Johns Lyng Group Limited and controlled entities

APPENDIX 4E

Preliminary final report

1. COMPANY DETAILS

Name of entity: Johns Lyng Group Limited

ABN 86 620 466 248

Reporting period: For the financial year ended 30 June 2018

Previous corresponding period: For the financial year ended 30 June 2017

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

			$'000
Revenues from ordinary activities (sales)	up	16.3% to	290,362
Profit from ordinary activities after tax attributable to the owners of Johns Lyng Group	up	6.0% to	10,745
Profit for the year attributable to the owners of Johns Lyng Group	up	6.1% to	10,743

Dividends & Distributions

Distributions of $7,387,013 were declared pre-IPO to the unitholders of Johns Lyng Unit Trust.

The Board has declared a final dividend of 1.9 cents per share (fully franked), representing 58% of NPAT attributable to the owners of Johns Lyng Group pro rata from the date of IPO. The final dividend will be paid on 11 October 2018 with a record date of entitlement of 20 September 2018.

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to $10,744,994 (30 June 2017: $10,135,534).

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	12.85	(8.86)

4. CONTROL GAINED OVER ENTITIES

Not applicable.

5. LOSS OF CONTROL OVER ENTITIES

Not applicable.

6. DIVIDENDS & DISTRIBUTIONS

Current period

Distributions of $7,387,013 were declared pre-IPO to the unitholders of Johns Lyng Unit Trust.

The Board has declared a final dividend of 1.9 cents per share (fully franked), representing 58% of NPAT attributable to the owners of Johns Lyng Group pro rata from the date of IPO. The final dividend will be paid on 11 October 2018 with a record date of entitlement of 20 September 2018.

Previous period

Distributions of $12,635,465 were declared during the previous period to the unitholders of Johns Lyng Unit Trust.

7. DIVIDEND REINVESTMENT PLANS

Not applicable.

8. DETAILS OF ASSOCIATES, JOINT VENTURE ENTITIES AND DIVIDEND INCOME

Johns Lyng Group has a 49% equity investment in the associate Club Home Response Pty Ltd ('CHR'). The share of net profits accounted for using the equity method attributable to Johns Lyng Group for the year ended 30 June 2018 amounted to $463,728 (30 June 2017: $511,698). Johns Lyng Group divested its 49% equity interest in CHR on 17 July 2018 (refer to note 33 of the financial statements (events after the reporting period)).

9. FOREIGN ENTITIES

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. AUDIT QUALIFICATION OR REVIEW

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

11. ATTACHMENTS

Details of attachments (if any):

The Annual Report of Johns Lyng Group for the financial year ended 30 June 2018 is attached.

12. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Refer to the attached financial statements.

13. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Refer to the attached financial statements.

14. CONSOLIDATED STATEMENTS OF CASH FLOWS

Refer to the attached financial statements.

15. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Refer to the attached financial statements.

16. OTHER INFORMATION REQUIRED BY LISTING RULE 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2018 Financial Report (which includes the Directors' Report).

JOHNS LYNG GROUP

BUILDING AUSTRALIA

JOHNS LYNG GROUP LIMITED
ANNUAL REPORT 2018

Valuing People | 65 YEARS STRONG

BUILDING THE FUTURE

On 26 October 2017, JLG completed its Initial Public Offering (IPO) and was admitted to the Australian Securities Exchange. The purpose of the IPO was to:

- Provide access to capital markets to fund growth opportunities including the expansion of JLG's service offering and geographical footprint;
- Reduce and restructure existing debt obligations; and
- Allow existing Shareholders to realise part of their investment.

JLG's IPO was a key milestone in the Group's evolution and is expected to facilitate the next phase of growth.

GROUP REVENUE

$290.4m

+4.3%

VS. PROSPECTUS FORECAST

GROUP EBITDA

$23.5m[1]

+12.5%

VS. PROSPECTUS FORECAST

DOMESTIC EXPANSION

OPENED OFFICES:

- **DARWIN (NT)**
- **ADELAIDE (SA)**

20 LOCATIONS NATIONALLY

INTERNATIONAL EXPANSION

OPENED INAUGURAL US OFFICE IN TAMPA (FL)

1. Normalised for IPO and other transaction related expenses ($3.7m).

CONTENTS

WHETHER THEY ARE ‘CORE BUSINESS’ ACQUISITIONS, START-UPS OR OPPORTUNITIES IN COMPLEMENTARY ADJACENCIES, JLG IS WELL POSITIONED TO EMBRACE & CAPITALISE ON GROWTH INITIATIVES.

CORPORATE DIRECTORY

DIRECTORS

Peter Nash (Chairman and Non-executive Director)
Scott Didier AM (Managing Director)
Lindsay Barber (Executive Director)
Matthew Lunn (Executive Director)
Adrian Gleeson (Executive Director)
Curtis (Curt) Mudd (Executive Director)
Paul Dwyer (Non-executive Director)
Robert Kelly (Non-executive Director)

COMPANY SECRETARY

Sophie Karzis

REGISTERED OFFICE

Level 13, 664 Collins Street
Docklands VIC 3008

PRINCIPAL PLACE OF BUSINESS

1 Williamsons Road
Doncaster VIC 3108

WEBSITE

www.johnslyng.com.au

AUDITOR

Pitcher Partners
Level 13, 664 Collins Street
Docklands VIC 3008

LAWYERS

MinterEllison
Level 23, Rialto Towers
525 Collins Street
Melbourne VIC 3000

KCL Law
Level 4, 555 Lonsdale Street
Melbourne VIC 3000

BANKERS

Australia and New Zealand Banking Group Limited
100 Queen Street
Melbourne VIC 3000

SHARE REGISTRY

Link Market Services
Level 13, Tower 4,
727 Collins Street
Melbourne VIC 3000

STOCK EXCHANGE LISTING

Johns Lyng Group shares are listed on the Australian Securities Exchange (ASX code: JLG)

ANNUAL GENERAL MEETING ('AGM')

27 November 2018

CHAIRMAN AND CEO'S LETTER

Chairman: **Peter Nash** | CEO: **Scott Didier AM**

AT THE HEART OF OUR BUSINESS IS AN ENTREPRENEURIAL DESIRE TO CONTINUE TO DEVELOP AND GROW – WITHOUT LIMITS, ANYTHING IS POSSIBLE.

Dear Shareholders,

On behalf of the Board of Directors and Management team, it is our pleasure to present the Johns Lyng Group Limited ('JLG') Annual Report for the year ended 30 June 2018 ('FY18').

FY18 was a milestone year for JLG, successfully listing on the Australian Securities Exchange on 26 October 2017. The Initial Public Offering ('IPO') positioned our company for growth, delivering $23.5m earnings before interest, tax, depreciation and amortisation ('EBITDA') (excluding $3.7m in IPO and other transaction related expenses), exceeding our Prospectus Forecast by 12.5%.

This strong financial performance is attributable to the dedication of our high calibre team. We pride ourselves on selecting people with the extreme character, integrity, drive, energy, positive impact and motivation who match our organisational culture. Our meritocratic culture is based on our equity partnership model whereby Business Partners (Senior Managers) typically own up to a 10% equity interest in JLG's operating subsidiaries. This model provides a transparent and equitable incentive framework and ensures goal alignment driving synergies between group and business unit performance.

Our most significant business division, Insurance Building and Restoration Services, performed stronger than expected with 46.2% sales revenue and 82.3% EBITDA growth year-on-year. This is attributable in part to JLG's significant involvement in responding to catastrophic weather events such as Cyclone Debbie in Queensland (March 2017).

We acknowledge that our success is driven by customer satisfaction and client service. As such, we're committed to working with our clients to design and install bespoke technology and process solutions to further integrate our service offerings to our mutual benefit.

Senior Management's entrepreneurial spirit continues to drive performance improvements and growth through the exploration of business acquisitions, joint ventures, start-ups and geographical expansion – most recently in the Northern Territory, South Australia and the USA.

The Board has declared a final dividend of 1.9 cents per share (fully franked), representing 58% of NPAT attributable to the owners of Johns Lyng Group pro rata from the IPO date. This is in-line with JLG's previous guidance and Dividend Policy (40% – 60% of NPAT).

We would like to acknowledge the valuable contribution of the Board, Management team and all of our staff for their commitment to building JLG into the robust, growth focused company it is today.

We look forward to delivering continued success in the years ahead.

Peter Nash
Chairman
30 August 2018

Scott Didier AM
Managing Director
30 August 2018

Group results	FY18 A$m	FY17 A$m	Change %
Revenue	290.4	249.7	16.3%
EBITDA[1]	23.5	17.2	36.7%
EBIT[1]	20.8	15.2	36.8%
NPAT[1]	18.3	13.6	34.7%
Operating Cash Flow	16.6	12.0	38.9%
Earnings Per Share	5.39 cents	6.65 cents	(18.9%)

1. Normalised for IPO and other transaction related expenses of $3.7m (FY17: $0.3m).

BUILDING EXCELLENCE

JLG is a market leading integrated building services group delivering building and restoration services across Australia. JLG's core business is built on its ability to rebuild and restore a variety of properties and contents after damage by insured events including: impact, weather and fire events.

Beginning in 1953 as Johns & Lyng Builders, initially servicing Melbourne and its surrounding areas, JLG has grown into a diversified national business with over 500 employees across Australia and a subcontractor base in excess of 5,000. The Group has a diversified client base comprising: major insurance companies, commercial enterprises, local and state governments along with retail customers.

JLG's national business platform and reach facilitates superior project outcomes across major metropolitan and regional areas. The Group operates offices in all major Australian cities and high risk regional areas such as Far North Queensland.

JLG's deep expertise and diversity creates a unique blend of talent and capabilities which are a significant point of difference and a source of sustainable competitive advantage. JLG's highly experienced and long-standing executive team continually demonstrate their commitment to business growth through innovation and entrepreneurship.

Underpinned by core values of: respect, integrity, courtesy and honesty; Johns Lyng Group defines itself by delivering exceptional customer service outcomes every time – this is the reason JLG is still going strong after 65 years.

OUR HISTORY

Jul – 2003
JLG acquired by Scott Didier AM

Dec – 2005
Commenced Commercial Building operations

Apr – 2006
Commenced JLG operations in QLD (roll-out)

Jan – 2007
Commenced JLG operations in NSW (roll-out)

Jul – 2007
Acquired Restorx (debt assumption)

Jul – 2011
Commenced Global Home Response (GHR) business (start-up) & acquired Sankey Glass

Jul – 2012
Acquired Trump Floorcoverings ($3.6m VIC 65%, QLD 75%, NSW 75%)

Sep – 2012
Commenced Shopfit operations (start-up)

OUR VALUES

At Johns Lyng Group, positive customer experiences are imperative.

That's why our culture embodies positivity, drive and energy.

Our teams are centred around core values of: respect, integrity, courtesy and honesty.

We constantly measure performance using tools such as 'Net Promoter Score' and proactively manage quality by reference to overall customer service.

Our interactive training methodologies focus not only on the requisite technical aspects, but also the soft skills and values required to deliver exceptional customer outcomes.

Mar – 2014
GHR & RACV – JV Club Home Response (CHR) formed

Dec – 2014
Commenced JLG operations in WA (roll-out)

May – 2015
Commenced Restorx operations in QLD (roll-out)

Sep – 2016
Commenced Hazrem operations (start-up)

Apr – 2017
Commenced Restorx operations in WA (roll-out)

Oct – 2017
Listed on the Australian Securities Exchange (ASX)

Feb – 2018
Commenced operations in USA. Opened inaugural office in Tampa (FL) (start-up)

Jul – 2018
Divestment of Club Home Response and Sankey Glass

EXTENDING OUR REACH. BUILT FOR GROWTH

JLG's core business is built on its ability to rebuild and restore a variety of properties and contents after damage by insured events including: impact, weather and fire events.

JLG's diversified portfolio of insurance building and restoration services businesses deliver comprehensive work programs across a variety of industries including: insurance, commercial, industrial and government sectors.

NATIONAL FOOTPRINT

20 locations nationally

- Head Office (1)
- State Offices (5)
- Regional Offices (11)
- Operational Warehouses (3)

JLG also operates a portfolio of complementary commercial building services businesses including: residential and commercial flooring, emergency domestic (household) repairs, shop-fitting and commercial glazing along with a commercial construction business (Johns Lyng Commercial Builders).

JLG's values driven, meritocratic culture is built on its equity partnership model. The majority of JLG's subsidiary businesses are up to 10% owned by Management.

This model provides a transparent and equitable incentive framework and ensures goal alignment driving synergies between group and business unit performance.

OUR INTEGRATED BUILDING SERVICES

JLG is a market leading integrated building services group, delivering building and restoration services across Australia. Key operating segments (divisions) include:

Insurance Building & Restoration Services

Building fabric repair, contents restoration and hazardous waste removal:

- FY18 revenue: $222.8m
- FY18 revenue contribution: 76.7%
- FY18 EBITDA: $25.1m
- FY18 EBITDA contribution: 106.5%[1]

Commercial Building Services

Residential and commercial flooring, emergency domestic (household) repairs, shop-fitting and commercial glazing:

- FY18 revenue: $42.9m
- FY18 revenue contribution: 14.8%
- FY18 EBITDA: $1.6m
- FY18 EBITDA contribution: 6.6%[1]

Commercial Construction & Other

Commercial construction, internal and external recruitment and labour hire, and unallocated corporate overheads:

- FY18 revenue: $24.6m
- FY18 revenue contribution: 8.5%
- FY18 EBITDA: ($3.1m)[1]
- FY18 EBITDA contribution: N/A

1. Normalised for IPO and other transaction related expenses of $3.7m.

BUSINESS DIVISION OVERVIEW

INSURANCE BUILDING AND RESTORATION SERVICES (IB&RS)

JOHNS LYNG MAKESAFE BUILDERS

Makesafe Builders provides an immediate emergency response service ensuring the safety of residential and commercial properties along with the general public. Operating 24/7, our teams are constantly on standby, ready to respond and make properties safe following damage from impact, weather, fire and other events.

JOHNS LYNG INSURANCE BUILDERS

Specialising in large-loss and complex works, Insurance Builders is focused on efficient building fabric repair and restoration solutions (typically greater than $20,000 in value). Utilising sub-contractors across a range of trades, Insurance Builders reinstates residential and commercial properties for insurers and their policy holders, often via Loss Adjusters.

JOHNS LYNG EXPRESS BUILDERS

Express Builders is a specialist high volume/small works reinstatement business. Express Builders provides a range of fast response building services, reinstating residential and commercial properties following damage from impact, weather, fire and other events.

JOHNS LYNG REGIONAL BUILDERS

In regional areas, the Insurance Building and Restoration Services division is represented by Regional Builders; which combines the Group's services including: Makesafe, Express and Insurance Builders throughout Australia.

RESTORX SERVICES

For over 25 years, Restorx has been delivering preventative and reactive restoration services for properties and contents in emergency situations. Restored items include: clothing, furniture, flooring and ceiling materials for every conceivable type of contamination.

JOHNS LYNG HAZREM

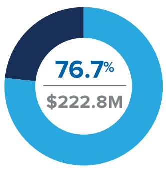
Hazrem specialises in the environmentally safe removal of hazardous materials. With specific expertise and a focus on the removal of asbestos, Hazrem provides specialist removal and restoration services.

JOHNS LYNG BUILDING AMERICA

JLG entered the US market in February 2018, initially offering restoration services from its inaugural office in Tampa (FL).

IB&RS Results

Insurance Building & Restoration Services	FY18 A$m	FY17 A$m	Change %
Revenue	222.8	152.4	46.2%
EBITDA	25.1	13.8	82.3%



IB&RS revenue contribution to the Group

BUSINESS DIVISION OVERVIEW

COMMERCIAL BUILDING SERVICES (CBS)

TRUMP FLOORCOVERINGS

With more than 25 years in business and typically delivering work programs up to $2 million project value; Trump Floorcoverings has become a leading provider of commercial floorcovering services to customers in both the commercial and retail sectors.

