

BUILDING MOMENTUM



Simonds Group

ANNUAL REPORT 2021

As the last year began, the COVID-19 pandemic wave swept across the world, and it just kept rolling. Uncertainty threatened our industry and our business and dashed the dreams of many Australians. However, Simonds is a third-generation Australian company and no stranger to adversity. This year, we united to embrace change, seeing every challenge as an opportunity for growth and transformation. We invested in our company, people and community, ending the year in a solid position. The power of momentum drove us forward together. We have emerged as a stronger, more resilient and unified team than ever before, re-energised by our purpose to help more Australians fulfil the dream of owning their own home.

***The power of momentum
drives us forward, together.***

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OUR COMPANY

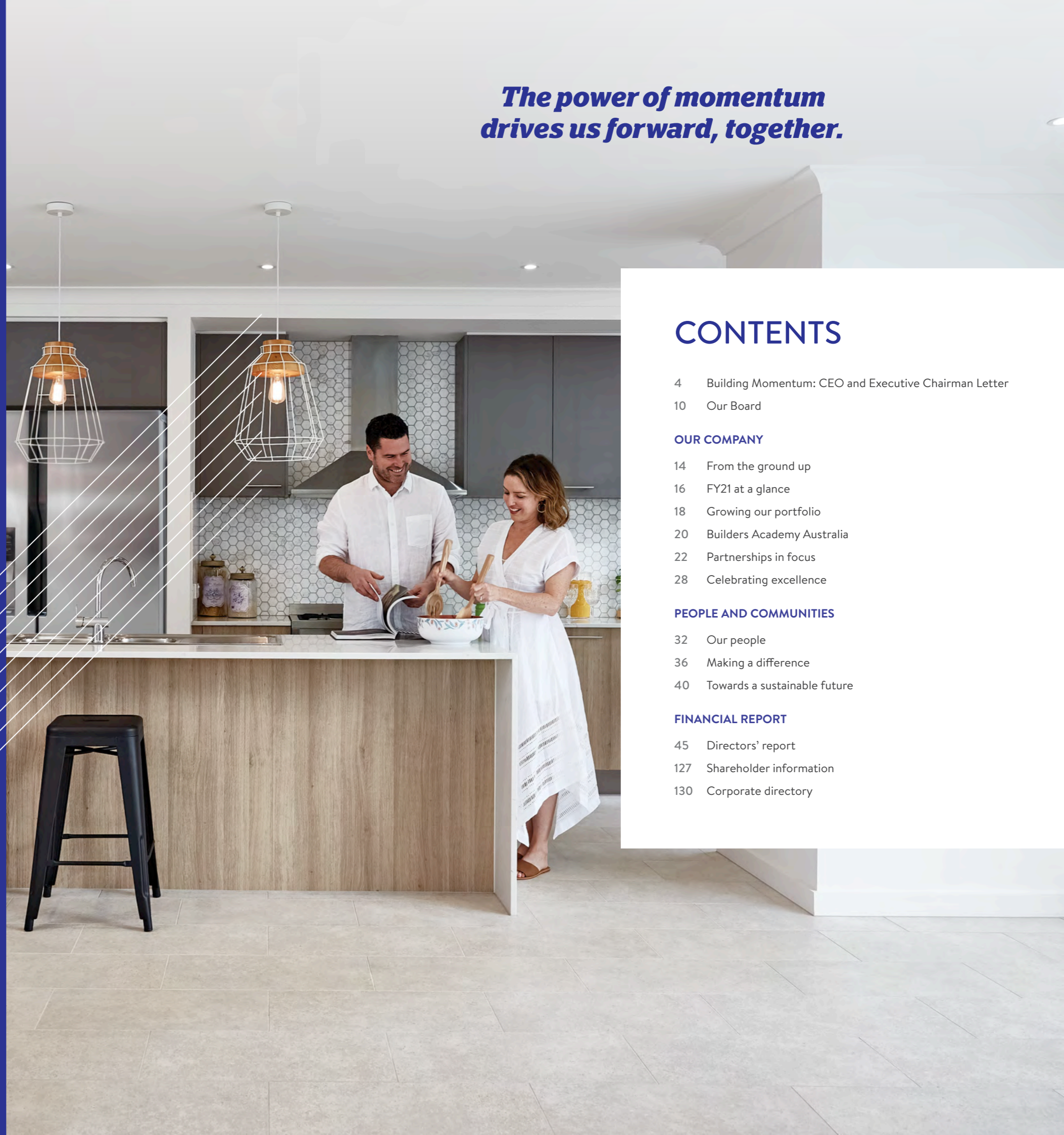
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OUR VISION

To be the builder Australians admire most and choose first to guide them on the journey to fulfil the dream of building their own home.

ABOUT US

Simonds Group is one of Australia's largest volume home builders, with sites and display homes located across the Australian eastern seaboard and South Australia. Our product range includes single and double storey detached residential homes throughout Australia's state capitals and large regional centres.

We are proudly the only national volume home builder with its own registered training organisation that offers qualifications to the broader building and construction sector. Builders Academy Australia (BAA) delivers high quality, nationally accredited building and construction qualifications developing skilled workers for high demand areas in the building and construction industries.

The Company became publicly listed in November 2014 and is led by Mr Rhett Simonds, Group CEO and Executive Chairman, who is supported by a strong board and experienced Executive Leadership Team.



BUILDING MOMENTUM

RHETT SIMONDS
CEO AND EXECUTIVE CHAIRMAN

Dear Shareholders

On behalf of the Board, I present the 2021 Simonds Group Limited Annual Report to you. Despite the extraordinary circumstances of the past year, I am proud to report that Simonds continues to build momentum. Before sharing the Group's progress, I would like to acknowledge the following individuals who have been integral to this business and made significant contributions to our industry and community.

First, to Iain Kirkwood, Chair of the Simonds Group Board until recently, and an instrumental leader in getting the business back on track. Iain will continue as an independent non-executive director and Chair of the Audit and Risk Committee. We also acknowledge the excellent contributions from Neil Kearney and Delphine Cassidy, who stepped down from the Board in July. They were instrumental in providing leadership, commercial business acumen and wise counsel and chairing the Audit and Risk, and Remuneration and Nomination Committees, respectively.

Next to Kelvin Ryan, who retired as Joint Chief Executive and Managing Director on 31 December 2020. Kelvin played a critical role in leading the company since March 2018, during which we have grown our traditional retail business and diversified the Group into new business channels. I have been privileged to serve alongside him in the joint CEO role since 1 February 2020, and thank him for his support and counsel during this period.

Finally, I wish to acknowledge my grandfather and Simonds Founder, Gary Simonds, on being awarded Member of the Order of Australia in June 2021. Gary's work ethic and his commitment to helping people build their own homes have never wavered. He is one of the longest-serving individuals in the industry, and it is an honour to continue his legacy in making Simonds the preferred home builder for Australians.

Our company

In recent years, the Group has focused on stabilising the business. The significant downturn in the market, which started in early 2019, was further exacerbated by more restrictive lending conditions, followed by the COVID-19 pandemic impacting us from Q3 FY20. During this time, we have reset our organisational structure and functional leadership and redefined our business strategy. In the past year, despite some market analysts and industry groups predicting a prolonged period of uncertainty for our industry, we considered the relatively low interest rates and government incentives and prepared to respond.

The alignment of our executive team and agile response to sudden changes impacting our markets has propelled the Group forward, and we finished the year in a positive position. Below, I highlight several achievements made during the year.

- COVID-19 accelerated the digital transformation of our business. We now cater for the market in a more virtual landscape, offering convenience through 'anywhere anytime' availability. From generating and handling incoming enquiries through to selling homes, we are involving our customers in the sales and building experience beyond the traditional display home and consultant.
- From an operational perspective, we quickly pivoted to enabling our more than 800 staff to work safely and effectively from home.
- After becoming the first volume-home builder to be fully certified in quality, safety and the environment, achieving accreditation under AS/NZS 4801 Safety, ISO 9001 Quality and ISO 14001 Environment in 2019 and adding ISO 45001 in safety in 2021, we maintained this status and strengthened our safety, environmental and quality management systems.
- We commenced affordable housing projects with government agencies in South Australia and Victoria.

COVID-19 accelerated our transformation into a business that caters for a customer market in a more virtual landscape.

- We launched our Modern Slavery Statement, confirming our commitment to strive for fair, equitable and ethical standards for our business and supply chain.
- Our uniquely positioned and award-winning Builders Australia Academy (BAA) continued to upskill Australians seeking qualifications to enter the building and construction workforce or enhance their skills. We launched several new training products that supported students and trainers, and began delivering courses to international students.
- Before the pandemic, BAA had launched live online and self-paced learning, making us one of the few able to ensure continuity to learning programs.

Financial performance

Assisted by various Federal and State Government stimulus packages, the company ended the financial year with the highest deposits and sales accepts in its history. Starts ended the year at 2,719, just 34 short of the highest starts in our 70 year history and all achieved during the pandemic. This is also 13.5 per cent up on our FY20 starts.

The financial results for the year, presented in detail in this report, show that we generated positive cash flows and further strengthened the balance sheet. Overall, the Group's revenue of \$676.1 million was \$11.3 million (1.7 per cent) up on FY20. EBITDA of \$31.6 million was up \$0.1 million (0.3 per cent) on FY20, due mainly to the higher site starts recorded as well as stronger results delivered by BAA.

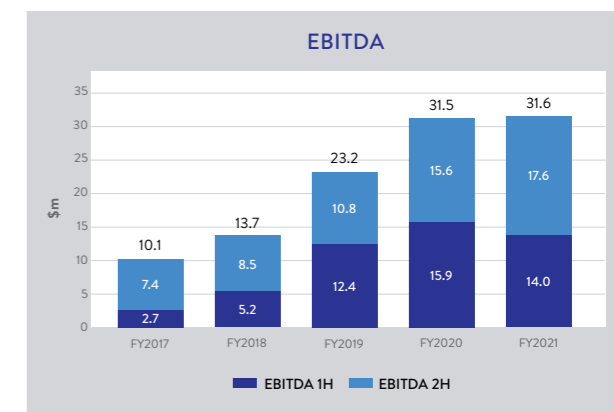
Our future pipeline of sales accepted and contracted will provide continued momentum pushing into FY22 and beyond. The HomeBuilder stimulus package resulted in unprecedented demand for residential housing, which flowed into increased sales and a solid pipeline of work. However, supply chain issues have led to shortages for some materials, which, combined with some skilled worker shortages, is contributing to upward pressure on costs.



Image courtesy of Master Builders Australia.

Our balance sheet health has significantly improved over the past three financial years, with net assets increasing to \$22.2 million at 30 June 2021 from \$17.3 million at 30 June 2020. This improved financial position has enabled the Group to trade through an extremely challenging period, where working capital and cashflow has been of critical importance. The Group continues to focus on delivering sustainable operating performance through cost efficiency, increasing sales through displays and investment in developing new channels to market.

Your Directors have determined that no dividend will be paid in respect of the 2021 financial year.





Safety, people and communities

At all times, the safety, health and wellbeing of our staff and their families, and our contractors, remains paramount. Our safety management systems are highly visible across the Group and we continue to strive for improvements in safe work practices in our business and sector. Importantly, we have a voice in the industry through our involvement with the Volume Builders Safety Alliances in each state and active participation in industry improvement programs around the country, while maintaining a positive working relationship with all regulators.

With our people, we revisited our brand purpose and values, developing and launching a new set of ‘House Rules’ which serve as the foundations for how we do business and work together with our suppliers and customers. We seek to continuously grow and improve our people and our business. If there’s a better way, we need to know about it and we work together to make it happen.

As economic circumstances toughened for many Australians, we looked to where we could help our customers and communities. We recognise that many customers entrust their life savings with us, and we take the responsibility seriously. In 2020, we launched our innovative Start Point product in Victoria, South Australia and Queensland. Start Point offers first home buyers an opportunity to build a home some people never thought they could afford.

Simonds Homes is one of the largest and most successful volume housing building construction companies in Victoria. In the past year, we continued expanding into South Australia, New South Wales and Queensland with new product ranges. Simonds connected with more buyers as we also expanded the Simonds Homes and Metro ranges, refreshed the Government and Projects range and updated the SimVesta offer.

In South Australia and Victoria, we commenced affordable housing projects with their respective governments. This work stems from our desire to help address Australia’s housing affordability crisis and make quality housing more accessible for all Australians.

Building homes and futures requires far more than bricks and mortar. It requires a commitment to respect and care enough about the communities in which we live and work that we actively nurture and support their wellbeing and prosperity. Across Australia, Simonds is committed to many community initiatives, from sports sponsorships and local collaborations to helping our employees get behind the charities that matter most to them.

During the year, we partnered with land developer Satterley Property Group to donate a house and land package for My Room’s Home for a Cure annual charity auction. Proceeds from the sale of the home go towards support for families, medical equipment, clinical care, as well as cancer research and clinical trials.

Environmental, Social and Governance (ESG) Performance

We are committed to creating value for all of our stakeholders, the environment and our communities. We promote safe, sustainable ESG performance across our value chain to make a lasting impact. Across our operations, we promote sustainable sourcing and responsible behaviour from our team of suppliers and contractors, and continue to find new opportunities to reduce, reuse and recycle waste. As a large volume builder, Simonds will look to explore innovative ways to store carbon efficiently in our build programs, reducing global emissions and mitigating climate change.

Education

In response to the challenges presented over the past 12 months, BAA has continued to focus on real skills required for the workplace and delivering on its promise of a ‘builders training builders’ delivery model. As a heavily regulated sector, BAA continues to ensure that strong governance, quality management systems and processes are in place across its operations.

Meeting all quality and compliance requirements throughout the period, BAA has also retained all material funding contracts across varied states and federally. This focus on quality outcomes for students and employer partners was recognised as BAA was awarded the 2020 Victorian Small Training Provider of the Year and also the Australian Small Training Provider of the Year at the 2020 Australian Training Awards. Excitingly, BAA has recently been announced again as a finalist for the 2021 Victorian awards, and City-Wide Building and Training Services (CWBT) has been announced as a finalist for the equivalent NSW awards.

Given the circumstances of the past year, and the restrictions at times on the ability to deliver training face-to-face with students, BAA’s range of online study options have proven to be a major advantage—growing student numbers as well as our geographical footprint. Active student numbers increased 20.7 per cent on those applicable at the completion of FY20. Accordingly, BAA’s revenue increased by \$2.6m (or 21.8 per cent) and EBITDA was up 54.2 per cent on FY20.

As well as BAA’s established trade delivery areas and building and construction management qualifications that align with areas of industry demand, the business expanded its delivery into broader business, leadership, and management areas. Growth in apprenticeship and traineeship delivery increased active student numbers, with NSW experiencing an increase across these modes by 50.3 per cent on those applicable at the completion of FY20.

Through established relationships with business and social enterprises, BAA has been able to impact positively on a broad range of students, including those from minority and disadvantaged cohorts, and increase female student numbers across the period by more than 50 per cent.

With increased market share and a broadened approved delivery scope, that will also support a planned, increased expansion into the international student market, BAA is well placed to continue growth into FY22 and beyond.

Our strategy

This year, we have built momentum because of our ability to influence two critical enablers at the core of our business:

- **Simonds Homes:** Ongoing innovation and diversification meant we delivered homes to more buyer segments, including improving access to affordable home ownership.
- **Builders Academy Australia:** Our registered training organisation continued expanding its education and training services to people seeking to enter our industry or enhance their skills.

These two complementary businesses ensure quality in service and product, synonymous with the Simonds Group for three generations. Building on the foundations established in recent years through the ‘Back to Basics’ approach initiated in 2018, the Group has established a strong, stable industry-experienced leadership team and is well-structured to drive the business forward over the next three to five years. We have a much stronger base from which to achieve growth compared to three years ago when we made the first major changes.

Our strategy is set, and our direction is clear. This, along with our renewed purpose and values or ‘House Rules’, has united our team, moving the business forward and helping us to navigate through the continued uncertainties created by COVID-19. The Simonds brand is well recognised for its reliability and proven capability to build the best homes for Australians. It has a strong track record of delivering value to our customers safely and sustainably. We have a clear pathway to growth, and we will strive to achieve our full potential, maximising shareholder value.

We will achieve our mission by working in partnership with major land developers, leveraging our strong and long-term supply chain relationships to meet the market in terms of product mix and innovation in the growth corridors of major Australian cities on the east coast and in southern Australia. This approach diversifies risk and increases the opportunities for our business.

THE IMPORTANT ELEMENTS OF THE GROUP'S STRATEGY FOR THE YEAR AHEAD ARE:

- Ensuring the safety of our people remains paramount
- Organically growing our business while pursuing new business growth opportunities
- Continuing to improve operating margins and constrain overheads
- Maintaining our focus on cost control and debt levels
- Broadening our product offering by developing new and innovative products



Outlook

As with last year, we find it extremely challenging to predict what next year will bring, when the world will get back to normal nor what a 'new normal' will look like. However, we remain optimistic. The Group has a relatively strong order book for the next 12 months and we note the generally positive outlook by most market analysts that are underpinned by strong market fundamentals, including the low-interest rates forecast for the short to medium term, modest economic growth and the expectations that our international borders will re-open in due course, presenting the opportunity for renewed growth from inbound migration. Looking beyond the next 12 months, uncertainty remains around future demand and operating conditions, market constraints and the longer-term effects of COVID-19 on the sector, including our supply chain.

