

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 2019

Previous corresponding period: For the financial year ended 30 June 2018

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

			\$'000
Revenues from ordinary activities (sales)	up	15.4%	335,085
Profit from ordinary activities after tax attributable to the owners of Johns Lyng Group	up	25.0%	13,433
Total comprehensive income for the year attributable to the owners of Johns Lyng Group	up	24.6%	13,387

Dividends & Distributions

The Board has declared a final dividend of 3.0 cents per share (fully franked), representing 50% of NPAT attributable to the owners of Johns Lyng Group (the 'Group'). The final dividend will be paid on 1 October 2019 with a record date of entitlement of 10 September 2019.

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$13,432,781 (30 June 2018: \$10,744,994).

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	14.24	12.85

4 CONTROL GAINED OVER ENTITIES OR BUSINESSES

In February 2019, the Group acquired a 56.6% equity interest in Dressed for Sale (Australia) Pty Ltd – a pre-sale residential property staging and styling business.

In April 2019, the Group acquired 100% of the trade and business assets of Steamatic Inc. ('Steamatic'). Steamatic is a US based, fire and flood restoration services company operating a Global Master Franchise Network with 63 US Franchisees and 14 International Master Franchise Agreements.

5. LOSS OF CONTROL OVER ENTITIES OR BUSINESSES

On 4 July 2018, the Group sold the trade and business assets of Sankey Security & Glass Pty Ltd to Express Glass 24 Hour Service Pty Ltd.

6. DIVIDENDS & DISTRIBUTIONS

Current period

The Board has declared a final dividend of 3.0 cents per share (fully franked), representing 50% of NPAT attributable to the owners of Johns Lyng Group. The final dividend will be paid on 1 October 2019 with a record date of entitlement of 10 September 2019.

Previous period

The final dividend in respect of the year ended 30 June 2018 for the amount of \$4,216,545 was paid on 11 October 2018. Distributions of \$7,387,013 were declared pre-IPO to the unitholders of Johns Lyng Unit Trust.

APPENDIX 4E

Preliminary final report

7. DIVIDEND REINVESTMENT PLANS

Not applicable.

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

On 17 July 2018, the Group, via its subsidiary Global Home Response Pty Ltd sold its 49% equity interest in Club Home Response Pty Ltd to RACV Holdings Pty Ltd (51% shareholder).

The share of net profits accounted for using the equity method attributable to the owners of the Group for the year ended 30 June 2019 amounted to nil (30 June 2018: \$463,728).

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 the Group for the financial year ended 30 June 2019 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 2019 Financial Report (which includes the Directors' Report).

JOHNS LYNG  GROUP

BUILDING THE FUTURE

JOHNS LYNG GROUP LIMITED
ANNUAL REPORT

2019



GROUP REVENUE

\$335.1m

+15.4%

(FY18: \$290.4m)

GROUP EBITDA

\$25.7m¹

+9.1%

(FY18: \$23.5m¹)

¹ Excluding IPO and other transaction related expenses of \$0.4m (FY18: \$3.7m)

DOMESTIC EXPANSION

OPENED OFFICES:

- **HOBART (TAS)**
- **TOWNSVILLE (QLD)**
- **DUBBO (NSW)**
- **WAGGA WAGGA (NSW)**

22 LOCATIONS NATIONALLY

INAUGURAL ACQUISITIONS COMPLETE

- **BRIGHT & DUGGAN**
- **STEAMATIC INC.**
- **DRESSED FOR SALE**

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BUILDING AUSTRALIA

BUILDING AUSTRALIA

JOHNS LYNG GROUP

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 (Non-executive Director)

Robert Kelly (Non-executive Director)

Larisa Moran (Non-executive Director)

Paul Dwyer (Non-executive Director.
Resigned 7 December 2018)

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

833 Collins Street
Docklands VIC 3008

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’)

21 November 2019

Chairman and CEO's Letter



Chairman: Peter Nash

CEO: Scott Didier AM

Dear Shareholders,

On behalf of the Board of Directors and Management team, we're pleased to report that the 2019 Financial Year was a highly successful one for Johns Lyng Group. It was a year in which we not only delivered very strong financial performance, but we also took some significant steps forward in the execution of our growth strategy as we focus on creating a sound platform for future growth.