GLOBAL HOME RESPONSE

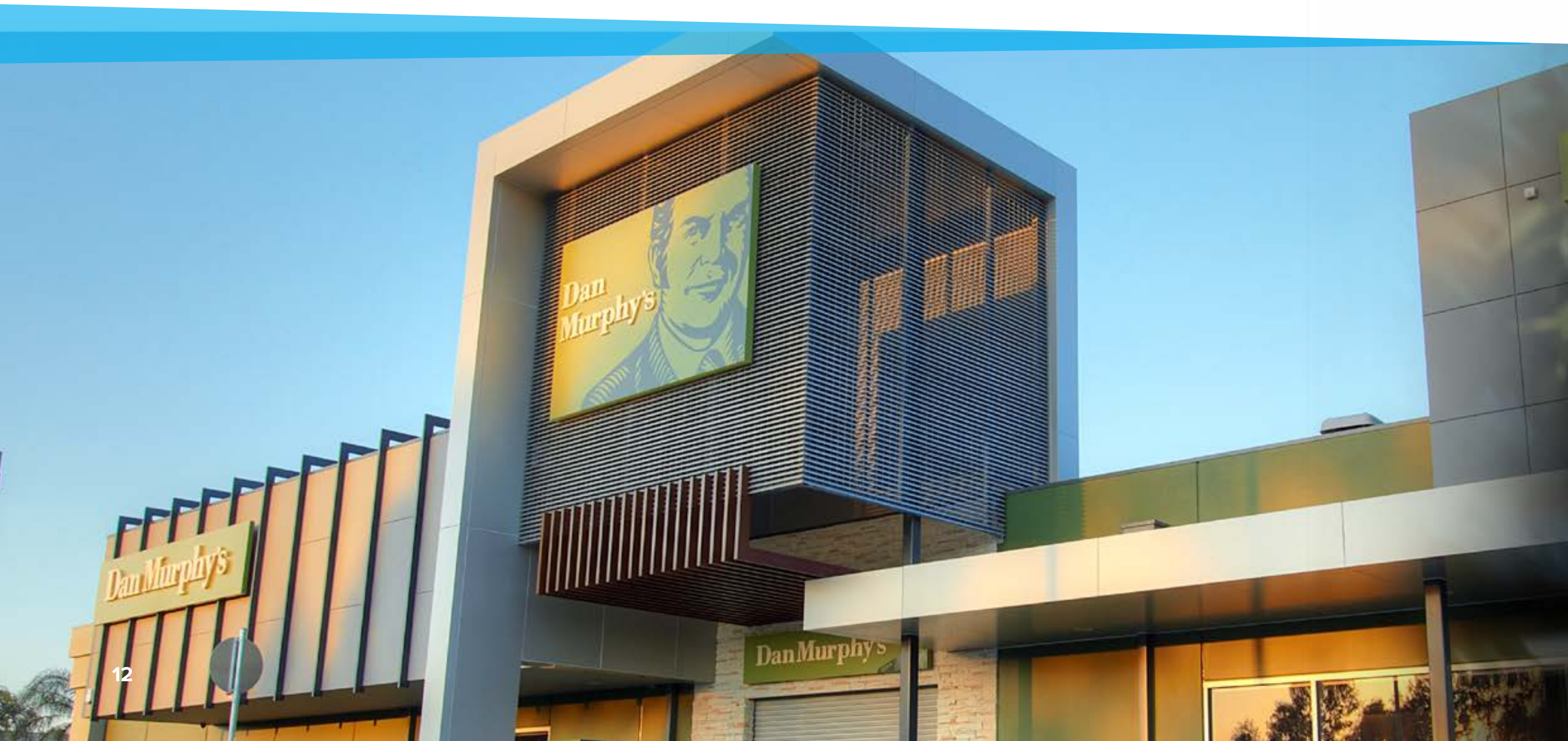
Delivering thousands of jobs each month, Global Home Response provides emergency domestic (household) repairs. This includes both direct and indirect services via some of Australia and New Zealand's largest membership organisations.

JOHNS LYNG Shopfit SERVICES

Shopfit plans, designs and delivers solutions for retail, food and beverage and commercial clients including new store fit-outs and upgrades of existing premises. Shopfit offers a national solution typically delivering work programs up to $2 million project value.

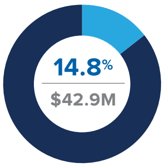
SANKEY GLASS

Delivering fast glass and shutter installations, Sankey Glass provides emergency shuttering, glazing and project glazing for commercial and retail applications. With a 30-year history, Sankey Glass has become a quality provider for after-hours emergency response for councils, Victoria Police and other commercial clients. (Divested July 2018.)



CBS Results

Commercial Building Services	FY18 A$m	FY17 A$m	Change %
Revenue	42.9	53.2	(19.2%)
EBITDA	1.6	1.8	(13.6%)



CBS revenue contribution to the Group

BUSINESS DIVISION OVERVIEW

COMMERCIAL CONSTRUCTION (CC) & OTHER

JOHNS LYNG COMMERCIAL BUILDERS

Johns Lyng Commercial Builders is an award winning construction company. Commercial Builders' highly experienced Management team operates in Victoria, typically undertaking projects ranging between $3 million and $6 million in the education, aged care, retail, community, hospitality and residential sectors.

global 360 sourcing people

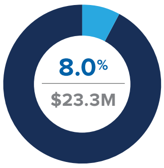
Global 360 is an executive search and selection specialist. Undertaking assignments for both internal and external clients, Global 360 leverages international networks and decades of experience to identify and secure candidates matching exacting criteria.

local 360 sourcing people

Local 360 is a specialist labour hire business partnering with key internal and external clients to provide fast and efficient temporary staffing solutions nationwide.

Commercial Construction Results

Commercial Construction	FY18 A$m	FY17 A$m	Change %
Revenue	23.3	41.6	(44.0%)
EBITDA	(1.6)	(1.1)	N/A

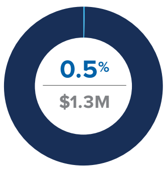


CC revenue contribution to the Group

Other Results

Global 360, Local 360 & Unallocated Corporate Overheads	FY18 A$m	FY17 A$m	Change %
Revenue	1.3	2.6	(48.7%)
EBITDA[1]	(1.5)	2.8	N/A

1. Normalised for IPO and other transaction related expenses of $3.7m (FY17: $0.3m).



Other revenue contribution to the Group


OUR DEEP INDUSTRY EXPERIENCE AND DIVERSIFIED SERVICE OFFERING CREATES A UNIQUE BLEND OF TALENT AND CAPABILITIES WHICH IS A SUSTAINABLE SOURCE OF COMPETITIVE ADVANTAGE.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Sustainability

At Johns Lyng Group, we are committed to creating a workplace that supports professional growth, development and provides a positive impact on the communities where we live and work.

People

JLG's point of difference is the extreme character and integrity of our people. We take pride in selecting people with drive and energy, and those who have a positive impact on the people around them. Our equity partnership model provides transparent development opportunities for exceptional talent to thrive within our organisation.

Community

JLG's Catastrophe (CAT) Response Operations provide relief to communities suffering from the effects of natural disasters. Our teams respond immediately to disasters, ensuring safety and minimising damage. Our CAT rigs (trucks) are on-hand to provide support to local communities during what can be an enormously stressful time. Our two rigs are deployed when natural disasters cause widespread damage, offering portable meeting rooms, independent power supplies, shelter and technology to assist with lodging insurance claims.

Our philanthropic initiatives have resulted in strong charitable partnerships with both the Starlight Children's Foundation and the EB Research Foundation. JLG participates in all their charitable functions and manages fundraising events on their behalf including the joint JLG/PSC Golf Day.

Health and Safety

The health and safety of our team is at the forefront of our business operations. JLG is committed to providing a safe and healthy work environment for employees, contractors, customers, visitors and the local community.

The Johns Lyng Group Health, Safety and Welfare Policy aims to:

- Provide safe plant and systems of work;
- Provide written procedures and instructions to ensure safe systems of work are implemented;
- Ensure compliance with legislative requirements and current 'state of knowledge' standards and/or codes of practice;
- Provide employees, contractors and customers with regular information, instruction, training and supervision to ensure their safety;
- Provide support mechanisms which assist employees with maintaining or improving their psychological and physical health;
- Provide a framework for continual improvement in performance;
- Ensure a hazard management approach is taken to occupational health, safety and welfare; and
- Ensure that site health and safety, rehabilitation and claims performance meets or exceeds Company performance standards and industry benchmarks.

Environment

JLG recognises its moral and legal responsibilities relating to environmental management. We are committed to conducting business in a manner that protects the quality of the environment in our communities and maintaining a strong focus on preventative measures.

Waste Minimisation

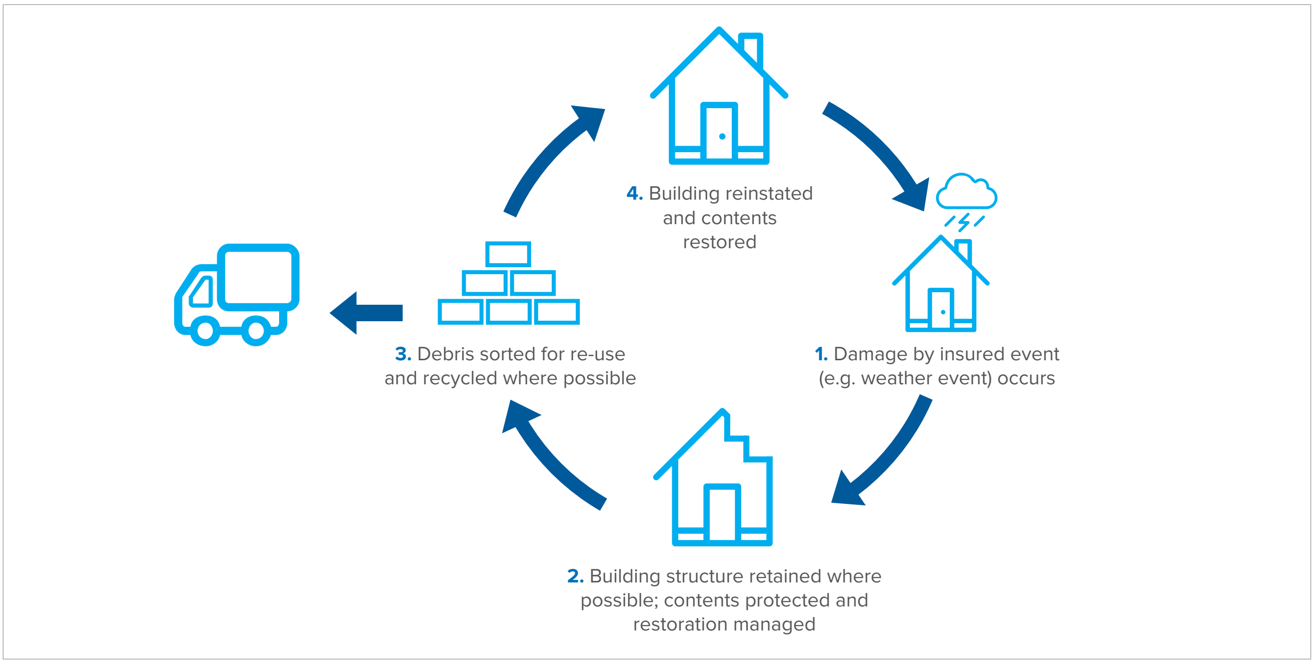
The Group's core business is built on its ability to rebuild and restore a variety of properties and contents after damage by insured events including: impact, weather and fire events.

Property reinstatement and contents restoration aligns with the principles of waste minimisation ("reduce, re-use and recycle"). In the first instance, our objective is to retain as much of an existing building as possible, thereby reducing the need for new materials to be used. Damage to contents is minimised with our restoration (Restorx) team responding comprehensively within 24 hours to most areas within Australia. Where partial or full demolition is required, debris is sorted for re-use and recycled where possible (namely brick, concrete, steel and soil).

Travel Reduction

JLG appreciates the importance of operating in regional communities to support local economies and to ensure fast response times to extreme weather events such as cyclones, fires and floods. Historically, this led to regular travel to and from remote locations. In FY18, JLG implemented a nationwide roll-out of Microsoft 365 including Skype for Business. The Group plans to leverage the adoption of new technologies such as Skype for Business to significantly reduce air travel in FY19.

JLG looks forward to enhancing its Corporate Social Responsibility strategy further in FY19 and beyond.



BOARD OF DIRECTORS

Peter Nash,

Chairman and
Non-executive Director

Peter was recently appointed to the Board of Westpac Banking Corporation effective 7 March 2018 as an Independent Non-executive Member of the Board's Risk and Compliance Committee and the Board's Audit Committee. Peter is a former Senior Partner with KPMG serving as the National Chairman of KPMG Australia from 2011 through 2017. In this role he also served as a member of KPMG's Global and Regional Boards. His previous positions with KPMG included: Regional Head of Audit for Asia Pacific, National Managing Partner for Audit in Australia and head of KPMG Financial Services. In his role as National Chairman, Peter was responsible for the overall governance and strategic positioning of KPMG in Australia. Peter holds a Bachelor of Commerce degree. He is a Fellow of the Institute of Chartered Accountants of Australia and a Fellow of the Financial Services Institute of Australia. Peter has worked in geographically diverse and complex operating environments providing advice on a range of topics including: business strategy, risk management, internal controls, business processes and regulatory change. He has also provided both financial and commercial advice to many Government businesses at both a Federal and State level.

Other current Directorships:
Westpac Banking Corporation
Reconciliation Australia Limited (not-for-profit)
Koorie Heritage Trust Limited (not-for-profit)
Golf Victoria Limited (not-for-profit)

Former Directorships (last 3 years):
None

Scott Didier AM

Managing Director and
Chief Executive Officer

Scott has led the Group since acquisition in 2003. During that time, Scott's enthusiasm, strong leadership and approach towards business has grown the organisation from a single building services company to a diverse, industrial business. The Group's culture and ethos are driven by Scott's emphasis on people. He takes a holistic approach towards employees, hiring them as much for their personalities and morals as their skills and accomplishments. Scott believes that successful businesses must grow, and providing a platform for young, talented and professional people to advance and accelerate their careers is critical for business growth and ultimate success. This approach has fostered a sense of cohesion and healthy competition within the business which has expedited JLG's growth. Scott has also applied his business acumen to the philanthropic sector, founding 'The Star Ball' in 1998. Under Scott's guidance as Chairman, this prestigious event has become the Starlight Foundation's largest income generator, raising over $1.5 million each year to brighten the lives of seriously ill children. Scott is also the founding Chairman of the E.B. Research Foundation, which has recently joined the E.B. Research Partnership in New York dedicated to finding a cure for Epidermolysis Bullosa.

Other current Directorships:
EB Research Foundation (not-for-profit)

Former Directorships (last 3 years):
None

Lindsay Barber

Executive Director and
Chief Operating Officer

Lindsay joined the Group as Chief Operating Officer in 2005. He brings a wealth of experience from a long and celebrated career in construction and project management. Lindsay leads the day-to-day operations, strategic planning and growth initiatives of the Group. Lindsay is a degree qualified Civil Engineer and Oxford University alumnus of the Saïd Business School. Lindsay has deep experience in all facets of the construction industry. He is a former Director and Councillor of the Master Builders Association Victoria and he previously worked as a Senior Project Manager at construction giant John Holland, Construction Manager at Betona Corporation and Site Engineer Foreman and Site Manager for Jennings Industries.

Other current Directorships:
Eildon Boat Club (not-for-profit)

Former Directorships (last 3 years):
None

Matthew Lunn

Executive Director and
Chief Financial Officer

Matthew is a strategic and commercial Finance Executive. He has significant experience in Corporate Finance across Investment Banking, Private Equity and Professional Services environments. Prior to joining JLG in 2016, he was General Manager of Corporate Development with Aligned Resources Group (Private Equity Investment Company). Prior to that, Matthew worked with Ernst & Young's Australian mergers and acquisitions team. Matthew relocated to Australia from the UK in 2010, where he worked in London for over 9 years, latterly with Vantis Corporate Finance and Dresdner Kleinwort Investment Bank where he focused on M&A and Private Equity Advisory. Matthew is Business graduate, UK Chartered Accountant (CA) and CFq designation holder (ICAEW's Advanced Diploma in Corporate Finance).

Other current Directorships:
None

Former Directorships (last 3 years):
None

Adrian Gleeson

Executive Director and Executive General Manager, Business Development and Client Relations

Adrian served as the Group's Chairman from 2011 to Listing. After finishing his AFL playing career with Carlton Football Club (where he played 176 games, was a member of the 1987 Premiership team and is a Life Member), he developed a career in the wealth management and financial services industries after completing his CFP Dip FP. In 1999, he established C.A.G Wealth Management, which subsequently merged with Tribeca Financial. Adrian has a strong focus on relationship building within the SME market and has supported a number of high net worth individuals, family offices and corporates helping to co-ordinate their accounting, legal, banking and financial affairs in a successful manner. Adrian is an Executive Director with a focus on Business Development.

Other current Directorships:
None

Former Directorships (last 3 years):
Carlton Football Club

Curtis (Curt) Mudd

Executive Director and Executive General Manager, Strategic Initiatives

Curt has over 30 years' professional experience including senior roles at Nike and The Limited Brands Company where he developed and led a proven system of talent management strategies and Human Resource solutions. These strategies and solutions support the development of organisational capabilities and systems that drive and sustain an innovation agenda for brands, products and their consumers. From start-ups to Fortune 500 companies, Curt has a high degree of expertise in a variety of wholesale and retail industry segments that include: consumer products and packaged goods, personal care and beauty, natural and organic foods, software, non-profits and a variety of market segments in professional services. This includes significant international experience and success with major markets in Asia and Europe.

Other current Directorships:
None

Former Directorships (last 3 years):
Children's Cancer Association of Portland, OR (not-for-profit)
Children's Hunger Alliance of Ohio (not-for-profit)

Paul Dwyer

Non-executive Director

Paul has deep expertise, significant experience and extensive relationships in the Insurance Sector. Paul is the founder and Managing Director of ASX listed PSC Insurance Group. Prior to founding PSC, Paul held senior executive positions with Oamps Insurance Brokers and prior to that, he was a Regional Underwriter with CGU. Paul adds significant value to the Board, leveraging his relationships and Insurance Sector expertise, in particular through his insight and contribution to corporate strategy.

