

## **Johns Lyng Group - ListCo**

Combined Financial Report  
For the year ended 30 June 2017

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## JOHNS LYNG GROUP - LISTCO

### TRUSTEES' REPORT

The directors of the trustee present their report together with the financial report of the group, being the trust and its combined entities, for the year ended 30 June 2017 and auditor's report thereon.

#### Directors names

The names of the directors of the trustee in office at any time during or since the end of the year are:

Scott Didier

Lindsay Barber

John McPhee

Curtis Mudd

Paul Dwyer

Michael Harford

Erica Lord

Simon Plummer            Resigned 1 September 2016

Adrian Gleeson            Appointed 22 July 2016

Philippa Brown            Appointed 14 September 2016

Nick Carnell                Appointed 1 January 2017

Mark Baratta                Appointed 1 January 2017

Kelly Mitchell              Appointed 1 January 2017

The directors of the trustee have been in office since the start of the year to the date of this report unless otherwise stated.

#### Results

The profit of the group for the year after providing for income tax and non-controlling interests amounted to \$10,135,534 (2016: \$12,568,122).

#### Review of operations

The group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

#### Significant changes in state of affairs

There were no significant changes in the group's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

#### Principal activities

The principal activities of the group during the year were the provision of construction, building and related services, including disaster recovery and restoration to the insurance industry.

No significant change in the nature of these activities occurred during the year.

## JOHNS LYNG GROUP - LISTCO

### TRUSTEES' REPORT

#### After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

#### Likely developments

The group expects to maintain the present status and level of operations.

#### Environmental regulation

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

#### Distributions and dividends paid, recommended and declared

Distributions paid or declared since the start of the financial year are as follows:

- Distributions of \$15,688,749 (2016: \$17,691,779) were declared during the year.
- Dividends of \$522,918 (2016: \$798,346) were declared during the year.

#### Meetings of directors

| Directors       | Directors' meetings       |                 |
|-----------------|---------------------------|-----------------|
|                 | Number eligible to attend | Number attended |
| Scott Didier    | 11                        | 10              |
| Lindsay Barber  | 11                        | 9               |
| John McPhee     | 11                        | 11              |
| Curtis Mudd     | 11                        | 8               |
| Paul Dwyer      | 11                        | 9               |
| Michael Harford | 11                        | 11              |
| Erica Lord      | 11                        | 8               |
| Simon Plummer   | 2                         | 2               |
| Adrian Gleeson  | 11                        | 11              |
| Philippa Brown  | 11                        | 10              |
| Nick Carnell    | 8                         | 8               |
| Mark Baratta    | 7                         | 7               |
| Kelly Mitchell  | 5                         | 4               |

#### Options

No options over unissued shares or interests in the group were granted during or since the end of the year and there were no options outstanding at the end of the year.

JOHNS LYNG GROUP - LISTCO

TRUSTEES' REPORT

**Indemnification of officers**

During or since the end of the year, the group has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the group.

Further disclosure is prohibited under the terms of the contract.

**Indemnification of auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the group.

**Auditor's independence declaration**

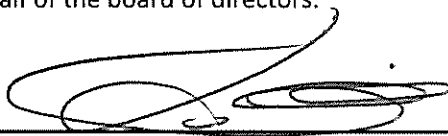
A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

**Proceedings on behalf of the group**

No person has applied for leave of Court to bring proceedings on behalf of the group or intervene in any proceedings to which the group is a party for the purpose of taking responsibility on behalf of the group for all or any part of those proceedings.

Signed on behalf of the board of directors.

Trustee:



Lindsay Barber

Trustee:



John McPhee

Dated this 31st day of August 2017

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE UNITHOLDERS OF JOHNS LYNG UNIT TRUST**

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Johns Lyng Unit Trust and the combined entities during the year.



S D WHITCHURCH

Partner

Date: 31 August 2017



PITCHER PARTNERS

Melbourne

JOHNS LYNG GROUP - LISTCO

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017

|   | Note | 2017<br>\$           | 2016<br>\$           |
|---|------|----------------------|----------------------|
| <b>Revenue</b>  |      |                      |                      |
| Sales income  | 5    | 249,727,577          | 242,311,401          |
| <b>Less: Cost of sales</b>  |      |                      |                      |
| Cost of sales   | 6    | <u>(199,559,145)</u> | <u>(188,899,085)</u> |
| <b>Gross profit</b>   |      | 50,168,432           | 53,412,316           |
| Other revenue and income  | 5    | <u>2,481,356</u>     | <u>1,337,470</u>     |
|   |      | <u>52,649,788</u>    | <u>54,749,786</u>    |
| <b>Less: expenses</b>   |      |                      |                      |
| Depreciation and amortisation expense   | 6    | (1,994,660)          | (1,705,307)          |
| Net employee benefits expense   | 6    | (23,026,581)         | (21,998,827)         |
| Occupancy expense   |      | (1,924,411)          | (1,435,133)          |
| Advertising expense   |      | (876,697)            | (946,250)            |
| Finance costs   | 6    | (1,102,912)          | (882,002)            |
| Repairs and maintenance expense   |      | (162,382)            | (186,647)            |
| Impairment  | 6    | (608,564)            | (2,002,512)          |
| Motor vehicle expenses  |      | (2,081,913)          | (1,926,580)          |
| Travelling expenses   |      | (1,072,323)          | (1,031,922)          |
| Call centre charges   |      | (157,518)            | (1,019,766)          |
| Insurance   |      | (1,024,810)          | (911,381)            |
| Professional fees   |      | (1,292,079)          | (872,161)            |
| Telephone and communication   |      | (922,135)            | (978,323)            |
| Other expenses  |      | <u>(2,111,721)</u>   | <u>(1,802,937)</u>   |
|   |      | <u>(38,358,706)</u>  | <u>(37,699,748)</u>  |
| Share of net profits / (losses) of associates and joint ventures<br>accounted for using the equity method | 6    | <u>(414,832)</u>     | <u>92,410</u>        |
| <b>Profit before income tax expense</b>   |      | 13,876,250           | 17,142,448           |
| Income tax expense  | 7    | <u>(575,388)</u>     | <u>(494,692)</u>     |
| <b>Net profit from continuing operations</b>  |      | <u>13,300,862</u>    | <u>16,647,756</u>    |
| <b>Other comprehensive income</b>   |      |                      |                      |
| <i>Items that may be reclassified subsequently to profit and loss</i>                                     |      |                      |                      |
| Exchange differences on translation of foreign operations   |      | <u>(11,658)</u>      | <u>14,146</u>        |
| <b>Other comprehensive income for the year</b>  |      | <u>(11,658)</u>      | <u>14,146</u>        |
| <b>Total comprehensive income</b>   |      | <u>13,289,204</u>    | <u>16,661,902</u>    |
| <b>Profit is attributable to:</b>   |      |                      |                      |
| - Johns Lyng Unit Trust   |      | 10,135,534           | 12,568,122           |
| - Non-controlling interests   |      | <u>3,165,328</u>     | <u>4,079,634</u>     |
|   |      | <u>13,300,862</u>    | <u>16,647,756</u>    |
| <b>Total comprehensive income is attributable to:</b>   |      |                      |                      |
| - Johns Lyng Unit Trust   |      | 10,123,876           | 12,582,268           |
| - Non-controlling interests   |      | <u>3,165,328</u>     | <u>4,079,634</u>     |
|   |      | <u>13,289,204</u>    | <u>16,661,902</u>    |

The accompanying notes form part of these financial statements.

JOHNS LYNG GROUP - LISTCO

COMBINED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

|   | Note | 2017<br>\$          | 2016<br>\$          |
|---|------|---------------------|---------------------|
| <b>Current assets</b>   |      |                     |                     |
| Cash and cash equivalents   | 8    | 6,816,112           | 6,756,571           |
| Receivables   | 9    | 44,383,214          | 40,159,854          |
| Inventories   | 10   | 11,860,797          | 9,421,645           |
| Current tax assets  | 7    | 736                 | 7,119               |
| Other assets  | 11   | <u>569,919</u>      | <u>370,738</u>      |
| <b>Total current assets</b>   |      | <u>63,630,778</u>   | <u>56,715,927</u>   |
| <b>Non-current assets</b>   |      |                     |                     |
| Property, plant and equipment   | 12   | 7,494,510           | 4,372,749           |
| Assets for disposal   | 13   | -                   | 19,071,847          |
| Investments accounted for using equity method                             | 14   | (275,008)           | 139,824             |
| Deferred tax assets   | 7    | -                   | 58,552              |
| Intangible assets   | 15   | <u>3,401,593</u>    | <u>3,377,380</u>    |
| <b>Total non-current assets</b>   |      | <u>10,621,095</u>   | <u>27,020,352</u>   |
| <b>Total assets</b>   |      | <u>74,251,873</u>   | <u>83,736,279</u>   |
| <b>Current liabilities</b>  |      |                     |                     |
| Payables  | 16   | 42,773,031          | 42,690,450          |
| Borrowings  | 17   | 18,615,185          | 12,800,558          |
| Provisions  | 18   | 2,221,605           | 2,146,350           |
| Beneficiary entitlements  | 19   | 13,773,707          | 30,888,960          |
| Other liabilities   | 20   | <u>8,763,367</u>    | <u>5,884,298</u>    |
| <b>Total current liabilities</b>  |      | <u>86,146,895</u>   | <u>94,410,616</u>   |
| <b>Non-current liabilities</b>  |      |                     |                     |
| Borrowings  | 17   | 2,176,305           | 870,265             |
| Provisions  | 18   | <u>246,616</u>      | <u>189,579</u>      |
| <b>Total non-current liabilities</b>                                      |      | <u>2,422,921</u>    | <u>1,059,844</u>    |
| <b>Total liabilities</b>  |      | <u>88,569,816</u>   | <u>95,470,460</u>   |
| <b>Net assets</b>   |      | <u>(14,317,943)</u> | <u>(11,734,181)</u> |
| <b>Trust funds</b>  |      |                     |                     |
| Trust funds   | 21   | 2,000,010           | 2,000,017           |
| Reserves  | 22   | (1,253,356)         | (821,415)           |
| Net accumulated losses  | 23   | <u>(14,797,919)</u> | <u>(13,049,240)</u> |
| <b>Trust funds attributable to beneficiaries of Johns Lyng Unit Trust</b> |      | <u>(14,051,265)</u> | <u>(11,870,638)</u> |
| Non-controlling interests   | 24   | <u>(266,678)</u>    | <u>136,457</u>      |
| <b>Total trust funds</b>  |      | <u>(14,317,943)</u> | <u>(11,734,181)</u> |