Our first full year as a listed company resulted in Group revenue of \$335.1m, a 15.4% increase on FY18, and EBITDA \$25.7m¹.

This result was primarily driven by an outstanding performance from our core Insurance Building and Restoration Services division, which delivered a 39.9% increase in business-as-usual ('BaU') revenue. BaU activities in this division are the backbone of our business and have consistently delivered growth over the past decade. We believe the core value of our business derives from the performance of these day-to-day operations which makes this result particularly pleasing.

To exceed last year's result on the strength of our BaU activities is an outstanding achievement.

To put this performance into context; last year's result was strongly supported by non-recurring revenues from recovery work following 2017's Cyclone Debbie – the most significant catastrophe ('CAT') event in our history.

Whilst we continue to execute significant recovery work from two CAT events in FY19, it is our core businesses that have primarily driven impressive growth in FY19.

In a financial sense, FY19 Group EBITDA of \$25.7m¹ increased from \$23.5m¹ in FY18, while FY19 EBITDA from BaU activity increased 29.6% – from \$13.3m¹ to \$17.3m^{1,2} – clearly highlighting the significance of this BaU performance.

Such strong growth in these segments is particularly encouraging for our future outlook and demonstrates the resilience and sustainability of the Group.

The industry is based on strong relationships, which is key to regular repeat business along with a reputation for quality and outstanding customer service. This year's result is a testament to our people who have been critical in firstly establishing our reputation and then strengthening it through their dedicated hard work.

This financial performance is also a great reflection of the national footprint we have worked very hard to establish. We own a market leading position as the only insurance building and restoration services provider with a truly national reach.

Organic Growth

We were pleased to announce a series of new contract wins and extensions with major insurance clients during the year. These include:

- Chubb;
- Crawford Contractor Connection;
- CHU;
- IAG;
- Hollard;
- QBE;
- Zurich;
- Suncorp;
- Vero;
- Youi; and
- RACWA.

We expect that these new contracts will assist in driving further organic growth in our Insurance Building and Restoration Services division.

Catastrophe ('CAT') Response

The exceptional BaU performance was supported by revenues from our response to two major, non-forecast CAT events in NSW and North QLD (predominantly during the second half of the year), plus residual work from Cyclone Debbie (QLD) and Cyclone Marcus (NT) during the first half of the year.

1 Excluding IPO and other transaction related expenses of \$0.4m (FY18: \$3.7m)

2 Excluding \$4.6m gain on sale of businesses

Combined CAT events delivered \$46.2m revenue during FY19.

In all locations we called upon local resources, supported by those from our broader national network, who began work within 24 hours of these storms striking. Combined, we have been engaged on more than 7,100 jobs as part of our catastrophe response in FY19.

Revenues from future CAT events are not forecast and are an additional bonus to our core business performance. We have an unrivalled capacity to respond when these events occur, enabling us to deliver these outcomes.

This is where our value proposition and distinct point of difference lies – that our performance is not tied to traditional economic cycles. We're intrinsically linked to weather and natural disasters – we know that extreme weather events are becoming more frequent – and in that sense scale and capacity are important. This is one of the key reasons we've focused on building our national footprint in order to respond in the manner we have over the course of FY19.

Strategic Acquisitions

Our expansion was supported by several key strategic acquisitions during the year, which will be crucial in building further scale and driving capacity.

In April, we announced the full acquisition of Steamatic Inc., a Fort Worth, Texas-based business operating in the estimated US\$200bn United States fire and flood restoration services market. This transaction is arguably the most significant in our growth journey to date.

We expect that through Steamatic's network of 63 US franchisees and 14 International Master Franchise Agreements, we will create a platform for significant international expansion of the Group's core restoration and building services offering – one of the central pillars upon which the Johns Lyng brand is built.

The opportunity to take that expertise and track record to a large overseas market is significant. Steamatic provides us with a pre-existing platform for growth on a global scale. We expect this acquisition to begin to have an impact on earnings in FY20.