Other current Directorships:
PSC Insurance Group Limited
North Melbourne Football Club
The Dwyer Foundation (not-for-profit)

Former Directorships (last 3 years):
None

Robert Kelly

Non-executive Director

Robert is the Managing Director and CEO of Steadfast Group, the largest general insurance broker network and underwriting agency in Australasia with growing operations in Asia and Europe. He has more than 45 years' experience in the insurance industry. In April 1996, Robert co-founded Steadfast with a vision to band together non-aligned insurance brokerages and adopt a unified approach to the market. In 2013, he led the company to a successful listing on the ASX. Steadfast Group is now an ASX 200 company with a market capitalisation of over $2 billion.

Other current Directorships:
Steadfast Group Limited
Kidsxpress (not-for-profit)
Heads Over Heels (not-for-profit)
Steadfast Foundation Pty Limited (not-for-profit)

Former Directorships (last 3 years):
None

DIRECTORS' REPORT
30 June 2018

The Directors present their report, together with the financial statements, on the group consisting of Johns Lyng Group Limited (referred to hereafter as 'Johns Lyng Group', the 'Group', 'JLG', the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during the year ended 30 June 2018.

Peter Nash (Chairman and Non-executive Director, appointed 1 October 2017)
Scott Didier AM (Managing Director, appointed 28 September 2017)
Lindsay Barber (Executive Director, appointed 14 July 2017)
Matthew Lunn (Executive Director, appointed 14 July 2017)
Adrian Gleeson (Executive Director, appointed 28 September 2017)
Curtis (Curt) Mudd (Executive Director, appointed 28 September 2017)
Paul Dwyer (Non-executive Director, appointed 28 September 2017)
Robert Kelly (Non-executive Director, appointed 1 December 2017)
John McPhee (Executive Director, appointed 14 July 2017, resigned 1 October 2017)

Principal activities

The principal activities of the Group consist of Insurance Building and Restoration Services, Commercial Building Services and Commercial Construction. There were no significant changes in the nature of the Group's activities during the year.

Dividends

The Board has declared a final dividend of 1.9 cents per share (fully franked), representing 58% of NPAT attributable to the owners of Johns Lyng Group pro rata from the date of IPO. The final dividend will be paid on 11 October 2018 with a record date of entitlement of 20 September 2018.

Operating and Financial Review

FY18 represents JLG's first financial year close as a public company having successfully completed its Initial Public Offering ('IPO') and listing on the Australian Securities Exchange ('ASX') on 26 October 2017.

The Group made significant strategic, operational and financial progress during the year. Highlights include major client wins such as Suncorp, Youi and the Victorian Government, along with the implementation of domestic and international expansion initiatives. Accordingly, JLG achieved 16.3% annual sales growth and 36.7% annual EBITDA[1] growth in FY18. Sales revenue and EBITDA exceeded Prospectus Forecast by 4.3% and 12.5% respectively. As discussed further below, the Group's Insurance Building and Restoration Services division was the key driver of financial outperformance.

Insurance Building and Restoration Services (IB&RS)

JLG's Insurance Building and Restoration Services division delivered a strong financial performance during FY18 with annual sales revenue and EBITDA growth of 46.2% and 82.3%, respectively. Sales revenue was 23.9% ahead of Prospectus Forecast and EBITDA was 44.7% ahead.

The outperformance was driven by the Group's continued focus on client relationships and delivering exceptional customer outcomes. This led to major client wins and project extensions for Business as Usual ('BaU') works. The Group also benefited from significant work relating to catastrophic ('CAT') and peak weather events including Cyclone Debbie in Queensland (March 2017).

JLG's national footprint, full-suite service offering and ability to efficiently scale up while maintaining the highest standards of quality in responding to CAT events are some of the Group's core competencies and a source of sustainable competitive advantage. JLG's emergency response projects often lead to new client wins and deeper client relationships which transcend into BaU operations.

During FY18, the Group implemented key strategic growth initiatives including:

- **Key insurance client wins:** Suncorp national large-loss, CommInsure (NSW and QLD) and Youi (VIC, NSW and QLD);
- **Key Victorian Government client wins**: Emergency Management Victoria Panel, School Minor Works Panel, School Emergency Maintenance Panel and the School Asbestos Removal and Reinstatement Panel;

1 Excluding IPO and other transaction related expenses of $3,745,747 (FY17: $283,000).

- **Domestic expansion**: growth of national footprint with offices now open and operating in Darwin (NT) and Adelaide (SA). JLG's business in Western Australia grew organically, leveraging new and existing relationships with insurers; and
- **US expansion**: opened inaugural office in Tampa (FL) in February 2018. JLG's US team is currently building key client relationships and delivering initial restoration projects.

Management expects continued growth in JLG's Insurance Building and Restoration Services division which is a key area of strategic focus going forward.

Commercial Building Services (CBS)

JLG's Commercial Building Services division underperformed during FY18. Sales revenue decreased by 19.2% and EBITDA decreased by 13.6% versus FY17. Sales revenue was 28.7% behind Prospectus Forecast and EBITDA was 67.8% behind.

JLG undertook a detailed review of its Commercial Building Services division during the year resulting in the significant portfolio management and optimisation initiatives set out below.

The underperformance was attributable to:

- **Atlanta Projects**: QLD based start-up business in the general fit-out space which was discontinued during FY18;
- **Trump Floorcoverings**: lower job volumes due to market conditions compounded by increased competition and lower margins. JLG's review of Trump Floorcoverings resulted in:
  - » Additional non-recurring write-downs on specific projects;
  - » Significant Management changes including a new General Manager and Business Partner during 2H18; and
  - » A strategy refresh for FY19;
- **Global Home Response (GHR)**: lower customer claims volumes attributable to the business's emergency domestic response service joint venture with RACV (Club Home Response Pty Ltd (CHR)). CHR was divested on 17 July 2018 for cash consideration of $4.2m with all restraints of trade lifted to enable GHR to pursue its own strategic plan in FY19 and beyond; and
- **Sankey Glass (Sankey)**: JLG's review determined Sankey to be a non-core operation. Sankey was subsequently divested to Express Glass on 4 July 2018 for cash consideration of $0.3m.

Commercial Construction (CC)

JLG's Commercial Construction division underperformed during FY18. Sales revenue decreased by 44.0% versus FY17. Sales revenue was 32.4% behind Prospectus Forecast.

FY18 was a year of transition for the Commercial Construction business after a strategic review. Management succession initiatives are now complete and legacy projects have been cleared to make way for a pipeline of project wins which Management believes will deliver a stronger financial performance going forward.

An improved financial performance is expected during FY19 based on current work-in-hand. This is attributable to a rigorous focus on tendering for projects within the business's 'competency sweet spot' only.

Due to the longer project timelines compared with other parts of JLG's business, improvements will be progressive during FY19.

Balance sheet

JLG continues to maintain a strong balance sheet position with net assets of $34.5m representing an annual increase of $48.8m. The increased net asset position is a result of the Group's trading profits during the year plus the proceeds of the primary capital raising component of JLG's IPO (discussed below).

Significant changes in the state of affairs

On 26 October 2017, JLG completed its IPO and was admitted to the Australian Securities Exchange. The purpose of the IPO was to:

- Provide access to capital markets to fund growth opportunities including the expansion of Johns Lyng Group's service offering and geographical footprint;
- Reduce and restructure existing debt obligations; and
- Allow existing Shareholders to realise part of their investment.

As a result of the IPO, the Group:

- Issued new shares realising gross proceeds of $46,902,236;
- Materially repaid existing third party borrowings and beneficiary entitlements;
  - » Beneficiary entitlements comprise unpaid distributions to unitholders in subsidiary trusts – the balance of $1,412,369 as at 30 June 2018 will be paid during the six month period ending 31 December 2018;
- Incurred IPO related transaction costs of $6,434,830 of which:
  - » $3,533,330 was expensed within the consolidated statements of profit or loss and other comprehensive income; and
  - » $2,901,500 was recognised directly in equity (pre-tax).

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

JLG undertook a detailed review of its business portfolio during FY18 which resulted in the following events post 30 June 2018:

- On 17 July 2018, JLG, via its subsidiary Global Home Response Pty Ltd (GHR) sold its 49% equity interest in Club Home Response Pty Ltd (CHR) to RACV (51% shareholder) for cash consideration of $4.2m.
  - » The divestment of CHR resulted in all restraints of trade being lifted to enable GHR to pursue its own strategic plan in FY19 and beyond.
- On 4 July 2018, JLG sold the trade and business assets of Sankey Glass Pty Ltd (Sankey) to Express Glass for cash consideration of $0.3m.
  - » JLG's review determined Sankey to be non-core to the Group.

On 29 August 2018, the Board declared a final dividend of 1.9 cents per share (fully franked), representing 58% of NPAT attributable to the owners of Johns Lyng Group pro rata from the date of IPO. The final dividend will be paid on 11 October 2018 with a record date of entitlement of 20 September 2018.

There are no other matters or circumstances that have arisen since 30 June 2018 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Corporate Governance

The Company's Directors and Management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed and provides reasons for not following such Recommendations ('Corporate Governance Statement').

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (http://investors.johnslyng.com.au/Investors/?page=Corporate-Governance), and will be lodged together with an Appendix 4G with the ASX at the same time that this Annual Report is lodged with the ASX .

The Appendix 4G will specify each Recommendation that needs to be reported against by the Company and will provide Shareholders with information as to where relevant governance disclosures can be found. The Company's corporate governance policies and charters are all available on the Company's website http://investors.johnslyng.com.au/Investors/?page=Corporate-Governance.

Company secretary

Sophie Karzis

Sophie is a practising lawyer with over 15 years' experience as a corporate and commercial lawyer, Company Secretary and General Counsel for a number of public companies. Sophie has a Bachelor of Laws (LLB) and is the General Manager of Corporate Counsel (a corporate law practice with a focus on corporate governance for ASX Listed entities along with more general aspects of corporate and commercial law). Sophie is currently the Company Secretary of a number of ASX Listed and unlisted entities and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia.

Information on directors

The current profiles of the Board of Directors are included on pages 18 and 19.

Directors' interests

	Interest in ordinary shares
Peter Nash	250,000[1]
Paul Dwyer	15,233,265
Robert Kelly	5,000,000
Scott Didier AM	57,658,962
Lindsay Barber	15,725,171
Matthew Lunn	250,000[2]
Adrian Gleeson	1,572,517
Curtis (Curt) Mudd	1,048,344
John McPhee	5,241,723

1 Peter Nash was issued 50,000 Loan Funded Shares on his appointment as Non-executive Director. Under the terms of his contract, he is entitled to $50,000 worth of Loan Funded Shares on each anniversary date of his appointment.

2 Matthew Lunn was issued 250,000 Loan Funded Shares on successful completion of the IPO.

	Units held at 1 July 2017[1]	Share split as part of JLG Roll-up	Shares immediately after restructure	Sale shares sold	Shareholding following IPO	Acquisitions during FY	Received as remuneration	Shareholding at 30 June 2018
Non-executive Directors								
Peter Nash	–	–	–	–	–	200,000	50,000[2]	250,000
Paul Dwyer	20,000,100	(4,766,835)	15,233,265	–	15,233,265	–	–	15,233,265
Robert Kelly	–	–	–	–	–	5,000,000	–	5,000,000
Executive Directors								
Scott Didier AM	110,000,550	(26,217,590)	83,782,960	(26,123,998)	57,658,962	–	–	57,658,962
Lindsay Barber	30,000,150	(7,150,253)	22,849,897	(7,124,726)	15,725,171	–	–	15,725,171
Matthew Lunn	–	–	–	–	–	–	250,000[3]	250,000
Adrian Gleeson	3,000,015	(715,025)	2,284,990	(712,473)	1,572,517	–	–	1,572,517
Curtis (Curt) Mudd	2,000,010	(476,684)	1,523,326	(474,982)	1,048,344	–	–	1,048,344
John McPhee	10,000,050	(2,383,418)	7,616,632	(2,374,909)	5,241,723	–	–	5,241,723
	175,000,875	**(41,709,805)**	**133,291,070**	**(36,811,088)**	**96,479,982**	**5,200,000**	**300,000**	**101,979,982**

1 Balance represents units held in Johns Lyng Unit Trust at 1 July 2017.

2 Peter Nash was issued 50,000 Loan Funded Shares on his appointment as Non-executive Director. Under the terms of his contract, he is entitled to $50,000 worth of Loan Funded Shares on each anniversary date of his appointment.

3 Matthew Lunn was issued 250,000 Loan Funded Shares on successful completion of the IPO.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('Board') and of each Board Committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were as follows:

	Board of Directors meetings		Audit Committee meetings		Nomination & Remuneration Committee meetings		Risk & Compliance Committee meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Nash	9	8	4	4	2	2	2	2
Scott Didier AM	9	9	–	–	–	–	–	–
Lindsay Barber	9	7	–	–	–	–	–	–
Matthew Lunn	9	9	–	–	–	–	–	–
Adrian Gleeson	9	9	4	4	–	–	2	2
Curtis (Curt) Mudd	9	8	–	–	2	2	–	–
Paul Dwyer	9	8	4	4	2	2	2	2
Robert Kelly	7	5	–	–	–	–	–	–
John McPhee	–	–	–	–	–	–	–	–

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

Contents	
1	Remuneration report overview
2	Nomination and Remuneration Committee
3	Principles used to determine the nature and amount of remuneration
4	Employment contracts
5	Group performance
6	Non-executive Director remuneration
7	KMP remuneration
8	Transactions with Non-executive Directors and KMP

1. Remuneration report overview

The remuneration report outlines the Key Management Personnel ('KMP') remuneration arrangements for the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Executive Directors as listed below.

The KMP of the Group consists of the following:

- Scott Didier AM (Managing Director, appointed 28 September 2017)
- Lindsay Barber (Executive Director, appointed 14 July 2017)
- Matthew Lunn (Executive Director, appointed 14 July 2017)
- Adrian Gleeson (Executive Director, appointed 28 September 2017)
- Curtis (Curt) Mudd (Executive Director, appointed 28 September 2017)
- John McPhee (Executive Director, appointed 14 July 2017, resigned as a Director of JLG on 1 October 2017 and was considered KMP until 26 October 2017)

2. Nomination and Remuneration Committee

The objective of the Nomination and Remuneration Committee is to help the Board fulfil its statutory, fiduciary and regulatory responsibilities and achieve its objectives to ensure that the Group:

- Has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- Has coherent remuneration policies and practices to attract and retain Executives and Directors who can reasonably be expected to create value for Shareholders;
- Observes those remuneration policies and practices; and
- Fairly and responsibly rewards Executives having regard to the performance of the Group, the performance of the Executives and the general external pay environment.

The Nomination and Remuneration Committee is also responsible for:

- Identifying and recommending to the Board, nominees for membership of the Board including the Chief Executive Officer;
- Evaluating the performance of the Board, both collectively and individually;
- Reviewing, approving and recommending to the Board for adoption, Executive remuneration and incentive policies and practices;
- Reviewing the remuneration of Non-executive Directors for serving on the Board and any Committee (both individually and in total); and
- Reviewing any insurance premiums or indemnities for the benefit of Directors and Officers.

The Nomination and Remuneration Committee regularly reports to the Board on Committee activities, issues and related recommendations that require Board attention or approval.

The Nomination and Remuneration Committee may seek professional advice from employees of the Group and from appropriate external advisers at the Group's cost. As at the date of this report, the Committee has not engaged the services of remuneration consultants.

3. Principles used to determine the nature and amount of remuneration

Remuneration of KMP is the responsibility of the Nomination and Remuneration Committee.

The Group's broad remuneration policy is to ensure KMP's remuneration packages properly reflect their duties and responsibilities and are competitive in attracting and retaining talented and motivated Executives who can contribute to the high performance culture of the Group.

Non-executive Directors' remuneration

The Group's Non-executive Director remuneration policy is set up to attract and retain Directors of the highest calibre with the relevant experience, knowledge and expertise to help govern the Group effectively.

Non-executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Committee may, from time-to-time, receive advice from independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in-line with the market. The Chairman's fees are determined independently to the fees of other Non-executive Directors based on comparable roles in the market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Under the Constitution, the total amount of fees paid to all Non-executive Directors for their services must not exceed in aggregate $1,000,000 in any financial year. In accordance with ASX listing rules, any increase to the aggregate annual sum needs to be approved by Shareholders.

Non-executive Directors are not eligible to participate in the Group's Short-term or Long-term Incentive Plans.

The remuneration of Non-executive Directors for the year ended 30 June 2018 is detailed in Item 6 of this report.

Executive Directors' remuneration

To assist with the Board's policy of attracting and retaining talented and motivated Executives who contribute to the high performance culture of the Group, the Nomination and Remuneration Committee has agreed remuneration packages for Executive Directors including the following components:

- Fixed remuneration; and
- Variable remuneration.