The accompanying notes form part of these financial statements.



JOHNS LYNG GROUP - LISTCO

COMBINED STATEMENT OF CHANGES IN TRUST FUNDS  
FOR THE YEAR ENDED 30 JUNE 2017

|   | Trust funds<br>\$ | Reserves<br>\$     | Net<br>accumulated<br>losses<br>\$ | Non-<br>controlling<br>interests<br>\$ | Total trust<br>funds<br>\$ |
|---|-------------------|--------------------|------------------------------------|--|----------------------------|
| <b>Combined</b>   |                   |                    |                                    |  |                            |
| <b>Balance as at 1 July 2015</b>  | 2,000,017         | (836,133)          | (11,143,917)                       | 68,430                                 | (9,911,603)                |
| Profit for the year   | -                 | -                  | 12,568,122                         | 4,079,634                              | 16,647,756                 |
| Movement in foreign<br>currency translation reserve                       | -                 | 14,146             | -                                  | -                                      | 14,146                     |
| <b>Total comprehensive<br/>income for the year</b>                        | -                 | 14,146             | 12,568,122                         | 4,079,634                              | 16,661,902                 |
| <b>Transactions with owners in<br/>their capacity as owners:</b>          |                   |                    |                                    |  |                            |
| Transactions with the group   | -                 | -                  | -                                  | 5,073                                  | 5,073                      |
| Dividends   | -                 | -                  | -                                  | (798,346)                              | (798,346)                  |
| Distribution to unitholders   | -                 | -                  | (14,473,445)                       | (3,218,334)                            | (17,691,779)               |
| Transactions with NCI   | -                 | 572                | -                                  | -                                      | 572                        |
| <b>Total transactions with<br/>owners in their capacity as<br/>owners</b> | -                 | 572                | (14,473,445)                       | (4,011,607)                            | (18,484,480)               |
| <b>Balance as at 30 June 2016</b>   | <u>2,000,017</u>  | <u>(821,415)</u>   | <u>(13,049,240)</u>                | <u>136,457</u>                         | <u>(11,734,181)</u>        |
| <b>Balance as at 1 July 2016</b>  | 2,000,017         | (821,415)          | (13,049,240)                       | 136,457                                | (11,734,181)               |
| Profit for the year   | -                 | -                  | 10,135,534                         | 3,165,328                              | 13,300,862                 |
| Movement in foreign<br>currency translation reserve                       | -                 | (11,658)           | -                                  | -                                      | (11,658)                   |
| <b>Total comprehensive<br/>income for the year</b>                        | -                 | (11,658)           | 10,135,534                         | 3,165,328                              | 13,289,204                 |
| <b>Transactions with owners in<br/>their capacity as owners:</b>          |                   |                    |                                    |  |                            |
| Buy-backs   | (7)               | -                  | -                                  | -                                      | (7)                        |
| Transactions with the group   | -                 | -                  | -                                  | 7,737                                  | 7,737                      |
| Dividends   | -                 | -                  | -                                  | (522,918)                              | (522,918)                  |
| Distribution to unitholders   | -                 | -                  | (12,635,465)                       | (3,053,282)                            | (15,688,747)               |
| Transactions with NCI   | -                 | 330,969            | -                                  | -                                      | 330,969                    |
| Transfers   | -                 | (751,252)          | 751,252                            | -                                      | -                          |
| <b>Total transactions with<br/>owners in their capacity as<br/>owners</b> | (7)               | (420,283)          | (11,884,213)                       | (3,568,463)                            | (15,872,966)               |
| <b>Balance as at 30 June 2017</b>   | <u>2,000,010</u>  | <u>(1,253,356)</u> | <u>(14,797,919)</u>                | <u>(266,678)</u>                       | <u>(14,317,943)</u>        |

The accompanying notes form part of these financial statements.

JOHNS LYNG GROUP - LISTCO

COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017

|   | Note  | 2017<br>\$          | 2016<br>\$          |
|---|-------|---------------------|---------------------|
| <b>Cash flow from operating activities</b>          |       |                     |                     |
| Receipts from customers                             |       | 269,503,270         | 273,452,766         |
| Payments to suppliers and employees                 |       | (256,699,923)       | (256,768,570)       |
| Dividends received                                  |       | 735,000             | -                   |
| Interest received                                   |       | 34,451              | 62,385              |
| Finance costs                                       |       | (1,102,912)         | (1,042,776)         |
| Income tax paid                                     |       | <u>(510,453)</u>    | <u>(664,978)</u>    |
| <b>Net cash provided by operating activities</b>    | 25(b) | <u>11,959,433</u>   | <u>15,038,827</u>   |
| <b>Cash flow from investing activities</b>          |       |                     |                     |
| Proceeds from sale of property, plant and equipment |       | 299,074             | 319,500             |
| Payment for property, plant and equipment           |       | (706,411)           | (581,994)           |
| Payment for intangibles                             |       | <u>(34,443)</u>     | <u>(30,999)</u>     |
| <b>Net cash used in investing activities</b>        |       | <u>(441,780)</u>    | <u>(293,493)</u>    |
| <b>Cash flow from financing activities</b>          |       |                     |                     |
| Share buy-back                                      |       | (7)                 | -                   |
| Proceeds from borrowings                            |       | 10,000,000          | 574,112             |
| Repayment of borrowings                             |       | (3,030,000)         | (2,399,293)         |
| Repayment of HPs                                    |       | (1,112,039)         | (1,352,908)         |
| Payments to related parties                         |       | (3,647,046)         | (5,496,891)         |
| Repayment from related parties                      |       | 6,939,339           | 7,753,873           |
| Payments to beneficiaries                           |       | <u>(20,828,956)</u> | <u>(14,665,068)</u> |
| <b>Net cash used in financing activities</b>        |       | <u>(11,678,709)</u> | <u>(15,586,175)</u> |
| <b>Reconciliation of cash</b>                       |       |                     |                     |
| Cash at beginning of the financial year             |       | 5,134,385           | 5,975,226           |
| Net decrease in cash held                           |       | <u>(161,056)</u>    | <u>(840,841)</u>    |
| <b>Cash at end of financial year</b>                | 25(a) | <u>4,973,329</u>    | <u>5,134,385</u>    |

The accompanying notes form part of these financial statements.

## JOHNS LYNG GROUP - LISTCO

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The directors have determined that the group is not a reporting entity on the basis that, in the opinion of the directors, there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. Accordingly, this financial report is a special purpose financial report, which has been prepared for use by the directors and members of the group.

The financial report covers Johns Lyng Unit Trust and its combined entities. Johns Lyng Unit Trust is a group, formed and domiciled in Australia. Johns Lyng Unit Trust is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors of the trustee as at the date of the trustees' report.

The financial report has been prepared in accordance with the accounting policies set out below, and the disclosure requirements of:

|            |  |
|------------|--|
| AASB 9:    | Financial Instruments                                    |
| AASB 13:   | Fair Value Measurement                                   |
| AASB 101:  | Presentation of Financial Statements                     |
| AASB 102:  | Inventories  |
| AASB 107:  | Statement of Cash Flows                                  |
| AASB 111:  | Construction Contracts                                   |
| AASB 112:  | Income Taxes   |
| AASB 116:  | Property, Plant and Equipment                            |
| AASB 117:  | Leases   |
| AASB 118:  | Revenue  |
| AASB 119:  | Employee Benefits  |
| AASB 123:  | Borrowing Costs  |
| AASB 128:  | Investments in Associates                                |
| AASB 132:  | Financial Instruments: Presentation                      |
| AASB 136:  | Impairments of Assets                                    |
| AASB 137:  | Provisions, Contingent Liabilities and Contingent Assets |
| AASB 138:  | Intangible Assets  |
| AASB 139:  | Financial Instruments: Recognition and Measurement       |
| AASB 1031: | Materiality  |

Restructure transactions have been recognised prior to the legal effect of the restructure so that the financial report is representative of the group to be listed. Investments in subsidiaries controlled by the group prior to the restructure have been classified as Assets For Disposal at cost less accumulated impairment losses within Note 13: Assets for disposal and in accordance with Note 1(n).