Earlier in the year, we announced we had acquired a 56.6% equity stake in Dressed for Sale – an established pre-sale residential property staging and styling business. This strategic 'bolt-on' integrates with our existing home maintenance service offering and provides a new platform to expand those services into the consumer market.

New Divisions and Products

Driven by our entrepreneurial culture and focus on growth, the Group made significant developments during the year. This included the establishment of a designated Strata Building Services business, initially available throughout NSW ahead of a nationwide rollout from FY20. This business unit adds to our existing suite of services across

the Australian insurance building and restoration services industry and will directly support our contract with CHU.

More recently, in August 2019 Johns Lyng acquired a controlling equity interest in Bright & Duggan.

Founded in 1978, Bright & Duggan is a leading Strata and Property Management business with more than 55,000 lots under management across more than 1,500 strata schemes.

The strata market comprises in excess of 2.6m strata titled lots nationally – this represents a compelling investment proposition and 'game changing' growth opportunity for the Group. With each strata titled dwelling representing four discrete cross-sell opportunities including: insurance building, emergency and scheduled trades plus 'B2C' Huski Home Services work streams, there are significant potential revenue synergies in collaboration with Johns Lyng's other businesses.

Headquartered in Sydney (NSW), Johns Lyng will support long-standing Management Shareholders to grow Bright & Duggan in its existing markets and additionally cross-sell the Group's various building services.

We were also pleased to launch Huski Home Services, a new online product offering emergency and scheduled residential repairs to the home maintenance market.

Beyond the direct-to-consumer component, the Huski product also has a distinct business-to-business focus with a 'white-label' product already engaged by several major clients in the insurance sector. Negotiations with further clients are progressing well.

Outlook

We have a very strong pipeline of work in our core businesses ahead of us for FY20, while we will also continue to consider strategic acquisition opportunities that add long-term value and complement our existing offering.

None of what we have achieved in FY19 would be possible without our people. Our hard-working and supportive culture has long been at the centre of our operations and is the most critical factor in delivering our performance. Thank you to all the Johns Lyng family who contributed to this momentous year.

We look forward to updating you on our progress in FY20.

Regards,



Peter Nash

Chairman

20 August 2019



Scott Didier AM

Managing Director

20 August 2019

Building Excellence

Johns Lyng Group (the 'Group') is a market leading integrated building services group delivering building and restoration services across Australia. 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.

Beginning in 1953 as Johns & Lyng Builders, initially servicing Melbourne and its surrounding areas, the Group has grown into a diversified national business with over 600 employees across Australia and a subcontractor base in excess of 5,500.

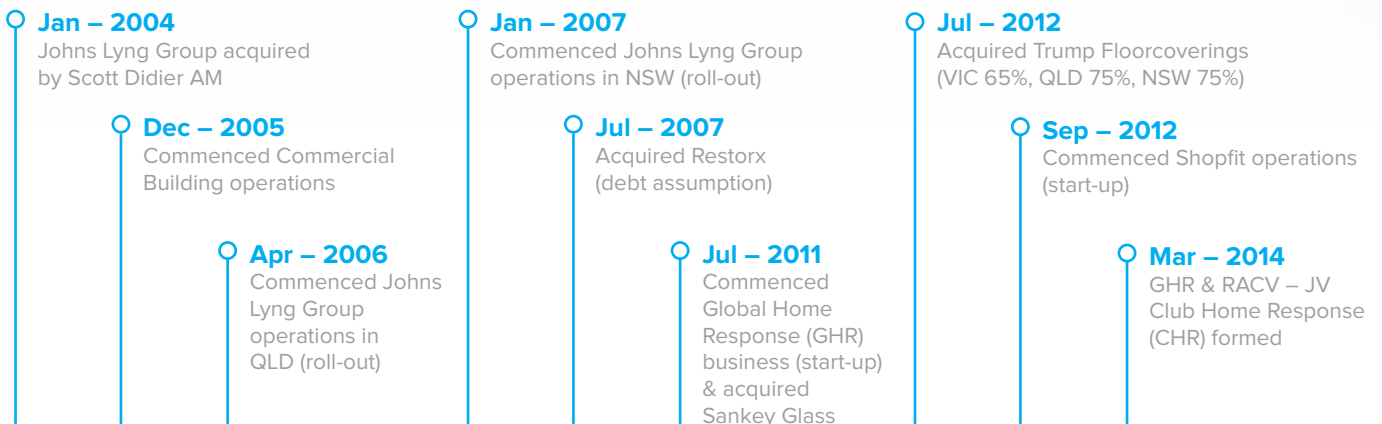
The Group has a diversified client base comprising: insurance brokers, major insurance companies, loss adjusters, commercial enterprises, local and state governments along with retail customers.