Fixed remuneration

Fixed remuneration is comprised of cash salary, fees and other employee benefits including: superannuation, leave entitlements and other benefits.

Variable remuneration

The objective of variable remuneration is to create sustainable Shareholder value by providing a link between the Group's performance and KMP's remuneration. Variable remuneration seeks to enhance KMP's interests by:

- Rewarding capability and experience;
- Reflecting competitive rewards for contribution to growth and Shareholder wealth; and
- Providing a clear structure for earning rewards.

Variable remuneration is made up of the following components:

- Short-term Incentive Plan (cash);
- Long-term Incentive Plan (Performance Rights); and
- Employee Share Loan Plan (Loan Funded Shares).

Relationship between rewards and performance

Short-term Incentive Plan

The Group's Short-term Incentive ('STI') Plan is designed to incentivise the performance of the Group's Executives via payments linked to the financial performance of the Group. The key performance indicator is budgeted versus actual Net Profit after tax attributable to the Group's Shareholders ('Net Profit'). STI payments to Executives are calculated based on the Group's financial performance for the current financial year, with higher STI payments for financial outperformance versus budget as follows:

KMP STI Plan – Rewards & Performance Matrix				
Net Profit (Actual)	**<80% Budget**	**80%-90% Budget[1]**	**90%-100% Budget[1]**	**>100% Budget[1]**
Scott Didier AM	0%	0.67%	1.00%	2.00%
Lindsay Barber	0%	0.67%	1.00%	2.00%
Matthew Lunn	0%	0.67%	1.00%	2.00%
Adrian Gleeson	0%	0.40%	0.60%	1.20%
Curtis (Curt) Mudd	0%	0.40%	0.60%	1.20%

1 Calculated post STI and LTI Profit or Loss expense, pro-rata from Listing date (26 October 2017) and pro-rata in-between bands.

John McPhee resigned as an Executive Director on 1 October 2017. John McPhee was considered KMP until the Listing date and his remuneration has been disclosed for the period until the Listing date (26 October 2017).

Additional STI payments may be made to Executives at the discretion of the Nomination and Remuneration Committee having regard to the objectives of the Committee and the principles used to determine the nature and amount of remuneration set out in this report.

Long-term Incentive Plan

The Group's Long-term Incentive ('LTI') Plan is designed to incentivise and retain the Group's Executives via long-term share based incentive payments linked to the financial performance of the Group. The key performance indicator is budgeted versus actual Net Profit.

Should actual Net Profit be less than budgeted Net Profit in a financial year, then the amount payable under the LTI Plan for that year is nil.

Provided actual Net Profit exceeds budgeted Net Profit, Performance Rights (deferred shares) equal to 30% of the STI value in a particular financial year are ascribed to the individual Executive (expressed as a maximum number of potential shares to be issued based on the 30 day VWAP to the current financial year's Annual Report issue date). The calculated number of (potential) shares will be issued equally over a three year period provided that certain return on equity targets are achieved (reviewed and set annually by the Nomination and Remuneration Committee) and that the Executive remains employed by the Group at the time the shares are issued.

Employee Share Loan Plan

The Group adopted the Employee Share Loan Plan ('ESLP') to provide an incentive for Executives to remain in their employment, recognise the ongoing abilities and expected efforts of Executives and their contribution to the performance and future success of the Group along with providing a means through which Executives may acquire shares in the Company.

Loan Funded Shares are funded by a zero interest 10 year non-recourse loan from the Group. Dividends paid on the Loan Funded Shares must be applied to the repayment or reduction of the principal owing.

Any issue of Loan Funded Shares under the ESLP is at the discretion of the Nomination and Remuneration Committee of the Board having regard to the objectives of the Committee and the principles used to determine the nature and amount of remuneration set out in this report.

Details of the shares issued to Directors and other KMP as part of their remuneration during the year ended 30 June 2018 are set out below:

Name	Date	Shares	Issue price	$
Peter Nash[1]	26 October 2017	50,000	$1.00	50,000
Matthew Lunn[2]	26 October 2017	250,000	$1.00	250,000

1 Peter Nash was issued 50,000 Loan Funded Shares on his appointment as Non-executive Director. Under the terms of his contract, he is entitled to $50,000 worth of Loan Funded Shares on each anniversary date of his appointment.

2 Matthew Lunn was issued 250,000 Loan Funded Shares on successful completion of the IPO.

For accounting purposes, the Loan Funded Shares have been recognised as options. Therefore, no loans receivable or amounts paid within issued share capital have been recognised within the financial statements.

Voting and comments made at the Company's Annual General Meeting ('AGM')

The Group will hold its first Annual General Meeting on 27 November 2018. At this time, a vote will be taken to adopt the remuneration report for the year ended 30 June 2018.

4. Employment contracts

Key terms of employment contracts of Executive Directors are presented in the table below:

Name	Position	Contract duration	Notice period	Termination payments if applicable
Scott Didier AM	Managing Director & Chief Executive Officer	Unlimited	Six months	Six months fully paid
Lindsay Barber	Executive Director & Chief Operating Officer	Unlimited	Six months	Six months fully paid
Matthew Lunn	Executive Director & Chief Financial Officer	Unlimited	Three months	Three months fully paid
Adrian Gleeson	Executive Director & Executive General Manager, Business Development & Client Relations	Unlimited	Three months	Three months fully paid
Curtis (Curt) Mudd	Executive Director & Executive General Manager, Strategic Initiatives	Unlimited	Three months	Three months fully paid

5. Group performance

	30 June 2018 $'000	30 June 2017 $'000
Sales revenue	290,362	249,728
EBITDA	23,549[1]	17,222[2]
NPAT	18,313[1]	13,584[2]
Dividends declared (cents per share)	–	–
Performance based incentives to KMP	1,039,417	355,000
Share price at year end	$1.30	$1.00
		On IPO at 26 Oct 2018

The Company listed on the ASX on 26 October 2017, earlier comparatives are not considered appropriate as incentive payments were not provided to KMP as part of their remuneration.

Accordingly, comparative information has only been included for FY17.

1 Excluding $3,745,747 in IPO and other transaction related expenses

2 Excluding $283,000 in IPO and other transaction related expenses

6. Non-executive Director remuneration

		Short-term benefits			Post employment	Long-term benefits					
		Salary and fees $	Non-monetary $	STI cash bonus $	Superannuation $	Employee benefits $	Loan funded shares[7] $	LTI performance rights $	Total $	Fixed (%)	Variable/ performance linked (%)
Non-executive Directors:											
Peter Nash											
	2018	102,740	–	–	9,760	–	22,895	–	135,395	100%	0%
	2017	–	–	–	–	–	–	–	–	n/a	n/a
Paul Dwyer											
	2018	–	–	–	37,500	–	–	–	37,500	100%	0%
	2017	–	–	–	–	–	–	–	–	n/a	n/a
Robert Kelly											
	2018	26,637	–	–	2,530	–	–	–	29,167	100%	0%

7. KMP remuneration

		Short-term benefits			Post employment	Long-term benefits					
		Salary and fees $	Non-monetary $	STI cash bonus $	Superannuation $	Employee benefits $	Loan funded shares[7] $	LTI performance rights $	Total $	Fixed (%)	Variable/ performance linked (%)
KMP:											
Scott Didier AM[1]											
	2018	413,546	–	164,753	18,205	–	–	15,383	611,887	70%	30%
	2017	299,197	–	120,000	–	–	–	–	419,197	71%	29%
Lindsay Barber[2]											
	2018	317,478	–	164,753	32,148	29,389	–	15,383	559,151	67%	33%
	2017	192,290	–	118,602	34,087	16,366	–	–	361,345	67%	33%
Matthew Lunn[3]											
	2018	261,859	–	164,753	24,448	14,714	–	15,383	481,157	61%	39%
	2017	141,712	–	–	12,752	11,568	–	–	166,032	100%	0%
Adrian Gleeson[4]											
	2018	116,608	–	95,809	3,604	3,550	–	8,625	228,196	54%	46%
	2017	75,481	–	–	–	–	–	–	75,481	100%	0%
Curtis (Curt) Mudd[5]											
	2018	166,999	–	98,853	16,606	8,092	–	9,230	299,780	63%	37%
	2017	67,441	–	–	6,407	–	–	–	73,848	100%	0%
John McPhee[6]											
	2018	33,654	–	–	3,197	2,188	–	–	39,039	100%	0%
	2017	124,999	–	52,380	33,582	641	–	–	211,602	65%	35%

1 Salary and fees payable to Scott Didier AM increased from $300,000 p.a. to $500,000 p.a. from the Listing date (26 October 2017).

2 Salary and fees payable to Lindsay Barber increased from $236,812 p.a. to $400,000 p.a. from the Listing date (26 October 2017).

3 Matthew Lunn commenced employment with the Group on 2 November 2016. The cash salary and fees disclosed for Mr Lunn during FY17 are for the period from 2 November 2016 to 30 June 2017 and excludes the IPO cash bonus amount disclosed in the table below.

4 Salary and fees payable to Adrian Gleeson increased from $75,000 p.a. to $180,000 p.a. from the Listing date (26 October 2017).

5 Salary and fees payable to Curtis (Curt) Mudd increased from $73,000 p.a. to $182,865 p.a. from the Listing date (26 October 2017).

6 John McPhee resigned as an Executive Director on 1 October 2017. John McPhee was considered KMP until the Listing date and his remuneration has been disclosed for the period until the Listing date (26 October 2017).

7 Loan Funded Shares issued during FY18 have been valued by an independent expert.

IPO bonus		IPO cash bonus $	IPO bonus Super $	IPO loan funded shares $	Total $
Executive Directors					
Matthew Lunn					
	2018	149,641	359	114,475	264,475
	2017	40,000	–	–	40,000

In accordance with Matthew Lunn's employment contract, a cash bonus was paid upon successful completion of the IPO.

Matthew Lunn was issued 250,000 Loan Funded Shares in connection with the IPO.

The Loan Funded Shares issued during FY18 have been valued by an independent expert.

8. Transactions with Non-executive Directors and KMP

Transactions with Non-executive Directors and KMP are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with Non-executive Directors and KMP:

During the financial period and previous financial periods, Johns Lyng Group Limited advanced loans to, received and repaid loans from, and provided treasury, accounting, legal, taxation and administrative services to other entities within the Group.

Entities within the Group also exchanged goods and services in sale and purchase transactions. All transactions occurred on the basis of normal commercial terms and conditions. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Prior to entering into an Executive Services Agreement in respect of his role as Managing Director and Chief Executive Officer of the Company (effective on and from Listing), Scott Didier AM received consultancy fees from the Group through his entity, Trump Investments Pty Ltd ATF Trump Investments Trust. During FY18, $99,732 (plus GST) (FY17: $419,197 (plus GST)) was invoiced to the Group for services provided by Scott Didier AM through Trump Investments Pty Ltd ATF Trump Investments Trust. The consultancy fees are included in the KMP remuneration table on page 29.

Prior to entering into an Executive Services Agreement in respect of his role as Executive General Manager, Business Development and Client Relations of the Company, Adrian Gleeson received consultancy fees from the Group through his entity, Aust-Sport Financial Services Pty Ltd ATF Gleeson Family Trust. During FY18, $78,674 (plus GST) (FY17: $75,481 (plus GST)) was invoiced to the Group for services provided by Adrian Gleeson through Aust-Sport Financial Services Pty Ltd ATF Gleeson Family Trust. The consultancy fees are included in the KMP remuneration table on page 29.

The Group uses PSC Insurance Group Limited ('PSC') for all its insurance requirements, excluding 'Home Owner Warranty' insurance. PSC is the ultimate owner of PSC JLG Investment Pty Ltd, a substantial shareholder in JLG. Paul Dwyer is the Managing Director of PSC. During FY18 the Group paid PSC $242,656 (plus GST) (FY17: $75,961 (plus GST)) in respect of various corporate insurance policies and associated services. PSC's fees are charged at its standard commercial rates in accordance with a service agreement.

During FY18 the Group paid $68,182 (plus GST) (FY17: $65,455 (plus GST)) to Trump Yacht Charters Pty Ltd ATF Trump Yacht Charters Trust for use of a corporate yacht for client entertainment purposes. Scott Didier AM is a director and shareholder of Trump Yacht Charters Pty Ltd ATF Trump Yacht Charters Trust. The arrangement is on an arm's length basis and on commercial terms.

During FY18 the Group paid $86,559 (plus GST) (FY17: nil) for aviation services to ADD Aviation Services Pty Ltd ATF ADD Aviation Services Unit Trust ('ADD'). ADD is owned by JLG Directors Scott Didier AM, Paul Dwyer and related party associate Brian Austin. The arrangement is on an arm's length basis and on commercial terms.

During FY17 the Group paid $131,861 (plus GST) for aviation services to Trump Aviation Pty Ltd ATF Trump Aviation Unit Trust ('Trump Aviation'). Trump Aviation is owned 50% by JLG Investments Pty Ltd ATF Johns Lyng Investments Unit Trust (Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust) and 50% by Paul Dwyer and related party associate Brian Austin. The arrangement was on an arm's length basis and on commercial terms.

The Group has entered into a number of leases for office and warehouse space throughout Australia. Three of these leases in Victoria are with landlords that are related parties of the Group. The table below lists the names of the related party landlords and their relationship with the Group.

Landlord/premises	KMP relationship with the Group	Payments during the period
Landlord: Trump Investments Pty Ltd ACN 006 779 791 ATF for Trump Investments Trust. Premises: 17 Capital Place, Carrum Downs, Victoria 3201	Scott Didier AM is a director and sole shareholder of Trump Investments Pty Ltd.	FY18: $140,000 (plus GST) FY17: $96,667 (plus GST) (Commenced March 2017)
Landlord: Trump Sunshine Pty Ltd ACN 151 548 202 ATF Trump Sunshine Trust. Premises: 120 Proximity Drive, Sunshine West, Victoria 3020	Scott Didier AM is a director and shareholder of Trump Sunshine Pty Ltd (through Trump Investments Pty Ltd).	FY18: $96,464 (plus GST) FY17: $94,260 (plus GST)
Landlord: 1 Williamsons Road Pty Ltd ACN 130 622 187 ATF 1 Williamsons Road Unit Trust. Premises: 1 Williamsons Rd, Doncaster, Victoria 3108	1 Williamsons Road Unit Trust is owned by Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust. Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust.	FY18: $370,921 (plus GST) FY17: $369,996 (plus GST)
Landlord: 1 Williamsons Road Pty Ltd ACN 130 622 187 ATF 1 Williamsons Road Unit Trust. Premises: 11-17 McIlwraith Street, Wetherill Park, NSW 2164 Sold January 2017	1 Williamsons Road Unit Trust is owned by Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust. Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust.	FY18: nil FY17: $168,000 (plus GST)

The lease agreements with the landlords noted above have been entered into on an arm's length basis and on commercial terms.

The services of certain Group Members have been engaged for related party building projects. Set out below is a list of the KMP building projects:

Johns Lyng Insurance Building Solutions (VIC) Pty Ltd ATF Johns Lyng Insurance Building Solutions (Victoria) Unit Trust completed renovations at Scott Didier's residence in December 2017. The scope of work completed totalled $998,823 (plus GST). This project was completed on an arm's length basis and on commercial terms.

Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders together own a 25% share of 67-71 Shirley Street Pty Ltd. 67-71 Shirley Street Pty Ltd entered into a building works contract in February 2017 with Johns Lyng NSW Pty Ltd ATF Johns Lyng NSW Unit Trust. The scope of work totalled $3,009,623 (plus GST). This project was completed in August 2017 on an arm's length basis and on commercial terms.

Johns Lyng Commercial Builders Pty Ltd ATF Johns Lyng Commercial Builders Unit Trust ('JLCB') completed renovation works at Brian Austin's residence in February 2018. Brian Austin is a related party associate. The scope of work completed totalled $748,048 (plus GST). This project was completed on an arm's length basis and on commercial terms.

Pre-IPO, JLG demerged various businesses as part of the Group's restructuring ('Restructuring') as detailed in the Prospectus.

As part of the Restructuring and to assist with the separation and transition of the demerged businesses, on 15 September 2017, JLG entered into a 12 month Transitional Services Agreement ('TSA') covering various administrative support services with Johns Lyng Investments Pty Ltd ('JLI'). Under the terms of the TSA, JLI paid JLG $100,000 (plus GST) during FY18. The TSA expired on 30 June 2018.

From time-to-time and as required, JLG will continue to provide administrative support services to related party demerged businesses along with Trump Investments Pty Ltd ATF Trump Investments Trust.

JLG charges additional fees for services outside the scope of the TSA on an arm's length basis and on commercial terms (hourly rates based on the time expended). During FY18 JLG provided administrative support services for which it charged $45,879 (plus GST) (2017: nil) to related party entities.

The following table sets out the amounts payable and receivable from KMP's. Payable balances represent beneficiary entitlements from historical distributions under the pre-IPO structure. These balances were repaid with proceeds from the primary capital raising component of JLG's IPO. Receivable balances represent the vendor financed amount for purchases of units in Johns Lyng Unit Trust less any distributions.

