		-	-	-	(236)	-	(236)
Total comprehensive income for the year		-	-	-	(236)	10,308	10,072
Movement in treasury shares	23	7	-	-	-	-	7
Employee share plan expense	30	-	519	-	-	-	519
Performance and service rights vested/forfeited		-	(216)	-	-	-	(216)
Transfer to accumulated losses		-	(1,172)	-	-	1,172	-
<b>Balance at 30 June 2019</b>		<b>12,911</b>	<b>29,522</b>	<b>(7,204)</b>	<b>-</b>	<b>(23,821)</b>	<b>11,408</b>
Balance at 1 July 2019		12,911	29,522	(7,204)	-	(23,821)	11,408
Profit after tax for the year		-	-	-	-	5,499	5,499
Employee share plan expense	30	-	570	-	-	-	570
Performance and service rights vested/forfeited		-	(221)	-	-	(9)	(230)
Transfer to accumulated losses		-	(146)	-	-	146	-
<b>Balance at 30 June 2020</b>		<b>12,911</b>	<b>29,725</b>	<b>(7,204)</b>	<b>-</b>	<b>(18,185)</b>	<b>17,247</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 June 2020 \$'000	30 June 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		726,521	745,445
Payments to suppliers and employees		(674,183)	(733,682)
Cash generated from operations		52,338	11,763
Finance costs	7	(1,502)	(1,309)
Income taxes (paid)/refunded		(1,913)	(4,399)
<b>Net cash generated from operating activities</b>	<b>33</b>	<b>48,923</b>	<b>6,055</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		74	1,289
Payments for property, plant and equipment		(3,650)	(2,652)
Payments for intangibles assets		(4,991)	(2,170)
<b>Net cash (used in) investing activities</b>		<b>(8,567)</b>	<b>(3,533)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		612	5,479
Repayment of borrowings		(8,199)	(3,258)
Payment for finance leases		-	(2,051)
Repayment of lease liability	36	(14,189)	-
<b>Net cash generated from/(used in) financing activities</b>	<b>33</b>	<b>(21,776)</b>	<b>170</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,580</b>	<b>2,692</b>
Cash and cash equivalents at the beginning of the year		9,702	7,010
<b>Cash and cash equivalents at the end of the year</b>	<b>33</b>	<b>28,282</b>	<b>9,702</b>

The accompanying notes form part of these financial statements.

# NOTES TO FINANCIAL STATEMENTS

## 1. General information

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

The Company's registered office and principal place of business is as follows:

Level 1, 570 St Kilda Road  
MELBOURNE VIC 3004

These financial statements comprise the consolidated financial statements of the Company and the entities it controls (the "Group"). The entities controlled by the Company are detailed in Note 15 to the financial report. The principal activities of the Group are the design and construction of residential dwellings, the development of residential land and providing registered training courses.

## 2. Application of new and revised accounting standards

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

New and amended accounting standards relevant to the Group that are effective for the period are as follows:

#### *Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*

This interpretation is effective for the Group from 1 July 2019 and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ('tax amounts'), when there is uncertainty over income tax treatments under AASB 112 *Income Taxes*.

In this respect a company must:

- Use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together;
- Assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so;
- Determine tax amounts on a basis that is consistent with the tax treatment included in its income tax filings if an entity concludes that it is probable that a particular tax treatment will be accepted by the taxation authorities; and
- Determine tax amounts using the most likely amount or expected value of the tax treatment (whichever provides better predictions of the resolution of the uncertainty) If an entity concludes that it is not probable that a particular tax treatment will be accepted by the taxation authorities.

There is no material impact on the Group as a result of the implementation of this Interpretation.

#### *AASB 16 Leases*

This standard supersedes the previous lease accounting standards, including AASB 117, and the related interpretations. AASB 16 eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto the statement of financial position.

The Group has applied AASB 16 *Leases* with effect from 1 July 2019 using the cumulative catch-up approach, under which comparative amounts are not restated, and the liability is calculated as the present value of outstanding payments using the incremental borrowing rate at the date of transition.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### The Group as lessee

#### New definition of a lease

The Group assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand alone prices.

#### Impact on lessee accounting

##### *Leases formerly classified as operating lease under AASB 117*

Previously, the Group classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In accordance with AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired. This replaces the previous requirement to recognise a provision/onerous lease contract.

The Group used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application. These leases are recorded directly in the profit and loss as a lease expense as the lease is utilised;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. some low value IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term when the contract contains options to extend or terminate the lease; and
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

In addition, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities under AASB 16, whereas under AASB 117 they resulted in the recognition of a lease incentive that was amortised as a reduction of rent expenses, generally on a straight-line basis.

#### Leases classified as finance leases under AASB 117

The Group leases a number of motor vehicles that prior to 1 July 2019 included both vehicles subject to agreement for property leases classified as operating leases under AASB 117 and vehicles subject to finance lease agreements. Vehicles operating under finance leases were classified as finance leases under AASB 117. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

## Financial impact of the initial application of AASB 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of AASB 16 for the current and prior years.

### Impact on profit or loss

	30 June 2020 \$'000	30 June 2019 \$'000
Increase in depreciation of right-of-use assets	13,171	–
Increase in finance costs	779	–
Decrease in other expenses	(14,075)	–
(Increase) in profit for the period	(125)	–

The Group recognised \$22.304m right-of-use assets and corresponding lease liability at transition date, as a result of adoption of AASB 16. As at 30 June 2020, the Group has a right-of-use asset of \$20.592m and a corresponding lease liability of \$20.537m in respect of these leases. The impact on profit or loss is a decrease in expenses of \$14.075m and an increase depreciation by \$13.171m along with an increase interest expense of \$0.779m.

The weighted average leases incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 July 2019 is 3%.

The following table shows the operating lease commitments disclosed applying AASB 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

### Impact on profit or loss

	30 June 2020 \$'000
Operating lease commitment at 30 June 2019	25,648
Short-term leases and leases of low-value assets	(48)
Software licensing agreement not applicable under AASB 16	(6,414)
Effect of discounting the above amounts	(811)
Operating leases not included in commitments at 30 June 2019 <sup>1</sup>	3,929
<b>Lease liabilities recognised at transition date of AASB 16</b>	<b>22,304</b>
Finance lease liabilities recognised under AASB 117	3,024
<b>Lease liabilities recognised at 1 July 2019</b>	<b>25,328</b>

<sup>1</sup> Present value of the lease payments due in periods covered by extension option that are not previously included in operating lease commitments.

### Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short term leases, including certain IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term, as permitted by AASB 16. The expense of \$0.476m for these low value and short-term leases is recorded in the Statement of Profit or Loss as Expenses.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### *Impact on the consolidated statement of cash flows of the Group*

The application of AASB 16 has had an impact on the consolidated statement of cash flows of the Group.

Under AASB 16, leases must be presented as:

- Cash payments for the principal portion for a lease liability, as part of financing activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by AASB 107 'Statement of Cash Flows' ("AASB 107") (the Group has opted to include interest paid as part of operating activities). The Group has elected to show as financing activities; and
- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are as part of operating activities.

Under AASB 117, all lease payments on operating leases were presented within cash payments to suppliers and employees, with the Group's cash flows from operating activities.

Consequently, the net cash generated by operating activities has increased by \$14.189m, being the lease payments and net cash used in financing activities has increased by the same amount.

### **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). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB. The financial statements were authorised for issue by the directors on 26 August 2020.

### **Basis of preparation**

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

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

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

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, dated 24 March 2016, 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 and the impact of COVID-19**

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 ongoing COVID-19 pandemic has increased estimation uncertainty in the preparation of these financial statements. While pervasive across the financial statements, estimation uncertainty is predominantly related to fair value measurement and recoverable amount assessments of assets.