Profit and losses from controlled outside of the group to be listed have not been recognised.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

#### **(a) Basis of preparation of the financial report**

##### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Going concern**

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

The group is dependent on the ongoing financial support of its unitholders.

As at 30 June 2017:

- The group's total liabilities exceeded total assets by \$14,317,943 (2016: \$11,734,181)
- Total current liabilities exceeded total current assets by \$22,516,119 (2016: \$37,694,689) which include beneficiary entitlements of \$13,773,707 (2016: \$30,888,960) and income in advance of \$8,763,367 (2016: \$5,884,298).
- The amount owing to unitholders, including non-controlling interests, as at 30 June 2017 was \$13,773,707 (2016: \$30,888,960).

All unit trusts within the group are required to distribute profits annually to its unitholders in accordance with their trust deeds; the group is therefore unable to accumulate retained earnings.

A number of Johns Lyng Unit Trust unitholders have undertaken to provide financial support to Johns Lyng Unit Trust by:

- Not calling upon amounts owing to them as at 30 June 2017 for at least 12 months from the date of the audit report to the extent that Johns Lyng Unit Trust would be unable to pay its debts when they fall due.
- Not calling upon amounts owing to them in relation to profit distributions to be resolved by the trustee of Johns Lyng Unit Trust during the year ended 30 June 2018 for at least 12 months from the date of the audit report to the extent that Johns Lyng Unit Trust would be unable to pay its debts when they fall due.

The group's bank facilities are subject to an annual review. Its next review is due 1 February 2018. The group is dependent on continuing support from its financiers to maintain its operations. The directors of the trustee are reasonably confident that these facilities will be renewed due to the following circumstances:

- During the year ended 30 June 2017 the group reported an operating profit after tax (before non-controlling interests) of \$13,300,862 (2016: \$16,647,756).
- The group's budgets and forecasts for the year ended 30 June 2018 anticipate that the group will continue to achieve similar levels of operation in the next twelve months and therefore it will be able to continue to comply with the terms and conditions of borrowings.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the group be unable to trade as forecast or to renew its bank facilities in order to continue as a going concern.

If the going basis of accounting is found to no longer be appropriate, the recoverable of the assets shown in the Combined Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of liabilities may differ significantly from those reflected.

## JOHNS LYNG GROUP - LISTCO

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Principles of combination

The combined financial statements are those of the proposed Johns Lyng Group - ListCo combined entity ("the group"), comprising the financial statements of the parent entity and all of the entities the parent controls that will be included within the group listing.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. Refer Note 3 for a list of all subsidiaries included in the combined group.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on combination. Subsidiaries are combined from the date on which control is transferred to the group and are de-recognised from the date that control ceases for those subsidiaries to be listed.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests in the results of subsidiaries are shown separately in the Combined Statement of Profit or Loss and Other Comprehensive Income and Combined Statement of Financial Position respectively.

##### (d) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the identifiable net asset value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in the profit or loss.

Acquisition related costs are expensed as incurred.

## JOHNS LYNG GROUP - LISTCO

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **(e) Investments in associates**

An associate is an entity over which the group is able to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The group's interests in associates are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits and losses of the associate is recognised in the group's profit or loss and the group's share of other comprehensive income items is recognised in the group's other comprehensive income. Details relating to associates are set out in Note 14.

Unrealised gains and losses on transactions between the group and an associate are eliminated to the extent of the group's share in an associate.

##### **(f) Foreign currency translations and balances**

###### *Functional and presentation currency*

The financial statements of each entity within the consolidated entity is measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

###### *Transactions and Balances*

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Subsidiaries that have a functional currency different from the presentation currency of the group are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Revenue**

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is determined by a combination of surveys of work performed, completion of a physical proportion of the contract work, or by the proportion that contract costs incurred for work performed to date to the estimated total contract cost.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

All expected losses are recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Dividend revenue is recognised when the right to receive a dividend has been established.

Interest revenue is measured in accordance with the effective interest method.

All revenue is measured net of the amount of goods and services tax (GST).

**(h) Finance costs**

Finance costs include interest expense calculated using the effective interest method and finance charges in respect of finance leases.

Finance costs incurred as part of the cost of the construction of qualifying assets, including construction contracts and work in progress, are included within contract costs.

**(i) Income tax**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Income tax is not recognised by the trusts within the group. Profits are required to be distributed to the trust's unitholders who are ultimately liable for income tax.

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the combined statement of financial position.

**(k) Inventories**

Inventories are measured at the lower of cost and net realisable value.

**(l) Construction contracts and work in progress**

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to contract activity in general that can be allocated on a reasonable basis.

Construction profits are recognised on the percentage of completion basis measured a combination of surveys of work performed, completion of a physical proportion of the contract work, or by the proportion that contract costs incurred for work performed to date to the estimated total contract cost. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

**(m) Property, plant and equipment**

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

*Plant and equipment*

Plant and equipment is measured on a cost basis.

*Depreciation*

The depreciable amount of all plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

| <b>Class of fixed asset</b>              | <b>Depreciation rates</b> | <b>Depreciation basis</b> |
|--|---------------------------|---------------------------|
| Leasehold improvements at cost           | 10-25%                    | Straight line             |
| Plant and equipment at cost              | 25-33%                    | Straight line             |
| Motor vehicles at cost                   | 27%                       | Diminishing value         |
| Office equipment at cost                 | 25-33%                    | Straight line             |
| Furniture, fixtures and fittings at cost | 33%                       | Straight line             |
| Computer equipment at cost               | 25-33%                    | Straight line             |



JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Assets for disposal**

The special purpose financial statements have been prepared to represent the proposed group to be listed.

Restructure transactions have been recognised prior to the legal effect of the restructure so that the financial report is representative of the group to be listed. Investments in subsidiaries controlled by the group prior to the restructure have been classified as Assets for Disposal at cost less accumulated impairment losses.

Profits and losses from controlled entities outside of the proposed group have not been recognised.

**(o) Financial instruments**

*Classification*

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments are held.

*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

*Fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable fair value performance evaluation by key management personnel. Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in profit or loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and the group intends to hold the investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Financial instruments (Continued)**

*Available-for-sale*

Available-for-sale financial assets include any financial assets not included in the above categories or are designated as such on initial recognition. Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is reclassified from equity to profit or loss as a reclassification adjustment.

Non-listed investments for which the fair value cannot be reliably measured, are carried at cost and tested for impairment.

*Financial liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

**(p) Intangibles**

*Goodwill*

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to Note 1(d) for a description of how goodwill arising from a business combination is initially measured.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less any accumulated impairment losses.

*Intangible assets*

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, intangible assets are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset.

*Software*

Software is recognised at cost and amortised using the straight-line method over its estimated useful life of 3 years. Software is carried at cost less accumulated amortisation and any impairment losses.

## JOHNS LYNG GROUP - LISTCO

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **(q) Impairment of non-financial assets**

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

##### **(r) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

###### *Finance leases*

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the group's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period in accordance with the effective interest method.

###### *Operating leases*

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(s) Employee benefits**

*(i) Short-term employee benefit obligations*

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the combined statement of financial position.

*(ii) Long-term employee benefit obligations*

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the combined statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the combined statement of financial position.

*(iii) Retirement benefit obligations*

*Defined contribution superannuation plan*

The group makes superannuation contributions (currently 9.50% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the combined statement of financial position.

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(t) Goods and services tax (GST)**

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the combined statement of financial position are shown inclusive of GST.

Cash flows are presented in the combined statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(u) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the group. The group has decided not to early adopt any of these new and amended pronouncements. The group's assessment of the new and amended pronouncements that are relevant to the group but applicable in future reporting periods is set out below.

***AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB 15, AASB 2016-3: Amendments to Australian Accounting Standards - Clarifications to AASB 15 and AASB 2016-7: Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities (applicable to for profit entities for annual reporting periods commencing on or after 1 January 2018 and to not-for-profit entities for annual reporting periods commencing on or after 1 January 2019).***

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

***AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).***

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 3: INTERESTS IN SUBSIDIARIES**

*(a) Subsidiaries*

The following are the group's significant subsidiaries:

| Subsidiaries of Johns Lyng Unit Trust:                                      | Ownership interest held by the group |       |
|---|--------------------------------------|-------|
|   | 2017                                 | 2016  |
|   | %                                    | %     |
| Johns Lyng Unit Trust   | 100.0                                | 100.0 |
| Johns Lyng Victoria Unit Trust  | 100.0                                | 100.0 |
| Restorx Victoria Unit Trust   | 87.5                                 | 85.0  |
| Restorx (VIC) Major Loss Unit Trust   | 100.0                                | 95.0  |
| Restorx (Vic) Insurance Services Unit Trust                                 | 95.0                                 | 95.0  |
| Johns Lyng Insurance Building Solutions (VIC) Unit Trust                    | 87.5                                 | 100.0 |
| Johns Lyng Technical Claims (VIC) Unit Trust                                | 100.0                                | 100.0 |
| Johns Lyng Building Solutions (VIC) Unit Trust                              | 100.0                                | 100.0 |
| Johns Lyng Major Claims (VIC) Unit Trust                                    | 100.0                                | 100.0 |
| Johns Lyng Express Claims (VIC) Unit Trust                                  | 85.0                                 | 85.0  |
| Johns Lyng Makesafe Emergency Builders (Victoria) Unit Trust                | 80.0                                 | 82.5  |
| Johns Lyng Commercial Builders Unit Trust                                   | 93.3                                 | 80.0  |
| Johns Lyng (VIC) Regional Unit Trust  | 80.0                                 | 80.0  |
| Johns Lyng (VIC) North Unit Trust   | 95.0                                 | 100   |
| Johns Lyng (VIC) Geelong Unit Trust   | 95.0                                 | 95.0  |
| Johns Lyng (VIC) Gippsland Unit Trust                                       | 95.0                                 | 95.0  |
| Johns Lyng NSW Unit Trust   | 85.0                                 | 87.5  |
| Johns Lyng (NSW) Regional Unit Trust  | 95.0                                 | 95.0  |
| Restorx NSW Unit Trust  | 90.0                                 | 95.0  |
| Johns Lyng Commercial Builders (NSW) Unit Trust                             | 100.0                                | 100.0 |
| Johns Lyng Express Building Solutions (NSW) Unit Trust                      | 100.0                                | 95.0  |
| Johns Lyng Makesafe Emergency Builders (NSW) Unit Trust                     | 100.0                                | 100.0 |
| Johns Lyng Insurance Building Solutions (NSW) Unit Trust                    | 92.5                                 | 100.0 |
| Johns Lyng Queensland Unit Trust  | 85.0                                 | 85.0  |
| Restorx Services QLD Unit Trust   | 95.0                                 | 95.0  |
| Atlanta Projects Unit Trust (formerly Johns Lyng Sunshine Coast Unit Trust) | 100.0                                | 100.0 |
| Johns Lyng (QLD) Regional Unit Trust  | 90.0                                 | 90.0  |
| Johns Lyng (QLD) Gold Coast Unit Trust                                      | 100.0                                | 100.0 |
| Johns Lyng (QLD) Central Unit Trust   | 100.0                                | 100.0 |
| Johns Lyng (QLD) North Unit Trust   | 95.0                                 | 100.0 |
| Johns Lyng Express Building Solutions (QLD) Unit Trust                      | 90.0                                 | 100.0 |
| Johns Lyng Insurance Building Solutions Brisbane Unit Trust                 | 90.0                                 | 100.0 |
| Johns Lyng Makesafe Emergency Builders (QLD) Unit Trust                     | 100.0                                | 100.0 |
| Johns Lyng Queensland Pty Ltd   | 100.0                                | 100.0 |
| Johns Lyng Insurance Building Solutions (WA) Unit Trust                     | 75.0                                 | 90.0  |
| Johns Lyng Insurance Building Solutions (WA) Pty Ltd                        | 100.0                                | 100.0 |
| Sankey Security & Glass Unit Trust  | 95.0                                 | 95.0  |



JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3: INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) Subsidiaries (Continued)

| Subsidiaries of Johns Lyng Unit Trust: | Ownership interest held by the group |       |
|--|--------------------------------------|-------|
|  | 2017                                 | 2016  |
|  | %                                    | %     |
| Global Home Response Unit Trust        | 80.0                                 | 90.0  |
| Club Home Response Unit Trust          | 49.0                                 | 49.0  |
| Johns Lyng Group IP Unit Trust         | 100.0                                | 100.0 |
| Johns Lyng Trump Unit Trust            | 100.0                                | 100.0 |
| Trump Floorcoverings QLD Pty Ltd       | 80.0                                 | 80.0  |
| Trump Property Maintenance VIC Pty Ltd | 70.0                                 | 60.0  |
| Floorcoverings Victoria Unit Trust     | 85.0                                 | 85.0  |
| Floorcoverings Unit Trust              | 70.0                                 | 60.0  |
| Johns Lyng Shopfit Services Unit Trust | 90.0                                 | 95.0  |
| Johns Lyng Services Unit Trust         | 100.0                                | -     |
| Johns Lyng Hazrem Unit Trust           | 85.0                                 | -     |
| Global 360 Unit Trust                  | 70.0                                 | -     |
| Restorx (VIC) Delivery Unit Trust      | 100.0                                | -     |
| Restorx (WA) Unit Trust                | 100.0                                | -     |

NOTE 4: FINANCIAL RISK MANAGEMENT

The group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- (a) Interest rate risk
- (b) Credit risk
- (c) Liquidity risk
- (d) Fair values compared with carrying amounts

The board of directors have overall responsibility for identifying and managing operational and financial risks.

**(a) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates to the Group's long-term debt obligations. The level of debt is disclosed in Note 17.

The combined entity reviews its interest rate exposure on a monthly basis, taking into account both short-term and long-term deposit rates. At 30 June 2017, if interest rates had changed -/+1% from the year-end rates, with all other variables held constant, the effect on post-tax profit for the year would have been immaterial.

The group's exposure to interest rate risk in relation to future cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Interest rate risk (Continued)

| Financial instruments<br>2017 | Interest<br>bearing | Non-interest<br>bearing | Total carrying<br>amount | Weighted average<br>effective interest<br>rate |
|-------------------------------|---------------------|-------------------------|--------------------------|--|
|                               | \$                  | \$                      | \$                       |  |
| <i>Financial assets</i>       |                     |                         |                          |  |
| Cash                          | -                   | 6,816,112               | 6,816,112                | 0.0 %  |
| Debtors                       | -                   | 34,257,593              | 34,257,593               | 0.0 %  |
| Other receivables             | -                   | 4,113,812               | 4,113,812                | 0.0 %  |
| Related party receivables     | -                   | 6,011,809               | 6,011,809                | 0.0 %  |
|                               | -                   | <u>51,199,326</u>       | <u>51,199,326</u>        |  |
| <i>Financial liabilities</i>  |                     |                         |                          |  |
| Bank overdraft                | 1,842,783           | -                       | 1,842,783                | 6.4 %  |
| Bank and other loans          | 14,791,177          | -                       | 14,791,177               | 5.2 %  |
| Creditors                     | -                   | 27,531,816              | 27,531,816               | 0.0 %  |
| Related party payables        | -                   | 2,500,000               | 2,500,000                | 0.0 %  |
| Hire purchase liability       | 4,157,530           | -                       | 4,157,530                | 5.9 %  |
| Other payables                | -                   | 12,741,215              | 12,741,215               | 0.0 %  |
|                               | <u>20,791,490</u>   | <u>42,773,031</u>       | <u>63,564,521</u>        |  |
| <b>2016</b>                   |                     |                         |                          |  |
| <i>Financial assets</i>       |                     |                         |                          |  |
| Cash                          | -                   | 6,756,571               | 6,756,571                | 0.0 %  |
| Debtors                       | -                   | 26,361,292              | 26,361,292               | 0.0 %  |
| Other receivables             | -                   | 5,106,493               | 5,106,493                | 0.0 %  |
| Related party receivables     | -                   | 8,692,069               | 8,692,069                | 0.0 %  |
|                               | -                   | <u>46,916,425</u>       | <u>46,916,425</u>        |  |
| <i>Financial liabilities</i>  |                     |                         |                          |  |
| Bank overdraft                | 1,622,186           | -                       | 1,622,186                | 6.6 %  |
| Bank and other loans          | 7,711,899           | -                       | 7,711,899                | 5.4 %  |
| Creditors                     | -                   | 21,130,478              | 21,130,478               | 0.0 %  |
| Related party payables        | -                   | 7,021,094               | 7,021,094                | 0.0 %  |
| Hire purchase liability       | 1,998,256           | -                       | 1,998,256                | 6.2 %  |
| Other payables                | -                   | 16,877,360              | 16,877,360               | 0.0 %  |
|                               | <u>11,332,341</u>   | <u>45,028,932</u>       | <u>56,361,273</u>        |  |

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

*Sensitivity*

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

|                            | 2017    | 2016    |
|----------------------------|---------|---------|
|                            | \$      | \$      |
| + / - 100 basis points     |         |         |
| Impact on profit after tax | 207,915 | 113,323 |
| Impact on equity           | 207,915 | 113,323 |

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in Combined Statement of Financial Position and Notes to Financial Statements.

*(i) Cash deposits*

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

*(ii) Trade receivables*

Credit risk for trade receivables is managed by transacting with a large number of customers, undertaking credit checks for all new customers and setting credit limits and completing credit checks for all new customers commensurate with their assessed credit risk. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The aging analysis of trade and other receivables is provided in Note 9.