	Consolidated	
	2018 $'000	2017 $'000
Beneficiary entitlements – payable		
Scott Didier AM	–	9,069
Lindsay Barber	–	1,898
John McPhee	–	812
Total beneficiary entitlements – payable	–	11,779
Beneficiary entitlements – receivable		
Adrian Gleeson	–	188
Curtis (Curt) Mudd	–	43
Paul Dwyer	–	385
Total beneficiary entitlements – receivable	–	616

As part of the purchase of units in Johns Lyng Unit Trust, PSC JLG Investment Pty Ltd provided a working capital loan of $2,500,000. Paul Dwyer is the Managing Director of PSC Insurance Group Limited (the ultimate owner PSC JLG Investment Pty Ltd). The loan was repaid in FY18 with proceeds from the primary capital raising component of JLG's IPO.

Prior to the IPO, the Group advanced funds to related entities. Following the IPO, amounts owing from related entities are limited to KMP transactions disclosed above which are considered to be in the normal course of business.

Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust[1]	642	317
Johns Lyng Group National Services Pty Ltd ATF Johns Lyng Group National Services Unit Trust[2]	–	341
Your Caretaker Pty Ltd ATF Your Caretaker Unit Trust[3]	15	15
Club Home Response Pty Ltd[4]	248	443
Total related party loans – receivable	905	1,116

1 Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust. This loan was fully repaid in July 2018.

2 Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Group National Services Unit Trust.

3 Your Caretaker Unit Trust is owned by Johns Lyng Group National Services Unit Trust.

4 Club Home Response Pty Ltd is 49% owned by the Group.

End of Remuneration Report

Indemnity and insurance of officers

The Company has indemnified the Directors and Executives of the Company for costs incurred in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001.* The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Pitcher Partners

There are no Officers of the Company who are former partners of Pitcher Partners.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001.*

On behalf of the Directors

Peter Nash
Chairman

30 August 2018

Scott Didier AM
Managing Director

30 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

30 June 2018

PITCHER PARTNERS

JOHNS LYNG GROUP LIMITED

86 620 466 248

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF JOHNS LYNG GROUP LIMITED

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Johns Lyng Group Limited and the entities it controlled during the year.

S D WHITCHURCH
Partner

30 August 2018

PITCHER PARTNERS
Melbourne

An independent Victorian Partnership ABN 27 975 255 196
Level 19, 15 William Street, Melbourne VIC 3000
Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane | Newcastle
An independent member of Baker Tilly International

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

		Consolidated	
	Note	2018 $'000	2017 $'000
Revenue			
Sales income	5	290,362	249,728
Cost of sales		(229,708)	(199,559)
Gross profit		60,654	50,169
Other revenue and income	5	2,431	2,481
Expenses			
Employee benefits expense	6	(24,627)	(23,027)
Depreciation and amortisation expense	6	(2,715)	(1,994)
Impairment	6	–	(609)
Motor vehicle expenses		(2,408)	(2,082)
Travelling expenses		(1,752)	(1,069)
Insurance		(1,020)	(1,025)
Professional fees		(1,929)	(1,054)
Telephone and communication		(1,074)	(922)
Finance costs		(703)	(1,103)
Advertising expense		(984)	(877)
Occupancy expense		(2,687)	(1,924)
IPO and other transaction related expenses		(3,746)	(283)
Other expenses		(2,914)	(2,390)
Total expenses		**(46,559)**	**(38,359)**
Operating profit		16,526	14,291
Share of net profits of investments accounted for using the equity method		20	(415)
Profit before income tax		**16,546**	**13,876**
Income tax expense	7	(1,979)	(575)
Profit after income tax for the year		**14,567**	**13,301**

The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

		Consolidated	
	Note	2018 $'000	2017 $'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Movement in foreign currency translation reserve		(2)	(12)
Total comprehensive income for the year		**14,565**	**13,289**
Profit for the year is attributable to:			
Owners of Johns Lyng Group	23	10,745	10,136
Non-controlling interest		3,822	3,165
		14,567	**13,301**
Total comprehensive income for the year is attributable to:			
Owners of Johns Lyng Group		10,743	10,124
Non-controlling interest		3,822	3,165
		14,565	**13,289**

Earnings per share (EPS) for profit attributable to equity holders of the Parent Entity

		Cents	Cents
Basic earnings per share	35	5.39	6.65
Diluted earnings per share	35	5.39	6.65

The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2018

		Consolidated	
	Note	2018 $'000	2017 $'000
Assets			
Current assets			
Cash and cash equivalents	8	22,269	6,816
Trade and other receivables	9	41,963	44,383
Inventories	10	611	783
Accrued income	11	14,954	11,078
Current tax asset	7	–	1
Other current assets	12	1,271	570
Total current assets		81,068	63,631
Non-current assets			
Investments accounted for using the equity method	13	235	215
Property, plant and equipment	14	9,259	7,495
Intangibles	15	3,392	3,402
Deferred tax asset	7	2,678	–
Total non-current assets		15,564	11,112
Total assets		**96,632**	**74,743**
Liabilities			
Current liabilities			
Trade and other payables	16	41,169	42,774
Borrowings	17	2,049	18,615
Current tax payable	7	3,638	–
Employee provisions	18	2,504	2,222
Beneficiary entitlements	19	1,412	13,774
Income in advance	20	8,664	9,253
Total current liabilities		59,436	86,638
Non-current liabilities			
Borrowings	17	2,369	2,176
Employee provisions	18	347	247
Total non-current liabilities		2,716	2,423
Total liabilities		**62,152**	**89,061**
Net assets/(liabilities)		**34,480**	**(14,318)**
Equity			
Issued capital	21	58,983	2,000
Reserves	22	(22,909)	(1,254)
Accumulated losses	23	(1,466)	(14,797)
Equity/(deficiency) attributable to the owners of Johns Lyng Group		34,608	(14,051)
Non-controlling interests	24	(128)	(267)
Total equity/(deficiency)		**34,480**	**(14,318)**

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2018

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interests $'000	Total equity/ (deficiency) in equity $'000
Balance at 1 July 2016	2,000	(821)	(13,049)	136	(11,734)
Profit for the year	–	–	10,136	3,165	13,301
Movement in foreign currency reserve	–	(12)	–	–	(12)
Total comprehensive income for the year	–	(12)	10,136	3,165	13,289
Transactions with owners in their capacity as owners:					
Transactions with non-controlling interests	–	330	–	8	338
Dividends	–	–	–	(523)	(523)
Distributions to unitholders	–	–	(12,635)	(3,053)	(15,688)
Transfers	–	(751)	751	–	–
Balance at 30 June 2017	**2,000**	**(1,254)**	**(14,797)**	**(267)**	**(14,318)**
Balance at 1 July 2017	2,000	(1,254)	(14,797)	(267)	(14,318)
Profit for the year	–	–	10,745	3,822	14,567
Movement in foreign currency reserve	–	(2)	–	–	(2)
Total comprehensive income for the year	–	(2)	10,745	3,822	14,565
Transactions with owners in their capacity as owners:					
Issue of equity on Roll-up	21,270	(21,264)	–	(6)	–
Interposition of Johns Lyng Group Limited – demerger of non-core businesses pre-IPO	(10,422)	–	10,422	–	–
Transactions with non-controlling interests	–	(1,196)	–	32	(1,164)
Transfers	–	449	(449)	–	–
Shares issued on IPO	46,902	–	–	–	46,902
Share issue transaction costs, net of tax	(2,261)	–	–	–	(2,261)
Dividends	–	–	–	(636)	(636)
Distributions to unitholders	–	–	(7,387)	(3,073)	(10,460)
Share based payments	–	358	–	–	358
Issue of shares – exercise of call options	1,494	–	–	–	1,494
Balance at 30 June 2018	**58,983**	**(22,909)**	**(1,466)**	**(128)**	**34,480**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 30 June 2018

		Consolidated	
	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		314,913	269,503
Payments to suppliers and employees		(297,973)	(256,700)
Dividends received		589	735
Interest received		161	34
Finance costs		(703)	(1,103)
Income tax paid	7	(378)	(510)
Net cash from operating activities	34	16,609	11,959
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		175	298
Net payments for property, plant and equipment		(194)	(706)
Net payments for intangibles	15	–	(35)
Net cash used in investing activities		(19)	(443)
Cash flows from financing activities			
Net proceeds from share issue[1]	21	43,455	–
Proceeds from borrowings	34(c)	4,419	10,001
Receipts from beneficiaries		3,079	–
Payments to beneficiaries		(23,999)	(20,829)
Payments to related parties		(2,435)	(3,647)
Receipts from related parties		–	6,939
Repayment of borrowings	34(c)	(18,489)	(3,030)
Repayment of hire purchase	34(c)	(4,879)	(1,112)
Share issue transaction costs		(445)	–
Net cash from/(used in) financing activities		706	(11,678)
Net increase/(decrease) in cash and cash equivalents		17,296	(162)
Cash and cash equivalents at the beginning of the financial year		4,973	5,135
Cash and cash equivalents at the end of the financial year	8, 34	**22,269**	**4,973**

1 Proceeds from issue of shares comprises 46,902,236 shares issued at $1 each less $3,447,325 in IPO related expenses deducted at settlement.

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

NOTE 1. GENERAL INFORMATION

The financial statements cover Johns Lyng Group Limited as a consolidated entity consisting of Johns Lyng Group Limited and the entities it controlled at the end of the financial year. The financial statements are presented in Australian dollars, which is Johns Lyng Group's functional and presentation currency.

Johns Lyng Group is a listed public Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 13, 664 Collins Street Docklands VIC 3008	1 Williamsons Road Doncaster VIC 3108

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2018. The Directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation to fair value for certain classes of assets and liabilities as described in the following notes.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Parent Entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the Parent Entity is disclosed in note 31.

(c) Principles of consolidation

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

(d) Foreign currency translation

The financial statements are presented in Australian dollars, which is Johns Lyng Group's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign subsidiaries and operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

(e) Business combination

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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 and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability are recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

(f) Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(g) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been adopted early by the Group.

AASB 9 Financial Instruments

This standard is applicable to Annual Reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12 month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018. The Group performed an assessment on the Financial Instruments of Trade and Other Receivables. The assessment included a review and comparison of invoice issuance date to subsequent payment date. The result of the assessment demonstrated that no Trade or Other Receivable required impairment and the impact of AASB 9 on the Financial Report to be immaterial.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to Annual Reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determination of the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on the basis of the relative stand alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018. The Group identified its customers with whom it has contracts, reviewed those contracts and identified the performance obligations. It was determined that revenue is recognised upon satisfaction of the performance obligation and the impact of AASB 15 on the Financial Report to be immaterial.

AASB 16 Leases

This standard is applicable to Annual Reporting periods beginning on or after 1 January 2019. AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, lessees will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice i.e. lessors continue to classify leases as finance and operating leases. The Group will adopt this standard from 1 July 2019. The Group performed an assessment of its lease liability and right-of-use asset as at the Financial Report date and determined the impact of AASB 16 to be immaterial to the consolidated statements of profit or loss and other comprehensive income and net assets.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events that Management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined by using either the Binomial, Monte Carlo or Black-Scholes models taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity settled share based payments will have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 15. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Accounting policy for construction contracts and work in progress

Construction revenue is recognised on the percentage of completion basis measured using a combination of surveys of work performed, completion of a physical proportion of the contract work, or by the proportion of contract costs incurred for work performed to date to the estimated total contract cost. Estimates and judgements are used to calculate the percentage completion of work performed, total estimated contract costs and estimated profit margins.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The Group is organised into four operating segments: Insurance Building and Restoration Services, Commercial Building Services, Commercial Construction – Commercial Builders, and Other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

The CODM reviews revenue and EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Operating segment information

Consolidated – 2018	Insurance Building and Restoration Services $'000	Commercial Building Services $'000	Commercial Construction – Commercial Builders $'000	Other $'000	Intercompany eliminations $'000	Total $'000
Revenue						
Sales to external customers	222,802	42,939	23,290	1,331	–	290,362
Intersegment sales	13,365	2,069	–	1,591	(17,025)	–
Total sales revenue	236,167	45,008	23,290	2,922	(17,025)	290,362
Total other revenue and expenses	(211,082)	(43,465)	(24,911)	(8,116)	17,025	(270,549)
Share of profit of associate using equity accounting method	–	20	–	–	–	20
EBITDA	**25,085**	**1,563**	**(1,621)**	**(5,194)**[1]	**–**	**19,833**
Depreciation and amortisation	(2,329)	(287)	(93)	(6)	–	(2,715)
Finance income	15	4	5	137	–	161
Finance costs	(608)	(160)	100	(35)	–	(703)
Banking facility arrangement fee amortisation	–	–	–	(30)[1]	–	(30)
Profit/(loss) before income tax expense	**22,163**	**1,120**	**(1,609)**	**(5,128)**	**–**	**16,546**
Income tax expense						(1,979)
Profit after income tax expense						**14,567**

1 IPO and other transaction related expenses of $3,745,747, shown in the consolidated statements of profit or loss and other comprehensive income includes banking facility arrangement fee amortisation of $29,555

NOTE 4. OPERATING SEGMENTS (continued)

Consolidated – 2017	Insurance Building and Restoration Services $'000	Commercial Building Services $'000	Commercial Construction – Commercial Builders $'000	Other $'000	Intercompany eliminations $'000	Total $'000
Revenue						
Sales to external customers	152,423	53,154	41,558	2,593	–	249,728
Intersegment sales	13,447	1,940	–	642	(16,029)	–
Total revenue	165,870	55,094	41,558	3,235	(16,029)	249,728
Total other revenue and expenses	(152,110)	(52,870)	(42,691)	(732)	16,029	(232,374)
Share of profit of associate using equity accounting method	–	(415)	–	–	–	(415)
EBITDA	**13,760**	**1,809**	**(1,133)**	**2,503**	**–**	**16,939**
Depreciation and amortisation	(1,480)	(239)	(75)	(200)	–	(1,994)
Finance income	6	5	10	13	–	34
Finance costs	(776)	(202)	110	(235)	–	(1,103)
Profit/(loss) before income tax expense	11,510	1,373	(1,088)	2,081	–	13,876
Income tax expense						(575)
Profit after income tax expense						13,301

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), which is consistent with the Group's accounting policies. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 5. REVENUE AND OTHER INCOME

	Consolidated	
	2018 $'000	**2017 $'000**
Insurance Building and Restoration Services	222,802	152,423
Commercial Building Services	42,939	53,154
Commercial Construction – Commercial Builders	23,290	41,558
Other sales revenue	1,331	2,593
	290,362	249,728
Other revenue and income		
Dividend income	443	927
Interest income	161	34
Management fees	600	535
Other revenue	1,197	920
Profit on sale of property, plant and equipment	30	65
	2,431	**2,481**

Accounting policy for revenue recognition

Revenue from the provision of services is recognised upon the delivery of the service to the customer. 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 of 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 are likely to 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 the total contract costs will exceed total contract revenue.

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

Accounting policy for dividends

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

Accounting policy for interest

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

Accounting policy for other revenues

Other revenue is recognised when it is received or when the right to be received has been confirmed.

NOTE 6. PROFIT FROM CONTINUING OPERATIONS

	Consolidated	
	2018 $'000	2017 $'000
Profit before income tax includes the following specific expenses:		
Employee benefits:		
Gross remuneration, bonuses and on-costs	45,603	32,989
Less amounts expensed through cost of sales	(24,737)	(12,764)
Superannuation	3,403	2,802
Share based payments expense	358	–
Total employee benefits	24,627	23,027
Depreciation	2,705	1,984
Amortisation	10	10
Total depreciation and amortisation	2,715	1,994
Impairment:		
Related party receivables	–	609
Total impairment	–	609
Bad and doubtful debts expense/(recovery)	–	(280)
Profit on disposal of fixed assets	30	65

Accounting policy for employee benefits

The Group's accounting policy for liabilities associated with employee benefits is set out in note 18.

Employee benefits include all consideration paid or payable by the Group in exchange for services rendered by employees. Employee benefits are expensed as incurred, including employee benefits attributable to construction work in progress, which are expensed within cost of sales.

The Group makes superannuation contributions (currently 9.5% of the employees' average ordinary salary) to the employees' defined contribution superannuation plans of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period as the related employee services are received.

The Group operates share based payment employee incentive and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at the grant date. The fair value of options, including Loan Funded Shares, is measured using an appropriate valuation model selected according to the terms and conditions of the grant. In respect of share based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that will eventually vest.