The financial statements have been prepared on a going concern basis. The Directors have considered the impact of COVID-19 on the economy and government restrictions in the regions the Group operates. The Group has sufficient liquidity, undrawn borrowing facilities and an active and ongoing capital management strategy which enables it to meet its obligations and pay its debts as and when they fall due. Cash reserves remain strong and the Group has a net asset position of \$17.247m as at 30 June 2020.

### **Basis of consolidation**

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Shares in subsidiary companies are measured at cost less any impairment in the parent entity only financial statements (refer Note 34).

### **Business combinations**

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

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

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

### Goodwill

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

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

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

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

### Revenue recognition

#### Construction contracts

Contracts entered into are for the construction of residential homes, speculative home building and display home inventory. 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. As a result, the one performance obligation 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.

#### Registered training courses

The Group derives revenue by providing training courses to students. The performance obligation is fulfilled over the duration of the course. The transaction price is determined and agreed at the beginning of the course and is not variable unless the student stops part way through the course. Revenue is recognised in the accounting period in which the courses are delivered and when the Group is entitled to claim course funding from the relevant federal or state government body. This funding is not considered a state government grant. Funding received in respect of courses is in relation to specific students completing a period of study for a specific course. Payment is received following invoice on normal commercial terms.

#### Development

The Group generates revenue from the sale of land developments for residential homes.

Revenue in respect of the sale of land developments is recognised when control passes to a third party along with fulfillment of all performance obligations on a contract. Revenue is measured at the transaction price agreed under the contract. Payment is received on actual settlement of individual parcels of land when control is transferred to the customer. Costs in relation to individual settlements are recognised in proportion to the total costs for the project and based on the percentage of revenue recognised for each settled unit.



### **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*’ (AASB 15). A contract asset is the Group’s right to payment for goods and services transferred to a customer if that right to payment is conditional on something other than passage of time. A contract liability 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 a contract 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**

Interest revenue is recognised on an accruals basis.

Dividend income is recognised when the dividend is declared.

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.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### Financial instruments

#### Non-derivative financial instruments

##### *Classification*

From 1 July 2018, the Group has classified its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

##### *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents, trade receivables, loan and other receivables remain at amortised cost consistent with the comparative period.

##### *Impairment*

For trade receivables, loan and other receivables, the Group applies the simplified approach permitted by AASB 9, 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. Trade payables are settled on terms aligned with the normal commercial terms in the Group's countries of operation.

### Leases

Accounting policy applied after 1 July 2019

#### The Group as lessee

##### *New definition of a lease*

The Group assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand alone prices.

### *Lease contracts entered after 1 July 2019*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies AASB 136 to determine whether a right-of-use assets is impaired.

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date or commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- > fixed payments (including in substance fixed payments), less any lease incentives receivable;
- > variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- > amounts expected to be payable under a residual value guarantee; and
- > the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

For leases of low value and short-term leases the Group recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

### **Policies applicable prior to 1 July 2019**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leases are classified as operating leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee. Payment made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the period of the lease.

### Employee benefits

#### Short-term and long-term employee benefits

##### *Short term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

##### *Other long-term employee benefits*

Liabilities for annual leave and long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in the provision for employee entitlements and are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary levels, departures and periods of service.

These employee benefits entitlements are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

#### Superannuation contributions

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

#### Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

#### Bonus entitlements

A liability is recognised for bonus entitlements where contractually obliged or where there is a past practice that has created a constructive obligation.

#### Taxation

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

#### Current tax

The tax currently payable is based on the financial result for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

## Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

## 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.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### Property, plant and equipment

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

Depreciation is calculated on a straight-line basis so as to write off the net cost 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 years
Office furniture and fittings	5 years
Display home furniture, fixtures and fittings	5 years
Motor vehicles	5 years
Plant and equipment	5 years

### Intangible assets

#### Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

	Useful life	Source
Computer software	3 years	External
Capitalised courses	2–3 years	External/Internal
RTO licence	Over the life of the licence	External
Capitalised product designs	3 years	External/Internal
Right of use lease asset	Over the life of the lease	External

#### Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- > the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- > the intention to complete the intangible asset and use or sell it;
- > the ability to use or sell the intangible asset;
- > how the intangible asset will generate probable future economic benefits;

- > the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- > the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### **Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Land at cost**

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

### **Speculative homes and displays**

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

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 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 are under legislative requirements.

### Make good

Provisions based on the directors' best estimates of the costs required to reinstate the display homes under legislation; or requirement to be at a saleable standard.

### Goods and services tax

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

- a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### Share-based payment transactions

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

## 4. Critical accounting judgements and key sources of estimation uncertainty

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

### 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 of 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.



### **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.

In April 2017, an independent actuary was engaged by Simonds Group Ltd to analyse historical maintenance and warranty spend and provide an estimate for the maintenance and warranty provision as at 30 June 2017. Consistent with the prior year, the Group has adopted the key assumptions provided by the independent actuary while retaining the model used historically for calculating the maintenance and warranty provision as at 30 June 2020.

### **Provision for impairment losses on land development**

The Group holds land stock for development, which is recorded as inventory in the financial statements. At 30 June 2020, the directors assessed the net realisable value of the land stock inventory, referencing contracts, other documentary evidence and comparative sales data to determine valuations of certain land titles.

### **Impairment of goodwill**

At 30 June 2020 goodwill of \$2.603m is allocated to the registered training segment (2019: \$2.603m).

The recoverable amount of a cash-generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections covering a five-year period based on financial budgets approved by management for the subsequent financial year. These growth rates do not exceed the long-term average growth rates for the industry in which each CGU operates.

Cash flow projections for CGUs are based on budgeted EBITDA during the projection period, increasing by underlying cash flow growth rates of 2.2% (2019: 1.3%) per annum. The cash flows beyond the five-year projection period have been extrapolated using a steady growth rate of 2.2% (2019: 2.3%). The underlying growth rates have been determined by management based on most recent financial budgets and forecasts and expected industry growth rates.

In performing the value-in-use calculations for each CGU, the Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate applied is 17.0% (2019: 17.0%).

The Group has assessed that any reasonably probable change in the key assumptions would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 5. Revenue

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

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Continuing operations</b>		
Revenue from residential construction contracts	652,564	676,901
Revenue from rendering of registered training services	11,931	10,229
Revenue from developments	328	595
	<b>664,823</b>	<b>687,725</b>
<b>Discontinued operations</b>	-	-
	<b>664,823</b>	<b>687,725</b>

### 6. 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 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 9 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 profit before tax	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
<b>Continuing operations</b>				
Residential construction	652,564	676,901	8,803	15,919
Registered training	11,931	10,229	1,767	1,100
Land development	328	595	317	127
	<b>664,823</b>	<b>687,725</b>	<b>10,897</b>	<b>17,146</b>
<b>Discontinued operations</b>	-	-	<b>(2,307)</b>	<b>(2,040)</b>
<b>Consolidated segment revenue and profit/(loss) before tax for the period</b>	<b>664,823</b>	<b>687,725</b>	<b>8,590</b>	<b>15,106</b>

## Segment assets and liabilities

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Segment assets</b>		
Residential construction	157,033	136,822
Registered training	4,710	3,549
Land development	2,366	3,497
	<b>164,109</b>	<b>143,868</b>
Discontinued operations	2,129	783
<b>Total segment assets</b>	<b>166,238</b>	<b>144,651</b>
<b>Total assets</b>	<b>166,238</b>	<b>144,651</b>
<b>Segment liabilities</b>		
Residential construction	143,009	129,484
Registered training	3,416	1,075
Land development	248	333
	<b>146,673</b>	<b>130,892</b>
Discontinued Operations	2,318	2,351
<b>Total segment liabilities</b>	<b>148,991</b>	<b>133,243</b>
<b>Total liabilities</b>	<b>148,991</b>	<b>133,243</b>