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group monitors its cash flow on a daily basis to ensure it can meet its obligations associated with financial liabilities

**Maturity analysis**

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

| Year ended 30 June 2017        | < 6 months        | 6-12 months      | 1-5 years         | Total                  | Carrying amount   |
|--------------------------------|-------------------|------------------|-------------------|------------------------|-------------------|
|                                |                   |                  |                   | contractual cash flows |                   |
|                                | \$                | \$               | \$                | \$                     | \$                |
| Payables                       | 42,773,031        | -                | -                 | 42,773,031             | 42,773,031        |
| Borrowings                     | <u>3,103,152</u>  | <u>3,103,152</u> | <u>14,513,186</u> | <u>20,719,490</u>      | <u>20,791,490</u> |
| Net maturities                 | <u>45,876,183</u> | <u>3,103,152</u> | <u>14,513,186</u> | <u>63,492,521</u>      | <u>63,564,521</u> |
| <b>Year ended 30 June 2016</b> |                   |                  |                   |                        |                   |
| Payables                       | 40,815,450        | -                | 1,875,000         | 42,690,450             | 42,690,450        |
| Borrowings                     | <u>1,578,995</u>  | <u>1,578,995</u> | <u>10,512,833</u> | <u>13,670,823</u>      | <u>13,670,823</u> |
| Net maturities                 | <u>42,394,445</u> | <u>1,578,995</u> | <u>12,387,833</u> | <u>56,361,273</u>      | <u>56,361,273</u> |

**(d) Fair values compared with carrying amounts**

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in Combined Statement of Financial Position and Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|   | Note  | 2017<br>\$          | 2016<br>\$          |
|---|-------|---------------------|---------------------|
| <b>NOTE 5: REVENUE AND OTHER INCOME</b>               |       |                     |                     |
| Sales revenue   |       |                     |                     |
| Construction revenue - Commercial Construction        |       | 41,557,521          | 49,932,301          |
| Construction revenue - Commercial Building Services   |       | 53,179,228          | 47,161,181          |
| Service revenue - Insurance Building Services         |       | 154,642,267         | 145,217,919         |
| Other sales revenue                                   |       | <u>348,561</u>      | <u>-</u>            |
|   |       | <u>249,727,577</u>  | <u>242,311,401</u>  |
| Other revenue and income                              |       |                     |                     |
| Dividend income                                       |       | 926,530             | 150,000             |
| Interest income                                       |       | 34,451              | 62,385              |
| Internal recoveries                                   |       | 535,034             | 502,493             |
| Other revenue   |       | 920,230             | 613,592             |
| Profit on sale of property, plant and equipment       |       | <u>65,111</u>       | <u>9,000</u>        |
|   |       | <u>2,481,356</u>    | <u>1,337,470</u>    |
|   |       | <u>252,208,933</u>  | <u>243,648,871</u>  |
| <b>NOTE 6: OPERATING PROFIT</b>                       |       |                     |                     |
| Profit before income tax has been determined after:   |       |                     |                     |
| Profit on sale of property, plant and equipment       | 5     | 65,111              | 9,000               |
| Cost of sales   |       | 199,559,145         | 188,899,085         |
| Finance costs   |       | 1,102,912           | 882,002             |
| Depreciation and amortisation                         |       | 1,994,660           | 1,705,307           |
| Bad and doubtful debts expense / (recovery)           |       | (280,000)           | -                   |
| Impairment  |       |                     |                     |
| - Investments   |       | -                   | 35,276              |
| - Related party receivables                           |       | <u>608,564</u>      | <u>1,967,236</u>    |
|   |       | 608,564             | 2,002,512           |
| Foreign currency translation losses                   |       | 601                 | 18,814              |
| Employee benefits:                                    |       |                     |                     |
| - Gross employee benefits                             |       | 35,790,153          | 36,626,337          |
| - Employee benefits recovered through cost of sales   |       | <u>(12,763,572)</u> | <u>(14,627,510)</u> |
| Net employee benefits expense                         |       | 23,026,581          | 21,998,827          |
| Share of associated company profit / (loss) after tax | 14(a) | (414,832)           | 92,410              |

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|   | 2017             | 2016             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>NOTE 7: INCOME TAX</b>   |                  |                  |
| <b>(a) Components of tax expense</b>  |                  |                  |
| Current tax   | 516,904          | 507,262          |
| Deferred tax  | 58,552           | (11,688)         |
| Under/(over) provision in prior years   | <u>(68)</u>      | <u>(882)</u>     |
|   | <u>575,388</u>   | <u>494,692</u>   |
| <b>(b) Prima facie tax payable</b>  |                  |                  |
| The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows: |                  |                  |
| Prima facie income tax payable on profit before income tax at 30.0% (2016: 30.0%)                           |                  |                  |
|   | 4,162,875        | 5,142,734        |
| Add tax effect of:  |                  |                  |
| - Other non-allowable items   | <u>31,633</u>    | <u>9,153</u>     |
|   | 31,633           | 9,153            |
| Less tax effect of:   |                  |                  |
| - Net profit or loss of trusts required to distribute to unitholders  | 3,617,036        | 4,648,290        |
| - Impact of different overseas tax rates  | 2,016            | 8,136            |
| - Over provision for income tax in prior year   | <u>68</u>        | <u>769</u>       |
|   | <u>3,619,120</u> | <u>4,657,195</u> |
| Income tax expense attributable to profit   | <u>575,388</u>   | <u>494,692</u>   |
| <b>(c) Current tax</b>  |                  |                  |
| Current tax relates to the following:   |                  |                  |
| <i>Current tax liabilities / (assets)</i>   |                  |                  |
| Opening balance   | (7,119)          | 151,479          |
| Income tax  | 516,904          | 507,262          |
| Tax payments  | (510,453)        | (664,978)        |
| Under / (over) provisions   | <u>(68)</u>      | <u>(882)</u>     |
| Current tax liabilities / (assets)  | <u>(736)</u>     | <u>(7,119)</u>   |

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|   | Note | 2017<br>\$       | 2016<br>\$       |
|---|------|------------------|------------------|
| <b>NOTE 7: INCOME TAX (CONTINUED)</b>   |      |                  |                  |
| <b>(d) Deferred tax</b>   |      |                  |                  |
| Deferred tax relates to the following:  |      |                  |                  |
| <i>Deferred tax assets</i>  |      |                  |                  |
| The balance comprises:  |      |                  |                  |
| Employee benefits   |      | -                | 65,434           |
| Impairment loss   |      | -                | 21,000           |
| Other timing differences  |      | <u>-</u>         | <u>7,906</u>     |
|   |      | <u>-</u>         | <u>94,340</u>    |
| <i>Deferred tax liabilities</i>   |      |                  |                  |
| The balance comprises:  |      |                  |                  |
| Inventories   |      | <u>-</u>         | <u>35,788</u>    |
|   |      | <u>-</u>         | <u>35,788</u>    |
| Net deferred tax assets   |      | <u>-</u>         | <u>58,552</u>    |
| <b>(e) Deferred income tax (revenue)/expense included in income tax expense comprises</b> |      |                  |                  |
| Decrease / (increase) in deferred tax assets  |      | <u>58,552</u>    | <u>(11,688)</u>  |
| <b>NOTE 8: CASH AND CASH EQUIVALENTS</b>  |      |                  |                  |
| Cash on hand  |      | 13,229           | 8,755            |
| Cash at bank  |      | 6,620,148        | 6,165,081        |
| Cash on deposit   |      | <u>182,735</u>   | <u>582,735</u>   |
|   |      | <u>6,816,112</u> | <u>6,756,571</u> |

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|                             | 2017              | 2016               |
|-----------------------------|-------------------|--------------------|
|                             | \$                | \$                 |
| <b>NOTE 9: RECEIVABLES</b>  |                   |                    |
| CURRENT                     |                   |                    |
| Trade debtors               | 33,232,076        | 25,910,126         |
| Impairment loss             | <u>-</u>          | <u>(280,000)</u>   |
|                             | 33,232,076        | 25,630,126         |
| Trade debtors - retention   | 1,025,517         | 731,166            |
| Other receivables           |                   |                    |
| Unbilled debtors            | 3,810,096         | 4,827,968          |
| Other debtors               | <u>303,716</u>    | <u>278,525</u>     |
|                             | <u>4,113,812</u>  | <u>5,106,493</u>   |
| Amounts receivables from:   |                   |                    |
| - director related parties  | 4,200,065         | 2,076,580          |
| - non-controlling interests | 695,581           | 621,330            |
| - other related parties     | 1,116,163         | 10,033,794         |
| - Impairment loss           | <u>-</u>          | <u>(4,039,635)</u> |
|                             | <u>6,011,809</u>  | <u>8,692,069</u>   |
|                             | <u>44,383,214</u> | <u>40,159,854</u>  |

**Impairment of trade receivables**

Trade receivables are non interest bearing with 30 days terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within Other Expenses within the Combined Statement of Profit or Loss and Other Comprehensive Income. Generally trade receivables that are not impaired are expected to be received within trading terms.