NOTE 7. INCOME TAX

	Consolidated	
	2018 $'000	**2017 $'000**
(a) Components of tax expense		
Current tax	3,934	517
Deferred tax	(2,038)	58
Under provision in prior years	83	–
	(1,979)	(575)
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit before tax	16,546	13,876
Prima facie income tax payable on profit before income tax at 30.0% (2017: 30.0%)	4,964	4,163
Add tax effect of:		
– Subsidiary losses not recognised	1,398	–
– Other non-deductible expenses	260	32
Less tax effect of:		
– Recognition of deferred tax assets post restructure	(795)	–
– Distribution of taxable income to Johns Lyng Unit Trust unitholders pre-IPO	(2,433)	–
– Distribution of trust profits to unitholders	–	(3,617)
– Distribution of taxable income to non-controlling interests	(1,104)	–
– Tax losses utilised	(255)	–
– Share of profits from equity accounted investments	(6)	–
– Franking credits	(133)	–
– Under provision in prior years	83	–
– Impact of the different overseas tax rates	–	(3)
	1,979	575
(c) Current tax		
Current tax relates to the following:		
Current tax liabilities/(assets)		
Opening at 1 July	(1)	(8)
Income tax	3,934	517
Tax payments	(378)	(510)
Under provision in prior years	83	–
Closing at 30 June	3,638	(1)

NOTE 7. INCOME TAX (continued)

	Consolidated	
	2018 $'000	2017 $'000
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
– Accruals	443	–
– Employee benefits	855	–
– Fixed assets	150	–
– Capital raising costs	1,230	–
	2,678	–
Movements:		
Opening balance	–	58
Credited/(charged) to profit or loss	2,038	(58)
Credited to equity	640	–
Closing balance	**2,678**	**–**
(e) Deferred income tax (benefit)/expense included in income tax expense comprises		
Decrease/(increase) in deferred tax assets	(2,038)	58
(f) Deferred income tax related to items charged or credited directly to equity		
Decrease/(increase) in deferred tax assets	(640)	–

Accounting policy for income tax

Current income tax expense or benefit 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 expected to be 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.

NOTE 8. CASH AND CASH EQUIVALENTS

		Consolidated	
	Note	2018 $'000	2017 $'000
Cash on hand		14	13
Cash at bank		22,073	6,620
Cash on deposit		182	183
		22,269	**6,816**
Reconciliation to cash and cash equivalents at the end of the financial year			

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the consolidated statements of cash flows as follows:

Balances as above		22,269	6,816
Bank overdraft	17	–	(1,843)
Balance as per consolidated statements of cash flows		22,269	4,973

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the consolidated statements of cash flows presentation purposes, cash and cash equivalents also include bank overdrafts, which are shown within borrowings in current liabilities on the consolidated statements of financial position.

NOTE 9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2018 $'000	2017 $'000
Trade receivables	37,004	34,258
Unbilled debtors (progress claims)	1,174	3,810
Other debtors	193	303
	1,367	4,113
Related parties	709	774
Dividends receivable from associates	196	342
Non-controlling interests	846	696
Johns Lyng Unit Trust unitholders (now previous unitholders)	1,841	4,200
	41,963	**44,383**
Impairment of receivables		
Movements in the provision for impairment of receivables are as follows:		
Opening balance	–	280
Reversal of provisions	–	(280)
Closing balance	**–**	**–**

NOTE 9. TRADE AND OTHER RECEIVABLES (continued)

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $15,260,000 as at 30 June 2018 ($16,531,000 as at 30 June 2017).

The Group did not consider a material credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables is as follows:

	Consolidated	
	2018 $'000	2017 $'000
Current	21,744	17,727
1 to 30 days overdue	7,982	9,110
31 to 60 days overdue	3,118	2,677
61 to 90 days overdue	1,138	2,108
More than 90 days overdue	3,022	2,636
	15,260	16,531
Total trade receivables	**37,004**	**34,258**

Accounting policy for trade and other receivables

Trade receivables, including retentions, include amounts owing from customers for goods sold and services performed in the ordinary course of business.

Unbilled debtors (progress claims) relate to amounts owing from customers for goods sold and services performed but not yet certified at year end. Other receivables are recognised at amortised cost, less any provision for impairment.

The Group considers collectability and impairment of trade receivables on an ongoing basis. Impairment is recognised when there is objective evidence that the Group will not be able to collect amounts owing. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment.

Other receivables are recognised at amortised cost, less any provision for impairment.

NOTE 10. INVENTORIES

	Consolidated	
	2018 $'000	2017 $'000
Raw materials	**611**	**783**

Accounting policy for inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTE 11. ACCRUED INCOME

	Consolidated	
	2018 $'000	**2017 $'000**
Accrued income	14,342	11,078
Gross construction work in progress	612	–
Total accrued income	**14,954**	**11,078**

Accrued income and income in advance represents construction work in progress valued at cost plus profit recognised to date less any provision for anticipated future losses, less progress claims made.

Accounting policy for construction contracts and work in progress – accrued income

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 using a combination of surveys of work performed, completion of a physical proportion of the contract work, or by the proportion of contract costs incurred for work performed to date to the estimated total contract cost. Where losses are anticipated they are provided for in full. Accrued income represents the excess of construction work in progress less progress claims made.

NOTE 12. OTHER CURRENT ASSETS

	Consolidated	
	2018 $'000	**2017 $'000**
Prepayments	**1,271**	**570**

Accounting policy for prepayments

Expenditure paid in advance relating to periods exceeding one month, is recorded as a prepayment and progressively expensed over the period to which the expenditure pertains.

NOTE 13. EQUITY ACCOUNTED INVESTMENTS

The Group owns 49% (2017: 49%) of the ordinary shares of Club Home Response Pty Ltd (CHR) – a business that provides emergency home repair services.

In accordance with the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Dividends received from an investee reduce the carrying amount of the investment.

NOTE 13. EQUITY ACCOUNTED INVESTMENTS (continued)

	Consolidated	
	2018 $'000	2017 $'000
Non-current		
Club Home Response Pty Ltd	**235**	**215**
Summrised Balance Sheet		
Current assets	2,271	2,598
Non-current assets	1,307	1,357
Current liabilities	(3,006)	(3,365)
Non-current liabilities	(91)	(151)
Net assets	**481**	**439**
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	969	1,451
Current financial liabilities (excluding trade and other payables and provisions)	818	1,179
Non-current financial liabilities (excluding trade and other payables and provisions)	85	153
Summarised Profit or Loss		
Revenue	15,245	13,453
Profit before income tax	1,352	1,493
Income tax expense	(406)	(449)
Profit for the period	946	1,044
Total comprehensive profit for the period	**946**	**1,044**
The above profit for the period includes the following:		
Depreciation expense	112	98
Interest income	12	19
Finance costs	16	18
Reconciliation of carrying amount of investment		
Opening carrying amount	215	630
Share of net profit after income tax	463	512
Dividends paid	(443)	(927)
Share of net profits of investments accounted for using the equity method	20	(415)
Closing carrying amount	**235**	**215**

Accounting policy for 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 are 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.

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.

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2018 $'000	2017 $'000
Leasehold improvements – at cost	2,428	2,489
Less: accumulated depreciation	(870)	(557)
	1,558	1,932
Plant and equipment – at cost	3,658	3,106
Less: accumulated depreciation	(2,342)	(1,707)
	1,316	1,399
Motor vehicles – at cost	9,599	6,836
Less: accumulated depreciation	(3,790)	(2,850)
	5,809	3,986
Computer equipment – at cost	1,737	1,308
Less: accumulated depreciation	(1,161)	(1,130)
	576	178
Total property, plant and equipment	**9,259**	**7,495**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Total $'000
Balance at 1 July 2016	755	756	2,624	237	4,372
Additions	1,368	1,145	2,656	171	5,340
Disposals	–	(5)	(228)	–	(233)
Depreciation expense	(191)	(497)	(1,066)	(230)	(1,984)
Balance at 30 June 2017	1,932	1,399	3,986	178	7,495
Additions	2	639	3,417	556	4,614
Disposals	–	(3)	(142)	–	(145)
Depreciation expense	(376)	(719)	(1,452)	(158)	(2,705)
Balance at 30 June 2018	**1,558**	**1,316**	**5,809**	**576**	**9,259**

NOTE 14. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment secured under finance leases

Refer to note 29 for further information on property, plant and equipment secured under finance leases.

Accounting policy for 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 is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding motor vehicles which depreciation basis is diminishing value) over their expected useful lives as follows:

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	10-25%	Straight line
Plant and equipment at cost	25-33%	Straight line
Motor vehicles at cost	27%	Diminishing value
Computer equipment at cost	25-33%	Straight line

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amounts and the disposal proceeds are taken to profit or loss.

NOTE 15. INTANGIBLES

	Consolidated	
	2018 $'000	2017 $'000
Goodwill	3,342	3,342
Software	68	68
Less: Accumulated amortisation	(20)	(10)
	48	58
Trademarks	2	2
	3,392	**3,402**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Trademarks $'000	Software $'000	Total $'000
Balance at 1 July 2016	3,342	2	33	3,377
Additions	–	–	37	37
Disposals	–	–	(2)	(2)
Amortisation expense	–	–	(10)	(10)
Balance at 30 June 2017	3,342	2	58	3,402
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation expense	–	–	(10)	(10)
Balance at 30 June 2018	**3,342**	**2**	**48**	**3,392**

Accounting policy for intangible assets

Goodwill

Goodwill represents the future economic benefit arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to note 2(e) 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.

Impairment tests for goodwill and intangibles assets with indefinite useful lives.

Goodwill has been tested for impairment as at 30 June 2018 using a 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 margin 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 3.0% (2017: 2.5%) and a discount rate of 9.8%[1] (2017: 12.0%)
- Floorcoverings Unit Trust – A terminal value growth rate of 3.0% (2017: 2.5%) and a discount rate of 9.8%[1] (2017: 12.0%)
- Trump Floorcoverings QLD Pty Ltd – A terminal value growth rate of 3.0% (2017: 2.5%) and a discount rate of 9.8%[1] (2017: 12.0%)

1 Estimated weighted average cost of capital per Bell Potter's Equity Research Note dated 10 November 2017.

NOTE 15. INTANGIBLES (continued)

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

	Consolidated	
	2018 $'000	2017 $'000
Trump Property Maintenance VIC Pty Ltd	1,571	1,571
Floorcoverings Unit Trust	1,364	1,364
Trump Floorcoverings QLD Pty Ltd	407	407
	3,342	**3,342**

NOTE 16. TRADE AND OTHER PAYABLES

	Consolidated	
	2018 $'000	2017 $'000
Trade creditors	36,132	36,865
Sundry creditors and accruals	5,037	3,409
Amounts payable to other related parties	–	2,500
	41,169	42,774

NOTE 17. BORROWINGS

	Consolidated	
	2018 $'000	2017 $'000
Current borrowings		
Secured:		
Bank overdraft	–	1,843
Bank loans	–	14,330
Other loans	721	461
Hire purchase	1,328	1,981
	2,049	**18,615**
Non-current borrowings		
Secured:		
Hire purchase	**2,369**	**2,176**

Accounting policy for borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are stated at amortised cost. Any difference between cost and redemption value is recognised in the consolidated statements of profit or loss and other comprehensive income over the tenor of the borrowings.

NOTE 18. EMPLOYEE PROVISIONS

	Consolidated	
	2018 $'000	2017 $'000
Current		
Employee benefits	2,504	2,222
Non-current		
Employee benefits	347	247

Accounting policy for employee benefits

Short-term employee benefits

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 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 consolidated statements of financial position.

Accounting policy for other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 19. BENEFICIARY ENTITLEMENTS

	Consolidated	
	2018 $'000	2017 $'000
Beneficiary entitlements	1,412	13,774

Accounting policy for beneficiary entitlements

Beneficiary entitlements represent distributions owing to non-controlling interests. For the year ended 30 June 2017, beneficiary entitlements also included distributions owing to unitholders of Johns Lyng Unit Trust. Distributions are recognised in accordance with the requirements of distribution minutes and trust deeds. Intergroup distributions have been eliminated on consolidation.

NOTE 20. INCOME IN ADVANCE

	Consolidated	
	2018 $'000	2017 $'000
Income in advance	8,664	9,253

Accounting policy for construction contracts and work in progress – income in advance

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 using a combination of surveys of work performed, completion of a physical proportion of the contract work, or by the proportion of contract costs incurred for work performed to date to the estimated total contract cost. Where losses are anticipated they are provided for in full.

Income in advance represents the excess of progress claims made less construction work in progress.

NOTE 21. ISSUED CAPITAL

	Consolidated			
	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares – fully paid	221,106,324	200,001,000	58,983	2,000

Movements in issued capital

Details	Date	Units	$'000
Units in Johns Lyng Unit Trust			
Balance	1 July 2016	200,001,007	2,000
Buy-back	30 June 2017	(7)	–
Balance	30 June 2017	200,001,000	2,000
Issue of units on Roll-up	18 October 2017	26,869,119	21,270
Internal restructure – interposition of Johns Lyng Group Limited	26 October 2017	(226,870,119)	(23,270)
Balance	**30 June 2018**	**–**	**–**

Details	Date	Shares	$'000
Shares in Johns Lyng Group Limited			
Internal restructure – interposition of Johns Lyng Group Limited	26 October 2017	226,870,119	23,270
Internal restructure – demerger of non-core businesses pre-IPO	26 October 2017	–	(10,422)
Share reduction	26 October 2017	(54,072,355)	–
Issue of new shares	26 October 2017	46,902,236	46,902
Loan Funded Shares	26 October 2017	300,000	–
Costs of share issue, net of tax	26 October 2017	–	(2,261)
Issue of new shares – exercise of call options	29 January 2018	1,106,324	1,494
Balance	**30 June 2018**	**221,106,324**	**58,983**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have $1 par value and the Company does not have a limited amount of authorised capital.

Share buy-back

There is no current on-market share buy-back.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Loan Funded Shares

300,000 Loan Funded Shares were issued during the financial year. In accordance with relevant accounting standards, the Loan Funded Shares have been classified as options and therefore not recognised within share capital.

Restructure

During the period, the Group was restructured to facilitate Listing on the ASX. As part of the restructure:

- 26,869,119 units were issued by Johns Lyng Unit Trust as part of the Roll-up of non-controlling interests' equity in subsidiaries with a value of $21,270,463;
- Johns Lyng Group Limited was incorporated on 14 July 2017;
- Johns Lyng Group Limited acquired 100% of the units in Johns Lyng Unit Trust on 26 October 2017. Shares were issued to all Johns Lyng Unit Trust unitholders prior to acquisition for units held at a ratio of 1:1;
- Shares in Johns Lyng Group Limited were then consolidated at a ratio of 1.3129, reducing the number of shares issued by 54,072,355; and
- 46,902,236 shares were issued as part of the IPO; and
- 300,000 Loan Funded Shares were issued as part of the IPO.

In accordance with relevant accounting standards, the share capital of the Group is formed on the following basis:

- The share capital of Johns Lyng Group Limited on interposition, which is comprised of the equity of Johns Lyng Unit Trust at the date of acquisition being:
  - » Issued units – $2,000,010;
  - » Issued units on Roll-up – $21,270,463;
  - » Historical losses incurred by non-core businesses demerged pre-IPO – $10,422,357;
  - » The issue of shares by Johns Lyng Group Limited as part of the IPO – $46,902,236;
  - » Less $2,261,158 being the cost of share issue, net of tax; and
  - » The issue of shares by Johns Lyng Group Limited on exercise of call options – $1,493,757.

NOTE 21. ISSUED CAPITAL (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure. Reducing the Group's cost of capital as a going concern will facilitate positive returns for Shareholders and benefits to other stakeholders.

Capital is regarded as total equity, as recognised in the consolidated statements of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust its capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Group will look to raise additional capital, if required, when an opportunity to invest in a business or Company is perceived to be value adding relative to the Company's share price at the time of the investment.

The Group is subject to certain covenants relating to financing arrangements and meeting said covenants is given priority in all capital and risk management decisions. There have been no events of default on the financing arrangements during the financial year.

NOTE 22. RESERVES

	Consolidated	
	2018 $'000	2017 $'000
Foreign currency translation reserve	–	2
Options reserve	358	–
Changes in subsidiary interests reserve	(23,267)	(1,256)
	(22,909)	**(1,254)**

Foreign currency translation reserve

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

Options reserve

The options reserve is used to record the fair value of Loan Funded Shares issued to Executives as part of their remuneration along with the value of long-term share based incentives (Performance Rights) under the Long-term Incentive Plan.