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	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Residential construction	1,495	1,309	18,485	4,600
Registered training	7	–	588	132
Land development	–	–	–	–
<b>Total</b>	<b>1,502</b>	<b>1,309</b>	<b>19,073</b>	<b>4,732</b>

	Additions to non-current assets	
	30 June 2020 \$'000	30 June 2019 \$'000
Residential construction	13,522	7,474
Registered training	937	–
Land development	–	–
	<b>14,459</b>	<b>7,474</b>

## 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 2020 and the year ended 30 June 2019.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 7. Finance costs

	30 June 2020 \$'000	30 June 2019 \$'000
Interest on bank overdrafts, finance leases and loans	1,502	1,309
	<b>1,502</b>	<b>1,309</b>

### 8. Income taxes

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Income tax recognised</b>		
<b>Current tax</b>		
(Benefit)/expense in respect of the current year	9,749	-
(Benefit)/expense in respect of prior years	-	(155)
	<b>9,749</b>	<b>(155)</b>
<b>Deferred tax</b>		
(Benefit)/expense in respect of the current year	(6,701)	4,826
(Benefit)/expense in respect of prior years	44	127
	<b>(6,657)</b>	<b>4,953</b>
<b>Consolidated income tax expense recognised in the current year</b>	<b>3,092</b>	<b>4,798</b>
Income tax expense from continuing operations	3,784	5,410
Income tax (benefit) from discontinued operations	(692)	(612)
	<b>3,092</b>	<b>4,798</b>

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

	30 June 2020 \$'000	30 June 2019 \$'000
Profit before tax from continuing operations	10,898	17,146
Loss before tax from discontinued operations	(2,307)	(2,040)
<b>Profit before tax</b>	<b>8,591</b>	<b>15,106</b>
Income tax expense calculated at 30% (2019: 30%)	2,577	4,532
Effect of Executive Share Based Payments non-deductible	324	77
Effect of expenses that are not deductible in determining taxable profit	147	215
	<b>3,048</b>	<b>4,824</b>
Adjustments recognised in the current year in relation to deferred and current tax of prior years	44	(26)
<b>Income tax expense recognised in profit or loss</b>	<b>3,092</b>	<b>4,798</b>
Income tax expense from continuing operations	3,784	5,410
Income tax (benefit) from discontinued operations	(692)	(612)
	<b>3,092</b>	<b>4,798</b>

The tax rate used for the 2020 and 2019 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 2020 \$'000	30 June 2019 \$'000
Income tax (payable)/refundable	(6,716)	1,120
	<b>(6,716)</b>	<b>1,120</b>

## Deferred tax balances

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Amounts recognised in profit or loss</i>		
Deferred tax assets	11,724	5,008
Deferred tax liabilities	(11,168)	(11,210)
	<b>556</b>	<b>(6,202)</b>
<i>Amounts recognised in other comprehensive income</i>		
Deferred tax liabilities	–	101
<b>Net deferred tax</b>	<b>556</b>	<b>(6,101)</b>

	Opening balance \$'000	Under/over \$'000	Recognised in profit or loss \$'000	Recognised in other comprehen- sive income \$'000	Closing balance \$'000
<b>2020</b>					
Construction contracts income	(10,416)	(21)	4,971	–	(5,466)
Capitalised courses and product design	(793)	–	44	–	(749)
Property, plant, equipment & intangibles	1,232	21	327	–	1,580
Provision for warranty and contract maintenance	1,067	–	14	–	1,081
Employee entitlements	1,476	15	1,706	–	3,197
DTA on losses	917	(27)	(890)	–	–
Other	416	(32)	529	–	913
	<b>(6,101)</b>	<b>(44)</b>	<b>6,701</b>	<b>–</b>	<b>556</b>

	Opening balance \$'000	Under/over \$'000	Recognised in profit or loss \$'000	Recognised in other comprehen- sive income \$'000	Closing balance \$'000
<b>2019</b>					
Construction contracts income	(4,469)	–	(5,948)	–	(10,417)
Capitalised courses and product design	(638)	–	(155)	–	(793)
Property, plant, equipment & intangibles	1,018	–	214	–	1,232
Provision for warranty and contract maintenance	1,031	–	36	–	1,067
Employee entitlements	1,068	29	380	–	1,477
DTA on losses	–	–	917	–	917
Other	739	(156)	(268)	101	416
	<b>(1,251)</b>	<b>(127)</b>	<b>(4,824)</b>	<b>101</b>	<b>(6,101)</b>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 9. Discontinued operations

Following a comprehensive review instigated 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.

#### Loss for the year from the Madisson business

	30 June 2020 \$'000	30 June 2019 \$'000
Revenue	-	-
Expenses	(2,307)	(2,040)
<b>Loss before tax</b>	<b>(2,307)</b>	<b>(2,040)</b>
Attributable income tax benefit	692	612
<b>Loss for the year</b>	<b>(1,615)</b>	<b>(1,428)</b>
<b>Statement of Cash Flows from the Madisson business</b>		
Cash flows from operating activities	1	(11)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
<b>Net increase in cash and cash equivalents</b>	<b>1</b>	<b>(11)</b>
Cash and cash equivalents at the beginning of the year	2	13
<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b>2</b>

### 10. Expenses for the year

	30 June 2020 \$'000	30 June 2019 \$'000
Profit/ loss on disposal of property, plant and equipment and intangible assets	30	340
Marketing and selling expenses	(21,898)	(21,513)
Corporate and administrative expenses	(19,172)	(31,035)
Employee benefits expense	(81,317)	(78,589)
	<b>(122,357)</b>	<b>(130,797)</b>

### 11. Earnings per share

	30 June 2020 Cents per share	30 June 2019 Cents per share
<b>From continuing operations</b>		
Total basic profit per share	4.95	8.16
Total diluted profit per share	4.87	8.09
<b>From continuing and discontinued operations</b>		
Total basic profit per share	3.82	7.17
Total diluted profit per share	3.77	7.11

### 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 2020 \$'000	30 June 2019 \$'000
<b>From continuing operations</b>		
Profit for the year attributable to owners of the Company	7,114	11,736
<b>From continuing and discontinued operations</b>		
Profit for the year attributable to owners of the Company	5,499	10,308
	<b>30 June 2020 Shares</b>	<b>30 June 2019 Shares</b>
Weighted average number of ordinary shares for the purposes of the basic earnings per share	143,841,655	143,841,655

### Diluted earnings per share

	30 June 2020 \$'000	30 June 2019 \$'000
<b>From continuing operations</b>		
Profit for the year attributable to owners of the Company	7,114	11,736
<b>From continuing and discontinued operations</b>		
Profit for the year attributable to owners of the Company	5,499	10,308
	<b>30 June 2020 Shares</b>	<b>30 June 2019 Shares</b>
Weighted average number of ordinary shares for the purposes of the basic earnings per share	143,841,655	143,841,655
Shares deemed to be issued for no consideration in respect of:		
– Performance rights/Options/Service rights	2,165,245	1,218,917
Weighted average number of ordinary shares for the purposes of the diluted earnings per share	146,006,900	145,060,572

The following potential ordinary shares are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

	30 June 2020 Shares	30 June 2019 Shares
Options	–	–
Performance rights	2,095,674	2,537,111

These shares have been excluded from the diluted earnings per share (EPS) calculation on the basis that the exercise price of the options is higher than the average share price or the performance conditions are yet to be met at the end of the reporting period.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 12. Trade and other receivables

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Current</b>		
Trade receivables <sup>(i)</sup>	28,785	26,965
Other receivables	500	465
	<b>29,285</b>	<b>27,430</b>

(i) The amounts pertaining to related party receivables are disclosed within Note 29.