As always, we are continuing to look for ways to expand and diversify through our existing sales channels and opening new ways to market and sell our products, as well as improving our operating margins. As a business we continue to strive to improve our market penetration, sales and ultimately, site starts by strengthening our relationships with developers, locating our display homes in major growth zones, consolidating our product range and continuing to innovate and release new products.

Acknowledgements and thanks

For the Simonds Group, our commitment to family extends to our loyal and talented staff, sub-contractors, suppliers and industry partners, and we would like to thank them for sticking with us through the turbulence of the past year. The construction industry supply shortage reinforced how much we value our long-term partnerships. They were critical in enabling us to meet demand and deliver on the government's Home Builder commitments.

Our sincere thanks also to the Board and shareholders of Simonds Group for their valuable input and strategic counsel. Finally, thanks to our customers, who continue to put their faith in Simonds to help them fulfil the dream of owning their own home.

A handwritten signature in black ink, appearing to read 'Rhett Simonds'.

RHETT SIMONDS

CEO and Executive Chairman, Simonds Group Limited

OUR BOARD

Rhett Simonds, Chief Executive Officer (CEO) and Executive Chairman

Rhett joined the business in 2005. He has a strong focus on the property and construction sector, where he sits on several private company boards and executive management teams. Rhett is also a director of and investor in several technology and finance-related businesses. He has a Bachelor of Commerce from Deakin University.

Mark Simonds, Executive Director

For over 40 years, Mark has been immersed in the volume home building industry. He holds a registered builder's licence in Victoria, New South Wales, Queensland and South Australia. Prior to 2014, when Simonds Group limited was ASX listed, Mark was engaged in the day-to-day executive management of Simonds Homes. From 1973 until its listing, Mark worked alongside his father Gary Simonds, and understands what is required for a successful volume building business. Mark is the Deputy Chairman of Simonds Consolidated, primarily focused on venture capital and private equity building and construction, real estate and vocational education.

Iain Kirkwood, Independent Non Executive Director

Iain began his business career with Arthur Andersen & Co in London and went on to hold several senior financial and general management positions in Woodside Petroleum Ltd, Santos Ltd, Pilkington Plc, F.H Faulding & Co Ltd and Clinovel Pharmaceuticals Ltd. Iain holds a Master of Arts from Oxford University and is a Fellow of CPA Australia (FCPA). He is an experienced, listed-company Non Executive Director and Chairman, and has worked as a senior Executive and Non-Executive Director across a range of industries including auditing, resources, manufacturing and healthcare in Australia, the United States and Britain. Iain is Chairman of Bluechip Ltd, former Chairman of Novita Healthcare Limited and has held Non-Executive Director roles with Medical Developments International Ltd and Vision Eye Institute Ltd. Iain is the Chair of the Group's Audit & Risk Committee, and is a member of the Group's Nomination & Remuneration Committee.

Piers O'Brien, Non Executive Director

Piers is a qualified lawyer with over 20 years of professional experience. For the last 12 years, he has worked in-house as both General Manager Legal and General Counsel. During this time, Piers managed the legal function at ASX 200 company Skilled Group Ltd for approximately eight years. Piers started his career in private practice with K&L Gates Lawyers (and its predecessor firms), where he specialised in mergers and acquisitions, corporate transactions and board advisory work. He is a member of the Group's Audit & Risk Committee and Nomination & Remuneration Committee.

Andrew Bloore, Non Executive Director

Andrew is an experienced Non-Executive Director, Entrepreneur, and farmer. He has designed, built and sold a number of businesses focussed on the development of key disruptive technologies and distribution services in traditional markets, to create business efficiencies including Smartsuper, SuperIQ and Class Super. Andrew has worked on a range of Senate and Treasury Committees, and with the Australian Taxation Office Regulations Committee on regulation of the superannuation industry. In 2016, Andrew sold his superannuation administration business to AMP, stepped down from the Senate and Treasury Committees and is now focused on contributing to the organisations as a Non-Executive Director. Andrew is currently Chairman of Guild Group and an independent, Non-Executive Director of IOOF Limited. Andrew is also a Non-Executive Director of Simonds Family Office Pty Ltd. Andrew has been appointed as the Chair of the Group's Nomination & Remuneration Committee and as a member of the Group's Audit & Risk Committee.



OUR RESPONSE TO COVID-19

COVID-19 has impacted our business and people in ways we could not have imagined. Now well into its second year, COVID-19 has highlighted the importance of 'home' for our nation's stability and wellbeing. Within a short time, we also had over 800 staff working from home, and our people have never worked harder or more collegiately, looking for simple but viable solutions to achieve our goals. We are now able to rapidly adapt to absorb the challenges brought by snap lockdowns and supply chain disruptions. We have had to quickly find new ways of working with our partners and looking after our customers. But, with such a long history, Simonds is no stranger to adversity. We have approached the challenges as an opportunity to transform our business and revolutionise the industry using technology. For Simonds Homes, it's not a big mind-shift for younger first home buyers who already purchase regularly online. For others, moving into a virtual landscape was more difficult. For BAA, there were real advantages to already delivering courses online. We now see the benefits of a hybrid model, combining online and virtual options as the way forward for both parts of our business.

OUR COMPANY

Our commitment to helping more Australians fulfil their dreams has never been stronger.

From building homes to building careers, our commitment to helping more Australians fulfil their dreams has never been stronger. Since 1949, we've grown to become one of the top residential home builders in the country and the largest recognised providers of specialist, private vocational education and training for the building and construction sector. In the past year, we reviewed our organisational structure and leadership. We redefined our business strategy and renewed our shared purpose and values. All of which helped to propel our company onwards and upwards, despite the uncertainties of our environment. Together, we're transforming our business and industry and supporting more Australians than ever before.

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FROM THE GROUND UP

Looking at our business today, I am proud of what we've achieved over the past year and even more confident in what's to come over the next few years.

As a teenager, when I built my mother's first home in Altona, I had no idea that one day, I would run a company that built homes for thousands of families across Australia. Through the 50s and 60s, I worked at learning all aspects of the trade. In 1968, I opened our first display home centre bearing the Simonds name in Werribee, Victoria.

When my son Mark was 15 years of age, I went back on the tools because I wanted to help him learn the trade and understand the value of hard work. He joined me in the business, and we started expanding. Together, we opened more display centres and soon, we were building 100 homes per year.

During the 90s, our full-time employees grew to 100, and with steady growth, we were building 1,000 homes per year. Now Mark has passed his knowledge on to my grandson Rhett. He also spent time on the tools and got to know every part of our business. Since he's joined, we've had three generations of builders working together to improve the business. Rhett is kicking goals as our CEO and Executive Chairman, moving this business forward in the digital age. Today, we employ more than 800 people and build more than 2,700 homes a year.

But it wasn't me, Mark or Rhett who has made Simonds a success. Everyone who has worked with us and for us since 1949 makes this business what it is today. They helped us build Simonds from the ground up and invested years of hard work, education and dedication in getting other people into their own homes. That's what I'm most proud of. Thank you.

GARY SIMONDS AM

Founder of Simonds Group Ltd

"We've had three generations working together to improve the business."



AT A GLANCE

As one of Australia's leading home builders, we've been building quality, affordable and desirable homes since 1949.



70 years

OF HELPING AUSTRALIANS FULFIL THE DREAM OF OWNING THEIR OWN HOME

Melbourne

NATIONAL HEADQUARTERS

14 offices nationally

ACROSS QUEENSLAND, NEW SOUTH WALES, VICTORIA AND SOUTH AUSTRALIA

FY21 FINANCIAL PERFORMANCE

Net Operating Revenue

\$676.2 MILLION

EBITDA

\$31.6 MILLION

Net Assets

\$22.2 MILLION

MORE HOMES FOR MORE AUSTRALIANS

2,719

NEW HOME STARTS IN 2021

122

DISPLAY SITES

250+

SOCIAL AND AFFORDABLE HOMES

PEOPLE AND PARTNERS

800+

SIMONDS EMPLOYEES

6,000+

CONTRACTORS AND SUBCONTRACTORS

\$520 million

OF GOODS AND SERVICES PROCURED

570

DIRECT SUPPLIERS AND CONTRACTORS NATIONWIDE

EDUCATION AND TRAINING

8,500+

STUDENT ENROLMENTS

70+

TRAINING LOCATIONS

90

TRAINERS AND TEACHERS

OUR COMMITMENT TO QUALITY, SAFETY AND THE ENVIRONMENT

AUSTRALIA'S FIRST NATIONAL RESIDENTIAL VOLUME BUILDER TO OBTAIN TRI-CERTIFICATION IN QUALITY, ENVIRONMENT AND SAFETY.

LIFETIME STRUCTURAL GUARANTEE



GROWING OUR PORTFOLIO

For more than 70 years, our customers have remained at the heart of our business. We stay close to our customers, committed to understanding and adapting to their diverse and changing needs. This year, we continued to evolve our design and product portfolio, creating homes and spaces where our customers and communities thrive.

3 TOP SELLING RANGES
143 PLANS



METRO

For affordability without compromise, perfect for first homebuyers

34 plans and 20 modern facades



Our best-selling range catering for small and standard lots from 8.5m to 17m

86 plans and 35 stylish facades



Streamlining the home buying process, online, to help customers move in fast

23 plans and 22 facades

Meeting the changing needs of our customers, we continue to grow and diversify our Simonds Homes' product range and find new ways to market and sell our products. Our homes are designed for every stage of life—from first home buyers and growing families to retirees and investment builders.



HOUSE AND LAND

Affordable, quality home and land packages



FIRST HOME BUYERS

Making it easier for more Australians to own their own home



MASTERPIECE DUAL OCCUPANCY

Building two houses on one block



OWNER OCCUPIERS

Building dreams for more Australians and their families



COMMUNITY AND AFFORDABLE HOUSING

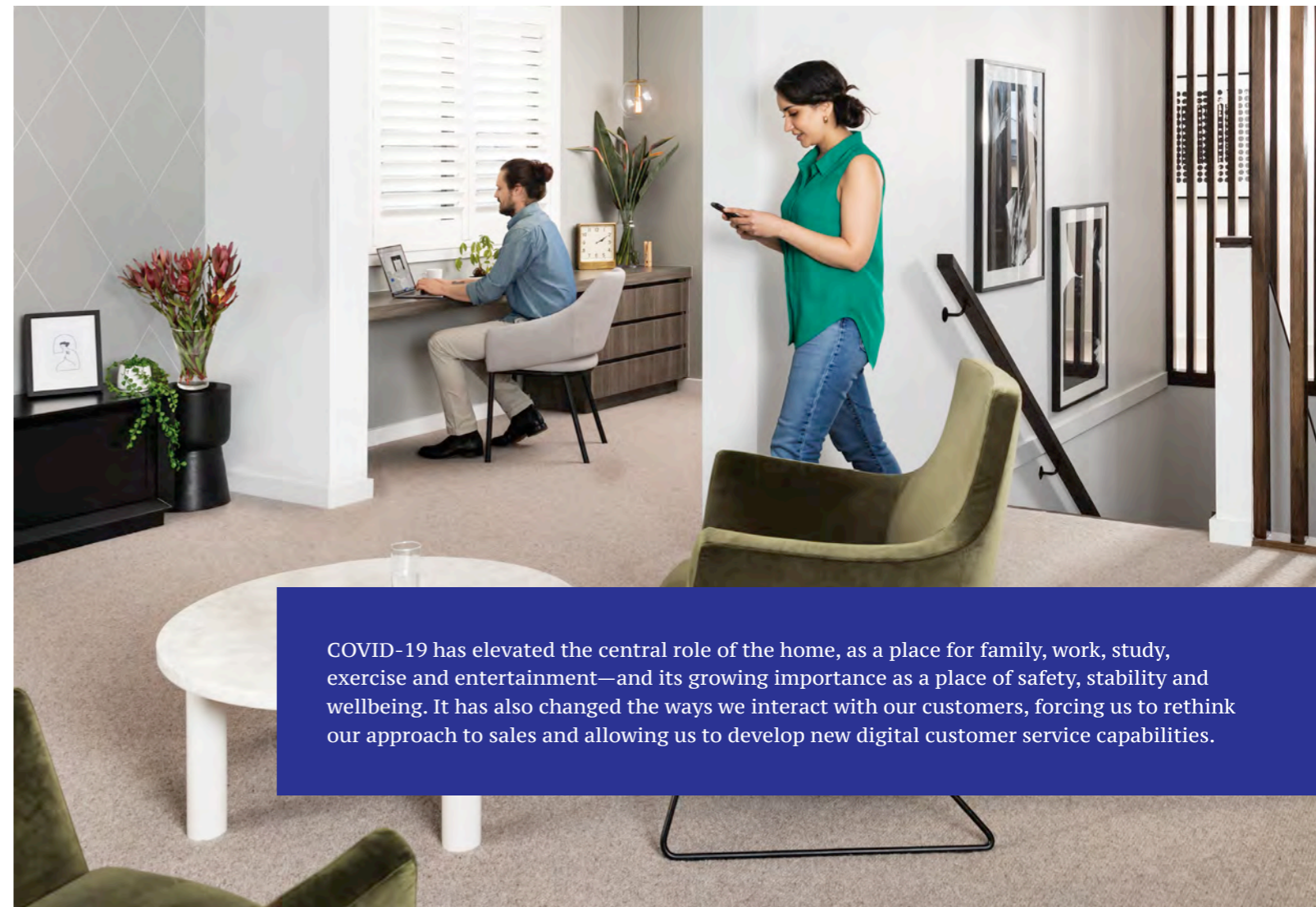
Affordable, built form programs developed in partnership



INVESTORS

Versatile solutions for experienced or first-time investors

Through our ongoing investment in technology, and new and existing sales channels, we are enabling continued, sustainable growth while supporting our customers at every stage of their home-building journey – from initial enquiry through to settlement.



COVID-19 has elevated the central role of the home, as a place for family, work, study, exercise and entertainment—and its growing importance as a place of safety, stability and wellbeing. It has also changed the ways we interact with our customers, forcing us to rethink our approach to sales and allowing us to develop new digital customer service capabilities.

BUILDERS ACADEMY AUSTRALIA



New courses, new qualifications and increased demand for our virtual classroom and self-paced online training will drive revenue growth in FY22.

Simonds Group established its registered training organisation, Builders Academy Australia (BAA – RTO ID 21583) in 2005 to help people gain qualifications to enter the building and construction workforce or advance their careers. Since then, BAA has grown from an internal workforce training department to upskill staff and subcontractors into one of Australia’s largest recognised providers of specialised, private vocational education and training in building and construction.

Despite the ongoing effects of the pandemic on students and training operations across the country, revenue across BAA and City-Wide Building & Training Services (CWBTS – RTO ID 91138), which the group purchased in 2015, grew by 21.5 per cent to \$14.5 million, an increase of \$2.6 million. New course offerings and flexible delivery models grew our national footprint, driving growth in student enrolments of 21 per cent during the year. The number of female students studying with BAA has continued to grow, doubling over the previous two years.

Real world skills

As Australia’s construction industry continues to experience a growing shortage of skilled workers, BAA (inclusive of CWBTS) is committed to reducing the skills gap, delivering high quality, nationally-accredited training for in-demand skills and trades. In partnership with industry, our sharp focus and agile business model focuses on infrastructure projects and areas of skills shortages.

We have quickly adapted to the changing needs of our students, strengthening our Virtual Classroom model and launching new online, self-paced training programs. This self-paced delivery model gives students the flexibility to complete classes and assessments online, any time, supported by one-on-one trainer support and guidance, and video-led content developed by industry experts.



Builders Academy Australia subsidiary City-Wide Building & Training Services joined Simonds Group in 2015.

\$14.5 million

REVENUE

↑ 21.5%

↑ 54.2%

EBITDA

↑ 21.8%

STUDENT ENROLMENTS

↑ 50.3%

STUDENTS STUDYING UNDER APPRENTICESHIPS AND TRAINEESHIPS

Today, we are proud to have over 8,000 successful graduates and deliver nationally-recognised qualifications to over 3,500 students at any one time.



Student wellbeing emphasis

Student wellbeing remains a top priority for us as we continue to find new ways of working and learning to overcome the COVID-19 impacts of extended lockdown periods, social distancing and self isolation. We employ a full-time language, literacy and numeracy coordinator, a student welfare coordinator and a builders licensing coach to support student completion rates, which exceed industry averages. To help students during the pandemic, we offer free training in mindfulness and dealing with change.

Our virtual classroom and self-paced learning programs met growing demand throughout the year for remote learning, without compromising essential practical and workplace components through the use of online assessments, videoconferencing and regular interaction between students and trainers. We deliver safe, customised on-the-job training in simulated workplace environments and training venues in metropolitan and regional Victoria, and throughout New South Wales and South East Queensland.

Helping the Australian building and construction industry meet its demand for skilled workers, now and into the future.

Expanding our reach

We expanded our range of courses this year, introducing new qualifications in response to Australia’s ongoing skills shortages. Together with our flexible modes of training delivery, BAA is making high-quality, nationally-accredited building and construction learning opportunities more accessible to more people. We now provide online training opportunities to more interstate students and those living in remote parts of Australia. We are also seeing increased participation from women and minority groups.