Changes in subsidiary interests reserve

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

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency translation reserve $'000	Options reserve $'000	Changes in subsidiary interests reserve $'000	Total $'000
Balance at 1 July 2016	14	–	(835)	(821)
Transactions with non-controlling interests	–	–	330	330
Foreign currency translation	(12)	–	–	(12)
Transfer to accumulated losses	**–**	**–**	**(751)**	**(751)**
Balance at 30 June 2017	2	–	(1,256)	(1,254)
Issue of equity on Roll-up	–	–	(21,264)	(21,264)
Transactions with non-controlling interests	–	–	(1,196)	(1,196)
Transfer to accumulated losses	–	–	449	449
Foreign currency translation	(2)	–	–	(2)
Share based payments	–	358	–	358
Balance at 30 June 2018	**–**	**358**	**(23,267)**	**(22,909)**

NOTE 23. ACCUMULATED LOSSES

	Consolidated	
	2018 $'000	2017 $'000
Accumulated losses at the beginning of the financial year	(14,797)	(13,049)
Profit after income tax for the year	10,745	10,136
Interposition of Johns Lyng Group Limited – demerger of		
non-core businesses pre-IPO	10,422	–
Transfer from changes in subsidiary interests reserve	(449)	751
Distribution to unitholders	(7,387)	(12,635)
Accumulated losses at the end of the financial year	**(1,466)**	**(14,797)**

NOTE 24. NON-CONTROLLING INTERESTS

	Consolidated	
	2018 $'000	2017 $'000
Non-controlling interest – Trust funds (a)	107	81
Non-controlling interest – Retained earnings (b)	(235)	(348)
	(128)	(267)
(a) Non-controlling interest – Trust funds		
Opening balance	81	74
Issue of equity on Roll-up	(6)	–
Transactions with the Group	32	8
Closing balance	**107**	**81**
(b) Non-controlling interest – Accumulated losses		
Opening balance	(348)	63
Share of profit before income tax	3,822	3,165
Share of dividends	(636)	(523)
Share of distributions	(3,073)	(3,053)
Closing balance	**(235)**	**(348)**

NOTE 25. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group reviews its interest rate exposure on a regular basis. As at 30 June 2018, 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.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining credit agency information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statements of financial position and notes to the consolidated financial statements. The Group does not hold any collateral.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Maturity analysis

The table below presents the undiscounted contract settlement terms for financial instruments and Management's expectation for settlement of undiscounted maturities.

The following tables detail the Group's remaining contractual maturities for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

The tables include principal cash flows disclosed as remaining contractual maturities.

FY17 totals may differ from their carrying amount in the consolidated statements of financial position due to the annual review provision in the banking facility agreement (superseded).

	< 6 months $'000	6-12 months $'000	1-5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Consolidated – 2018					
Payables	41,169	–	–	41,169	41,169
Borrowings	1,381	668	2,369	4,418	4,418
Total non-derivatives	42,550	668	2,369	45,587	45,587
Consolidated – 2017					
Payables	42,774	–	–	42,774	42,774
Borrowings	3,103	3,103	14,585	20,791	20,791
Total non-derivatives	45,877	3,103	14,585	63,565	63,565

NOTE 25. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Accounting policy for 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 increases or decreases in fair value from the prior period is recognised in profit or loss of the current period. Fair values 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.

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 derecognised, 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 annually.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties 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.

NOTE 26. DIRECTORS' AND EXECUTIVES' COMPENSATION

Note 26. Directors' and Executives' compensation is rounded to the nearest $1 in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.*

Compensation by category

	Consolidated	
	2018 $	**2017 $**
Short-term employee benefits	2,278,442	1,232,102
Post-employment benefits	147,998	86,828
Long-term employee benefits	57,933	28,575
Termination benefits	–	–
Share based payments	201,644	–
	2,686,017	**1,347,505**

NOTE 27. REMUNERATION OF AUDITORS

Note 27. Remuneration of auditors is rounded to the nearest $1 in accordance with *ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191.*

During the financial year the following fees were paid or payable for services provided by the auditor of the Company:

	Consolidated	
	2018 $	**2017 $**
Audit services		
Audit or review of the financial statements	408,545	377,580
Other services		
Accounting and taxation compliance	160,000	210,000
Other advisory services	74,858	20,530
IPO related services including advisory, accounting and tax	228,011	294,170
Independent Accountant report	245,000	–
Corporate secretarial	127,201	97,147
Other	11,830	16,543
	846,900	638,390
	1,255,445	**1,015,970**

NOTE 28. CONTINGENT LIABILITIES

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

	Consolidated	
	2018 $'000	2017 $'000
Estimates of the maximum amounts of contingent liabilities that may become payable:		
Bank guarantees	5,883	6,408

NOTE 29. COMMITMENTS

	Consolidated	
	2018 $'000	2017 $'000
(a) Hire purchase commitments payable		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	1,491	2,153
One to five years	2,482	2,267
Total commitment	3,973	4,420
Less: future finance charges	(276)	(263)
Net commitments recognised as liabilities	**3,697**	**4,157**
Representing:		
Current liability	1,328	1,981
Non-current liability	2,369	2,176
	3,697	**4,157**
(b) Operating lease commitments		
– Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Within one year	1,809	1,562
One to five years	3,444	4,135
More than five years	1,234	1,572
	6,487	**7,269**
(c) Expenditure commitments contracted for:		
– Contracted construction commitments		
Within one year	**46,674**	**41,978**

Accounting policy for leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the relevant asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Accounting policy for 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.

NOTE 30. RELATED PARTY TRANSACTIONS

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Transactions within the Group

During the financial period and previous financial periods, Johns Lyng Group Limited advanced loans to, received and repaid loans from, and provided treasury, accounting, legal, taxation and administrative services to other entities within the Group.

Entities within the Group also exchanged goods and services in sale and purchase transactions. All transactions occurred on the basis of normal commercial terms and conditions. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Prior to entering into an Executive Services Agreement in respect of his role as Managing Director and Chief Executive Officer of the Company (effective on and from Listing), Scott Didier AM received consultancy fees from the Group through his entity, Trump Investments Pty Ltd ATF Trump Investments Trust. During FY18, $99,732 (plus GST) (FY17: $419,197 (plus GST)) was invoiced to the Group for services provided by Scott Didier AM through Trump Investments Pty Ltd ATF Trump Investments Trust.

Prior to entering into an Executive Services Agreement in respect of his role as Executive General Manager, Business Development and Client Relations of the Company, Adrian Gleeson received consultancy fees from the Group through his entity, Aust-Sport Financial Services Pty Ltd ATF Gleeson Family Trust. During FY18, $78,674 (plus GST) (FY17: $75,481 (plus GST)) was invoiced to the Group for services provided by Adrian Gleeson through Aust-Sport Financial Services Pty Ltd ATF Gleeson Family Trust.

The Group uses PSC Insurance Group Limited ('PSC') for all its insurance requirements, excluding 'Home Owner Warranty' insurance. PSC is the ultimate owner of PSC JLG Investment Pty Ltd, a substantial shareholder in JLG. Paul Dwyer is the Managing Director of PSC. During FY18 the Group paid PSC $242,656 (plus GST) (FY17: $75,961 (plus GST)) in respect of various corporate insurance policies and associated services. PSC's fees are charged at its standard commercial rates in accordance with a service agreement.

During FY18 the Group paid $68,182 (plus GST) (FY17: $65,455 (plus GST)) to Trump Yacht Charters Pty Ltd ATF Trump Yacht Charters Trust for use of a corporate yacht for client entertainment purposes. Scott Didier AM is a director and shareholder of Trump Yacht Charters Pty Ltd ATF Trump Yacht Charters Trust. The arrangement is on an arm's length basis and on commercial terms.

NOTE 30. RELATED PARTY TRANSACTIONS (continued)

During FY18 the Group paid $86,559 (plus GST) (FY17: nil) for aviation services to ADD Aviation Services Pty Ltd ATF ADD Aviation Services Unit Trust ('ADD'). ADD is owned by JLG Directors Scott Didier AM, Paul Dwyer and related party associate Brian Austin. The arrangement is on an arm's length basis and on commercial terms.

During FY17 the Group paid $131,861 (plus GST) for aviation services to Trump Aviation Pty Ltd ATF Trump Aviation Unit Trust ('Trump Aviation'). Trump Aviation is owned 50% by JLG Investments Pty Ltd ATF Johns Lyng Investments Unit Trust (Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust) and 50% by Paul Dwyer and related party associate Brian Austin. The arrangement was on an arm's length basis and on commercial terms.

Leases

The Group has entered into a number of leases for office and warehouse space throughout Australia. Three of these leases in Victoria are with landlords that are related parties of the Group. The table below lists the names of the related party landlords and their relationship with the Group.

Landlord/premises	Related party relationship with the Group	Payments during the period
Landlord: Trump Investments Pty Ltd ACN 006 779 791 ATF for Trump Investments Trust. Premises: 17 Capital Place, Carrum Downs, Victoria 3201	Scott Didier AM is a director and sole shareholder of Trump Investments Pty Ltd.	FY18: $140,000 (plus GST) FY17: $96,667 (plus GST) (Commenced March 2017)
Landlord: Trump Sunshine Pty Ltd ACN 151 548 202 ATF Trump Sunshine Trust. Premises: 120 Proximity Drive, Sunshine West, Victoria 3020	Scott Didier AM is a director and shareholder of Trump Sunshine Pty Ltd (through Trump Investments Pty Ltd).	FY18: $96,464 (plus GST) FY17: $94,260 (plus GST)
Landlord: 1 Williamsons Road Pty Ltd ACN 130 622 187 ATF 1 Williamsons Road Unit Trust. Premises: 1 Williamsons Rd, Doncaster, Victoria 3108	1 Williamsons Road Unit Trust is owned by Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust. Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust.	FY18: $370,921 (plus GST) FY17: $369,996 (plus GST)
Landlord: 1 Williamsons Road Pty Ltd ACN 130 622 187 ATF 1 Williamsons Road Unit Trust. Premises: 11-17 McIlwraith Street, Wetherill Park, NSW 2164 Sold January 2017	1 Williamsons Road Unit Trust is owned by Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust. Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust.	FY18: nil FY17: $168,000 (plus GST)

The lease agreements with the landlords noted above have been entered into on an arm's length basis and on commercial terms.

Related party building projects

The services of certain Group Members have been engaged for related party building projects. Set out below is a list of the related party building projects:

Johns Lyng Insurance Building Solutions (VIC) Pty Ltd ATF Johns Lyng Insurance Building Solutions (Victoria) Unit Trust completed renovations at Scott Didier's residence in December 2017. The scope of work completed totalled $998,823 (plus GST). This project was completed on an arm's length basis and on commercial terms.

Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders together own a 25% share of 67-71 Shirley Street Pty Ltd. 67-71 Shirley Street Pty Ltd entered into a building works contract in February 2017 with Johns Lyng NSW Pty Ltd ATF Johns Lyng NSW Unit Trust. The scope of work totalled $3,009,623 (plus GST). This project was completed in August 2017 on an arm's length basis and on commercial terms.

Johns Lyng Commercial Builders Pty Ltd ATF Johns Lyng Commercial Builders Unit Trust ('JLCB') completed renovation works at Brian Austin's residence in February 2018. Brian Austin is a related party associate. The scope of work completed totalled $748,048 (plus GST). This project was completed on an arm's length basis and on commercial terms.

Related party employees

Pre-IPO, JLG demerged various businesses as part of the Group's restructuring ('Restructuring') as detailed in the Prospectus.

As part of the Restructuring and to assist with the separation and transition of the demerged businesses, on 15 September 2017, JLG entered into a 12 month Transitional Services Agreement ('TSA') covering various administrative support services with Johns Lyng Investments Pty Ltd ('JLI'). Under the terms of the TSA, JLI paid JLG $100,000 (plus GST) during FY18. The TSA expired on 30 June 2018.

From time-to-time and as required, JLG will continue to provide administrative support services to related party demerged businesses along with Trump Investments Pty Ltd ATF Trump Investments Trust.

JLG charges additional fees for services outside the scope of the TSA on an arm's length basis and on commercial terms (hourly rates based on the time expended). During FY18 JLG provided administrative support services for which it charged $45,879 (plus GST) (2017: nil) to related party entities.

Related party payables and receivables

The following table sets out the amounts payable and receivable from related parties. Payable balances represent beneficiary entitlements from historical distributions under the pre-IPO structure. These balances were repaid with proceeds from the primary capital raising component of JLG's IPO. Receivable balances represent the vendor financed amount for purchases of units in Johns Lyng Unit Trust less any distributions.

	Consolidated	
	2018 $'000	2017 $'000
Beneficiary entitlements – payable		
Scott Didier AM	–	9,069
Lindsay Barber	–	1,898
John McPhee	–	812
Total beneficiary entitlements – payable	–	11,779
Beneficiary entitlements – receivable		
Adrian Gleeson	–	188
Curtis (Curt) Mudd	–	43
Paul Dwyer	–	385
Total beneficiary entitlements – receivable	–	616

NOTE 30. RELATED PARTY TRANSACTIONS (continued)

Related party loans – payable

As part of the purchase of units in Johns Lyng Unit Trust, PSC JLG Investment Pty Ltd provided a working capital loan of $2,500,000. Paul Dwyer is the Managing Director of PSC Insurance Group Limited (the ultimate owner PSC JLG Investment Pty Ltd). The loan was repaid in FY18 with proceeds from the primary capital raising component of JLG's IPO.

Related party loans – receivable

Prior to the IPO, the Group advanced funds to related entities. Following the IPO, amounts owing from related entities are limited to related party transactions disclosed above which are considered to be in the normal course of business.

	Consolidated	
	2018 $'000	2017 $'000
Related party		
Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust[1]	642	317
Johns Lyng Group National Services Pty Ltd ATF Johns Lyng Group National Services Unit Trust[2]	–	341
Your Caretaker Pty Ltd ATF Your Caretaker Unit Trust[3]	15	15
Club Home Response Pty Ltd[4]	248	443
Total related party loans – receivable	905	1,116

1 Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust. This loan was fully repaid in July 2018.

2 Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curtis (Curt) Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Group National Services Unit Trust.

3 Your Caretaker Unit Trust is owned by Johns Lyng Group National Services Unit Trust.

4 Club Home Response Pty Ltd was 49% owned by the Group.

NOTE 31. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the Parent Entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018 $'000	2017 $'000
Profit after income tax	6,067	22,064
Total comprehensive income	6,067	22,064
Statement of financial position		
Total current assets	55,374	28,026
Total assets	70,251	37,822
Total current liabilities	4,843	46,313
Total liabilities	4,843	46,345
Equity		
Issued capital	58,983	2,000
Options reserve	358	–
Retained earnings / (accumulated losses)	6,067	(10,523)
Total equity/(deficiency)	**65,408**	**(8,523)**

Guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries

The Parent Entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 (2017: nil).

Contingent liabilities

The Parent Entity had no contingent liabilities as at 30 June 2018 (2017: nil).

Capital commitments

The Parent Entity had no capital commitments as at 30 June 2018 (2017: nil).

Significant accounting policies

The accounting policies of the Parent Entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the Parent Entity.
- Investments in associates are accounted for at cost, less any impairment, in the Parent Entity.
- Dividends and distributions received from subsidiaries are recognised as other income by the Parent Entity.

NOTE 32. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	Principal place of business / country of incorporation	2018 %	2017 %
Johns Lyng Unit Trust	Australia	100.00%	100.00%
Johns Lyng Victoria Unit Trust	Australia	100.00%	100.00%
Johns Lyng Makesafe Emergency Builders (Victoria) Unit Trust	Australia	90.00%	80.00%
Johns Lyng Express Building Solutions (Victoria) Unit Trust	Australia	92.50%	85.00%
Johns Lyng Insurance Building Solutions (Victoria) Unit Trust	Australia	97.50%	87.50%
Johns Lyng Technical Claims (Vic) Unit Trust	Australia	97.50%	87.50%
Johns Lyng Major Claims (Vic) Unit Trust	Australia	97.50%	87.50%
Johns Lyng Building Solutions (Vic) Unit Trust	Australia	97.50%	87.50%
Restorx (VIC) Unit Trust	Australia	93.77%	87.50%
Restorx (VIC) Insurance Services Unit Trust	Australia	91.43%	83.13%
Restorx (VIC) Major Loss Unit Trust	Australia	93.77%	87.50%
Restorx (VIC) Biohazard Services Unit Trust	Australia	89.08%	–
Restorx (VIC) Delivery Unit Trust	Australia	93.77%	87.50%
Johns Lyng (VIC) Regional Unit Trust	Australia	90.16%	80.00%
Johns Lyng (VIC) Gippsland Unit Trust	Australia	87.91%	76.00%
Johns Lyng (VIC) Geelong Unit Trust	Australia	90.16%	80.00%
Johns Lyng (VIC) North Unit Trust	Australia	87.91%	76.00%
Johns Lyng Commercial Builders Unit Trust	Australia	100.00%	100.00%
Modlife Constructions Unit Trust (Dormant)	Australia	100.00%	100.00%
Johns Lyng Insurance Builders (Vic) Unit Trust (Dormant)	Australia	100.00%	100.00%
Johns Lyng (NSW) Unit Trust	Australia	92.69%	85.00%
Johns Lyng Makesafe Emergency Builders (NSW) Unit Trust	Australia	92.69%	85.00%

NOTE 32. INTERESTS IN SUBSIDIARIES (continued)