#### 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 or there is objective evidence that the Group will not be able to collect the outstanding amount. 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 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

	30 June 2020 \$'000	30 June 2019 \$'000
46 – 60 days	527	858
61 – 90 days	683	718
91 – 120 days	553	489
Over 120 days	1,422	1,293
<b>Total</b>	<b>3,185</b>	<b>3,358</b>
Average age (days)	117	110

Average credit terms for customers are 7 to 45 days. Receivables past due but not impaired primarily relate to final settlement payments upon completion of construction and supplier rebates, where terms vary. The Group has included in its considerations for any expected credit loss of these receivables, impacts of the current pandemic with no current indication requiring a provision as at 30 June 2020.

### 13. Accrued revenue

	30 June 2020 \$'000	30 June 2019 \$'000
Work in progress on residential construction contracts	34,391	53,711



## 14. Inventories

	30 June 2020 \$'000	30 June 2019 \$'000
Display homes, land stock	36,335	37,216
Provision for impairment of inventories	(2,087)	(1,757)
	<b>34,248</b>	<b>35,459</b>

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 30 June 2020, current market conditions (including the current pandemic) have been taken into account and an adjustment to impairment made as appropriate.

## 15. Subsidiaries

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

Name	Principle activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2020	2019
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%
House of Learning Pty Ltd	Registered training organisation	Australia	100%	100%
City-Wide Building and Training Services Pty Ltd	Registered training organisation	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 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.
- > No subsidiaries have been acquired or incorporated in the year ended 30 June 2020.
- > 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 2020 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 2020 disclosed on pages 53–54.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 16. Property, plant and equipment

	Leasehold improve- ments \$'000	Computer equipment \$'000	Office furniture & fittings \$'000	Display home furniture, fixtures & fittings \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Total \$'000
<b>Cost</b>							
Balance at 1 July 2018	4,947	2,506	1,783	1,025	6,294	364	16,919
Additions	874	985	97	574	2,774	-	5,304
Disposals	(32)	(225)	(10)	(21)	(3,830)	(4)	(4,122)
<b>Balance at 30 June 2019</b>	<b>5,789</b>	<b>3,266</b>	<b>1,870</b>	<b>1,578</b>	<b>5,238</b>	<b>360</b>	<b>18,101</b>
<b>Cost</b>							
Balance at 1 July 2019	5,789	3,266	1,870	1,578	5,238	360	18,101
Additions	430	1,030	1,350	840	-	-	3,650
Disposals	-	(1)	-	-	(4)	-	(5)
Reclass to lease liability	-	-	-	-	(4,264)	-	(4,264)
<b>Balance at 30 June 2020</b>	<b>6,219</b>	<b>4,295</b>	<b>3,220</b>	<b>2,418</b>	<b>970</b>	<b>360</b>	<b>17,482</b>
<b>Accumulated depreciation</b>							
Balance at 1 July 2018	(2,537)	(1,769)	(1,074)	(893)	(3,427)	(42)	(9,742)
Depreciation expense	(942)	(565)	(327)	(136)	(1,443)	(73)	(3,486)
Disposals	32	191	10	2	2,912	1	3,148
<b>Balance at 30 June 2019</b>	<b>(3,447)</b>	<b>(2,143)</b>	<b>(1,391)</b>	<b>(1,027)</b>	<b>(1,958)</b>	<b>(114)</b>	<b>(10,080)</b>
<b>Accumulated depreciation</b>							
Balance at 1 July 2019	(3,447)	(2,143)	(1,391)	(1,027)	(1,958)	(114)	(10,080)
Depreciation expense	(909)	(643)	(382)	(429)	(130)	(72)	(2,565)
Disposals	-	-	-	-	4	-	4
Reclass to lease liability	-	-	-	-	1,353	-	1,353
<b>Balance at 30 June 2020</b>	<b>(4,356)</b>	<b>(2,786)</b>	<b>(1,773)</b>	<b>(1,456)</b>	<b>(731)</b>	<b>(186)</b>	<b>(11,288)</b>
<b>Net book value</b>							
<b>As at 30 June 2019</b>	<b>2,342</b>	<b>1,123</b>	<b>479</b>	<b>551</b>	<b>3,280</b>	<b>246</b>	<b>8,021</b>
<b>As at 30 June 2020</b>	<b>1,863</b>	<b>1,509</b>	<b>1,447</b>	<b>962</b>	<b>239</b>	<b>174</b>	<b>6,194</b>

## 17. Intangible assets

	Computer software \$'000	Capitalised courses \$'000	Goodwill from acquisitions \$'000	RTO Licence \$'000	Capitalised product designs \$'000	Total \$'000
<b>Cost</b>						
Balance at 1 July 2018	2,682	2,376	2,603	1,245	2,346	11,252
Additions	714	385	-	-	1,071	2,170
Disposals	(1,577)	(11)	-	-	(200)	(1,788)
<b>Balance at 30 June 2019</b>	<b>1,819</b>	<b>2,750</b>	<b>2,603</b>	<b>1,245</b>	<b>3,217</b>	<b>11,634</b>
<b>Cost</b>						
Balance at 1 July 2019	1,819	2,750	2,603	1,245	3,217	11,634
Additions	3,615	540	-	-	836	4,991
Disposals	-	(884)	-	-	-	(884)
<b>Balance at 30 June 2020</b>	<b>5,434</b>	<b>2,406</b>	<b>2,603</b>	<b>1,245</b>	<b>4,053</b>	<b>15,741</b>
<b>Accumulated amortisation</b>						
Balance at 1 July 2018	(1,741)	(2,312)	-	(1,245)	(287)	(5,585)
Amortisation Expense	(506)	(94)	-	-	(646)	(1,246)
Disposal/transfers	1,572	11	-	-	2	1,585
<b>Balance 30 June 2019</b>	<b>(675)</b>	<b>(2,395)</b>	<b>-</b>	<b>(1,245)</b>	<b>(931)</b>	<b>(5,246)</b>
<b>Accumulated amortisation</b>						
Balance at 1 July 2019	(675)	(2,395)	-	(1,245)	(931)	(5,246)
Amortisation expense	(1,059)	(383)	-	-	(1,139)	(2,581)
Disposals	-	884	-	-	-	884
<b>Balance 30 June 2020</b>	<b>(1,734)</b>	<b>(1,894)</b>	<b>-</b>	<b>(1,245)</b>	<b>(2,070)</b>	<b>(6,943)</b>
<b>Net Book Value</b>						
<b>As at 30 June 2019</b>	<b>1,144</b>	<b>355</b>	<b>2,603</b>	<b>-</b>	<b>2,286</b>	<b>6,388</b>
<b>As at 30 June 2020</b>	<b>3,700</b>	<b>512</b>	<b>2,603</b>	<b>-</b>	<b>1,983</b>	<b>8,798</b>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 18. Other assets

	30 June 2020 \$'000	30 June 2019 \$'000
Prepayments	1,528	2,386
Loan to sales consultants	111	244
Other assets	145	190
	<b>1,784</b>	<b>2,820</b>

### 19. Trade and other payables

	30 June 2020 \$'000	30 June 2019 \$'000
Trade payables	56,741	58,425
Construction accruals	12,809	11,159
Goods and services tax payable	1,991	826
Other payables and accruals	9,052	7,738
	<b>80,593</b>	<b>78,148</b>

### 20. Borrowings

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Current</b>		
Other borrowings	311	717
Finance lease liability	–	1,140
Display fund facility	–	5,000
Market rate loan	(23) <sup>1</sup>	2,179
	<b>288</b>	<b>9,036</b>
<b>Non-current</b>		
Finance lease liability	–	1,884
	–	<b>1,884</b>

<sup>1</sup> The market rate loan has been fully repaid as at 30 June 2020 and what remains are capitalised borrowing costs incurred at the establishment of the borrowing facilities and amortised over the life of the borrowing facility. The borrowing facility expires on 30 September 2021.