NATIONAL RECOGNITION



Celebrating our focus on quality outcomes for students and employer partners, BAA was awarded the 2020 Victorian Small Training Provider of the Year and the Australian Small Training Provider of the Year at the 2020 Australian Training Awards. We are also a finalist for the 2021 Victorian Training Awards through BAA, and the 2021 NSW Training Awards through CWBTS.

PARTNERSHIPS IN FOCUS

We value the benefits that come from our collaborative partnerships with stakeholders. From Simonds' national network of trusted suppliers and contractors to our vital government and community partners, together we're helping more Australians own their own home.

The strength of our partnerships contributed to much of our success in 2021, enabling us to act quickly and decisively on opportunities and challenges presented throughout the year.

Trusted supply network

We are proud of our strong, longstanding supply relationships. Our extensive network of consultants, suppliers and trades added substantial value to our projects this year, enabling us to meet unprecedented customer demand driven by the government's HomeBuilder program and other stimulus initiatives.

As our industry continues to feel the impact of ongoing supply chain and trade pressures, including rising material costs and skilled worker shortages, we are grateful for our trusted network of supply partners. With their support, we have been successful in meeting increased customer demand and managing our ongoing, national pipeline of work.

FY21

\$520 million

OF GOODS AND SERVICES
PROCURED FROM MORE THAN

570

DIRECT SUPPLIERS

3,000

CONTRACTING PARTNER
ORGANISATIONS

8,000

SUBCONTRACTORS

Simonds proudly partners with industry, government, community housing providers and land developers across Australia to design and deliver quality, affordable and desirable homes.

Government

Through our government partnerships, we continue to play a key role in stimulating the economy, creating jobs and improving access to affordable housing for all Australians.

We worked collaboratively with government this year to deliver on the Federal Government's HomeBuilder program and other stimulus initiatives, helping more Australians to own their own home.

We also partnered with government to commence a number of important affordable housing projects such as the Building Homes for Homelessness initiative with Victoria's Department of Families, Fairness and Housing and the Affordable Homes Assist Program with the South Australian Housing Authority.

Industry

We recognise that challenges are never solved alone, which is why we establish long-term industry partnerships and alliances with organisations that are aligned and share the same mission – to build futures.

Through our industry memberships and affiliations with PowerHousing Australia, the Urban Development Institute of Victoria (UDIA), the Community Housing Industry Association (CHIA) and Master Builders Association of Victoria (MBAV), we actively support and collaborate with industry to advance our sector and achieve maximum social and economic impact at a local level.

We proudly sponsor the UDIA's Young Professional of the Year Award and remain an Industry Response Partner, with several Simonds team members with several of our employees contributing to various sub committees.



In partnership with the South Australia Housing Authority, we completed nine innovative and affordable small lot house and land packages to help lower income, first home buyers to secure a home of their own. Each home incorporates 'ageing in place' and universal housing design principles (silver standard) to market directly to older women with a low to moderate income via the Affordable Homes Assist Program.



HELPING MORE AUSTRALIANS ENTER THE HOUSING MARKET

Our CEO and Executive Chairman Rhett Simonds joined Australian Prime Minister the Hon Scott Morrison MP and CEO Master Builders Australia, Denita Wawn, at one of our HomeBuilder jobs under construction in February 2021.

The Prime Minister delivered his press conference at a Simonds home under construction in Officer, Victoria. The conference recognised the success of the HomeBuilder Grant as part of the government's pandemic response, and Master Builders Australia's advocacy to support the Australian construction industry.



CEO and Executive Chairman Rhett Simonds with HomeBuilder Grant clients at their new home under construction in Officer, Victoria.



Images courtesy of Master Builders Australia.



Simonds Group employees and Minister Michael Sukkar MP visit a Simonds client at her home in Cranbourne, Victoria.

Our Victorian Metro East team welcomed Assistant Treasurer and Federal Minister for Housing, Michael Sukkar MP on site as part of the new Family Home Guarantee announcement. Simonds proudly supports this program, which helps more single parent families achieve home ownership.

MAKING THE GREAT AUSTRALIAN DREAM A REALITY FOR MORE AUSTRALIANS



URBAN SQUARE PRECINCT, JUBILEE ESTATE
AFFORDABLE HOUSE AND LAND PACKAGES FOR
CLIENT LOTUS LIVING, WYNDHAM VALE, VICTORIA

As a leader in the volume housing market, we know the great Aussie dream of home ownership is alive and well. However, for a growing number of Australians, the journey towards owning a home is becoming longer and harder. We are committed to building the future of community and affordable housing in collaboration with our community, industry and government partners. Together, we have the opportunity to transform the lives of thousands of Australians, creating stable home environments that foster sustainable communities.

CELEBRATING EXCELLENCE

Simonds Homes has been honoured with more awards than any other residential volume builder in Australia, winning almost 100 since we began.

VALERIAN 25, DROUIN, VIC



WINNER 2020
HIA Eastern Victoria
Display Home up to \$250,000



WINNER 2020
MBAV Best Display Home
Under \$250,000



MORTON 30, STRATHFIELDSAYE, VIC



WINNER 2020
HIA Northern Victoria
Display Home
\$300,001 - \$400,000



MEBBIN 25, KILLARA, VIC



WINNER 2020
HIA Northern Victoria
Display Home
\$350,001 - \$500,000



LIVINGSTON 21, DIGGERS REST, VIC



WINNER 2020
MBAV Best Display Home
\$250,000 - \$300,000



GRACELAND 29, HAMLYN, NSW



WINNER 2020
HIA Hunter Region
Display Home
\$400,001 - \$450,000



PEOPLE AND COMMUNITIES

COVID-19 highlighted the importance of 'home' for our nation's stability and wellbeing.

Hard work and a commitment to helping others are tenets of the Simonds family legacy. As economic circumstances toughened for many Australians, Simonds Group looked for ways to help our people and the communities where we live and work. COVID-19 highlighted the importance of 'home' for our nation's stability and wellbeing. We worked with governments in South Australia and Victoria to make homes more affordable without compromising quality and launched an innovative product to help first home buyers. Through the challenges of COVID-19, the strength and resilience of our people stood out. Continually adapting to the many disruptions, Simonds staff kept delivering for customers and giving back to our communities.

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OUR PEOPLE

Simonds Group employs more than 800 full-time equivalent employees across Australia and more than 8,300 subcontractors. We strive to support all of the people who make our success possible, providing safe and rewarding work environments for our extended Simonds family of employees, suppliers and contractors.

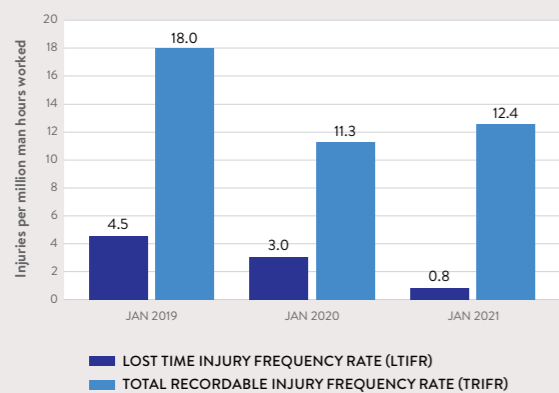
Employee health and safety

Simonds' safety culture values safe work practices in everything we do. Whether our employees are working remotely, on site or in the office, it's our priority to make sure they have the tools, training and resources needed to ensure their safety.

Our robust safety management systems remain highly visible across the Group as we make progress towards our goal for zero work related injuries and illnesses for Simonds' employees and contractors. Through our contractor tool 'Linksafe', we monitor and report on compliance to regulations and Simonds' high safety standards.

We maintain a strong voice in the industry through our involvement with the Volume Builders Safety Alliances in each state and active participation in programs around the country with the regulators.

LOST TIME INJURY FREQUENCY RATE (LTIFR) AND TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)
INTERNAL STAFF - 12 MONTH ROLLING AVERAGE



This year, safety has improved, recording a decrease in lost time injuries from 3.0 to 0.8. Our total recordable injury frequency rate (TRIFR) has reduced by 31.1 per cent over the past three years from 18.0 to 12.4.

Wellbeing focus

Employee wellness remained a strong focus of Simonds' health and safety initiatives, as we continued to support our people through the COVID-19 pandemic this year. Remote working has been successful across our business, with the majority of our employees moving to a working-from-home model with agility.

We support all of our team members and their families with Simonds' Employee Assistance Program (EAP), together with our commitment to daily communication and proactive initiatives to help our teams feel safe, connected and supported.

MEANINGFUL WORK

In our FY21 employee engagement survey, we continued to improve with an aggregated participation rate of 88 per cent and employee engagement score of 8.3. Employees rated 'meaningful work' as a key company strength and significant driver of engagement levels, reinforcing that our employees see how their work contributes to positive outcomes for our customers.



Diversity, inclusion and equity

At Simonds, diversity, inclusion and equity are ongoing priorities for our company. They drive how we work together, how we do business, how we serve our customers and how we contribute to our communities. Simonds supports an inclusive culture where all employees are valued for their diverse experiences and treated with dignity and respect.

Our Diversity and Inclusion Plan focuses on a range of initiatives to:

- Recruit from a diverse pool of candidates for all positions including senior management and the Board
- Encourage succession plans to include an appropriate focus on diversity
- Encourage diversity in recruitment and selection processes



International Women's Day MBAV Breakfast

Celebrating gender equity in the building and construction industry, Simonds joined the Master Builders Association of Victoria (MBAV) at this year's International Women's Day breakfast.

Learning and development

Simonds continued to invest in learning and development, with more of our people taking part in a variety of role-based courses and workshops. Employees undertook leadership and management training, building the capacity of Simonds future leaders.

Many employees also strengthened their skills through training delivered through our registered training organisation Builders Academy Australia.

Some of the training programs we delivered throughout the year include:

- Customer Service
- Professional Communication
- Everything DiSC
- Respect in the Workplace
- Conflict Resolution
- Emotional Intelligence
- Driving Action/Positive Mindset
- Time Management
- Leadership and Management

We seek to continuously grow and improve our people and our business. If there's a better way, we find it, and we work together to make it happen.



Coordinating safety in high-risk, large-scale projects - Simonds Workplace Health & Safety Team participate in a leadership workshop run by Pro-Build at Victoria University.

Staying connected - Simonds Group CEO and Executive Chairman Rhett Simonds visits team members in Queensland (top) and regional Victoria (bottom).

20 YEARS OF SERVICE

Five of our longstanding team members celebrated their 20-year anniversaries with Simonds Group, since joining our team in 2000. Congratulations to:

- David Whitford, Chief Construction Officer, October 2000
- Ian Moore, Development Estimator in Research & Development, December 2000
- Mirko Neralic, Purchasing Manager - Victoria and South Australia in Procurement, February 2000
- Paul Bray, Building Manager in Victoria Country South, March 2000
- Lorna Eddy, Project Administrator in Research & Development, April 2000

Leadership and culture

We are a purpose-driven organisation with a positive culture. This year, Simonds focused on sustaining our positive culture by renewing our core values and behaviours. Our new 'House Rules' celebrate our culture and serve as the foundation for how we do business and work together with our partners and customers.

Our House Rules

Framework For Greatness

Since 1949 Simonds has developed an enviable reputation for building Australia's best homes. From humble beginnings, Simonds is now one of Australia's leading home builders. Today, with three generations of builders providing hands-on experience, our commitment to building quality, affordable and desirable homes has never been stronger. That is what truly sets us apart.

OUR PURPOSE

To put our three solid generations of experience and passion into helping more Australians fulfil the dream of building their own quality, affordable, desirable home where lifelong memories are created.

OUR VISION

To be the builder Australians admire most and choose first to guide them on the journey to fulfil the dream of building their own home.

OUR MISSION

To design and build quality, affordable, desirable homes and deliver the entire experience to our customers with the pride and great service that's foundational to our core values.



BE THE PERFECT HOST

Our customers are the most important visitors to our home. Our focus is to make each and every one of them feel welcome and special.



MILLIMETRES MATTER

Don't settle for mediocrity, make excellence your measure and safety your priority.



POWERED BY POSITIVE ENERGY

We always show up with fully charged batteries and recognise that our mindset is a choice and our energy is contagious.



BUILD ON YOUR FOUNDATIONS

Stay curious and be an active learner. There is always room for improvement and opportunities to grow.



WE'RE IN IT TOGETHER

We always work as a team and acknowledge that our goals can only be achieved when every team member plays their role.



DON'T BLAME YOUR TOOLS

We are responsible and accountable for the choices we make, the actions we take, and the outcomes we deliver.



SPREAD THE WORD

Candid and constructive communication is vital in keeping us informed, aligned and connected.



THINK BIG

Innovation is key to our success. If there's a better way, we need to know about it and work together to make it happen.



BE A GREAT HOUSEMATE

Always be courteous and considerate, respect our home and all who are welcome here.



CELEBRATE GREAT

We recognise outstanding work and achievements and applaud every hard yard and extra mile.



NO NONSENSE

Be honest, be transparent and be trustworthy.



WASTE NOT, WANT NOT

Be smart with what we have. Always try to accomplish more with less.

MAKING A DIFFERENCE

Over \$550,000

Raised for community and charitable organisations in FY20-21

At Simonds, we're committed to giving back to the communities where we live and work. Driven by our purpose to help more people fulfil the dream of building their own home, this commitment starts in our own backyards, as we aim to make a positive social impact on the lives of all Australians.

Every year we invest in a range of fundraising, local engagement and community wellbeing initiatives. This year, we focused in particular on helping to address some of our nation's most pressing concerns – like homelessness, housing affordability and discrimination.



COMMUNITY FUNDRAISING

Creating opportunities for our people to give back to our communities.

From our CEO and executive team to our teams out on the tools, our employees across Australia donated their time to get behind the charities that matter most to them.

Our CEO and Executive Chairman Rhett Simonds travelled over 1,000 kilometres and raised, with the generous support of many of our key suppliers, over \$80,000 for the Starlight Children's Foundation and Very Special Kids in the 2021 Chain Reaction Challenge Foundation seven-day long distance charity cycling event in Victoria.



Every month, Simonds team members nominate a small, registered charity for our Head Office Gallery Cafe to support. Through gold coin and online donations, as well as a new cashless QR code system introduced this year on internal posters, our team has raised over \$40,000 for grassroots charitable organisations since 2013.



Simonds CEO and Executive Chairman Rhett Simonds rides in the 2021 Chain Reaction Challenge cycling event.

Simonds Group teamed up with land developer Satterley Property Group to donate a house and land package for My Room's Home for a Cure annual charity auction.



My Room is a volunteer led organisation, working together to support patients and families affected by Cancer. Since 2019, Simonds and Satterley have raised over \$1.1 million with all proceeds from the sale of the homes going towards support for families, medical equipment, clinical care, as well as research and clinical trials.

 **LOCAL COMMUNITY ENGAGEMENT**

Collaborating with community partners to drive shared value.

The chance for children to keep busy, get outside and just act normally while in hospital is a chance for them to recover quicker and get home sooner.

Through our partnership with the Flinders Foundation, a leading health and medical research charity in South Australia, Simonds will auction a custom double storey, five-bedroom home to help fund a spectacular new playground and outdoor space at the Flinders Medical Precinct – granting a wish that doctors, nurses, children and their families have held for more than a decade.

Simonds Group registered training organisation Builders Academy Australia has offered a lifetime of education to the eight children cared for by Gold Coast Danielle Carroll and husband Rhys following the tragic circumstances surrounding Kelly Wilkinson’s death in April 2021.

 **COMMUNITY WELLBEING**

Making a positive difference to the lives of more Australians.

At Simonds, we believe everyone deserves a safe place to call home. Simonds project managed the refurbishment of Collingwood’s Magpie Nest Café, which provides food and shelter for the homeless and disadvantaged. We also supported Project 614, committing time and talent to refurbish Westwood Place in Melbourne’s CBD and create more secure, safe and permanent accommodation.



Supported by our Chief Construction Officer David Whitford, our Maintenance and Warranty team (Victoria North Region) stepped in to renovate the Salvation Army Magpie Nest Café in Bourke Street. The cafe, which provides food and shelter for the homeless, reopened to the public in April 2021.



COMMUNITY SPORT

We believe sport plays a vital role in community wellbeing and connectedness. As well as major sports sponsorships with the Geelong Football Club, Western United Football Club and the Melbourne Renegades, Simonds actively supports a number of grassroots AFL, netball, soccer and cricket programs and clubs across Victoria, South Australia and New South Wales.



Builders Academy Australia CEO Andrew Shea participated in the Vinnies CEO Sleepout for his eighth straight year in 2021, showing his support to help break the devastating cycle of homelessness.