		Ownership interest	
Name	Principal place of business / country of incorporation	2018 %	2017 %
Johns Lyng Express Building Solutions (NSW) Unit Trust	Australia	88.06%	85.00%
Johns Lyng Insurance Building Solutions (NSW) Unit Trust	Australia	89.21%	78.63%
Restorx NSW Unit Trust	Australia	88.06%	76.50%
Johns Lyng (NSW) Regional Unit Trust	Australia	90.37%	80.75%
Johns Lyng NSW Commercial Builders Unit Trust (Dormant)	Australia	92.69%	85.00%
Johns Lyng Queensland Unit Trust	Australia	92.81%	85.00%
Johns Lyng Makesafe Emergency Builders (QLD) Unit Trust	Australia	92.81%	85.00%
Johns Lyng Express Building Solutions (QLD) Unit Trust	Australia	88.17%	76.50%
Johns Lyng Insurance Building Solutions (Brisbane) Unit Trust	Australia	90.49%	76.50%
Restorx Services QLD Unit Trust	Australia	90.49%	80.75%
Johns Lyng (QLD) Regional Unit Trust	Australia	88.17%	76.50%
Johns Lyng (QLD) Gold Coast Unit Trust	Australia	88.17%	76.50%
Johns Lyng (QLD) Central Unit Trust	Australia	88.17%	76.50%
Johns Lyng (QLD) North Unit Trust	Australia	83.76%	72.68%
Trump Ceramic & Timber Unit Trust (previously Atlanta Projects Unit Trust)	Australia	92.81%	85.00%
Johns Lyng Insurance Building Solutions (QLD) Unit Trust (Dormant)	Australia	92.81%	85.00%
Johns Lyng Insurance Building Solutions (WA) Unit Trust	Australia	87.50%	75.00%
Restorx (WA) Unit Trust	Australia	87.50%	75.00%
Johns Lyng Trump Unit Trust	Australia	100.00%	100.00%
Trump Property Maintenance (VIC) Pty Ltd	Australia	95.00%	70.00%
Trump Floorcoverings Victoria Unit Trust	Australia	95.00%	59.50%
Floorcoverings Unit Trust	Australia	92.50%	70.00%
Trump Floorcoverings (QLD) Pty Ltd	Australia	92.50%	80.00%
Global Home Response Unit Trust	Australia	90.00%	80.00%
Global Home Response NZ Limited	New Zealand	90.00%	–
Johns Lyng Hazrem Unit Trust	Australia	85.00%	85.00%
Johns Lyng Shopfit Services Unit Trust	Australia	95.00%	90.00%
Sankey Security & Glass Unit Trust	Australia	95.00%	95.00%
Global 360 Unit Trust	Australia	85.00%	70.00%
Johns Lyng International Holdings Pty Ltd	Australia	100.00%	–
Johns Lyng USA, LLC	USA	100.00%	–
Johns Lyng Florida, LLC	USA	100.00%	–
Johns Lyng Restoration, LLC	USA	100.00%	–
Trump Holdings (Aust) Pty Ltd (Dormant)	Australia	100.00%	100.00%
Johns Lyng Group IP Unit Trust (Dormant)	Australia	100.00%	100.00%
Johns Lyng Services Unit Trust	Australia	100.00%	100.00%

NOTE 33. EVENTS AFTER THE REPORTING PERIOD

JLG undertook a detailed review of its business portfolio during FY18 which resulted in the following events post 30 June 2018:

- On 17 July 2018, JLG, via its subsidiary Global Home Response Pty Ltd (GHR) sold its 49% equity interest in Club Home Response Pty Ltd (CHR) to RACV (51% shareholder) for cash consideration of $4.2m.
    - » The divestment of CHR resulted in all restraints of trade being lifted to enable GHR to pursue its own strategic plan in FY19 and beyond.
- On 4 July 2018, JLG sold the trade and business assets of Sankey Glass Pty Ltd (Sankey) to Express Glass for cash consideration of $0.3m.
    - » JLG's review determined Sankey to be non-core to the Group.

On 29 August 2018, the Board declared a final dividend of 1.9 cents per share (fully franked), representing 58% of NPAT attributable to the owners of Johns Lyng Group pro rata from the date of IPO. The final dividend will be paid on 11 October 2018 with a record date of entitlement of 20 September 2018.

There are no other matters or circumstances that have arisen since 30 June 2018 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 34. CASH FLOW INFORMATION

	Consolidated 2018 $'000	Consolidated 2017 $'000
(a) Reconciliation of cash:		
Cash at the end of the financial year as shown in the consolidated statements of cash flows is reconciled to the related items in the consolidated statements of financial position as follows:		
Cash on hand	14	13
Cash at bank	22,073	6,620
At call deposits with financial institutions	182	183
Bank overdrafts	–	(1,843)
	22,269	**4,973**
(b) Reconciliation of cash flow from operating activities with profit after income tax		
Profit after income tax for the year	14,567	13,301
Adjustments for non-cash items:		
Depreciation and amortisation	2,715	1,994
Impairment of related party receivables	–	609
Net gain on disposal of property, plant and equipment	(30)	(65)
Foreign exchange differences	(2)	(12)
Options expense	358	–
Share of associated company's net profit after dividends	(20)	415
Tax on IPO costs capitalised in equity	640	–
IPO costs offset from the proceeds of IPO	992	–
Bad and doubtful debts recovery	–	(280)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	146	(6,815)
Decrease/(increase) in other current assets	(701)	(199)
Decrease/(increase) in inventories	172	(2,439)
Decrease/(increase) in accrued income	(3,876)	–
Increase/(decrease) in trade and other payables	895	2,375
Increase/(decrease) in provision for income tax	3,639	6
Increase/(decrease) in deferred tax	(2,678)	58
Increase/(decrease) in employee provisions	382	2,879
Increase/(decrease) in income in advance	(589)	–
Increase/(decrease) in other liabilities	(1)	132
Net cash from operating activities	**16,609**	**11,959**

(c) Reconciliation of liabilities arising from financing activities

Proceeds from the primary capital raising component of JLG's IPO were used to repay borrowings during the year in the amount of $23,368,000 (FY17: $4,142,000) which included hire purchase commitments of $4,879,000 (FY17: $1,112,000). Proceeds from borrowings during the year amounted to $4,419,409 (FY17: $10,001,000).

NOTE 35. EARNINGS PER SHARE

	Consolidated	Consolidated
	2018 $'000	**2017 $'000**
Profit after income tax	14,567	13,301
Non-controlling interest	(3,822)	(3,165)
Profit after income tax attributable to the owners of Johns Lyng Group	10,745	10,136

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	199,221,666	152,332,646
Weighted average number of ordinary shares used in calculating diluted earnings per share	199,221,666	152,332,646

	Cents	**Cents**
Basic earnings per share	5.39	6.65
Diluted earnings per share	5.39	6.65

NOTE 36. SHARE BASED PAYMENTS

The Group provided the following in the form of share based payments:

	Consolidated	
	2018 $'000	**2017 $'000**
Value of new shares issued under the Employee Share Loan Plan (Loan Funded Shares)	137	–
Value of new shares to be issued to employees in lieu of cash bonus[1]	114	–
Value of long-term share based incentives (Performance Rights) under the Long-term Incentive Plan	107	–
	358	**–**

1 Issued under the Employee and Executive Incentive Plan as detailed in the Prospectus.

NOTE 36. SHARE BASED PAYMENTS (continued)

Loan Funded Shares

On 26 October 2017, the Company issued a total of 300,000 Loan Funded Ordinary Shares ('Loan Funded Shares') to Directors of the Group at $1.00 per share.

Loan Funded Shares are funded by a zero interest 10 year non-recourse loan from the Group. Dividends paid on the Loan Funded Shares must be applied to the repayment or reduction of the principal owing.

In accordance with Accounting Standards, the Loan Funded Shares have been treated as options, therefore no amounts have been recognised for the issued capital or loan receivable. A share based payment expense applicable to the transaction was recognised on issue.

The fair value of the Loan Funded Shares was determined by an independent expert using the Monte Carlo option pricing model with the following key inputs:

Grant date	18 October 2017
Grant date share price	$1.00
Volatility	45%
Dividend yield	2.70%
Risk-free rate	2.72%
Fair value	$0.46

Long-term Incentive Plan

The Group's Long-term Incentive ('LTI') Plan is designed to incentivise and retain the Group's Executives via long-term share based incentive payments (Performance Rights) linked to the financial performance of the Group. The key performance indicator is budgeted versus actual Net Profit.

DIRECTORS' DECLARATION

30 June 2018

The Directors declare that:

1. In the Directors' opinion, the financial statements and notes thereto, as set out on pages 35 to 76, are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Australian Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

   (b) as stated in note 2(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

   (c) giving a true and fair view of the financial position of the Group as at 30 June 2018 and of its performance for the year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that Johns Lyng Group Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

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

On behalf of the Directors

Peter Nash
Chairman

30 August 2018

Scott Didier AM
Managing Director

30 August 2018

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PITCHER PARTNERS

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF JOHNS LYNG GROUP LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Johns Lyng Group Ltd "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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Key Audit Matters

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

Key audit matter	**How our audit addressed the key audit matter**
Recognition of revenue and work in progress on construction contracts - accrued income ($14,342,000) and income in advance ($8,664,000) Refer note 3, note 11 and note 20.	
For the year ended 30 June 2018, the Group's revenue from construction contracts totalled $289m. Revenue from construction contracts is recognised on the percentage completion basis measured using a combination of surveys of work performed, completion of a physical proportion of the contract work, or by the proportion of contract costs incurred for work performed to date to the estimated total contract cost. As disclosed in note 3, significant Management judgements and estimates are required in determining total contract revenue and costs, in particular in relation to low margin and loss-making jobs, which has led to our inclusion of recognition of revenue and work in progress on construction contracts as a key audit matter.	Audit procedures included, amongst others: • Obtaining an understanding of the process undertaken by Management to account for the recognition of revenue and work in progress; • Obtaining an understanding of and testing relevant controls in respect of the revenue process; • Obtaining an understanding of and testing relevant controls in respect of the purchases process; • Testing relevant controls in respect of the work in progress process; • Recalculating classification between accrued income and income in advance; • Evaluating significant Management judgements and estimates on a sample of contracts which exhibited heightened risk characteristics such as, but not limited to, low margins or loss-making jobs; and • Agreeing, on a sample basis, job data back to source documentation, including customer contracts, approved variations and capitalised job costs.

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Impairment of goodwill ($3,342,000) Refer note 3 and note 15	
In assessing impairment of intangible assets, Management has estimated the value in use for each cash generating unit ("CGU"), under the following segments: • Trump Property Maintenance VIC Pty Ltd; • Floorcovering Unit Trust; and • Trump Floorcoverings QLD Pty Ltd. As a result of the assumptions and estimates made by Management in determining the recoverable amount of each CGU, no impairment charge has been assessed for the year ended 30 June 2018. Factors that have led to our inclusion of impairment of goodwill as a key audit matter include, but are not limited to: • As disclosed in note 3, significant judgements and estimation is required in determining the value in use of each CGU including but not limited to: discount rate, growth rates and expected future cash flows.	Audit procedures included, amongst others: • Assessing the reliability of Management's historical forecasting in comparison to actual performance; • Evaluating Management's forecast assumptions around future cash flow and growth rates with specific reference to historical and expected performance, market conditions and corroborating events; • Performing sensitivity testing of Management's value in use models with specific attention to the discount rate applied and the achievement of Board approved forecasts and growth assumptions; • Engaging an internal expert to evaluate Management's value in use models used in assessing impairment with particular regard to observable market benchmarks, including reviewing the terminal value and discount rate; and • Engaging an internal expert to evaluate the discount rate adopted by Management in comparison to a reasonable range of alternatives.
Equity raising ($46,902,236) Refer note 21 and note 22	
During the year the Group undertook a significant capital raising as part of its Initial Public Offering ("IPO") and subsequent admission to the Australian Securities Exchange ("ASX") in October 2017. Factors that have led to our inclusion of the equity raising as a key audit matter include, but are not limited to: • The size and effect of the transaction on the Group's financial position and	Audit procedures included, amongst others: • Understanding and evaluating the relevant controls over the equity raising; • Reading the Prospectus dated 2 October 2017 and other relevant documentation to gain an understanding of the capital raising transaction; • Agreeing, on a sample basis, transactions recorded as part of the pre-IPO internal reorganisation to

INDEPENDENT AUDITOR'S REPORT
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performance being and increase in share capital of $46,902,236 and changes in subsidiary interest reserves of $21,264,000 from issue of units on Roll-up; and • The level of complexity in accounting for the transaction including the impact of the pre-IPO internal reorganisation and treatment of IPO related costs for both accounting and income tax purposes, and on financial report disclosures.	source documentation including signed agreements; • Recalculation of the IPO Roll-up and subsidiary interest reserve on IPO; • Reviewing the IPO related accounting treatment for compliance with Australian Accounting Standards and observed market practices; • Engaging an internal tax expert to review the appropriateness of the treatment of IPO costs for income tax purposes based on the relevant legislative requirements and Australian Taxation Office public guidance; and • Reviewing the adequacy of the disclosures.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 32 of the Directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Johns Lyng Group Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

S D WHITCHURCH
Partner

PITCHER PARTNERS
Melbourne

30 August 2018

SHAREHOLDER INFORMATION

30 June 2018

Additional Securities Exchange information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to Shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 14 August 2018 ('Reporting Date').

Substantial holders

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

Holder of equity securities	Class of equity securities	Number of equity securities held	% of total issued securities in relevant class
JLRX Investments Pty Limited/ Scott Didier AM	Ordinary Shares	57,658,962	26.08%
JCP Investment Partners Limited	Ordinary Shares	17,459,270	7.90%
Abilas Holdings Australia Pty Limited/ Lindsay Barber	Ordinary Shares	15,725,171	7.11%
PSC JLG Investment Pty Limited/ Paul & Melissa Dwyer	Ordinary Shares	15,233,265	6.89%

Number of holders

As at the Reporting Date, the number of holders in each class of equity securities was as follows:

Class of equity securities	Number of holders
Fully paid ordinary shares	889

Voting rights of equity securities

The only class of equity securities on issue in the Company which carries voting rights is ordinary shares.

As at the Reporting Date, there were 889 holders of a total of 221,106,324 ordinary shares of the Company.

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative, has one vote on a show of hands. On a poll, every member (or his or her proxy, attorney or representative) is entitled to one vote for each fully paid ordinary share held and in respect of each partly paid ordinary share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amount paid and payable on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

Distribution of holders of equity securities

The distribution of holders of equity securities on issue in the Company as at the Reporting Date was as follows:

Distribution of ordinary shareholders

Holdings ranges	Holders	Total ordinary shares	% of total issued ordinary shares
1 – 1,000	93	55,269	0.02%
1,001 – 5,000	220	702,317	0.32%
5,001 – 10,000	161	1,409,195	0.64%
10,001 – 100,000	326	13,434,321	6.08%
100,001 +	89	205,505,222	92.94%
Total	**889**	**221,106,324**	**100.00%**

Less than marketable parcels of ordinary shares

The number of holders of less than a marketable parcel of ordinary shares ('UMP') based on the closing market price at the Reporting Date is as follows:

Total ordinary shares	UMP ordinary shares	UMP holders	% of issued ordinary shares held by UMP holders
221,106,324	3,897	23	0.0018%

Twenty largest shareholders

The Company has only one class of equity securities, being ordinary shares. As at the Reporting Date, the names of the 20 largest holders of ordinary shares, the number of ordinary shares and percentage of ordinary shares held by each holder was as follows:

Rank	Holder name	Balance as at Reporting Date	% of total issued ordinary shares
1	JLRX Investments Pty Ltd	57,658,962	26.08%
2	HSBC Custody Nominees (Australia) Limited	18,089,349	8.18%
3	J P Morgan Nominees Australia Limited	16,135,580	7.30%
4	Abilas Holdings Australia Pty Ltd	15,725,171	7.11%
5	PSC JLG Investment Pty Ltd	15,233,265	6.89%
6	UBS Nominees Pty Ltd	11,783,107	5.33%
7	National Nominees Limited	8,046,916	3.64%
8	John MC Pty Ltd	5,241,723	2.37%
9	Emjay Capital Pty Ltd	5,241,723	2.37%
10	Steadfast Group Limited	5,000,000	2.26%
11	UBS Nominees Pty Ltd	4,142,338	1.87%
12	NSC Collective Pty Ltd	3,808,316	1.72%
13	Citicorp Nominees Pty Limited	2,989,094	1.35%
14	BNP Paribas Nominees Pty Ltd	2,343,608	1.06%
15	HSBC Custody Nominees (Australia) Limited – A/C 2	1,584,429	0.72%
16	Aust – Sport Financial Services Pty Ltd	1,572,517	0.71%
17	M&R Baratta Investment Pty Ltd	1,523,326	0.69%
18	ELAS Investments Pty Ltd	1,523,326	0.69%
19	K1MITCH Pty Ltd	1,503,794	0.68%
20	Thomas Andrew Alvin & Sally Anne Alvin	1,206,252	0.55%
	Total number of shares of top 20 holders	**180,352,796**	**81.57%**

SHAREHOLDER INFORMATION

30 June 2018

Escrow

Class of restricted securities	Type of restriction	Number of securities	End date of escrow period
Ordinary shares	Voluntary escrow	64,793,027	31/8/2019[1]

1 On lodgement of FY19 Annual Report with ASX

Unquoted equity securities

The Company does not have any unquoted equity securities on issue.

Other information

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

There are no issues of securities approved for the purposes of item 7 of section 611 of the *Corporations Act 2001* which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

JLG HAS A DEMONSTRABLE TRACK RECORD OF GROWTH AND FINANCIAL CONTROL. SIGNIFICANT MARKET OPPORTUNITIES EXIST TO CONTINUE THIS TREND.