## Summary of borrowing arrangements

Details of the Group's borrowing facility as at 30 June 2020 are as follows:

Facility	Utilised \$'000	Unutilised \$'000	Interest charge	Description	Maturity date
Bank Guarantees	1,286	714	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	Nil	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	2,084 <sup>1</sup>	3,916	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
<b>Total</b>	<b>4,370</b>	<b>27,130</b>			

<sup>1</sup> Finance lease with CBA were classified as finance leases under AASB 117, these are now shown under the more generic term of lease liabilities under AASB 16.

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	311	-	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 Jan 20 to Dec 20.	31 December 2022
<b>Total</b>	<b>311</b>	<b>-</b>			

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 21. Provisions

	30 June 2020 \$'000	30 June 2019 \$'000
Provision for employee benefits <sup>(i)</sup>	9,153	7,266
Cash settled share based payment	730	197
Provision for warranty and contract maintenance <sup>(ii)</sup>	13,994	13,316
Provision for make good <sup>(iii)</sup>	1,284	1,213
	<b>25,161</b>	<b>21,992</b>
Current	14,871	13,416
Non-current	10,290	8,576
	<b>25,161</b>	<b>21,992</b>

(i) The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees. The measurement and recognition criteria for employee benefits have been included in Note 3 of the financial statements. The current portion of the provision for employee benefits includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave classified as current liabilities to be settled wholly within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement. The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

The following amounts reflect annual leave that is not expected to be taken or paid within the next 12 months:

Leave obligations expected to be settled after 12 months	1,407	899
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(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 under legislation; or requirement to be at a saleable standard.

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

	Employee benefits \$'000	Cash settled share-based payment \$'000	Warranty and contract maintenance \$'000	Make good \$'000	Total \$'000
<b>2020</b>					
At 30 June 2019	7,266	197	13,316	1,213	21,992
Additional provision recognised during the year	4,169	533	5,677	578	10,957
Credited to profit or loss	(2,282)	–	(4,999)	(507)	(7,788)
<b>At 30 June 2020</b>	<b>9,153</b>	<b>730</b>	<b>13,994</b>	<b>1,284</b>	<b>25,161</b>

	Employee benefits \$'000	Cash settled share-based payment \$'000	Warranty and contract maintenance \$'000	Make good \$'000	Total \$'000
<b>2019</b>					
At 30 June 2018	6,569	127	12,433	1,573	20,702
Additional provision recognised during the year	1,215	70	5,502	346	7,133
Credited to profit or loss	(518)	–	(4,619)	(706)	(5,843)
<b>At 30 June 2019</b>	<b>7,266</b>	<b>197</b>	<b>13,316</b>	<b>1,213</b>	<b>21,992</b>

## 22. Customer deposits

	30 June 2020 \$'000	30 June 2019 \$'000
Arising from construction contracts	11,988	15,300

## 23. Issued capital

	30 June 2020 \$'000	30 June 2019 \$'000
143,841,655 fully paid ordinary shares	12,911	12,911
	<b>12,911</b>	<b>12,911</b>

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

	Number of shares		Share capital (\$'000)	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Balance at beginning of the period	143,841,655	143,816,926	12,911	12,904
Movement in treasury shares	–	24,729	–	7
<b>Balance at end of the period</b>	<b>143,841,655</b>	<b>143,841,655</b>	<b>12,911</b>	<b>12,911</b>

## 24. Reserves

	30 June 2020 \$'000	30 June 2019 \$'000
Share buy-back reserve	(7,204)	(7,204)
Share based payment reserve	29,725	29,522
	<b>22,521</b>	<b>22,318</b>

### 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 7,570,613 of its issued shares for a total amount of \$7.883m. As a result, a reduction in capital of \$0.679m was recognised based on an implied value per share of 8.97c and the remaining balance 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.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 25. Accumulated losses

	30 June 2020 \$'000	30 June 2019 \$'000
Balance at the beginning of the year	(23,821)	(35,301)
Profits attributable to owners of the Group (net of tax)	5,499	10,308
Performance and service rights vested/forfeited	(9)	-
Transfers between reserves	146	1,172
<b>Balance at the end of the year</b>	<b>(18,185)</b>	<b>(23,821)</b>

### 26. Dividends paid or payable

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

	Year ended 30 June 2020		Year ended 30 June 2019	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Final dividend	-	-	-	-

The Company's adjusted franking account balance as at 30 June 2020 is \$12.840m (2019: \$10.921m).

### 27. Financial instruments

#### 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 20, cash, and equity attributable to equity holders of the parent, comprising issued capital, accumulated losses and dividends, as disclosed in Notes 24, 25 and 26.

#### 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 2020 \$'000	30 June 2019 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	28,282	9,702
Trade and other receivables	29,285	27,430
	<b>57,567</b>	<b>37,132</b>
<b>Financial liabilities</b>		
Trade and other payables	80,593	78,148
Lease liabilities <sup>1</sup>	22,621	3,024
Borrowings	311	7,937
	<b>103,525</b>	<b>89,109</b>

<sup>1</sup> Lease liabilities previously included only finance leases however with the introduction of AASB16 lease liabilities now include finance as well as operating leases.



## Market risk

### (i) Interest rate risk management

As at 30 June 2020, the Group had \$4.681m debt facilities that have been utilised.

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 20 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 2020 would decrease/increase by \$0.002m (2019: \$0.016m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

### (ii) Price risk

The Group has no foreign exchange exposure or price risk on equity securities.

## 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.

Registered training is delivered under the terms provided by the Department of Education and Training Victoria (the Department) in accordance with the Victorian Training Guarantee Program.

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) Financial arrangements

The Group had access to the following debt facilities at the end of the reporting period:

	Utilised		Unutilised		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Expiring within 1 year	2,152	10,077	–	–	2,152	10,077
Expiring beyond 1 year	2,529	2,803	27,130	25,557	29,659	28,360
	<b>4,681</b>	<b>12,880</b>	<b>27,130</b>	<b>25,557</b>	<b>31,811</b>	<b>38,437</b>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### (ii) 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 2020	< 6 months \$'000	6 –12 months \$'000	>1 –5 years \$'000	Total \$'000
<b>Financial liabilities</b>				
Trade and other payables	80,593	–	–	80,593
Lease liabilities	4,852	4,852	12,917	22,621
Microsoft financing	311	–	–	311
	<b>85,756</b>	<b>4,852</b>	<b>12,917</b>	<b>103,525</b>
<hr/>				
Year ended 30 June 2019	< 6 months \$'000	6 –12 months \$'000	>1 –5 years \$'000	Total \$'000
<b>Financial liabilities</b>				
Trade and other payables	78,148	–	–	78,148
Finance lease liability	516	624	1,884	3,024
Market rate loan	1,100	1,120	–	2,220
Simonds Homes Display Fund	5,000	–	–	5,000
Insurance premium funding	717	–	–	717
	<b>85,481</b>	<b>1,744</b>	<b>1,884</b>	<b>89,109</b>

### 28. 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 2020 \$	30 June 2019 \$
Short-term employee benefits	2,724,442	2,478,510
Post-employment benefits	112,875	120,297
Other long-term benefits	21,893	6,395
Termination benefits	–	24,778
Share-based payments	361,115	318,865
	<b>3,220,325</b>	<b>2,948,845</b>