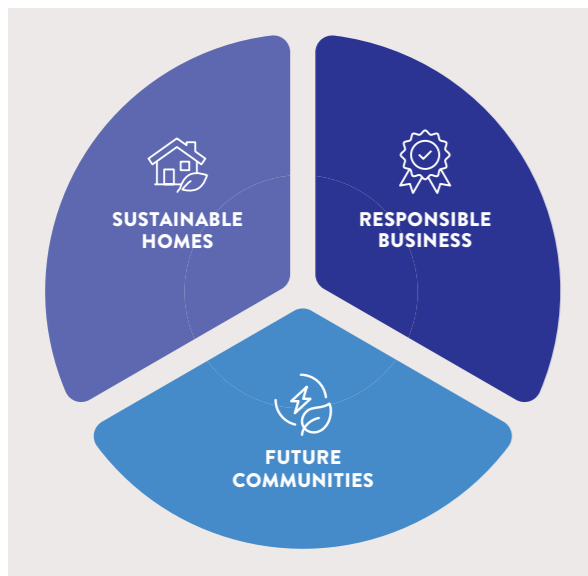


TOWARDS A SUSTAINABLE FUTURE



As we help more Australians build their own home, Simonds' approach to sustainability focuses on building strong, thriving communities. We apply innovation and sustainability across our value chain in housing design, materials and construction to reduce the environmental impact of our operations now and in the future.

Our sustainability goals guide our efforts in three key areas:



SUSTAINABLE HOMES

Providing Australians with affordable, efficient and sustainable homes.

Simonds has a long history of delivering innovation in design and the use of building materials in incorporating sustainability measures in all of our housing products. We embrace sustainable and liveable housing design principles and actively promote energy efficiency to reduce the ongoing running costs of every Simonds home.

We strive to achieve 7-star NatHERS rating with designs pivoted to obtain maximum energy efficiency and solar access. We encourage the use of alternative energy sources, recycled materials and low emission paints, sealants and adhesives.

Our solar and geothermal initiatives deliver ongoing energy savings and cost benefits to Australian homeowners, while mitigating the impacts of climate change from our operations through reduced greenhouse gas emissions from renewable energy generation.

We consistently monitor leading technologies that assist with upfront and ongoing affordability to promote sustainable savings and reduced environmental impact across the life of a home.

Alignment with UN SDGs



RESPONSIBLE BUSINESS

Promoting responsible and sustainable behaviour across our supply chain.

We continue to work in close collaboration with our partners and suppliers to ensure that our building materials are locally and sustainably sourced, business is conducted in an honest and ethical manner, and that all of our key material suppliers hold the relevant accreditations for their respective industries. This year, Simonds launched the Group's first Modern Slavery Statement to identify and address modern slavery and human rights risks throughout our business and supply chain.

Simonds actively promotes responsible and sustainable behaviour, as a role model to more than 6,000 direct and indirect suppliers and contractors. We align with suppliers and partners who share our commitment to a more sustainable future.

We maintain and continuously improve an Integrated Management System that complies with the requirements of ISO 14001:2015 and all environmental legislation. Simonds Homes is the first national residential builder in Australia to concurrently hold quality, environment and safety certifications under Australian Standards ISO 9001, ISO 14001, AS4801 and ISO 45001.

Alignment with UN SDGs



FUTURE COMMUNITIES

Investing in long term solutions for a more sustainable future.

Reducing waste and investing in alternative, eco-friendly energy sources protects our environment for future generations. We are environmentally responsive in material usage including the reuse and recycling of materials and consideration of the lifecycle environmental costs of materials across all stages of construction. We separate many recyclable products from general waste including bricks, roof tiles and plasterboard.

Alignment with UN SDGs



As a responsible business, we aim to positively address the goals where we can make a lasting impact — building not just sustainable homes but strong, thriving communities.

FINANCIAL REPORT

The positive results speak to the resilience of our people, the commitment of our partners and the drive within our leadership team.

In a year when our industry forecasted a decline of 10 to 13 per cent in site starts, Simonds Group achieved a growth of 13.5 per cent – defying all expectations during a pandemic. While Government stimulus packages helped us achieve this positive result, it also speaks to the resilience of our people, the commitment of our partners and the drive within our leadership team. The complementary nature of our businesses – building homes for Australians and educating the builders of the future – combined with our ability to innovate and reach more people delivered sustainable economic and social benefits. With this momentum building, we look forward to delivering even more shareholder value in the coming years.

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DIRECTORS' REPORT

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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 2021. To comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

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

Current Directors

Name	Date appointed	Current Position
Rhett Simonds ¹	20 April 2016	Chief Executive Officer (CEO) and Executive Chairman
Mark Simonds	20 September 2017	Executive Director
Iain Kirkwood ²	20 September 2017	Independent Non-Executive Director
Piers O'Brien	20 September 2017	Non-Executive Director
Andrew Bloore ³	27 July 2021	Non-Executive Director

Former Directors

Name	Date appointed	Date resigned	Position
Kelvin Ryan ⁴	5 March 2018	31 December 2020	Joint Chief Executive Officer (CEO) and Managing Director
Delphine Cassidy ⁵	20 September 2017	27 July 2021	Independent Non-Executive Director
Neil Kearney ⁵	20 September 2017	27 July 2021	Independent Non-Executive Director

- On 27 July 2021 Simonds announced the appointment of Rhett Simonds as Executive Chairman on the Board while retaining his CEO role. Prior to this from 1 January 2021 Rhett Simonds was Group CEO and Managing Director. Prior to this, Rhett Simonds was the Joint CEO and Managing Director and was a non-executive director appointed to the Board on 20 April 2016.
- On 27 July 2021 Simonds announced Iain Kirkwood would be stepping down as Chair of the Company's Board effective 27 July 2021 but would remain on the Board as an independent non-executive director.
- On 27 July 2021 Simonds announced the appointment of Andrew Bloore to the Board as a non-executive director effective 27 July 2021.
- On 10 December 2020 Simonds announced the retirement of Kelvin Ryan as Joint CEO and Managing Director effective from 31 December 2020.
- On 27 July 2021 Simonds announced both Neil Kearney and Delphine Cassidy had resigned as non-executive directors effective 27 July 2021.

DIRECTORS' REPORT (CONT'D)

The particulars of the directors are as follows:

Name	Experience and Directorships
Rhett Simonds	<ul style="list-style-type: none"> Rhett is the Chief Executive Officer (CEO) and Executive Chairman of the Board. Rhett holds a Bachelor of Commerce from Deakin University. Rhett has been involved with the business since joining the Simonds Group of Companies in 2005. Rhett has a strong focus on the property and construction sector, where he sits on a number of private company boards. In addition to his experience in the property and construction sector, Rhett is a director of and investor in a number of technology and finance related businesses.
Mark Simonds	<ul style="list-style-type: none"> Mark holds a registered builder's licence in Victoria, NSW, Queensland and South Australia. Mark has spent over 40 years immersed in the volume home building industry. Prior to Simonds Group Limited listing in 2014, Mark was fully engaged in the day-to-day executive management of Simonds Homes. From 1973 until its listing, Mark worked alongside his father Gary Simonds, and understands what is required for a successful volume building business. Mark is the Deputy Chairman of Simonds Consolidated, which is primarily focussed on venture capital, private equity, building and construction and the broader real estate sector.
Iain Kirkwood	<ul style="list-style-type: none"> Iain was educated at Glenalmond College in Scotland and holds a Master of Arts from Oxford University. Iain is a Fellow of CPA Australia (FCPA). Iain is the Chair of the Group's Audit & Risk Committee and is a member of the Nomination & Remuneration Committee. Iain is an experienced listed company Non-Executive Director & Chairman and has worked as a senior Executive and Non-Executive Director across a range of industries, including auditing, resources, manufacturing and latterly healthcare in Australia, the USA and Britain. Iain is Chairman of Bluechip Ltd, former Chairman of Novita Healthcare Limited and has held Non-Executive Director roles with Medical Developments International Ltd and Vision Eye Institute Ltd. Iain began his business career with Arthur Andersen & Co in London and went on to hold several senior financial and general management positions in Woodside Petroleum Ltd, Santos Ltd, Pilkington Plc, F.H Faulding & Co Ltd and Clinuvel Pharmaceuticals Ltd.
Piers O'Brien	<ul style="list-style-type: none"> Piers is a qualified lawyer with over 20 years' professional experience. Piers is a member of the Group's Audit & Risk Committee and Nomination & Remuneration Committee. Piers is the Chief Operating Officer of the Simonds Family Office before which he spent the previous 12 years working in in-house legal roles as both General Manager Legal and General Counsel. During this time, he managed the legal function at ASX 200 company Skilled Group Limited for approximately 8 years. Piers started his career in private practice with K&L Gates Lawyers (and its predecessor firms) where he spent 8 years specialising in mergers and acquisitions, corporate transactions and board advisory work.

Name	Experience and Directorships
Andrew Bloore	<ul style="list-style-type: none"> Andrew is an experienced Non-Executive Director, Entrepreneur, and farmer. He has designed, built and sold a number of businesses focussed on the development of key disruptive technologies and distribution services in traditional markets, to create business efficiencies including Smartsuper, SuperIQ and Class Super. Andrew has worked on a range of Senate and Treasury Committees, and with the Australian Taxation Office Regulations Committee on regulation of the superannuation industry. In 2016, Andrew sold his superannuation administration business to AMP, stepped down from the Senate and Treasury Committees and is now focussed on contributing to the organisations as a Non-Executive Director. Andrew is currently Chairman of Guild Group and an independent, Non-Executive Director of IOOF Limited. Andrew is also a Non-Executive Director of Simonds Family Office Pty Ltd. Andrew has been appointed as the Chair of the Group's Nomination & Remuneration Committee and as a member of the Group's Audit & Risk Committee.
Neil Kearney	<ul style="list-style-type: none"> 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. Neil has held senior executive roles in Australian and International companies, including Goldman Fielder Limited and National Foods Limited (including as Chief Financial Officer & Chief Strategy Officer). Neil is currently Chairman of Huon Aquaculture Group Ltd, Chairman of Youfoodz Holdings Ltd, Chairman of Felton, Grimwade & Bosisto's Pty Ltd and a Non-Executive Director of Craig Mostyn Group.
Delphine Cassidy	<ul style="list-style-type: none"> Delphine is an accountant with over 20 years' experience specialising in financial, accounting and treasury roles. Delphine has become an investor relations expert, working as a senior executive in this field for several ASX 200 Companies. Delphine has been a member of the Australasian Investor Relations Association (AIRA) Issues Committee and the ASX Issuer Services Working Group. Delphine is currently Chief Communications Officer at Orica Limited.
Kelvin Ryan	<ul style="list-style-type: none"> Kelvin holds a Master of Technology Management Degree from Griffith University and Bachelor of Education from WACAE Nedlands. Kelvin's extensive experience in the volume home building industry includes his role as CEO of BGC Residential from 2009 until 2017 and he has a strong awareness of the issues facing the industry. Kelvin also has significant experience as a senior executive in mining and manufacturing industries both in Australia and Internationally.

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)
Rhett Simonds	14,044	633,824 ¹
Mark Simonds	56,741	-
Iain Kirkwood	75,000	-
Piers O'Brien	-	-
Andrew Bloore	-	-
Neil Kearney	90,000	-
Delphine Cassidy	30,000	-

¹These rights may be settled in either shares in the Company or the equivalent value in cash, at the discretion of the Board.

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 the 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 homebuilders, with display homes located across the Australian eastern seaboard and South Australia. Simonds Homes product range includes single and double storey detached homes, with a target market being first and second home families in the metropolitan areas 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 also 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 \$676.1 million compared to the previous corresponding period of \$664.8 million. Simonds Homes recorded 2,719 site starts for the period, 324 or 13.5% up on the previous corresponding period. The change in Group revenue reflected the impact of higher site starts, changes in product mix and productivity on-site which has been affected by supply chain challenges associated with COVID-19.

Earnings per share

The calculation of earnings per share (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 2021 of 143,841,655 (2020: 143,841,655).

	Note	30 June 2021 Cents per share	30 June 2020 Cents per share
EPS from continuing operations			
Basic	11	4.26	4.95

DIRECTORS' REPORT (CONT'D)

Balance sheet

The Group delivered a relatively strong performance in market conditions in 2021 that were still experiencing ongoing challenges presented by the COVID-19 pandemic, including government-imposed lockdowns and worksite restrictions, particularly impacting the greater Melbourne regions, and supply chain delays and trade pressures impacting productivity. The Group's operating results were impacted by these factors, as well as the cost of investment in marketing and developing new sales channels.

With three consecutive years of positive results, the business has now stabilised and is looking to pursue sustainable growth.

During the year, the Group continued to operate well within its banking covenants.

Positive operating results and cash flow management have enabled the Group to maintain its relatively strong net cash position (measured by cash and cash equivalents less borrowings), with a net surplus of \$21.231 million at 30 June 2021 compared with \$25.910 million at 30 June 2020. The net assets of the Group have improved from \$17.247 million at 30 June 2020 to a net asset position of \$22.249 million at 30 June 2021.

Operating cash flows

The Group generated \$13.731 million in operating cash flows during the financial year ended 30 June 2021, compared with \$48.923 million for the prior comparative period. Collections from customers remained strong through the period, notwithstanding the challenges presented by COVID-19. Cash costs have included increased investment in work-in-progress arising from the HomeBuilder stimulus.

The Group generated net cash flows of deficit \$5.501 million, a decrease of \$24.081 million on the net cash flows of \$18.580 million in the financial year ended 30 June 2020.

Impacts of COVID-19

Australia, as well as the global economy, continued to be impacted by the COVID-19 pandemic. Due to the Group's improved balance sheet position, it was able to largely withstand these impacts and adapt its operations to enable the business to continue to operate notwithstanding the lockdowns imposed by the various state governments at various times over the past 12 to 18 months. The Group has broadened and diversified its sales channels to include online, digital sales as well as government housing channels.

Future developments

Challenges remain in some areas with delays in registration of land by developers and customer financing, however the relatively low cash rates combined with the Federal Government's HomeBuilder Stimulus Package should enable greater access to finance by our customers. In addition, Simonds 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, including the imposition of short and medium-term lockdowns to curb the spread of localised outbreaks, impacts the predictability of future trading conditions and makes any forward-looking statements problematic. Notwithstanding this uncertainty, our industry and the Simonds brand has continued to demonstrate great resilience through previous challenging and unprecedented times. We remain vigilant and are prepared to respond to the challenges this presents, and the opportunities to build on the momentum created over the past 12 months.

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, in particular the potential ongoing impact of the COVID-19 pandemic adversely affecting 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.

Supply chain delays

As a result of the unprecedented demand created by the government stimuli such as the HomeBuilder package, key materials suppliers have been impacted with demand outstripping supply in certain regions. There remains a risk that supply chain challenges will continue to impact the industry over the next 12 to 18 months. The Group seeks to reduce the impact of supply constraints by leveraging on its long-term relationships with key suppliers and proactive management of associated issues.

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 impact on economic conditions could affect demand for new housing within Australia, including from overseas migration adversely impacted by ongoing border closures, management continue to monitor the situation and ensure the Group has plans in place to respond and adapt our business 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.

DIRECTORS' REPORT (CONT'D)

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 15 July 2021, the Premier of Victoria announced a state-wide lockdown to apply for Victoria until 20 July 2021. This lockdown was subsequently extended until 27 July 2021, impacting the construction of homes as well as the closure of display homes and galleries. On 11 August 2021 these restrictions were removed for regional Victoria but continued for metropolitan areas. On 16 August 2021, the Premier of Victoria announced the extension of the lockdown restrictions for metropolitan Melbourne until 2 September 2021, along with the re-introduction of a curfew from 9pm to 5am, work permits for authorised workers to leave home and restrictions on staffing numbers allowed on construction sites. On 21 August 2021 the Premier of Victoria announced a further lockdown of regional Victoria until 2 September 2021, as well as the introduction of work permits and restricted staffing on construction sites.

On 17 July 2021, the Premier of New South Wales (NSW) announced further tightening of its lockdown measures for Greater Sydney and its surrounds which resulted in the cessation of all construction works, closure of display homes and access to the NSW gallery until 30 July 2021. This lockdown was further extended until at least 28 August 2021. On 20 August 2021, the Premier of NSW announced the extension of the lockdown restrictions for Greater Sydney and surrounds until 28 September 2021, along with the introduction of a curfew from 9pm to 5am, work permits for authorised workers to leave home and restrictions on staffing numbers allowed on construction sites.

On 20 July 2021, the Premier of South Australia (SA) announced a 7-day lockdown until 27 July 2021, resulting in the closure of all display homes, the SA gallery and cessation of construction work onsite during this period.

Management have taken a range of mitigating actions to reduce the impact of these 'lockdown' restrictions.

On 27 July 2021 it was announced that Rhett Simonds would be appointed as CEO and Executive Chairman and that Iain Kirkwood would step down as Chairman of the Board and remain on the Board as an Independent Non-Executive Director. Mr Andrew Bloore was appointed as a Non-Executive Director of the Company, and Mr Neil Kearney and Ms Delphine Cassidy resigned as Independent Non-Executive Directors of the Company. All changes were effective from the date of the announcement.

On 19 August 2021 the Group executed the signing of a revised facility agreement to extend the existing borrowing facility to 30 September 2023. The total facility limit increased by \$2.500m from \$34.560m to \$37.060m.

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 continued uncertainty created by the COVID-19 pandemic is such that no dividend will be paid in relation to the 2021 financial year (2020: nil). Future dividends will be subject to the directors' assessment of the Company's financial position at the appropriate time. The directors currently intend to assess this position again after the end of 1HFY22 having regard to industry conditions at that time.