Movements in the accumulated impairment losses were:

|                            |                  |                |
|----------------------------|------------------|----------------|
| Opening balance at 1 July  | 280,000          | 427,547        |
| Amounts written off        | -                | (147,547)      |
| Reversal of provision      | <u>(280,000)</u> | <u>-</u>       |
| Closing balance at 30 June | <u>-</u>         | <u>280,000</u> |

**Aged analysis**

|                            | Gross<br>2017     | Impairment<br>2017 | Gross<br>2016     | Impairment<br>2016 |
|----------------------------|-------------------|--------------------|-------------------|--------------------|
|                            | \$                | \$                 | \$                | \$                 |
| Not past due               | 16,188,765        | -                  | 12,815,488        | -                  |
| Past due 0-30 days         | 9,298,424         | -                  | 7,585,954         | -                  |
| Past due 31-90 days        | 4,849,872         | -                  | 4,357,477         | -                  |
| Past due more than 91 days | <u>2,895,015</u>  | <u>-</u>           | <u>1,151,207</u>  | <u>(280,000)</u>   |
|                            | <u>33,232,076</u> | <u>-</u>           | <u>25,910,126</u> | <u>(280,000)</u>   |

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|   | 2017               | 2016               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>NOTE 10: INVENTORIES</b>                   |                    |                    |
| CURRENT                                       |                    |                    |
| <i>At cost</i>                                |                    |                    |
| Raw materials                                 | 782,717            | 827,158            |
| Gross construction work in progress           | <u>11,078,080</u>  | <u>8,594,487</u>   |
|   | <u>11,860,797</u>  | <u>9,421,645</u>   |
| <br>  |                    |                    |
| <b>NOTE 11: OTHER ASSETS</b>                  |                    |                    |
| CURRENT                                       |                    |                    |
| Prepayments                                   | <u>569,919</u>     | <u>370,738</u>     |
| <br>  |                    |                    |
| <b>NOTE 12: PROPERTY, PLANT AND EQUIPMENT</b> |                    |                    |
| <br>  |                    |                    |
| <b>Leasehold improvements</b>                 |                    |                    |
| At cost                                       | 2,488,484          | 1,168,393          |
| Accumulated depreciation                      | <u>(557,085)</u>   | <u>(413,829)</u>   |
|   | <u>1,931,399</u>   | <u>754,564</u>     |
| <br>  |                    |                    |
| <b>Plant and equipment</b>                    |                    |                    |
| Plant and equipment at cost                   | 2,954,456          | 1,827,153          |
| Accumulated depreciation                      | <u>(1,591,713)</u> | <u>(1,134,136)</u> |
|   | 1,362,743          | 693,017            |
| <br>  |                    |                    |
| Motor vehicles at cost                        | 6,836,082          | 5,212,798          |
| Accumulated depreciation                      | <u>(2,849,744)</u> | <u>(2,588,320)</u> |
|   | 3,986,338          | 2,624,478          |
| <br>  |                    |                    |
| Office equipment at cost                      | 78,081             | 78,081             |
| Accumulated depreciation                      | <u>(66,618)</u>    | <u>(56,637)</u>    |
|   | 11,463             | 21,444             |
| <br>  |                    |                    |
| Furniture, fixtures and fittings at cost      | 74,139             | 74,139             |
| Accumulated depreciation                      | <u>(49,513)</u>    | <u>(32,387)</u>    |
|   | 24,626             | 41,752             |
| <br>  |                    |                    |
| Computer equipment at cost                    | 1,308,224          | 1,137,564          |
| Accumulated depreciation                      | <u>(1,130,283)</u> | <u>(900,070)</u>   |
|   | <u>177,941</u>     | <u>237,494</u>     |
| Total plant and equipment                     | <u>5,563,111</u>   | <u>3,618,185</u>   |
| Total property, plant and equipment           | <u>7,494,510</u>   | <u>4,372,749</u>   |



JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|  | Note | 2017<br>\$         | 2016<br>\$         |
|--|------|--------------------|--------------------|
| <b>NOTE 12: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>  |      |                    |                    |
| <b>(a) Reconciliations</b>   |      |                    |                    |
| Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year |      |                    |                    |
| <b><i>Leasehold improvements</i></b>   |      |                    |                    |
| Opening carrying amount  |      | 754,564            | 743,506            |
| Additions  |      | 1,368,234          | 172,867            |
| Depreciation expense   |      | <u>(191,399)</u>   | <u>(161,809)</u>   |
| Closing carrying amount  |      | <u>1,931,399</u>   | <u>754,564</u>     |
| <b><i>Plant and equipment</i></b>  |      |                    |                    |
| Opening carrying amount  |      | 693,017            | 617,773            |
| Additions  |      | 1,145,367          | 473,039            |
| Disposals  |      | (5,031)            | (34,554)           |
| Depreciation expense   |      | <u>(470,610)</u>   | <u>(363,241)</u>   |
| Closing carrying amount  |      | <u>1,362,743</u>   | <u>693,017</u>     |
| <b><i>Motor vehicles</i></b>   |      |                    |                    |
| Opening carrying amount  |      | 2,531,587          | 2,604,787          |
| Additions  |      | 2,655,893          | 1,269,225          |
| Disposals  |      | (228,932)          | (347,415)          |
| Depreciation expense   |      | <u>(1,065,101)</u> | <u>(995,010)</u>   |
| Closing carrying amount  |      | <u>3,893,447</u>   | <u>2,531,587</u>   |
| <b><i>Office equipment</i></b>   |      |                    |                    |
| Opening carrying amount  |      | 21,444             | 17,337             |
| Additions  |      | -                  | 18,418             |
| Depreciation expense   |      | <u>(9,981)</u>     | <u>(14,311)</u>    |
| Closing carrying amount  |      | <u>11,463</u>      | <u>21,444</u>      |
| <b><i>Furniture, fixtures and fittings</i></b>   |      |                    |                    |
| Opening carrying amount  |      | 41,752             | 28,613             |
| Additions  |      | -                  | 21,617             |
| Depreciation expense   |      | <u>(17,126)</u>    | <u>(8,478)</u>     |
| Closing carrying amount  |      | <u>24,626</u>      | <u>41,752</u>      |
| <b><i>Computer equipment</i></b>   |      |                    |                    |
| Opening carrying amount  |      | 237,494            | 351,477            |
| Additions  |      | 170,660            | 69,897             |
| Disposals  |      | -                  | (21,422)           |
| Depreciation expense   |      | <u>(230,213)</u>   | <u>(162,458)</u>   |
| Closing carrying amount  |      | <u>177,941</u>     | <u>237,494</u>     |
| <b><i>Total property, plant and equipment</i></b>  |      |                    |                    |
| Carrying amount at 1 July  |      | 4,279,858          | 4,363,493          |
| Additions  |      | 5,340,154          | 2,025,063          |
| Disposals  |      | (233,963)          | (403,391)          |
| Depreciation expense   |      | <u>(1,984,430)</u> | <u>(1,705,307)</u> |
| Carrying amount at 30 June   |      | <u>7,401,619</u>   | <u>4,279,858</u>   |

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|                                     | 2017     | 2016               |
|-------------------------------------|----------|--------------------|
|                                     | \$       | \$                 |
| <b>NOTE 13: ASSETS FOR DISPOSAL</b> |          |                    |
| NON CURRENT                         |          |                    |
| At cost                             |          |                    |
| Shares in controlled entities       | -        | 22,460,722         |
| Provision for impairment loss       | <u>-</u> | <u>(3,388,875)</u> |
|                                     | <u>-</u> | <u>19,071,847</u>  |

Financial assets are carried at cost as the fair value cannot be reliably measured.

Investments in subsidiaries controlled by the group prior to the restructure have been classified as Assets for Disposal at cost less accumulated impairment losses.

Profit and losses from controlled entities outside of the proposed group have not been recognised.

**NOTE 14: INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

NON CURRENT

|                                      |                  |                |
|--------------------------------------|------------------|----------------|
| Equity accounted associated entities | <u>(275,008)</u> | <u>139,824</u> |
|--------------------------------------|------------------|----------------|

**(a) Associated entities**

Interests are held in the following associated companies:

| Associated entity details  | Equity instrument | Ownership interest |      | Carrying amount of investment |                |
|----------------------------|-------------------|--------------------|------|-------------------------------|----------------|
|                            |                   | 2017               | 2016 | 2017                          | 2016           |
|                            |                   | %                  | %    | \$                            | \$             |
| Club Home Response Pty Ltd | Ordinary shares   | 49                 | 49   | <u>(275,008)</u>              | <u>139,824</u> |
|                            |                   |                    |      | <u>(275,008)</u>              | <u>139,824</u> |

All voting power is reflective of the ownership interest.

|   | 2017                | 2016             |
|---|---------------------|------------------|
|   | \$                  | \$               |
| <i>(i) Movements during the year in equity accounted investments in associated entities</i>             |                     |                  |
| Balance at beginning of the year  | 139,824             | 47,414           |
| Add:  |                     |                  |
| Share of associated entities profit after income tax  | (ii) 511,698        | 242,410          |
| Less:   |                     |                  |
| Dividend revenue from associated entities   | (ii) <u>926,530</u> | <u>150,000</u>   |
| Balance at end of the year  | <u>(275,008)</u>    | <u>139,824</u>   |
| <i>(ii) Share of net profits of associates and joint ventures accounted for using the equity method</i> |                     |                  |
| Share of associate's profit after income tax  | 511,698             | 242,410          |
| Less dividend and distribution revenue  | <u>(926,530)</u>    | <u>(150,000)</u> |
|   | <u>(414,832)</u>    | <u>92,410</u>    |