## 29. Related party transactions

### Trading transactions

During the year group entities entered into 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 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$	\$	\$	\$	\$	\$
<b>Vallence Gary Simonds and related entities:</b>						
Properties leased on an arms-length basis	-	-	296,422	266,982	-	-
Advisory fee paid during the year	-	-	97,717	57,154	-	-
Payment for use of building licence	-	-	-	42,846	-	-
Remuneration for employee services	-	-	59,934	61,018	-	-
Car Park provided	-	-	-	-	22,111	20,543
	-	-	<b>454,073</b>	<b>428,000</b>	<b>22,111</b>	<b>20,543</b>
<b>Simonds Family Office Pty Ltd<sup>1</sup></b>						
Supply payment to Delos Welltek Australia Pty Ltd <sup>2</sup>	2,332,853	191,972	-	-	-	-
<b>Mark Simonds and related entities<sup>3</sup>:</b>						
Payment for use of building licence	-	-	100,000	87,320	-	-
Remuneration for employee services	-	-	28,183	-	-	-
	-	-	<b>128,183</b>	<b>87,320</b>	-	-
<b>John Thorburn<sup>4</sup> and related entities:</b>						
Lease of display home on an arms – length basis	-	-	-	43,500	-	-
<b>Total</b>	<b>2,332,853</b>	<b>191,972</b>	<b>582,256</b>	<b>558,820</b>	<b>22,111</b>	<b>20,543</b>

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 the Simonds Group for the inclusion of the “DARWIN Essentials Package” into all of its 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.

3 Two family members of Mark Simonds are employed by the Group on a casual basis and they are remunerated on an ‘arm’s length’ basis.

4 John Thorburn ceased employment on 5 September 2018, as of this date he ceased to be included as Key Management Personnel.

At 30 June 2020 there were no balances outstanding from related parties (2019: nil).

### Loans to related parties

During the year ended 30 June 2020 there were no loans to related parties outside the Group (2019: 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.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 30. Share based payments

#### Employee share plan

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

- Share based payments made to key management personal and other employees amounted to \$0.737m (2019: \$0.342m),
- 3,750,001 performance rights (2019: 4,191,348) were granted to 10 senior executives (2019: 8) as at 30 June 2020, 3,750,001 performance rights remain,
- As at 30 June 2020, performance rights/performance options remaining on issue are:
  - FY2017 Plan: 2,275,720 (performance options)
  - FY2018 Plan: 1,290,322 (performance rights)
  - FY2019 Plan: 4,191,348 (performance rights)
  - FY2020 Plan: 3,750,001 (performance rights)
- No options were granted (2019: Nil) during the period.

Incentives	Financial year	Tranche	Grant date	Fair value at grant date	Vesting date	Expiry date	Other vesting condition	Notes
Cash settled	FY20	1	9 Mar' 2020	\$0.34	30 Sep' 2022	30 Sep' 2022	Non-market	(2), (4)
	FY18	1	4 Dec' 2017	\$0.19	30 Sep' 2020	30 Sep' 2020	Market	(1), (3)
	FY18	2	4 Dec' 2017	\$0.30	30 Sep' 2020	30 Sep' 2020	Non-market	(1), (4)
Performance rights	FY19	1	1 Mar' 2019	\$0.27	28 Aug' 2021	28 Aug' 2021	Market	(3), (5)
	FY19	2	1 Mar' 2019	\$0.38	30 Jun' 2021	28 Aug' 2021	Non-market	(4), (5)
Options	FY17	3	31 Jan' 2017	\$0.11	30 Sep' 2019	30 Sep' 2022	Non-market	(4)

Notes:

- 1 Gateway Hurdle Condition exists whereby FY18 Cash Rights may not vest unless the individual remains employed up to and including 30 September 2020.
- 2 Gateway Hurdle Condition exists whereby FY20 Performance Rights may not vest unless the individual remains employed up to and including 30 September 2022. These Performance Rights are settled either as shares in the Company or as cash at the discretion of the Board.
- 3 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.
- 4 Vesting condition linked to compound annual growth rate in Earnings Per Share (EPS) where EPS is calculated based on Net Profit Before Tax for the relevant period with the specific EPS methodology to be determined by the board.
- 5 Gateway Hurdle Condition exists whereby FY19 Performance Rights may not vest unless the individual remains employed up to and including 28 August 2021.

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 2020:

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Employee share plan</b>		
Share based expense (excluding forfeitures)	570	519
	<b>570</b>	<b>519</b>

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

Cash rights subject to market based vesting conditions and FY19 performance rights (Tranche 1) are valued using a Monte Carlo based simulation model (applying a Black-Scholes framework).

For performance rights subject to non-market vesting conditions, the FY19 performance rights (Tranche 2) value at grant date is equivalent to that of the underlying share; FY17 and FY16 performance rights (Tranche 2) the Black Scholes Pricing Model was used to value the rights at grant date. Expected volatility is estimated using the daily rolling three-year standard deviation of a relevant Peer Group. The risk free rates used for FY19 performance rights valuation are the yield to maturity on Australian Government Bonds with maturities equivalent to the expected lift of the rights. FY17 and FY16 performance rights risk free rates are derived from the average of the 3 and 4-year Commonwealth Treasury Bond Rate. This yield was converted to a continuously-compounded rate for the purposes of the rights valuation.

	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
<b>FY20 Cash rights:</b>						
Tranche1 <sup>1</sup>	\$0.34	\$0.00	n/a	n/a	n/a	n/a
<b>FY19 Performance rights:</b>						
Tranche 1	\$0.27	\$0.00	912	67%	0.0%	1.70%
Tranche 2	\$0.38	\$0.00	853	67%	0.0%	1.70%
<b>FY18 Cash rights:</b>						
Tranche 1 <sup>2</sup>	\$0.19	\$0.00	1,097	74%	0.0%	2.03%
Tranche 2 <sup>3</sup>	\$0.30	\$0.00	1,096	74%	0.0%	2.01%
<b>CEO Options:</b>						
EPS	\$0.11	\$0.40	972	50%	5.5%	2.06%

1 The fair value at 30 June 2020 is \$0.35.

2 The fair value at 30 June 2020 is \$0.11.

3 The fair value at 30 June 2020 is \$0.35.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 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:

	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	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Total number of rights	
<b>2020</b>									
<b>Cash Rights</b>									
Tranche 1	FY2020	–	3,750,001	0.34	–	–	–	–	3,750,001
Tranche 1	FY2018	645,162	–	–	–	–	–	–	645,162
Tranche 2	FY2018	645,160	–	–	–	–	–	–	645,160
<b>Performance Rights</b>									
Tranche 1	FY2019	2,033,332	62,342	0.27	–	–	–	–	2,095,674
Tranche 2	FY2019	2,033,332	62,342	0.38	–	–	–	–	2,095,674
Tranche 1	FY2017	632,756	–	–	–	–	632,756	0.23	–
Tranche 2	FY2017	632,753	–	–	632,753	0.35	–	–	–
<b>CEO Options</b>									
EPS	FY2017	2,275,720	–	–	–	–	–	–	2,275,720
<b>TOTAL</b>		<b>8,898,215</b>	<b>3,874,685</b>	<b>0.34</b>	<b>632,753</b>	<b>0.35</b>	<b>632,756</b>	<b>0.23</b>	<b>11,507,391</b>
	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	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Total number of rights	
<b>2019</b>									
<b>Cash rights</b>									
Tranche 1	FY2018	1,008,066	–	–	–	–	362,904	0.19	645,162
Tranche 2	FY2018	1,008,063	–	–	–	–	362,903	0.33	645,160
<b>Performance rights</b>									
Tranche 1	FY2019	–	2,033,332	0.27	–	–	–	–	2,033,332
Tranche 2	FY2019	–	2,033,332	0.38	–	–	–	–	2,033,332
Tranche 1	FY2017	719,051	–	–	–	–	86,295	0.23	632,756
Tranche 2	FY2017	719,048	–	–	–	–	86,295	0.35	632,753
Tranche 1	FY2016	70,762	–	–	–	–	70,762	0.31	–
Tranche 2	FY2016	70,761	–	–	70,761	0.75	–	–	–
<b>CEO options</b>									
EPS	FY2017	2,275,720	–	–	–	–	–	–	2,275,720
<b>TOTAL</b>		<b>5,871,471</b>	<b>4,066,664</b>	<b>0.33</b>	<b>70,761</b>	<b>0.75</b>	<b>969,159</b>	<b>0.20</b>	<b>8,898,215</b>

Cash rights outstanding at the end of the current financial year had an exercise price of \$nil (2019: nil). Performance rights outstanding at the end of the current financial year had an exercise price of \$nil (2019: \$nil). CEO Options outstanding at the end of the current financial year had an exercise price of \$0.40 (2019: \$0.40) per option.