Indemnification of officers and auditors

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

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

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 14 Board meetings, 4 Nomination & Remuneration Committee meetings and 5 Audit & Risk Committee meetings were held.

Directors	Board of Directors		Nomination & Remuneration Committee		Audit & Risk Management Committee	
	Held*	Attended	Held*	Attended	Held*	Attended
Rhett Simonds	14	14	-	-	-	-
Mark Simonds	14	12	-	-	-	-
Iain Kirkwood	14	14	4	4	5	5
Piers O'Brien	14	14	4	4	-	-
Kelvin Ryan	8	6	-	-	-	-
Neil Kearney	14	14	-	-	5	5
Delphine Cassidy	14	13	4	4	5	4

Notes:

* 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.

Kelvin Ryan attended 2 Audit & Risk Management Committee meetings and 1 Nomination & Remuneration Committee meeting as a Director and not a committee member.

Rhett Simonds attended 3 Audit & Risk Management Committee meetings and 2 Nomination & Remuneration Committee meetings as a Director and not a committee member.

Neil Kearney attended 1 Nomination & Remuneration Committee meeting as a Director and not a committee member.

Andrew Bloore was appointed to the Board subsequent to 30 June 2021 and as such did not attend any of the above meetings.

DIRECTORS' REPORT (CONT'D)

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.

DIRECTORS' REPORT: REMUNERATION REPORT

Dear Shareholder,

On behalf of the Board I am pleased to present our Remuneration Report for the 2021 financial year.

As you are well aware 2021 posed significant challenges for all businesses in Australia and Simonds Group was no exception. Simonds Group strives to continue to evolve its remuneration policy to continue to attract and retain the people necessary to continue the promises the business makes to our shareholders and our customers.

People are at the heart of everything we do. To us, "our people" is an all-encompassing term, reflecting the commitments we make to each other, our shareholders, customers, suppliers, and other stakeholders. It is this premise that shapes this year's remuneration report.

During FY21, our targeted COVID-19 pandemic response constantly evolved to meet the ongoing needs of our stakeholders. Ensuring COVID-safe operations remained our primary focus in the developing stages of the pandemic.

The Federal Government's HomeBuilder initiative and other Government stimulus measures influenced Simonds Group's operational and financial performance in FY21.

The increase in stimulus-driven sales has been positive for the business however it has had the additional effect of a challenge with supply chain and trade pressures to which we have had to adapt.

As a result there has been a strong focus on the retention of appropriate people in the business.

These operating conditions have resulted in a strong, continual focus on our customers, process improvements and agile and practical responses to look after our people and align with shareholder return.

Our FY21 COVID-safe measures continue to centre around the safety and wellbeing of our people. Key initiatives have included increased communication and diversified communication channels to support customers, and a formalised Flexible Working from Home Policy to provide greater options for flexibility within a hybrid working model.

FY21 Remuneration

The FY21 short-term incentive plan is structured in three components:

1. EBITDA target
2. Three individual KPIs with defined metrics
3. A CEO discretionary percentage

Taking into consideration the above items and the volatile and changing operating environment for FY21, the Board has approved the short-term incentive plan payment. Please refer to page 69 of the report for further detail of FY21 STI outcomes. The FY21 long term incentive plan outcomes are detailed on page 70 of the report.

At the 2020 Annual General Meeting, the Company received votes against its Remuneration Report representing greater than 25 per cent of the votes cast by persons entitled to vote. In other words, the Company received a 'first strike' against its 2020 Remuneration Report.

It should be noted that due to the high concentration of ownership in the Company's share register, a significant number of shares held by directors, management and their associates were excluded from voting on the Remuneration Report. The first strike arose from votes against the Remuneration Report cast by a relatively small number of shareholders. Furthermore, the Company did not receive any questions related to the report or any adverse feedback in relation to its remuneration practices at the 2020 AGM.

The Company is not aware of any specific concerns regarding its approach to remuneration matters. Nevertheless, since the 2020 AGM, the Company has engaged with investors, key shareholders, and other relevant groups as part of its stakeholder engagement process.

DIRECTORS' REPORT: REMUNERATION REPORT (CONT'D)

The Board continues to review our approach to executive remuneration, to ensure it is fit for purpose. Notable changes to the framework include:

1. A 25 per cent reduction in Directors' fees which was maintained for the six months till December 2020 whilst the COVID-19 effect on the industry was being understood.
2. A Performance Framework has been developed to be adopted throughout the Company in FY22.
3. Our STI program has been reviewed and a number of changes will take effect in FY22.

At the time of the writing of this report the business has commenced a number of Key Management Personnel changes and notes the commencement of the evolution of the remuneration structure for FY22 as outlined.

As a result, the directors believe that the Company's remuneration framework and levels are appropriate for a company of its size and nature.

Yours sincerely



R A Bloore
Chair, Nomination & Remuneration Committee

Introduction

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Key Management Personnel (KMP) for the year ended 30 June 2021. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The KMP of the Group for the year ended 30 June 2021 disclosed in this report are listed in the table below:

Non-Executive Directors (NED)¹

Name	Position	Appointment Date
Iain Kirkwood	Independent Non-Executive Director and Chairman ²	20 September 2017
Piers O'Brien	Non-Executive Director	20 September 2017
Neil Kearney	Independent Non-Executive Director	20 September 2017 ³
Delphine Cassidy	Independent Non-Executive Director	20 September 2017 ³

Executive Directors (ED)

Name	Position	Appointment Date
Rhett Simonds ⁴	Group Chief Executive Officer (CEO) & Managing Director ⁵	1 January 2021
Mark Simonds	Executive Director	20 September 2017

Former Executive Directors (ED)

Name	Position	Appointment Date	Resignation Date
Kelvin Ryan	Joint Chief Executive Officer (CEO) & Managing Director	5 March 2018	31 December 2020 ⁶

Current Senior Executives

Name	Position	Appointment Date
Michael Myers	Group Chief Financial Officer (CFO)	30 May 2016

1. In addition, on 27 July 2021 Simonds announced Andrew Bloore was appointed Non-executive Director effective from the date of the announcement.
2. On 27 July 2021 Simonds announced Iain Kirkwood will be stepping down as Chair of the Company's Board effective from the date of the announcement.
3. On 27 July 2021 Simonds announced both Neil Kearney and Delphine Cassidy had resigned as non-executive directors effective from the date of the announcement.
4. On 10 December 2020 Simonds announced the appointment of Rhett Simonds as Group CEO and Managing Director with effect from 1 January 2021. Prior to this date, Rhett Simonds was the Joint CEO and Managing Director and was a non-executive director appointed to the Board on 20 April 2016. On 27 July 2021 Simonds announced Rhett Simonds will be Executive Chair of the Company's Board effective 27 July 2021 while retaining his role as CEO.
5. On 27 July 2021 Simonds announced Rhett Simonds will be Chairman effective from the date of the announcement.
6. On 10 December 2020 Simonds announced the retirement of Kelvin Ryan as Joint CEO and Managing Director effective from 31 December 2020.

DIRECTORS' REPORT: REMUNERATION REPORT (CONT'D)

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 considering the following factors:

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

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 Board's 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 engages external remuneration consultants from time to time to provide advice on remuneration related issues. During the year ended 30 June 2021, no remuneration recommendations were provided as defined by the Corporations Act 2001.

The Committee met four times during the year. The Group CEO & Managing Director, and the other remaining directors who were not members of the Committee, 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 2021, 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.

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 8.2 of the ASX Corporate Governance Council's Principles and Recommendations (4th Edition).

During the year ended 30 June 2021, fees paid to non-executive directors totalled \$431,918 (exclusive of superannuation and cash salary and fees). Given the prolonged impact of COVID-19, all directors took a 25% reduction in directors fees for the period 1 May 2020 to 31 December 2020.

Shareholdings of non-executive directors are set out on page 72 of the directors' report.

The Company and each of the non-executive directors have agreed terms of appointment (in accordance with Recommendation 1.3 of the ASX Corporate Governance Council's Principles and Recommendations (4th edition)). Non-executive directors are not appointed for a specific term and their appointment may be ended by notice from the individual director or otherwise pursuant to section 203B or 203D of the Corporations Act 2001.

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

Remuneration tables for non-executive directors for the year ended 30 June 2021 are set out commencing on page 64 of this remuneration report.

DIRECTORS' REPORT: REMUNERATION REPORT (CONT'D)

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.

As in the prior year, 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 CEO's STI at Board discretion)	10%

Gateway	Gateway Target
Nominated EBITDA	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.

LTI overview

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

This aligns executive interests with shareholder interests and focuses executive performance on sustainable shareholder wealth. 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.

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

Long term Incentive Key Features

Award Structure	FY2021 Cash Rights	
Consideration for the Performance Rights	The Cash Rights were granted for nil consideration.	
Grant Date	25 June 2021	
Vesting Period	Each right has a vesting period of approximately three years.	
Performance Measure	Vesting of Performance Rights is dependent on one discrete performance measure (hurdle):	
	FY2023 EPS The performance measure is to achieve an EPS target for the financial year ending 30 June 2023.	
CAGR EPS Vesting Schedule	FY2023 EPS	Percentage of Performance Rights to vest:
	Below 6.00 cps	None
	Between 6.01cps and 8.93 cps	Straight line pro-rata vesting between 25% and 50%
	Between 8.94 cps and 9.58 cps	Straight line pro-rata vesting between 51% and 100%
	At or above 9.59 cps	100%
Service Vesting Condition	The Service Vesting Condition is continuous employment with the Company from Grant date to vesting date.	
Other conditions	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	FY2020 Cash Rights	
Consideration for the Performance Rights	The Cash Rights were granted for nil consideration.	
Grant Date	9 March 2020	
Vesting Period	Each right has a vesting period of approximately three years.	
Performance Measure	Vesting of Performance Rights is dependent on one discrete performance measure (hurdle):	
	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.	
CAGR EPS Vesting Schedule	CAGR in EPS	Percentage of Performance Rights to vest:
	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%
Service Vesting Condition	The Service Vesting Condition is continuous employment with the Company from Grant date to vesting date.	
Other conditions	These rights may be settled in either shares in the Company or the equivalent value in cash, at the discretion of the Board.	

DIRECTORS' REPORT: REMUNERATION REPORT (CONT'D)

Award Structure	FY2019 Performance Rights	
Consideration for the Performance Rights	The Performance Rights were granted for nil consideration.	
Grant Date	1 March 2019	
Vesting Period	Each tranche has a vesting period of approximately three years.	
Performance Measure	Vesting of Performance Rights is dependent on two discrete performance measures (hurdles):	
	Tranche 1	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.
	Total Share Holder Return (TSR) representing 50% of the Performance Rights Granted	
	Tranche 2	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.
	(CAGR EPS) representing 50% of the Performance Rights Granted	
TSR Vesting Schedule (Tranche 1)	Simonds Group Limited Percentile Ranking	Percentage of Performance Rights to vest
	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)	CAGR in EPS	Percentage of Performance Rights to vest:
	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%
Service Vesting Condition	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.

	FY2021	FY2020	FY2019	FY2018	FY2017
	Statutory Actual ²	Statutory Actual ²	Statutory Actual ²	Statutory Actual ²	Statutory Actual ²
Financial Performance	\$m	\$m	\$m	\$m	\$m
Revenue	676.1	664.8	687.7	605.2	587.4
EBITDA	31.6 ¹	31.5	23.2	13.7	10.1
NPAT	4.7	5.5	11.7	4.8	2.1
Share Price at beginning of period (\$)	0.35	0.33	0.36	0.31	0.28
Share Price at end of period (\$)	0.60	0.35	0.33	0.36	0.31
Dividends (cents per share)	-	-	-	-	-
EPS (cents per share) ³	4.46	4.95	8.16	3.31	1.44

1. Statutory EBITDA is net profit after tax from continuing operations \$6.124m before financing items \$1.563m, tax expenses \$3.337m, and depreciation and amortisation \$20.615m.
2. The Madisson business was discontinued on 21 January 2016 and is classified as a discontinued operation after this date. As the Madisson business is a discontinued operation it is not reflected in the results presented above for FY2017-2021
3. EPS is based on Earnings for continuing operations only.

DIRECTORS' 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.

FY2021	Short Term Employee Benefits					Termination Benefits	Post Employment Benefits	Long-Term Benefits	Share-based Payments (SBP)	Percentage of remuneration fixed and at risk		
	Directors Fees \$	Cash Salary and Fees \$	Short Term Incentive \$	Non-monetary Benefits \$	Annual Leave \$	Termination Payments \$	Super \$	Long Service Leave \$	Performance Rights/Options \$	Total \$	Fixed %	At Risk %
Current Non-Executive Directors												
I Kirkwood ¹	141,552	-	-	-	-	-	13,448	-	-	155,000	100%	0%
P O'Brien ¹	79,909	-	-	-	-	-	7,591	-	-	87,500	100%	0%
D Cassidy ¹	110,000	-	-	-	-	-	-	-	-	110,000	100%	0%
N Kearney ¹	100,457	-	-	-	-	-	9,543	-	-	110,000	100%	0%
Total	431,918	-	-	-	-	-	30,582	-	-	462,500		
Current Executive Directors												
R Simonds ²	-	532,384	450,000	-	38,965	-	21,694	7,864	140,558	1,191,465	50%	50%
M Simonds ¹	81,068	-	-	-	6,393	-	8,242	2,315	-	98,018	100%	0%
Former Executive Director												
K Ryan	-	211,531	150,000	-	13,085	-	10,847	-	456,395	841,858	28%	72%
Total	81,068	743,915	600,000	-	58,443	-	40,783	10,179	596,953	2,131,341		
Current Senior Executives												
M Myers	-	357,653	125,000	9,120	30,907	-	21,694	8,442	167,333	720,149	59%	41%
Total	-	357,653	125,000	9,120	30,907	-	21,694	8,442	167,333	720,149		
TOTAL KMP	512,986	1,101,568	725,000	9,120	89,350	-	93,059	18,621	764,286	3,313,990		

- Given the prolonged impact of COVID-19, the Director agreed to take a 25% reduction in Directors fees commencing 1 May 2020 to 31 December 2020.
- On 10 December 2020 Simonds announced the appointment of Rhett Simonds as Group CEO and Managing Director with effect from 1 January 2021. Prior to this date, Rhett Simonds was the Joint CEO and Managing Director and was a non-executive director appointed to the Board on 20 April 2016. On 27 July 2021 Simonds announced Rhett Simonds will be Executive Chair of the Company's Board effective 27 July 2021 while retaining his role as CEO. Rhett Simonds will not receive additional remuneration for becoming the Executive Chair.

DIRECTORS' REPORT: REMUNERATION REPORT (CONT'D)

	Short Term Employee Benefits					Termination Benefits	Post Employment Benefits	Long-Term Benefits	Share-based Payments (SBP)	Percentage of remuneration fixed and at risk		
	Directors Fees	Cash Salary and Fees	Short Term Incentive	Non-monetary Benefits	Annual Leave	Termination Payments	Super	Long Service Leave	Performance Rights/Options	Total	Fixed %	At Risk %
FY2020	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Current Non-Executive Directors												
I Kirkwood	150,685	-	-	-	-	-	14,315	-	-	165,000	100%	0%
N Kearney	106,545	-	-	-	-	-	10,122	-	-	116,667	100%	0%
D Cassidy	108,859	-	-	-	-	-	7,808	-	-	116,667	100%	0%
P O'Brien	84,475	-	-	-	-	-	8,025	-	-	92,500	100%	0%
Former Non-Executive Directors												
S Mahony ¹	78,387	-	-	-	-	-	7,447	-	-	85,834	100%	0%
Total	528,951	-	-	-	-	-	47,717	-	-	576,668		
Current Executive Directors												
K Ryan	-	685,456	475,000	-	37,789	-	21,003	4,610	313,239	1,537,097	49%	51%
R Simonds	50,609	178,749	125,000	1,494	31,841	-	14,622	4,180	21,446	427,941	66%	34%
M Simonds	82,075	-	-	-	10,537	-	8,531	1,017	-	102,160	100%	0%
Total	132,684	864,205	600,000	1,494	80,167	-	44,156	9,807	334,685	2,067,198		
Current Senior Executives												
M Myers	-	343,105	125,000	11,055	30,033	-	21,003	12,085	117,740	660,021	63%	37%
Total	-	343,105	125,000	11,055	30,033	-	21,003	12,085	117,740	660,021		
TOTAL KMP	661,635	1,207,310	725,000	12,549	110,200	-	112,876	21,892	452,425	3,303,887		

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

DIRECTORS' 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 Rhett Simonds and the Company for the role of Group CEO & Managing Director are as follows:

Term:	No fixed term. Ongoing until terminated by either party in accordance with the Agreement.
Total Fixed Remuneration (TFR):	\$362,500 per annum (including superannuation) from 1 February 2020 to 31 December 2020. \$700,000 per annum (including superannuation) from 1 January 2021 onwards.
Short Term Incentive (STI) for FY21:	STI eligibility up to \$300,000 per annum, subject to performance, up to 31 December 2020. STI eligibility up to \$600,000 per annum, subject to performance, from 1 January 2021 onwards.
Long Term Incentive (LTI) for FY21:	LTI eligibility up to the value of \$150,000 per annum will be offered pursuant to the Simonds Group Employee Share Plan up to 31 December 2020. LTI eligibility up to the value of \$300,000 per annum will be offered pursuant to the Simonds Group Employee Share Plan from 1 January 2021. LTI participation and terms are at the discretion of the Board.
Other Benefits:	An allowance of \$87,500 per annum up to 31 December 2020. This allowance will cease from 1 January 2021.
Notice Period / Termination Entitlements:	The notice of termination periods in Mr Simonds' employment are: <ul style="list-style-type: none"> • 3 months if notice is provided by Mr Simonds to the Company; and • 6 months if notice is provided by the Company to Mr Simonds. Employment may be ended immediately in certain circumstances including misconduct, incapacity, mutual agreement or in the event of a fundamental change in the Group CEO's role or responsibilities. The Company may elect to make a payment in lieu of any unserved notice period.
Post-Employment Restraint:	A 12-month post-employment restraint provision applies.