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|                                   | 2017             | 2016             |
|-----------------------------------|------------------|------------------|
|                                   | \$               | \$               |
| <b>NOTE 15: INTANGIBLE ASSETS</b> |                  |                  |
| Goodwill on consolidation at cost | 3,341,813        | 3,341,813        |
| Trademarks at cost                | 2,287            | 2,287            |
| Software development              |                  |                  |
| Software development at cost      | 67,723           | 38,664           |
| Accumulated amortisation          | <u>(10,230)</u>  | <u>(5,384)</u>   |
|                                   | <u>57,493</u>    | <u>33,280</u>    |
|                                   | <u>3,401,593</u> | <u>3,377,380</u> |

**(a) Reconciliations**

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

***Goodwill on consolidation at cost***

|                 |                  |                  |
|-----------------|------------------|------------------|
| Opening balance | <u>3,341,813</u> | <u>3,341,813</u> |
| Closing balance | <u>3,341,813</u> | <u>3,341,813</u> |

***Trademarks***

|                 |              |              |
|-----------------|--------------|--------------|
| Opening balance | <u>2,287</u> | <u>2,287</u> |
| Closing balance | <u>2,287</u> | <u>2,287</u> |

***Software***

|                      |                 |               |
|----------------------|-----------------|---------------|
| Opening balance      | 33,280          | 2,281         |
| Additions            | 36,724          | 30,999        |
| Disposals            | (2,281)         | -             |
| Amortisation expense | <u>(10,230)</u> | <u>-</u>      |
| Closing balance      | <u>57,493</u>   | <u>33,280</u> |

**(b) Impairment tests for goodwill and intangible assets with indefinite useful lives**

Goodwill has been tested for impairment as at 30 June 2017 using discounted cash flow on a value-in-use basis. These calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. Key assumptions for each Cash Generating Unit (CGU) in determining value-in-use include:

Trump Property Maintenance VIC Pty Ltd

- a terminal value growth rate of 2.5% (2016: 3.0%) and a discount rate of 12% (2016: 12%).

Floorcoverings Unit Trust

- a terminal value growth rate of 2.5% (2016: 3.0%) and a discount rate of 12% (2016: 12%).

Trump Floorcoverings QLD Pty Ltd

- a terminal value growth rate of 2.5% (2016: 3.0%) and a discount rate of 12% (2016: 12%).

Goodwill and intangibles with indefinite useful lives are allocated to the following CGUs:

|  |                  |                  |
|--|------------------|------------------|
| - Trump Property Maintenance VIC Pty Ltd | 1,570,883        | 1,570,883        |
| - Floorcoverings Unit Trust              | 1,363,544        | 1,363,544        |
| - Trump Floorcoverings QLD Pty Ltd       | <u>407,386</u>   | <u>407,386</u>   |
|  | <u>3,341,813</u> | <u>3,341,813</u> |

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|   | Note  | 2017<br>\$        | 2016<br>\$        |
|---|-------|-------------------|-------------------|
| <b>NOTE 16: PAYABLES</b>                  |       |                   |                   |
| CURRENT                                   |       |                   |                   |
| <i>Unsecured liabilities</i>              |       |                   |                   |
| Trade creditors                           |       | 27,531,816        | 21,130,478        |
| Trade creditors - retention               |       | 3,720,210         | 3,710,308         |
| Accrued contract costs                    |       | 5,612,496         | 7,754,969         |
| Sundry creditors and accruals             |       | 3,408,509         | 5,412,083         |
| Amounts payable to:                       |       |                   |                   |
| - other related parties                   |       | <u>2,500,000</u>  | <u>4,682,612</u>  |
|   |       | <u>42,773,031</u> | <u>42,690,450</u> |
| <b>NOTE 17: BORROWINGS</b>                |       |                   |                   |
| CURRENT                                   |       |                   |                   |
| <i>Unsecured liabilities</i>              |       |                   |                   |
| Amounts payable to:                       |       |                   |                   |
| - directors                               |       | <u>-</u>          | <u>2,338,482</u>  |
| <i>Secured liabilities</i>                |       |                   |                   |
| Bank overdraft                            |       | 1,842,783         | 1,622,186         |
| Bank loans                                |       | 14,330,000        | 7,360,000         |
| Other loans                               |       | 461,177           | 351,899           |
| Hire purchase liability                   | 26(a) | <u>1,981,225</u>  | <u>1,127,991</u>  |
|   |       | <u>18,615,185</u> | <u>10,462,076</u> |
|   |       | <u>18,615,185</u> | <u>12,800,558</u> |
| NON CURRENT                               |       |                   |                   |
| <i>Secured liabilities</i>                |       |                   |                   |
| Hire purchase liability                   | 26(a) | <u>2,176,305</u>  | <u>870,265</u>    |
| <b>NOTE 18: PROVISIONS</b>                |       |                   |                   |
| CURRENT                                   |       |                   |                   |
| Employee benefits                         | (a)   | <u>2,221,605</u>  | <u>2,146,350</u>  |
| NON CURRENT                               |       |                   |                   |
| Employee benefits                         | (a)   | <u>246,616</u>    | <u>189,579</u>    |
| (a) Aggregate employee benefits liability |       | 2,468,221         | 2,335,929         |
| <b>NOTE 19: BENEFICIARY ENTITLEMENTS</b>  |       |                   |                   |
| Unitholder entitlements                   |       | <u>13,773,707</u> | <u>30,888,960</u> |

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|                                   | Note | 2017<br>\$       | 2016<br>\$       |
|-----------------------------------|------|------------------|------------------|
| <b>NOTE 20: OTHER LIABILITIES</b> |      |                  |                  |
| CURRENT                           |      |                  |                  |
| Income in advance                 |      | <u>8,763,367</u> | <u>5,884,298</u> |

**NOTE 21: TRUST FUNDS**

|  |  |                  |                  |
|--|--|------------------|------------------|
| Issued and paid-up units                       |  |                  |                  |
| 200,001,000 (2016: 200,001,000) Ordinary Units |  | 2,000,010        | 2,000,010        |
| - (2016: 7) Discretionary Income Units         |  | -                | 7                |
|  |  | <u>2,000,010</u> | <u>2,000,017</u> |

**Capital management**

When managing capital, management's objective is to ensure the group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cashflows.

All unit trusts within the group are required to distribute profits annually to unitholders in accordance with their trust deed. Distribution payments are managed to ensure the group continues as a going concern.

During 2017, management paid distributions of \$15,688,749 (2016: \$17,691,779) and dividends of \$522,918 (2016: \$798,346).

**NOTE 22: RESERVES**

|   |       |                    |                  |
|---|-------|--------------------|------------------|
| Foreign currency translation reserve    | 22(a) | 2,488              | 14,146           |
| Changes in subsidiary interests reserve | 22(b) | <u>(1,255,844)</u> | <u>(835,561)</u> |
|   |       | <u>(1,253,356)</u> | <u>(821,415)</u> |

**(a) Foreign currency translation reserve**

The foreign currency translation reserve is used to record the exchange differences arising on translation of a foreign entity.

*Movements in reserve*

|   |  |                 |               |
|---|--|-----------------|---------------|
| Opening balance   |  | 14,146          | -             |
| Exchange differences on translation of foreign operations |  | <u>(11,658)</u> | <u>14,146</u> |
| Closing balance   |  | <u>2,488</u>    | <u>14,146</u> |

**(b) Changes in subsidiary interests reserve**

The changes in subsidiary interests reserve is used to record transactions that result in a change in the group's interest in a subsidiary that do not result in a loss of control.