The weighted average contractual life of cash rights was 977 days (2019: 1,097). The weighted average contractual life of performance rights was 883 days (2019: 900 days).

#### Performance and service rights vested during the year

632,753 (2019: 70,761) performance rights vested during the year ended 30 June 2020, 503,777 were settled in cash, while 128,976 were settled with shares.

#### Performance and service rights forfeited during the year

There were nil (2019: 725,807) cash rights and 632,753 (2019: 501,306) performance rights forfeited during the year.

#### Share based payments reserve

	30 June 2020 \$'000	30 June 2019 \$'000
Balance at the beginning of the year	29,522	30,391
Amounts expensed	570	519
Performance rights vested	(221)	(22)
Performance rights forfeited	–	(82)
Performance options forfeited	–	(112)
Transfer to accumulated losses	(146)	(1,172)
<b>Balance at the end of the year</b>	<b>29,725</b>	<b>29,522</b>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 31. Commitments for expenditure

	30 June 2020 \$'000	30 June 2019 \$'000
<b>Lease commitments</b>		
<i>Non – cancellable operating lease payments</i>		
No longer than 1 year	–	10,225
Longer than 1 year and not longer than 5 years	–	15,423
	–	<b>25,648</b>

The Group has no capital expenditure commitments. FY19 Lease commitments relate primarily to office leases, display home leases and information technology leases, which are reclassified into lease liability under AASB 16, refer details to Note 36. FY20 Lease commitments relate to information technology leases.

### 32. Auditor's remuneration

	30 June 2020 \$	30 June 2019 \$
<b>Deloitte and related network firms*</b>		
Audit or review of financial statements		
– Group	287,000	268,500
– Subsidiaries-House of Learning Pty Ltd	23,000	16,000
	310,000	284,500
Other services		
– Tax services	153,964	123,250
	<b>463,964</b>	<b>407,750</b>

\* The Group's auditor is Deloitte Touche Tohmatsu.



### 33. Cash and cash equivalents

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

	30 June 2020 \$'000	30 June 2019 \$'000
Cash and cash equivalents	28,282	9,702
<b>Reconciliation of profit for the year to net cash flows from operating activities</b>		
<b>Cash flows from operating activities</b>		
<b>Net profit after tax for the year</b>	<b>5,499</b>	<b>10,308</b>
Add/(deduct):		
Income tax expense recognised in profit or loss	3,092	4,798
Finance costs recognised in profit or loss	1,502	1,309
Interest received	-	-
Revaluation reserve	-	236
Management incentive and share based payments	340	(303)
Depreciation and amortisation of non-current assets	19,073	4,732
	<b>29,506</b>	<b>21,080</b>
<b>Movements in working capital</b>		
(Increase)/decrease in trade and other receivables	(1,883)	7,517
(Increase)/decrease in inventories	1,211	(5,915)
(Increase)/decrease in other assets	20,357	(14,607)
Increase in trade and other payables	2,445	5,418
Increase/(decrease) in provisions	3,169	1,267
Increase/(decrease) in other liabilities	(2,467)	(2,997)
<b>Cash generated by operating activities</b>	<b>52,338</b>	<b>11,763</b>
Net interest paid	(1,502)	(1,309)
Income taxes refunded	(1,913)	(4,399)
<b>Net cash generated from operating activities</b>	<b>48,923</b>	<b>6,055</b>

#### Non-cash transactions

The Group acquired \$5.818m of right-of-use assets during the financial ended 30 June 2020. The additions are non-cash and not included within investing activities in the consolidated statement of cash flows.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 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 2019 \$'000	Financing cash flows \$'000	Non-cash changes New finance leases \$'000	30 June 2020 \$'000
Other borrowings	20	717	(406)	–	311
Commercial bills	20	2,179	(2,179)	–	–
Finance lease liabilities	20	3,024	(14,191)	33,788	22,621
Display fund facility	20	5,000	(5,000)	–	–
<b>Total liabilities from financing activities</b>		<b>10,920</b>	<b>(21,776)</b>	<b>33,788</b>	<b>22,932</b>

### 34. 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 June 2020 \$'000	30 June 2019 \$'000
<b>Statement of financial position</b>		
Cash at bank	–	–
Other financial assets	2,294	2,294
Intercompany loan receivable	3,294	5,359
Deferred tax asset	–	847
Income tax receivables	–	–
<b>Total assets</b>	<b>5,588</b>	<b>8,500</b>
Intercompany loan payable	–	–
Tax payable	2,244	4,801
Trade and other payables	1,917	1,383
Deferred tax liability	162	–
<b>Total liabilities</b>	<b>4,323</b>	<b>6,184</b>
<b>Net assets</b>	<b>1,265</b>	<b>2,316</b>
Issued capital	12,911	12,911
Reserves	(34,171)	(34,238)
Accumulated profit/ losses	22,525	23,643
<b>Total equity</b>	<b>1,265</b>	<b>2,316</b>
<b>Income statement</b>		
Dividends from subsidiaries	–	30,186
Operating expense	(1,134)	(395)
Tax expense	16	–
<b>Profit/(loss) for the year</b>	<b>(1,118)</b>	<b>29,791</b>
<b>Other comprehensive income, net of income tax</b>		
Items that will not be reclassified subsequently to profit or loss:	–	–
Items that may be reclassified subsequently to profit or loss:	–	–
<b>Total comprehensive income/(loss) for the year</b>	<b>(1,118)</b>	<b>29,791</b>

### 35. Contingent liabilities and contingent assets

<b>Contingent Liabilities</b>	<b>30 June 2020 \$'000</b>	<b>30 June 2019 \$'000</b>
Other guarantees <sup>(i)</sup>	1,286	919

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

#### 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.

#### Other Contracts

The Group has entered contracts to acquire properties. In the normal course of business, third parties will be assigned to purchase the property, however if no third party can be reassigned, then the Group faces an exposure of \$2.611m. (2019: nil).