Executive Service Agreements other key terms

Name	Contract Length	Minimum Notice Period	
		Termination by Executive	Termination by Company
R Simonds	No fixed term	3 months	6 months
M Simonds	No fixed term	1 month	1 month
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 CEO, STI at Board Discretion)	10%

Gateway	Gateway Target
Nominated EBITDA	100%

In the current financial year due to the challenges faced given the economic climate, the Board has exercised its discretion to take into consideration economic impacts in assessing the performance of the KMP. The Board has approved the short-term incentive plan payment of \$725,000 to the KMP executives as detailed in the remuneration tables on page 64.

DIRECTORS' REPORT: REMUNERATION REPORT (CONT'D)

KMP LTI

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

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

FY2021						
Name	Performance Rights 1 July 2020	Performance Rights Granted	Performance Rights Vested	Performance Rights Expired / Forfeited	Other	Balance 30 June 2021
K Ryan	698,529	150,000	-	-	(848,529) ¹	-
R Simonds	183,824	450,000	-	-	-	633,824
M Myers	770,873	250,000	(201,613)	(201,613)	-	617,647
TOTAL	1,653,226	850,000	(201,613)	(201,613)	(848,529)	1,251,471

1. On 10 December 2020 Simonds announced the retirement of Kelvin Ryan as Joint CEO and Managing Director effective from 31 December 2020, as such as at 30 June 2021, Kelvin Ryan has ceased being a KMP.

FY2020

Name	Performance Rights 1 July 2019	Performance Rights Granted	Performance Rights Vested	Performance Rights Expired / Forfeited	Other	Balance 30 June 2020
K Ryan	-	698,529	-	-	-	698,529
R Simonds	-	183,824	-	-	-	183,824
M Myers	403,226	367,647	-	-	-	770,873
TOTAL	403,226	1,250,000	-	-	-	1,653,226

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

FY2021						
Name	Performance Rights 1 July 2020	Performance Rights Granted	Performance Rights Vested	Performance Rights Expired / Forfeited	Other	Balance 30 June 2021
K Ryan	2,133,332	-	-	-	(2,133,332)	-
M Myers	333,332	-	-	-	-	333,332
TOTAL	2,466,664	-	-	-	(2,133,332)	333,332

FY2020

Name	Performance Rights 1 July 2019	Performance Rights Granted	Performance Rights Vested	Performance Rights Expired / Forfeited	Other	Balance 30 June 2020
K Ryan	2,133,332	-	-	-	-	2,133,332
M Myers	648,193	-	(157,430) ¹	(157,431)	-	333,332
TOTAL	2,781,525	-	(157,430)	(157,431)	-	2,466,664

1. These vested performance rights were settled in cash.

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 \$	Expired/ Forfeited %	Other \$	Accrued Fair Value at 30 June \$
FY2021											
K Ryan	FY21	EPS	0.50	0.595	150,000	75,000	-	-	-	(75,000)	-
K Ryan	FY20	EPS	0.34	0.595	698,529	237,500	-	-	-	(237,500)	-
R Simonds	FY21	EPS	0.50	0.595	450,000	225,000	-	-	-	-	89,087
R Simonds	FY20	EPS	0.34	0.595	183,824	62,500	-	-	-	-	72,917
M Myers	FY21	EPS	0.50	0.595	250,000	125,000	-	-	-	-	49,493
M Myers	FY20	EPS	0.34	0.595	367,647	125,000	-	-	-	-	145,833
M Myers	FY18	TSR	0.19	-	201,613	38,306	-	(38,306)	50%	-	-
		EPS	0.30	-	201,613	60,484	(60,484) ¹	-	-	-	-
FY2020											
K Ryan	FY20	EPS	0.34	0.35	698,529	237,500	-	-	-	-	81,495
R Simonds	FY20	EPS	0.34	0.35	183,824	62,500	-	-	-	-	21,446
M Myers	FY20	EPS	0.34	0.35	367,647	125,000	-	-	-	-	42,892
M Myers	FY18	TSR	0.19	0.11	201,613	38,306	-	-	-	-	20,903
		EPS	0.30	0.35	201,613	60,484	-	-	-	-	70,565

1. Rights were settled in cash at a value of \$0.348 per right equating to a total cash settlement of \$70,255.

Rights under plans FY2021 and FY2020 may be settled in either shares in the Company or the equivalent value in cash, at the discretion of the Board. These are shown as "cash settled" in the table above.

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 \$	Expired/ Forfeited %	Other \$	Accrued Fair Value at 30 June \$
FY2021										
K Ryan	FY2019	TSR	0.27	1,066,666	288,000	-	-	-	(288,000)	-
		EPS	0.38	1,066,666	405,333	-	-	-	(405,333)	-
M Myers	FY2019	TSR	0.27	166,666	45,000	-	-	-	-	42,575
		EPS	0.38	166,666	63,333	-	-	-	-	63,333
FY2020										
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)	50%	(36,209)	-
		EPS	0.35	157,430	55,100	(55,100) ¹	-	-	-	-

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.

DIRECTORS' REPORT: REMUNERATION REPORT (CONT'D)

KMP Shareholdings

Shareholdings of KMP are set out below:

FY2021		Number of Shares		
Name	Opening Balance	Acquired	Other	Closing Balance
Non-executive Directors				
I Kirkwood	75,000	-	-	75,000
N Kearney	90,000	-	-	90,000
D Cassidy	30,000	-	-	30,000
Total Non-Executive Directors	195,000	-	-	195,000
Executive Directors				
R Simonds	14,044	-	-	14,044
M Simonds	56,741	-	-	56,741
Former Executive Directors				
K Ryan	61,623	-	-	61,623
Total Executive Directors	132,408	-	-	132,408
Senior Executives				
M Myers	20,000	-	-	20,000
Total Senior Executive	20,000	-	-	20,000
TOTAL KMP	347,408	-	-	347,408

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

Loans to Director

The Group has not provided any loans to directors or their related parties during the year ended 30 June 2021 (2020: 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:

	Sales		Cost of goods		Leases and services rendered		Non-cash remuneration	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Vallence Gary Simonds and related entities:								
Properties leased on an arms-length basis	-	-	-	-	305,500	296,422	-	-
Advisory fee paid during the year	-	-	-	-	84,817	97,717	-	-
Payment for use of building licence	-	-	-	-	-	-	-	-
Remuneration for employee services	-	-	-	-	62,630	59,934	-	-
Car park provided	-	-	-	-	-	-	18,240	22,111
	-	-	-	-	452,947	454,073	18,240	22,111
Simonds Family Office Pty Ltd¹								
Supply payment to Delos Welltek Australia Pty Ltd ²	-	-	922,580	2,332,853	-	-	-	-
Latitude Invest Pty Ltd³								
Service payment to Latitude Invest Pty Ltd	-	-	316,290	110,897	-	-	-	-
Mark Simonds and related entities⁴:								
Payment for use of building licence	-	-	-	-	100,000	100,000	-	-
Remuneration for employee services	-	-	-	-	236	28,183	-	-
	-	-	-	-	100,236	128,183	-	-
Michael Myers and related entities:								
Property leased on an arms-length basis	-	-	30,188	-	-	-	-	-
Property purchased on an arms-length basis	484,250	-	-	-	-	-	-	-
	484,250	-	30,188	-	-	-	-	-
Total	484,250	-	1,269,058	2,443,750	553,183	582,256	18,240	22,111

1. Mark Simonds and Rhett Simonds are directors of Simonds Family Office Pty Ltd.
2. There is a Supply Agreement between Delos Welltek Australia Pty Ltd and Simonds Group for the inclusion of the "DARWIN Essentials Package" into all homes in Victoria. Simonds Family Office Pty Ltd (of which Mark Simonds and Rhett Simonds are directors) hold 25% interest in Delos Welltek Australia Pty Ltd.
3. An interim service agreement between Latitude Invest Pty Ltd and Simonds Group was entered into to provide marketing and sales support in the Wholesale channel. Mark Simonds and Rhett Simonds hold a 50% interest in Latitude Invest Pty Ltd.
4. One family member of Mark Simonds was employed by the Group on a casual basis and remuneration was based on an 'arm's length' basis.

DIRECTORS' REPORT (CONT'D)

Auditor's independence declaration

The auditor's independence declaration is included after this report on page 75.

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 pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the directors



Rhett Simonds
Chief Executive Officer and Executive Chairman
Melbourne, 25 August 2021

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

25 August 2021

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 2021, 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



Geneva Cavallo
Partner
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT



Deloitte Touche Tohmatsu
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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 2021, 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 2021 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>Recognition of construction revenue and related contract assets</p> <p>For the year ended 30 June 2021, the Group's revenue from construction contracts totalled \$661.586 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"> - Percentage of completion on the construction contracts. 	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process undertaken by management to account for the recognition of revenue and contract assets; • Testing relevant controls in respect of the revenue process; • Assessing management's determination of the percentage of completion allocated to each stage of the build process against historical cost profiles; • Testing a sample of inputs into management's model used to establish the percentage of completion allocated to each stage; • Assessing management's estimation of costs to complete, including comparing historical actual performance against forecast; • Recalculating on a sample basis, revenue recognised based on the stage of completion of selected jobs; • Challenging contracts which exhibited heightened risk characteristics; and • Agreeing on a sample basis, job data back to source documentation, including customer contracts, approved variations and job costs. <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 CEO and Executive Chairman's Letter, 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)

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When we read the CEO and Executive Chairman's Letter 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.

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- 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.

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 55 to 73 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Simonds Group Limited, for the year ended 30 June 2021, 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, 25 August 2021

DIRECTORS' DECLARATION

The directors declare that:

- 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;
- 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;
- 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
- 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



Rhett Simonds
Chief Executive Officer and Executive Chairman

Melbourne, 25 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Continuing operations			
Revenue	5	676,082	664,823
Cost of sales		(510,185)	(510,993)
Gross profit		165,897	153,830
Expenses	10	(134,258)	(122,357)
Profit before financing items, depreciation and amortisation		31,639	31,473
Depreciation and amortisation charges	16,17,36	(20,615)	(19,073)
Profit before financing items and tax		11,024	12,400
Financing items			
Interest expense	7	(1,563)	(1,502)
Net financing cost		(1,563)	(1,502)
Profit before tax		9,461	10,898
Income tax expense	8	(3,337)	(3,784)
Profit from continuing operations after tax		6,124	7,114
Discontinued operations			
Loss from discontinued operations after tax	9	(1,431)	(1,615)
Profit after tax for the year		4,693	5,499
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive income for the year		4,693	5,499
Earnings per share			
From continuing operations			
Basic (cents per share)	11	4.26	4.95
Diluted (cents per share)	11	4.19	4.87
From continuing and discontinued operations			
Basic (cents per share)	11	3.26	3.82
Diluted (cents per share)	11	3.21	3.77

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Assets			
Current Assets			
Cash and cash equivalents	33	22,781	28,282
Trade and other receivables	12	33,368	29,285
Tax receivable	8	2,266	-
Accrued revenue	13	50,698	34,391
Inventories	14	27,311	34,248
Other assets	18	1,213	1,807
Total current assets		137,637	128,013
Non-Current Assets			
Property, plant and equipment	16	5,795	6,194
Intangible assets	17	8,342	8,798
Right-of-use assets	36	21,867	22,700
Deferred tax assets	8	-	556
Total non-current assets		36,004	38,248
Total assets		173,641	166,261
Liabilities			
Current Liabilities			
Trade and other payables	19	78,513	80,593
Deferred revenue		404	1,624
Customer deposits	22	21,153	11,988
Tax payable	8	-	6,716
Borrowings	20	312	311
Lease liability	36	10,042	9,704
Provisions	21	16,671	14,871
Total current liabilities		127,095	125,807
Non-Current Liabilities			
Lease liability	36	12,052	12,917
Provisions	21	10,895	10,290
Deferred tax liabilities	8	1,350	-
Total non-current liabilities		24,297	23,207
Total liabilities		151,392	149,014
Net assets		22,249	17,247
Equity			
Issued capital	23	12,911	12,911
Reserves	24	22,830	22,521
Accumulated losses	25	(13,492)	(18,185)
Total equity		22,249	17,247

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

Consolidated	Notes	Issued capital \$'000	Share based payments reserve \$'000	Share buy- back reserve \$'000	Accumulated losses \$'000	Total \$'000
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	30	-	(221)	-	(9)	(230)
Transfer to accumulated losses	30	-	(146)	-	146	-
Balance at 30 June 2020		12,911	29,725	(7,204)	(18,185)	17,247
Balance at 1 July 2020		12,911	29,725	(7,204)	(18,185)	17,247
Profit after tax for the year		-	-	-	4,693	4,693
Employee share plan expense	30	-	424	-	-	424
Performance and service rights vested / forfeited	30	-	(115)	-	-	(115)
Transfer to accumulated losses		-	-	-	-	-
Balance at 30 June 2021		12,911	30,034	(7,204)	(13,492)	22,249

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Cash flows from operating activities			
Receipts from customers		731,343	747,774
Payments to suppliers and employees		(706,249)	(695,436)
Cash generated from operations		25,094	52,338
Finance costs	7	(1,563)	(1,502)
Income taxes paid		(9,800)	(1,913)
Net cash generated from operating activities	33	13,731	48,923
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		30	74
Payments for property, plant and equipment		(2,845)	(3,650)
Payments for intangibles assets		(3,359)	(4,991)
Net cash used in investing activities		(6,174)	(8,567)
Cash flows from financing activities			
Proceeds from borrowings		-	612
Repayment of borrowings		(841)	(8,199)
Repayment of lease liability	36	(12,217)	(14,189)
Net cash used in financing activities	33	(13,058)	(21,776)
Net (decrease) / increase in cash and cash equivalents		(5,501)	18,580
Cash and cash equivalents at the beginning of the year		28,282	9,702
Cash and cash equivalents at the end of the year	33	22,781	28,282

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 4, 570 St Kilda Road
MELBOURNE VIC 3004

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

2. Application of new and revised accounting standards

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:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

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

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 25 August 2021.

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.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 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 Directors have considered the impact of COVID-19 on the economy and government restrictions in the regions in which 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 \$22.249 million as at 30 June 2021 (30 June 2020: \$17.247 million).

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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’. 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.

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 ‘Financial Instruments’, 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.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

The Group as lessee

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 'Leases'. 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.

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 'Impairment of Assets' 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.

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

Current tax 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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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.

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 its recoverable 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	2 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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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. 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 tangible and intangible assets other than goodwill, the Group takes into account the characteristics of the asset if market participants would take those characteristics into account when pricing the asset at the measurement date. 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 direct 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.

Maintenance and warranty

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

Make good

Provisions for make good are based on the directors' best estimates of the costs required to reinstate the display homes 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:

- 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
- 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 Statement of cash flows 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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 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.

The Group use an actuarial model based on historical maintenance and warranty spend to provide an estimate for the maintenance and warranty provision. Key assumptions in this model were developed by an independent actuary and are reviewed internally regularly, to ensure they remain appropriate for calculating the maintenance and warranty provision as at 30 June 2021. There has been no significant change to the model assumptions to those used in the prior financial year.

Provision for impairment losses on land development

The Group holds land stock for development, which is recorded as inventory in the financial statements. The directors assess the net realisable value at 30 June 2021 of the land stock inventory, referencing contracts, other documentary evidence and comparative sales data to determine valuations of certain land titles.

Impairment of goodwill

As at 30 June 2021 goodwill of \$2.603m has been allocated to the registered training segment (2020: \$2.603m).

The recoverable amount of a cash-generating unit (CGU) is assessed as the higher of fair value less costs to sell and value in use, which require the use of assumptions. 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 tangible and intangible assets other than goodwill, the Group takes into account the characteristics of the asset if market participants would take those characteristics into account when pricing the asset at the measurement date. The value in use 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 2.0% (2020: 2.2%) per annum. The cash flows beyond the five-year projection period have been extrapolated using a steady growth rate of 2.0% (2020 :2.2%). 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 post-tax discount rate to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate applied is 17.0% (2020: 17.0%).