*Movements in reserve*

|                                 |  |                    |                  |
|---------------------------------|--|--------------------|------------------|
| Opening balance                 |  | (835,561)          | (836,133)        |
| Transactions with NCI           |  | 330,969            | 572              |
| Transfers to accumulated losses |  | <u>(751,252)</u>   | <u>-</u>         |
| Closing balance                 |  | <u>(1,255,844)</u> | <u>(835,561)</u> |

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|  | 2017                | 2016                |
|--|---------------------|---------------------|
|  | \$                  | \$                  |
| <b>NOTE 23: ACCUMULATED LOSSES</b>                             |                     |                     |
| Net accumulated losses at beginning of year                    | (13,049,240)        | (11,143,917)        |
| Net profit   | 10,135,534          | 12,568,122          |
| Transfers from reserves  | 751,252             | -                   |
| Distribution to unitholders                                    | <u>(12,635,465)</u> | <u>(14,473,445)</u> |
|  | <u>(14,797,919)</u> | <u>(13,049,240)</u> |
| <br><b>NOTE 24: NON-CONTROLLING INTERESTS</b>                  |                     |                     |
| Trust funds  | 81,240              | 73,503              |
| Retained Earnings  | <u>(347,918)</u>    | <u>62,954</u>       |
|  | <u>(266,678)</u>    | <u>136,457</u>      |
| <br><b>(a) Trust funds</b>                                     |                     |                     |
| <i>Movements in non-controlling interest trust funds</i>       |                     |                     |
| Opening balance  | 73,503              | 68,430              |
| Transactions with the group                                    | <u>7,737</u>        | <u>5,073</u>        |
| Closing balance  | <u>81,240</u>       | <u>73,503</u>       |
| <br><b>(b) Retained earnings</b>                               |                     |                     |
| <i>Movements in non-controlling interest retained earnings</i> |                     |                     |
| Opening balance  | 62,954              | -                   |
| Share of profit  | 3,165,328           | 4,079,634           |
| Share of dividends / distributions                             | <u>(3,576,200)</u>  | <u>(4,016,680)</u>  |
| Closing balance  | <u>(347,918)</u>    | <u>62,954</u>       |

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|  | 2017               | 2016               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>NOTE 25: CASH FLOW INFORMATION</b>  |                    |                    |
| <b>(a) Reconciliation of cash</b>  |                    |                    |
| Cash at the end of the financial year as shown in the combined statement of cash flows is reconciled to the related items in the combined statement of financial position is as follows: |                    |                    |
| Cash on hand   | 13,229             | 8,755              |
| Cash at bank   | 6,620,148          | 6,165,081          |
| At call deposits with financial institutions   | 182,735            | 582,735            |
| Bank overdrafts  | <u>(1,842,783)</u> | <u>(1,622,186)</u> |
|  | <u>4,973,329</u>   | <u>5,134,385</u>   |
| <b>(b) Reconciliation of cash flow from operations with profit after income tax</b>  |                    |                    |
| Profit from ordinary activities after income tax   | 13,300,862         | 16,647,756         |
| <b>Adjustments and non-cash items</b>  |                    |                    |
| Depreciation and amortisation  | 1,994,660          | 1,705,307          |
| Impairment expense   | 608,564            | 2,002,512          |
| Net (gain) / loss on disposal of property, plant and equipment   | (65,111)           | (9,000)            |
| (Increase) / decrease in dividends receivable  | (191,530)          | (150,000)          |
| Share of associated company's net profit after dividends   | 414,832            | (92,410)           |
| Exchange differences on translation of foreign operations  | (11,658)           | 14,146             |
| Bad and doubtful debts expense / (recovery)  | (280,000)          | -                  |
| <b>Changes in operating assets and liabilities</b>   |                    |                    |
| (Increase) / decrease in receivables   | (6,623,620)        | 6,851,863          |
| (Increase) / decrease in other assets  | (199,181)          | (28,460)           |
| (Increase) / decrease in inventories   | (2,439,152)        | 1,363,302          |
| Increase / (decrease) in payables  | 2,265,193          | (11,156,051)       |
| Increase / (decrease) in borrowings  | 109,278            | -                  |
| Increase / (decrease) in other liabilities   | 2,879,069          | (2,065,411)        |
| Increase / (decrease) in income tax payable  | 6,383              | (158,598)          |
| (Increase) / decrease in deferred taxes  | 58,552             | (11,688)           |
| Increase / (decrease) in provisions  | <u>132,292</u>     | <u>125,559</u>     |
| Cash flows from operating activities   | <u>11,959,433</u>  | <u>15,038,827</u>  |

JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|  | 2017              | 2016              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>NOTE 26: CAPITAL AND LEASING COMMITMENTS</b>  |                   |                   |
| <b>(a) Hire purchase commitments</b>   |                   |                   |
| Payable  |                   |                   |
| - not later than one year  | 2,152,896         | 1,241,785         |
| - later than one year and not later than five years  | <u>2,267,216</u>  | <u>952,407</u>    |
| Minimum hire purchase payments   | 4,420,112         | 2,194,192         |
| Less future finance charges  | <u>(262,582)</u>  | <u>(195,936)</u>  |
| Total hire purchase liability  | <u>4,157,530</u>  | <u>1,998,256</u>  |
| Represented by:  |                   |                   |
| Current liability  | 1,981,225         | 1,127,991         |
| Non-current liability  | <u>2,176,305</u>  | <u>870,265</u>    |
|  | <u>4,157,530</u>  | <u>1,998,256</u>  |
| <b>(b) Operating lease commitments</b>   |                   |                   |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements: |                   |                   |
| Payable  |                   |                   |
| - not later than one year  | 1,561,832         | 653,610           |
| - later than one year and not later than five years  | 4,134,833         | 1,044,948         |
| - later than five years  | <u>1,572,075</u>  | <u>-</u>          |
|  | <u>7,268,740</u>  | <u>1,698,558</u>  |
| <b>(c) Expenditure commitments contracted for:</b>   |                   |                   |
| - Contracted construction commitments  | 41,977,890        | 39,786,656        |
| Payable  |                   |                   |
| - not later than one year  | <u>41,977,890</u> | <u>39,786,656</u> |

**NOTE 27: CONTINGENT LIABILITIES**

Contingent liabilities exist for possible future claims which may be made against the company.

Estimates of the maximum amounts of contingent liabilities that may become payable:

|                 |                  |                  |
|-----------------|------------------|------------------|
| Bank guarantees | <u>6,407,815</u> | <u>5,348,571</u> |
|-----------------|------------------|------------------|



JOHNS LYNG GROUP - LISTCO

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017

|  | 2017                | 2016               |
|--|---------------------|--------------------|
|  | \$                  | \$                 |
| <b>NOTE 28: PARENT ENTITY DETAILS</b>  |                     |                    |
| Summarised presentation of the parent entity, Johns Lyng Unit Trust, financial statements: |                     |                    |
| <b>(a) Summarised combined statement of financial position</b>                             |                     |                    |
| <b>Assets</b>  |                     |                    |
| Current assets   | 28,025,990          | 35,331,302         |
| Non-current assets   | <u>9,795,792</u>    | <u>27,586,558</u>  |
| Total assets   | <u>37,821,782</u>   | <u>62,917,860</u>  |
| <b>Liabilities</b>   |                     |                    |
| Current liabilities  | 46,312,833          | 70,743,783         |
| Non-current liabilities  | <u>31,813</u>       | <u>70,678</u>      |
| Total liabilities  | <u>46,344,646</u>   | <u>70,814,461</u>  |
| Net assets   | <u>(8,522,864)</u>  | <u>(7,896,601)</u> |
| <b>Equity</b>  |                     |                    |
| Trust funds  | 2,000,010           | 2,000,017          |
| Accumulated losses   | <u>(10,522,874)</u> | <u>(9,896,618)</u> |
| Total equity   | <u>(8,522,864)</u>  | <u>(7,896,601)</u> |
| <b>(b) Summarised combined statement of profit or loss and other comprehensive income</b>  |                     |                    |
| Profit for the year  | <u>22,063,658</u>   | <u>20,025,008</u>  |
| Total comprehensive income for the year  | <u>22,063,658</u>   | <u>20,025,008</u>  |

**NOTE 29: EVENTS SUBSEQUENT TO REPORTING DATE**

There has been no matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2017, of the group.

**NOTE 30: ENTITY DETAILS**

The registered office of the group is:

Johns Lyng Unit Trust  
1 Williamsons Rd  
Doncaster VIC 3108

JOHNS LYNG GROUP - LISTCO

TRUSTEES' DECLARATION

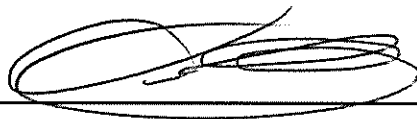
The trustees have determined that the trust is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The trustees of the trust declare that:

1. The financial statements and notes, as set out on pages 5 - 39 presents fairly the trust's financial position as at 30 June 2017 and performance for the year ended on that date of the trust in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the trustees' opinion there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the trustees.

Trustee: \_\_\_\_\_



Lindsay Barber

Trustee: \_\_\_\_\_



John McPhee

Dated this 31st day of August 2017

**JOHNS LYNG GROUP - LISTCO**  
**INDEPENDENT AUDITOR'S REPORT**  
**TO THE UNITHOLDERS OF JOHNS LYNG UNIT TRUST**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report, being a special purpose financial report of Johns Lyng Group - ListCo "the trust" and its subsidiaries, "the Group", which comprises the combined statement of financial position as at 30 June 2017, the combined statement of profit or loss and other comprehensive income, combined statement of changes in trust funds and combined statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the trustees' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting requirements of the trust deed.

*Emphasis of Matter - Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Johns Lyng Unit Trust and combined entities to meet the needs of the directors of the trustee and the trust deed. As a result, the financial report may not be suitable for another purpose.

*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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Those Charged with Governance for the Financial Report*

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the applicable legislation and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## JOHNS LYNG GROUP - LISTCO

INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF JOHNS LYNG UNIT TRUST*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 trustees.
- Conclude on the appropriateness of the trustees' 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.

We communicate with the trustees 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.



S D WHITCHURCH

Partner

Date 31 August 2017



PITCHER PARTNERS

Melbourne