### 36. 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 low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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

#### Right of use assets

	<b>Commercial offices \$'000</b>	<b>Display homes \$'000</b>	<b>Display home furniture \$'000</b>	<b>IT equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>						
Balance at 1 July 2019	13,546	4,829	2,894	–	5,299	26,568
Additions	204	1468	2468	1,479	199	5,818
Changes in value from lease modification and cancellation	2,317	(657)	(271)	–	(56)	1,333
Disposal of assets	–	–	–	–	(381)	(381)
<b>Balance at 30 June 2020</b>	<b>16,067</b>	<b>5,640</b>	<b>5,091</b>	<b>1,479</b>	<b>5,061</b>	<b>33,338</b>
<b>Accumulated amortisation</b>						
Balance at 1 July 2019	–	–	–	–	(1,353)	(1,353)
Charge for the year	(4,032)	(4,954)	(3,006)	(674)	(1,261)	(13,927)
Changes in value from lease modification and cancellation	1,161	1,983	968	–	195	4,307
Disposal of assets	–	–	–	–	335	335
<b>Balance 30 June 2020</b>	<b>(2,871)</b>	<b>(2,971)</b>	<b>(2,038)</b>	<b>(674)</b>	<b>(2,084)</b>	<b>(10,638)</b>
<b>Carrying amount</b>						
<b>As at 30 June 2020</b>	<b>13,197</b>	<b>2,669</b>	<b>3,053</b>	<b>805</b>	<b>2,977</b>	<b>22,700</b>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### Amount recognised in profit or loss

	30 June 2020 \$'000	30 June 2019 \$'000
<i>Lease under AASB 16</i>		
Interest on lease liabilities	(887)	-
Depreciation expense on right-of-use assets	(13,927)	-
Expenses relating to short-term leases	(159)	-
Expenses relating to low value assets	(317)	-
Loss on lease modification and cancellation	(62)	-
<i>Operating lease expense under AASB 17</i>		
Operating lease expense	-	(8,655)
Depreciation expense on finance leases	-	(1,250)
Interest expense on finance leases	-	(144)
	<b>(15,352)</b>	<b>(10,049)</b>

### 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 \$0.317m for leases under 1 year in duration and \$0.317m for leases between 1 year and 5 years.

The total cash outflow for leases amounts to \$14.189m.

### Lease liabilities

	30 June 2020 \$'000
Current	9,704
Non-current	12,917
	<b>22,621</b>
Leases expiring less than one year	9,704
Leases expiring between one and five years	11,581
Leases expiring more than five years	1,336

### 37. Subsequent events

On 3 August 2020, the Premier of Victoria announced Stage 4 Restrictions for metropolitan Melbourne to apply until at least 13 September 2020. The Stage 4 Restrictions increase the construction time to build homes and reduce visits to display homes. Management have taken a range of mitigating actions to reduce the impact of the restrictions.

There have been no other events that occurred subsequent to the reporting date that may significantly affect the Group's operations, results or state of affairs in future periods.

# SHAREHOLDER INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 2 September 2020 (Reporting Date).

## Corporate governance statement

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company. In accordance with ASX Listing Rule 4.10.3, the Corporate Governance Statement will be available on Simonds website [www.simondsgroup.com.au](http://www.simondsgroup.com.au) and will be lodged with ASX at the same time that this Annual Report is lodged with ASX.

## Distribution of equity securities

The distribution and number of holders of equity securities on issue in the Company as at the Reporting Date, and the number of holders holding less than a marketable parcel of the Company's ordinary shares, based on the closing market price as at the Reporting Date, is as follows:

Holding	Class of equity security					
	Ordinary shares		Performance rights		Performance options	
	Holders	No. of shares	Holders	No. of performance rights	Holders	No. of performance options
1 – 1,000	526	209,759	–	–	–	–
1,001 – 5,000	98	288,732	–	–	–	–
5,001 – 10,000	64	492,822	–	–	–	–
10,001 – 100,000	184	7,106,816	–	–	–	–
100,001 and over	56	135,743,526	10	7,941,349	1	2,275,720
<b>Total</b>	<b>928</b>	<b>143,841,655</b>	<b>10</b>	<b>7,941,349</b>	<b>1</b>	<b>2,275,720</b>

There were 525 holders of less than a marketable parcel of ordinary shares (\$500).

## SHAREHOLDER INFORMATION (CONT'D)

### Twenty largest quoted equity security holders

The Company only has one class of quoted securities, being ordinary shares. The names of the twenty largest holders of ordinary shares, the number of ordinary shares and the percentage of capital held by each holder is as follows:

Name	Number held	Percentage of issued shares
McDonald Jones Homes	36,723,647	25.53%
Simonds Custodians Pty Ltd	32,800,020	22.80%
Simonds Constructions Pty Ltd	25,747,701	17.90%
FJP Pty Ltd	20,370,660	14.16%
Simonds Corporation Pty Ltd	2,744,962	1.91%
Moat Investments Pty Ltd	2,089,560	1.45%
Madisson Constructions Pty Ltd	1,572,678	1.09%
Poal Pty Ltd	1,000,000	0.70%
Mr Robert Geoffrey Stubbs	756,384	0.53%
Mast Financial Pty Ltd	742,214	0.52%
National Nominees Limited	738,198	0.51%
Jet Invest Pty Ltd	730,000	0.51%
Gliocas Investments Pty Ltd	682,321	0.47%
Pw SMSF Pty Ltd	610,000	0.42%
Mr Hoang Huy Huynh	600,000	0.42%
Mr Matthew Robert Stubbs	551,500	0.38%
Sutton Gardner Pty Ltd	400,000	0.28%
Dr Howard Vincent Bertram	387,145	0.27%
Mr Kim Bee Tan	365,000	0.25%
Baymanta Pty Limited	330,000	0.23%
	<b>129,941,990</b>	<b>90.33%</b>
Other shareholders	13,899,652	9.67%
<b>Total shareholders</b>	<b>143,841,642</b>	<b>100.00%</b>

### Substantial shareholders

As at the Reporting Date, the names of the substantial holders of Simonds and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to Simonds, are as follows:

Name	Number held	Percentage of issued shares
Vallence Gary Simonds	62,865,641	43.70%
McDonald Jones Homes Pty Ltd	36,723,647	25.63%
F.J.P. Pty Ltd	20,370,660	14.16%
<b>Total</b>	<b>119,959,948</b>	<b>83.40%</b>

## **Voting rights**

The voting rights attaching to each class of equity security are set out as follows:

### **Ordinary shares**

At a general meeting of Simonds, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held.

### **Performance rights**

Performance rights do not carry any voting rights.

### **Performance options**

Performance options do not carry any voting rights.

## **Unquoted equity securities**

5,074,220 unlisted performance rights have been granted to 7 people and 2,275,720 unlisted performance options have been granted to 1 person. There are no people who hold 20% or more performance rights or performance options that were not issued or acquired under an employee incentive scheme.

## **On-market buy-back**

The Company is not currently conducting an on-market buy-back.

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# CORPORATE DIRECTORY

## Directors

### Iain Kirkwood

(Independent, Non-Executive Director and Chairman)

### Kelvin Ryan

(Joint Chief Executive Officer and Managing Director)

### Rhett Simonds

(Joint Chief Executive Officer and Managing Director)

### Neil Kearney

(Independent, Non-Executive Director  
and Chair of Audit and Risk Committee)

### Delphine Cassidy

(Independent, Non-Executive Director and  
Chair of Nomination & Remuneration Committee)

### Piers O'Brien

(Non-Executive Director)

### Mark Simonds

(Executive Director)

## Company Secretary

### Paul Taylor

## Notice of annual general meeting

The details of the annual general meeting  
of Simonds Group Limited are:

Date: 28 October 2020

Time: 11:00am (Melbourne time)

Venue: Online virtual meeting

## Registered office

Level 1, 570 St Kilda Road  
Melbourne, VIC 3004

Postal Address:  
Locked Bag 4002  
South Melbourne, VIC 3205

Telephone: +61 3 9682 0700  
ABN 54 143 841 801

Email: [company.secretary@simonds.com.au](mailto:company.secretary@simonds.com.au)

## Share register

### Boardroom Pty Ltd

Level 12, 255 George Street  
Sydney, NSW 2000

Postal Address:  
GPO Box 3993  
Sydney, NSW 2001

Telephone: 1300 737 760  
International: +61 2 9290 9600  
Email: [simonds@boardroomlimited.com.au](mailto:simonds@boardroomlimited.com.au)

## Auditor

### Deloitte Touche Tohmatsu

550 Bourke Street  
Melbourne, VIC 3000

## Stock exchange listing

Simonds Group Limited shares are listed on the  
Australian Securities Exchange (ASX code: SIO)

## Corporate website

[simondsgroup.com.au](http://simondsgroup.com.au)