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

5. Revenue

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

	30 June 2021 \$'000	30 June 2020 \$'000
Continuing operations		
Revenue from residential construction contracts	661,586	652,564
Revenue from rendering of registered training services	14,496	11,931
Revenue from developments	-	328
	676,082	664,823
Discontinued operations	-	-
	676,082	664,823

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 Segment's 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).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Continuing operations				
Residential construction	661,586	652,564	6,536	8,803
Registered training	14,496	11,931	2,930	1,777
Land development	-	328	(5)	318
	676,082	664,823	9,461	10,898
Discontinued Operations	-	-	(2,044)	(2,307)
Consolidated segment revenue and profit/(loss) before tax for the period	676,082	664,823	7,417	8,591

Segment assets and liabilities

	30 June 2021 \$'000	30 June 2020 \$'000
Continuing operations		
Segment assets		
Residential construction	168,836	159,447
Registered training	3,006	4,163
Land development	1,128	1,898
	172,970	165,508
Discontinued operations	671	753
Total segment assets	173,641	166,261
Total assets	173,641	166,261
Segment liabilities		
Residential construction	126,485	122,716
Registered training	1,043	3,016
Land development	8,262	9,029
	135,790	134,761
Discontinued Operations	15,602	14,253
Total segment liabilities	151,392	149,014
Total liabilities	151,392	149,014

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 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
Residential construction	1,562	1,495	19,840	18,485
Registered training	1	7	775	588
Total	1,563	1,502	20,615	19,073
			Additions to non-current assets	
			30 June 2021 \$'000	30 June 2020 \$'000
Residential construction			13,862	13,522
Registered training			775	937
Total			14,637	14,459

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 2021 and the year ended 30 June 2020.

7. Finance costs

	30 June 2021 \$'000	30 June 2020 \$'000
Interest on bank overdrafts, loans and lease liability under AASB 16	1,563	1,502
Total	1,563	1,502

NOTES TO FINANCIAL STATEMENTS (CONT'D)

8. Income taxes

Income tax recognised

	30 June 2021 \$'000	30 June 2020 \$'000
Current tax		
Expense in respect of the current year	893	9,749
Benefit in respect of prior years	(75)	-
	818	9,749
Deferred tax		
Expense/(benefit) in respect of the current years	1,952	(6,701)
(Benefit)/expense in respect of prior years	(46)	44
	1,906	(6,657)
Consolidated income tax expense recognised in the current year	2,724	3,092
Income tax expense from continuing operations	3,337	3,784
Income tax (benefit) from discontinued operations	(613)	(692)
	2,724	3,092

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

	30 June 2021 \$'000	30 June 2020 \$'000
Profit before tax from continuing operations	9,461	10,898
Loss before tax from discontinued operations	(2,044)	(2,307)
Profit before tax	7,417	8,591
Income tax expense calculated at 30% (2020: 30%)	2,225	2,577
Effect of Executive Share Based Payments non-deductible	354	324
Effect of expenses that are not deductible in determining taxable profit	267	147
	2,846	3,048
Adjustments recognised in the current year in relation to deferred and current tax of prior years	(122)	44
Income tax expense recognised in profit or loss	2,724	3,092
Income tax expense from continuing operations	3,337	3,784
Income tax (benefit) from discontinued operations	(613)	(692)
	2,724	3,092

The tax rate used for the 2021 and 2020 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 2021 \$'000	30 June 2020 \$'000
Income tax refundable / (payable)	2,266	(6,716)
	2,266	(6,716)

Deferred tax balances

	30 June 2021 \$'000	30 June 2020 \$'000
Amounts recognised in profit or loss		
Deferred tax assets	14,594	11,724
Deferred tax liabilities	(15,944)	(11,168)
	(1,350)	556
Amounts recognised in other comprehensive income		
Deferred tax liabilities	-	-
Net deferred tax	(1,350)	556

2021	Opening Balance \$'000	Under / Over \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Closing Balance \$'000
Construction Contracts income	(5,466)	-	(1,749)	-	(7,215)
Capitalised Courses and Product Design	(749)	-	140	-	(609)
Property, Plant, Equipment & Intangibles	1,580	(17)	414	-	1,977
Provision for warranty and contract maintenance	1,081	-	(14)	-	1,067
Employee Entitlements	3,197	56	(357)	-	2,896
Other	913	7	(386)	-	534
	556	46	(1,952)	-	(1,350)

2020	Opening Balance \$'000	Under / Over \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Closing Balance \$'000
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
Deferred Tax Assets on Losses	917	(27)	(890)	-	-
Other	416	(32)	529	-	913
	(6,101)	(44)	6,701	-	556

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

	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Revenue		-	-
Expenses		(2,044)	(2,307)
Loss before tax		(2,044)	(2,307)
Attributable income tax benefit		613	692
Loss for the year		(1,431)	(1,615)

Statement of Cash Flows from the Madisson business

Cash flows from operating activities	2	1
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	2	1
Cash and cash equivalents at the beginning of the year	3	2
Cash and cash equivalents at the end of the year	5	3

10. Expenses for the year

	30 June 2021 \$'000	30 June 2020 \$'000
Profit/ (loss) on disposal of property, plant and equipment and intangible assets	(49)	30
Marketing and selling expenses	(24,057)	(21,898)
Corporate and administrative expenses	(20,579)	(19,172)
Employee benefits expense	(89,573)	(81,317)
	(134,258)	(122,357)

11. Earnings per share

	30 June 2021 Cents per share	30 June 2020 Cents per share
From continuing operations		
Total basic profit per share	4.26	4.95
Total diluted profit per share	4.19	4.87
From continuing and discontinued operations		
Total basic profit per share	3.26	3.82
Total diluted profit per share	3.21	3.77

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 2021 \$'000	30 June 2020 \$'000
From continuing operations		
Profit for the year attributable to owners of the Company	6,124	7,114
From continuing and discontinued operations		
Profit for the year attributable to owners of the Company	4,693	5,499
	30 June 2021 Shares	30 June 2020 Shares
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 2021 \$'000	30 June 2020 \$'000
From continuing operations		
Profit for the year attributable to owners of the Company	6,124	7,114
From continuing and discontinued operations		
Profit for the year attributable to owners of the Company	4,693	5,499
	30 June 2021 Shares	30 June 2020 Shares
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	2,190,048	2,165,245
Weighted average number of ordinary shares for the purposes of the diluted earnings per share	146,031,703	146,006,900

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 2021 Shares	30 June 2020 Shares
Performance Rights	1,866,666	2,095,674

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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.

12. Trade and other receivables

	30 June 2021 \$'000	30 June 2020 \$'000
Current		
Trade receivables (i)	32,833	28,785
	32,833	28,785
Other receivables	535	500
	33,368	29,285

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

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

	30 June 2021 \$'000	30 June 2020 \$'000
46 - 60 days	289	527
61 - 90 days	1,985	683
91 - 120 days	805	553
Over 120 days	1,079	1,422
Total	4,158	3,185
Average age (days)	109	117

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 2021.

13. Accrued Revenue

	30 June 2021 \$'000	30 June 2020 \$'000
Work in progress on residential construction contracts	50,698	34,391

14. Inventories

	30 June 2021 \$'000	30 June 2020 \$'000
Display homes, land stock	27,427	36,335
Provision for impairment of inventories	(116)	(2,087)
	27,311	34,248

The impairment provision of display homes above is based on recent market values. This assessment includes current independent valuations, current offers to purchase the display homes, and current asking prices to sell these display homes. In conducting the assessment at 30 June 2021, current market conditions including the impact of the COVID-19 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	Principal Activity	Place of Incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2021	2020
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 during the year ended 30 June 2021 (30 June 2020: None).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

- 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 2021 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 2021 disclosed on pages 81-82.

16. Property, plant and equipment

	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture & fittings \$'000	Display home furniture, fixtures & fittings \$'000	Motor Vehicles \$'000	Plant and equipment \$'000	Total \$'000
Cost							
Balance at 1 July 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)
Balance at 30 June 2020	6,219	4,295	3,220	2,418	970	360	17,482
Cost							
Balance at 1 July 2020	6,219	4,295	3,220	2,418	970	360	17,482
Additions	69	986	95	1,658	-	37	2,845
Disposals	(32)	-	(93)	(94)	(61)	(22)	(302)
Balance at 30 June 2021	6,256	5,281	3,222	3,982	909	375	20,025
Accumulated depreciation							
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
Balance at 30 June 2020	(4,356)	(2,786)	(1,773)	(1,456)	(731)	(186)	(11,288)
Accumulated depreciation							
Balance at 1 July 2020	(4,356)	(2,786)	(1,773)	(1,456)	(731)	(186)	(11,288)
Depreciation expense	(684)	(908)	(408)	(1,062)	(116)	(64)	(3,242)
Disposals	32	-	93	94	59	22	300
Balance at 30 June 2021	(5,008)	(3,694)	(2,088)	(2,424)	(788)	(228)	(14,230)
Net book value							
As at 30 June 2020	1,863	1,509	1,447	962	239	174	6,194
As at 30 June 2021	1,248	1,587	1,134	1,558	121	147	5,795

17. Intangible Assets

	Computer Software \$'000	Capitalised courses \$'000	Goodwill from acquisitions \$'000	RTO Licence \$'000	Capitalised Product Designs \$'000	Total \$'000
Cost						
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)
Balance at 30 June 2020	5,434	2,406	2,603	1,245	4,053	15,741
Cost						
Balance at 1 July 2020	5,434	2,406	2,603	1,245	4,053	15,741
Additions	1,493	542	-	-	1,324	3,359
Disposals	(324)	-	-	-	(560)	(884)
Balance at 30 June 2021	6,603	2,948	2,603	1,245	4,817	18,216
Accumulated amortisation						
Balance at 1 July 2019	(675)	(2,395)	-	(1,245)	(931)	(5,246)
Amortisation Expense	(1,059)	(383)	-	-	(1,139)	(2,581)
Disposal	-	884	-	-	-	884
Balance 30 June 2020	(1,734)	(1,894)	-	(1,245)	(2,070)	(6,943)
Accumulated amortisation						
Balance at 1 July 2020	(1,734)	(1,894)	-	(1,245)	(2,070)	(6,943)
Amortisation Expense	(1,824)	(670)	-	-	(1,182)	(3,676)
Disposals	324	-	-	-	421	745
Balance 30 June 2021	(3,234)	(2,564)	-	(1,245)	(2,831)	(9,874)
Net Book Value						
As at 30 June 2020	3,700	512	2,603	-	1,983	8,798
As at 30 June 2021	3,369	384	2,603	-	1,986	8,342

18. Other assets

	30 June 2021 \$'000	30 June 2020 \$'000
Prepayments	1,065	1,528
Loan to sales consultants	123	111
Other assets	25	168
	1,213	1,807

NOTES TO FINANCIAL STATEMENTS (CONT'D)

19. Trade and other payables

	30 June 2021 \$'000	30 June 2020 \$'000
Trade payables	54,638	56,741
Construction accruals	15,644	12,809
Goods and services tax payable	922	1,991
Other payables and accruals	7,309	9,052
Total	78,513	80,593

20. Borrowings

	30 June 2021 \$'000	30 June 2020 \$'000
Current		
Other borrowings	312	311
Market rate loan	-	-
Total	312	311

Summary of borrowing arrangements

Details of the Group's borrowing facility as at 30 June 2021 are as follows:

Facility	Utilised \$'000	Unutilised \$'000	Interest Charge	Description	Maturity Date
Market Rate Loan	Nil	560	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
Bank Guarantees	1,920	1,080	Fixed Market Rate		
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	30 September 2021
Finance Lease	1,243 ¹	6,257	Fixed Market Rate	Asset under finance leases are secured by the assets leased with repayments periods not exceeding 5 years.	Repayment periods are not exceeding 5 years
Total	4,163	30,397			

1. 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	312	-	Fixed Interest Rate	The Group entered into a Master Instalment Payment Agreement with De Lage Landen Pty Ltd, which covers license subscription for Microsoft products for the period from January 2021 to December 2021.	31 December 2022.
Total	312	-			

21. Provisions

	30 June 2021 \$'000	30 June 2020 \$'000
Provision for employee benefits (i)	11,274	9,153
Cash settled share-based payment	1,602	730
Provision for warranty and contract maintenance (ii)	13,295	13,994
Provision for make good (iii)	1,395	1,284
Total	27,566	25,161
Current	16,671	14,871
Non - current	10,895	10,290
Total	27,566	25,161

- 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	2,574	1,407
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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.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

The movement in provisions 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
2021					
At 30 June 2020	9,153	730	13,994	1,284	25,161
Additional provision recognised during the year	4,241	1,073	4,084	802	10,200
Credited to profit or loss	(2,120)	(201)	(4,783)	(691)	(7,795)
At 30 June 2021	11,274	1,602	13,295	1,395	27,566

	Employee benefits \$'000	Cash settled share-based payment \$'000	Warranty and contract maintenance \$'000	Make good \$'000	Total \$'000
2020					
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)
At 30 June 2020	9,153	730	13,994	1,284	25,161

22. Customer deposits

	30 June 2021 \$'000	30 June 2020 \$'000
Arising from construction contracts	21,153	11,988

23. Issued capital

	30 June 2021 \$'000	30 June 2020 \$'000
143,841,655 fully paid ordinary shares	12,911	12,911
	12,911	12,911

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 2021	30 June 2020	30 June 2021	30 June 2020
Balance at beginning of the period	143,841,655	143,841,655	12,911	12,911
Movement in treasury shares	-	-	-	-
Balance at end of the period	143,841,655	143,841,655	12,911	12,911

24. Reserves

	30 June 2021 \$'000	30 June 2020 \$'000
Share Buy-back Reserve	(7,204)	(7,204)
Share Based Payment Reserve	30,034	29,725
	22,830	22,521

Share Buy-back Reserve

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

25. Accumulated losses

	30 June 2021 \$'000	30 June 2020 \$'000
Balance at the beginning of the year	(18,185)	(23,821)
Profits attributable to owners of the Group (net of tax)	4,693	5,499
Performance and service rights vested / forfeited	-	(9)
Transfers between reserves	-	146
Balance at the end of the year	(13,492)	(18,185)

26. Dividends paid or payable

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

	Year ended 30 June 2021		Year ended 30 June 2020	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Final dividend	-	-	-	-

The company's adjusted franking account balance as at 30 June 2021 is \$22.638m (2020: \$12.840m).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 2021 \$'000	30 June 2020 \$'000
Financial Assets		
Cash and Cash equivalents	22,781	28,282
Trade and other receivables	33,368	29,285
	56,149	57,567
Financial Liabilities		
Trade and other payables	78,513	80,593
Lease liabilities	22,094	22,621
Borrowings	312	311
	100,919	103,525

Market risk

i. Interest rate risk management

As at 30 June 2021, the Group had \$4.475m 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 2021 would decrease/increase by \$0.002m (2020: \$0.002m). 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Expiring within 1 year	3,979	2,152	30,397	-	34,376	2,152
Expiring beyond 1 year	496	2,529	-	27,130	496	29,659
	4,475	4,681	30,397	27,130	34,872	31,811

ii. Maturities of financial liabilities

The table below analyse 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 2021	< 6 months \$'000	6 -12 months \$'000	>1 -5 years \$'000	Total
Financial Liabilities				
Trade and other payables	78,513	-	-	78,513
Lease liabilities	645	9,397	12,052	22,094
Borrowings	312	-	-	312
	79,470	9,397	12,052	100,919

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Year ended 30 June 2020	< 6 months \$'000	6 -12 months \$'000	>1 -5 years \$'000	Total
Financial Liabilities				
Trade and other payables	80,593	-	-	80,593
Lease liabilities	4,852	4,852	12,917	22,621
Borrowings	311	-	-	311
	85,756	4,852	12,917	103,525

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 2021 \$	30 June 2020 \$
Short-term employee benefits	2,438,024	2,716,694
Post-employment benefits	93,059	112,876
Other long-term benefits	18,621	21,892
Termination benefits	-	-
Share-based payments	764,286	452,425
	3,313,990	3,303,887

29. Related party transactions**Trading Transactions**

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

Year ended 30 June 2020	Sales		Cost of goods		Leases and services rendered		Non-cash remuneration	
	30 June 2021 \$	30 June 2020 \$	30 June 2021 \$	30 June 2020 \$	30 June 2021 \$	30 June 2020 \$	30 June 2021 \$	30 June 2020 \$
Vallence Gary Simonds and related entities:								
Properties leased on an arms-length basis	-	-	-	-	305,500	296,422	-	-
Advisory fee paid during the year	-	-	-	-	84,817	97,717	-	-
Remuneration for employee services	-	-	-	-	62,630	59,934	-	-
Car park provided	-	-	-	-	-	-	18,240	22,111
	-	-	-	-	452,947	454,073	18,240	22,111
Simonds Family Office Pty Ltd ¹								
Supply payment to Delos Welltek Australia Pty Ltd ²	-	-	922,580	2,332,853	-	-	-	-
Latitude Invest Pty Ltd ³								
Service payment to Latitude Invest Pty Ltd	-	-	316,290	110,897	-	-	-	-
Mark Simonds and related entities ⁴:								
Payment for use of building licence	-	-	-	-	100,000	100,000	-	-
Remuneration for employee services	-	-	-	-	236	28,183	-	-
	-	-	-	-	100,236	128,183	-	-
Michael Myers and related entities:								
Property leased on an arms-length basis	-	-	30,188	-	-	-	-	-
Property purchased on an arms-length basis	484,250	-	-	-	-	-	-	-
	484,250	-	30,188	-	-	-	-	-
Total	484,250	-	1,269,058	2,443,750	553,183	582,256	18,240	22,111

At 30 June 2021 there were no balances outstanding from related parties (2020: nil).

1. Mark Simonds and Rhett Simonds are directors of Simonds Family Office Pty Ltd.
2. There is a Supply Agreement between Delos Welltek Australia Pty Ltd and Simonds Group for the inclusion of the "DARWIN Essentials Package" into all homes in Victoria. Simonds Family Office Pty Ltd (of which Mark Simonds and Rhett Simonds are directors) hold 25% interest in Delos Welltek Australia Pty Ltd.
3. An interim service agreement between Latitude Invest Pty Ltd and Simonds Group was entered into to provide marketing and sales support in the Wholesale channel. Mark Simonds and Rhett Simonds hold a 50% interest in Latitude Invest Pty Ltd.
4. One family member of Mark Simonds was employed by the Group on a casual basis and remuneration was based on an 'arm's length' basis

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Loans to related parties

During the year ended 30 June 2021 there were no loans to related parties outside the Group (2020: 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.

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 \$1.405m (2020: \$0.737m).
- 2,050,000 performance rights (2020: 3,750,001) were granted to 8 senior executives (2020: 10) as at 30 June 2021, 8,798,039 performance rights remain.
- As at 30 June 2021, performance rights / performance options remaining on issue are:
 - FY2017 Plan: 2,275,720 (performance options)
 - FY2019 Plan: 3,733,332 (performance rights)
 - FY2020 Plan: 3,014,707 (performance rights)
 - FY2021 Plan: 2,050,000 (performance rights)
- No options were granted (2020: Nil) during the period.

Incentives	Financial Year	Tranche	Grant Date	Fair Value at Grant Date	Vesting Date	Expiry Date	Other Vesting Condition	
Cash Settled	FY 2021	1	25 Jun' 2021	\$0.50	30 Jun' 2023	30 Jun' 2023	Non-market	(1), (2)
	FY 2020	1	9 Mar' 2020	\$0.34	30 Sep' 2022	30 Sep' 2022	Non-market	(1), (3)
Performance rights	FY 2019	1	1 Mar' 2019	\$0.27	28 Aug' 2021	28 Aug' 2021	Market	(2), (4)
	FY 2019	2	1 Mar' 2019	\$0.38	30 Jun' 2021	28 Aug' 2021	Non-market	(3), (4)
Options	FY 2017	3	31 Jan' 2017	\$0.11	30 Sep' 2019	30 Sep' 2022	Non-market	(3)

Notes:

- 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.
- 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.
- 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.
- 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 2021:

	30 June 2021 \$'000	30 June 2020 \$'000
Employee share plan		
Share based expense (excluding forfeitures)	424	570
	424	570

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

Cash rights subject to market-based vesting conditions and FY 2019 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 FY 2019 performance rights (Tranche 2) value at grant date is equivalent to that of the underlying share. The risk-free rates used for FY 2019 performance rights valuation are the yield to maturity on Australian Government Bonds with maturities equivalent to the expected lift of the rights.

	Fair value model inputs and assumptions					
	Fair value at grant date	Exercise Price	Expected life of instruments (days)	Expected volatility	Expected dividend yield	Risk - free rate
FY 2021 Cash rights:						
Tranche 1 ¹	\$0.50	\$0.00	n/a	n/a	n/a	n/a
FY 2020 Cash rights:						
Tranche 1 ²	\$0.34	\$0.00	n/a	n/a	n/a	n/a
FY 2019 Performance rights:						
Tranche 1	\$0.27	\$0.00	912	67%	0.0%	1.70%
Tranche 2	\$0.38	\$0.00	853	67%	0.0%	1.70%
CEO Options:						
EPS	\$0.11	\$0.40	972	50%	5.5%	2.06%

1. The fair value at 30 June 2021 is \$0.595.

2. The fair value at 30 June 2021 is \$0.595.

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:

2021	Financial Year Issued	Opening balance	Granted during the year		Vested during the year		Forfeited during the year		Closing balance
		Number of rights	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Total number of rights
Cash Rights									
Tranche 1	FY 2021	-	2,050,000	0.50	-	-	-	-	2,050,000
Tranche 1	FY 2020	3,750,001	-	-	-	-	735,294	0.39	3,014,707
Tranche 1	FY 2018	645,162	-	-	-	-	645,162	0.11	-
Tranche 2	FY 2018	645,160	-	-	645,160	0.35	-	-	-
Performance Rights									
Tranche 1	FY 2019	2,095,674	-	-	-	-	229,008	0.27	1,866,666
Tranche 2	FY 2019	2,095,674	-	-	-	-	229,008	0.38	1,866,666
CEO Options									
EPS	FY 2017	2,275,720	-	-	-	-	-	-	2,275,720
Total		11,507,391	2,050,000	0.50	645,160	0.35	1,838,472	0.27	11,073,759

2020	Financial Year Issued	Opening balance	Granted during the year		Vested during the year		Forfeited during the year		Closing balance
		Number of rights	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Number of rights	Weighted average fair value	Total number of rights
Cash Rights									
Tranche 1	FY 2020	-	3,750,001	0.34	-	-	-	-	3,750,001
Tranche 1	FY 2018	645,162	-	-	-	-	-	-	645,162
Tranche 2	FY 2018	645,160	-	-	-	-	-	-	645,160
Performance Rights									
Tranche 1	FY 2019	2,033,332	62,342	0.27	-	-	-	-	2,095,674
Tranche 2	FY 2019	2,033,332	62,342	0.38	-	-	-	-	2,095,674
Tranche 1	FY 2017	632,756	-	-	-	-	632,756	0.23	-
Tranche 2	FY 2017	632,753	-	-	632,753	0.35	-	-	-
CEO Options									
EPS	FY 2017	2,275,720	-	-	-	-	-	-	2,275,720
TOTAL		8,898,215	3,874,685	0.34	632,753	0.35	632,756	0.23	11,507,391

Cash rights outstanding at the end of the current financial year had an exercise price of \$nil (2020: nil). Performance rights outstanding at the end of the current financial year had an exercise price of \$nil (2020: \$nil). CEO Options outstanding at the end of the current financial year had an exercise price of \$0.40 per option.

The weighted average contractual life of cash rights was 557 days (2020: 977). The weighted average contractual life of performance rights was 883 days (2020: 833 days).

Performance and service rights vested during the year

645,160 (2020: 632,753) performance rights vested during the year ended 30 June 2021, 645,160 were settled in cash, while nil were settled with shares.

Performance and service rights forfeited during the year

There were 1,380,456 (2020: nil) cash rights and 458,016 (2020: 632,753) performance rights forfeited during the year.

Share based payments reserve

	30 June 2021 \$'000	30 June 2020 \$'000
Balance at the beginning of the year	29,725	29,522
Amounts expensed	423	570
Performance rights vested	-	(221)
Performance rights forfeited	(115)	-
Transfer to accumulated losses	-	(146)
Balance at the end of the year	30,033	29,725

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31. Commitments for expenditure

	30 June 2021 \$'000	30 June 2020 \$'000
Lease commitments	1,061	-
Non – cancellable operating lease payments		
No longer than 1 year	1,061	-
Longer than 1 year and not longer than 5 years	-	-
	1,061	-

32. Auditor's remuneration

	30 June 2021 \$	30 June 2020 \$
Deloitte and related network firms*		-
Audit or review of financial statements		
- Group	281,500	287,000
- Subsidiaries - House of Learning Pty Ltd	18,500	23,000
	300,000	310,000
Statutory assurance services required by the legislation to be provided by the auditor	15,000	-
Other services		
- Tax services	148,295	153,964
	463,295	463,964

*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:

	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Cash and cash equivalents		22,781	28,282
		22,781	28,282
Reconciliation of profit for the year to net cash flows from operating activities			
Cash flows from operating activities			
Net profit after tax for the year		4,693	5,499
Add / (deduct):			
Income tax expense recognised in profit or loss		2,724	3,092
Finance costs recognised in profit or loss		1,563	1,502
Management incentive and share based payments		309	340
Depreciation and amortisation of non-current assets		20,615	19,073
		29,904	29,506
Movements in working capital			
(Increase) in trade and other receivables		(4,080)	(1,883)
Decrease in inventories		6,937	1,211
(Increase) / decrease in other assets		(15,713)	20,357
(Decrease) / increase in trade and other payables		(2,305)	2,445
Increase in provisions		2,405	3,169
Increase / (decrease) in other liabilities		7,946	(2,467)
Cash generated by operating activities		25,094	52,338
Net interest paid		(1,563)	(1,502)
Income taxes paid		(9,800)	(1,913)
Net cash generated from operating activities		13,731	48,923

Non-cash transactions

The Group acquired \$8.433m of right-of-use assets during the financial ended 30 June 2021. 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 2020 \$'000	Financing cash flows \$'000	Non-cash changes New finance leases \$'000	30 June 2021 \$'000
Other borrowings	20	311	1	-	312
Finance lease liabilities	36	22,621	(13,059)	12,532	22,094
Total liabilities from financing activities		22,932	(13,058)	12,532	22,406

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 2021 \$'000	30 June 2020 \$'000
Statement of financial position		
Current Assets	7,579	5,588
Non-current Assets	2,874	-
Total assets	10,453	5,588
Current Liabilities	1,383	3,628
Non-current Liabilities	1,686	695
Total liabilities	3,069	4,323
Net assets	7,384	1,265
Issued capital	12,911	12,911
Reserves	(33,862)	(34,171)
Accumulated profit/ losses	28,335	22,525
Total equity	7,384	1,265
Income statement		
Dividends from subsidiaries	7,250	-
Operating expense	(1,551)	(1,134)
Tax refund	111	16
Profit / (Loss) for the year	5,810	(1,118)

35. Contingent liabilities and contingent assets

	30 June 2021 \$'000	30 June 2020 \$'000
Contingent Liabilities		
Other guarantees (i)	1,920	1,286

(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 \$2.410m (2020: \$2.611m).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

	Commercial offices \$'000	Display homes \$'000	Display home furniture \$'000	IT equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost						
Balance at 1 July 2019	13,546	4,829	2,894	-	5,299	26,568
Additions	204	1,468	2,468	1,479	199	5,818
Changes in value from lease modification and cancellation	2,318	(657)	(271)	-	(56)	1,334
Disposal of assets	-	-	-	-	(381)	(381)
Balance at 30 June 2020	16,068	5,640	5,091	1,479	5,061	33,339
Cost						
Balance at 1 July 2020	16,067	5,640	5,091	1,479	5,061	33,338
Additions	-	4,047	2,309	-	2,077	8,433
Changes in value from lease modification and cancellation	4,824	885	121	-	33	5,863
Disposal of assets	(2,464)	(3,634)	(1,939)	-	(206)	(8,243)
Balance at 30 June 2021	18,427	6,938	5,582	1,479	6,965	39,391
Accumulated amortisation						
Balance at 1 July 2019	-	-	-	-	(1,353)	(1,353)
Charge for the year	(4,032)	(4,954)	(3,006)	(674)	(1,262)	(13,928)
Changes in value from lease modification and cancellation	1,161	1,983	968	-	196	4,308
Disposal of assets	-	-	-	-	335	335
Balance 30 June 2020	(2,871)	(2,971)	(2,038)	(674)	(2,084)	(10,638)
Accumulated amortisation						
Balance at 1 July 2020	(2,871)	(2,971)	(2,038)	(674)	(2,084)	(10,638)
Charge for the year	(4,246)	(4,443)	(2,967)	(683)	(1,357)	(13,696)
Changes in value from lease modification and cancellation	(2)	26	56	-	1	81
Disposal of assets	1,189	3,514	1,836	-	190	6,729
Balance 30 June 2021	(5,930)	(3,874)	(3,113)	(1,357)	(3,250)	(17,524)
Carrying amount						
As at 30 June 2020	13,197	2,669	3,053	805	2,977	22,701
As at 30 June 2021	12,497	3,064	2,469	122	3,715	21,867

Amount recognised in profit or loss

	30 June 2021 \$'000	30 June 2020 \$'000
Lease under AASB 16		
Interest on lease liabilities	(1,100)	(887)
Depreciation expense on right-of-use assets	(13,696)	(13,927)
Expenses relating to short-term leases	(1,644)	(159)
Expenses relating to low value assets	(317)	(317)
Profit on lease modification and cancellation	349	(62)
	(16,408)	(15,352)

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 \$14.150m (2020: \$14.189m).

Lease liabilities

	30 June 2021 \$'000	30 June 2020 \$'000
Current	10,042	9,704
Non-current	12,052	12,917
	22,094	22,621
Leases expiring less than one year	10,042	9,704
Leases expiring between one and five years	12,052	11,581
Leases expiring more than five years	-	1,336

NOTES TO FINANCIAL STATEMENTS (CONT'D)

37. Subsequent events

On 15 July 2021, the Premier of Victoria announced a state-wide lockdown to apply for Victoria until 20 July 2021. This lockdown was subsequently extended until 27 July 2021, impacting the construction of homes as well as the closure of display homes and galleries. On 11 August 2021 these restrictions were removed for regional Victoria but continued for metropolitan areas. On 16 August 2021, the Premier of Victoria announced the extension of the lockdown restrictions for metropolitan Melbourne until 2 September 2021, along with the re-introduction of a curfew from 9pm to 5am, work permits for authorised workers to leave home and restrictions on staffing numbers allowed on construction sites. On 21 August 2021 the Premier of Victoria announced a further lockdown of regional Victoria until 2 September 2021, as well as the introduction of work permits and restricted staffing on construction sites.

On 17 July 2021, the Premier of New South Wales (NSW) announced further tightening of its lockdown measures for Greater Sydney and its surrounds which resulted in the cessation of all construction works, closure of display homes and access to the NSW gallery until 30 July 2021. This lockdown was further extended until at least 28 August 2021. On 20 August 2021, the Premier of NSW announced the extension of the lockdown restrictions for Greater Sydney and surrounds until 28 September 2021, along with the introduction of a curfew from 9pm to 5am, work permits for authorised workers to leave home and restrictions on staffing numbers allowed on construction sites.

On 20 July 2021, the Premier of South Australia (SA) announced a 7-day lockdown until 27 July 2021, resulting in the closure of all display homes, the SA gallery and cessation of construction work onsite during this period.

Management have taken a range of mitigating actions to reduce the impact of these 'lockdown' restrictions.

On 27 July 2021 it was announced that Rhett Simonds would be appointed as CEO and Executive Chairman and that Iain Kirkwood would step down as Chairman of the Board and remain on the Board as an Independent Non-Executive Director. Mr Andrew Bloore was appointed as a Non-Executive Director of the Company, and Mr Neil Kearney and Ms Delphine Cassidy resigned as Independent Non-Executive Directors of the Company. All changes were effective from the date of the announcement.

On 19 August 2021 the Group executed the signing of revised facility agreement to extend the existing borrowing facility to 30 September 2023. Total facility limit increased by \$2.500m from \$34.560m to \$37.060m.

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 30 August 2021 (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 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	531	215,425	-	-	-	-
1,001 - 5,000	102	273,988	-	-	-	-
5,001 - 10,000	59	444,379	-	-	-	-
10,001 - 100,000	135	4,509,254	-	-	-	-
100,001 and over	48	138,398,609	8	8,798,039	1	2,275,720
Total	875	143,841,655	8	8,798,039	1	2,275,720

There were 535 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	6,933,621	4.82%
Moat Investments Pty Ltd	2,089,560	1.45%
Madisson Constructions Pty Ltd	1,572,678	1.09%
BNP Paribas Nominees Pty Ltd	1,507,249	1.05%
Poal Pty Ltd	1,020,000	0.71%
Gliocas Investments Pty Ltd	769,271	0.53%
Mr Robert Geoffrey Stubbs	755,323	0.53%
Mast Financial Pty Ltd	742,214	0.52%
Jet Invest Pty Ltd	577,500	0.40%
Mr Kim Bee Tan & Mrs Verna Suat Wah Tan	550,000	0.38%
Sutton Gardner Pty Ltd	500,000	0.35%
Dr Howard Vincent Bertram & Dr Gijssberdina Bertram	387,145	0.27%
National Nominees Limited	355,500	0.25%
April Pamela Waddell	310,000	0.22%
Huntingdale Management Pty Ltd	300,000	0.21%
Pethol (VIC) Pty Ltd	300,000	0.21%
	134,312,089	93.37%
Other shareholders	9,529,566	6.63%
Total shareholders	143,841,655	100.00%

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	66,190,419	46.02%
McDonald Jones Homes Pty Ltd	36,723,647	25.63%
F.J.P. Pty Ltd	20,370,660	14.16%
Total	123,284,726	85.71%

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

8,798,039 unlisted performance rights have been granted to 8 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.

CORPORATE DIRECTORY

Directors

Rhett Simonds

(Chief Executive Officer and Executive Chairman)

Iain Kirkwood

(Independent, Non-Executive Director)

Piers O'Brien

(Non-Executive Director)

Mark Simonds

(Executive Director)

Andrew Bloore

(Non-Executive Director)

Company Secretary

Paul Taylor

Notice of annual general meeting

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

Date: 27 October 2021

Time: 11.00am (AEDT)

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

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

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



Simonds Group

simondsgroup.com.au