The Group'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, country Victoria and New South Wales.

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

The Group's entrepreneurial and 'can do' attitude is 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 the Group is still going strong after 65 years.

OUR VALUES





Dec – 2014

Commenced Johns Lyng Group 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)

Jul – 2018

Divestment of Club Home Response & Sankey Glass

Dec - 2018

Commenced Strata Building Services operations in NSW (roll-out)

Feb – 2019

Acquired Dressed for Sale (56.6%)

Apr – 2019

Acquired Steamatic Inc. (100%) (Trade & business assets)

Extending our Reach

National Footprint and International Expansion

Johns Lyng 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.

The Group'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.

Johns Lyng Group also operates a portfolio of complementary commercial building services businesses including: residential and commercial flooring, emergency domestic (household) repairs, shop-fitting, pre-sale property staging and a commercial construction business (Johns Lyng Commercial Builders).

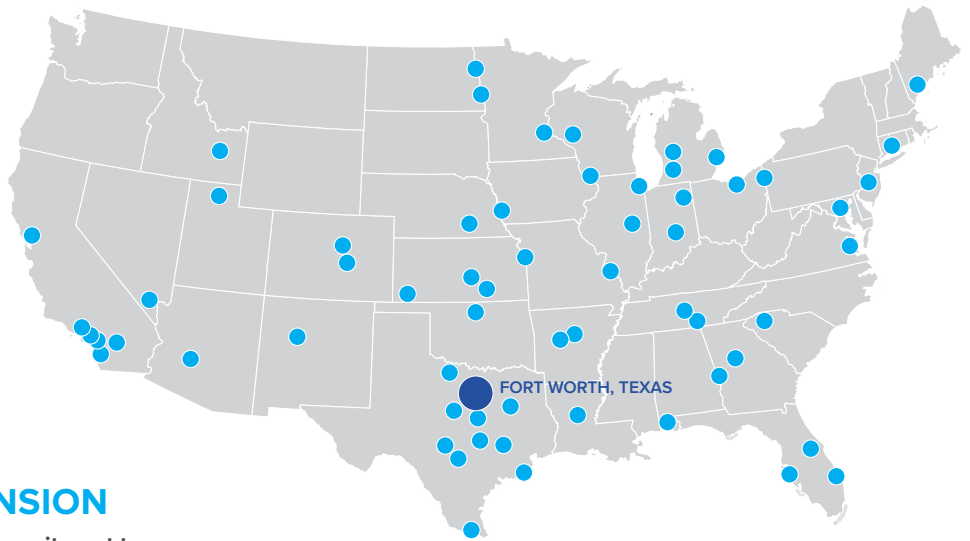
The Group's values driven, meritocratic culture is built on its equity partnership model. The majority of Johns Lyng Group's subsidiary businesses are partially owned by Management.

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

NATIONAL FOOTPRINT

22 locations nationally





INTERNATIONAL EXPANSION

Johns Lyng Group has continued its commitment to growth through the acquisition of Steamatic Inc. Steamatic provides access to the estimated US\$200bn p.a. fire and flood restoration market.

In April 2019, Johns Lyng Group acquired the trade and business assets of Steamatic Inc. ('Steamatic') – a US based fire and flood restoration services company.

Established in 1948, Steamatic is a household name in the US market with 63 current US Franchisees and 14 International Master Franchise Agreements.

This 'platform' acquisition provides the Group additional opportunities to introduce existing Johns Lyng core services into the US market through Steamatic – in particular Johns Lyng's insurance building and general contracting businesses.



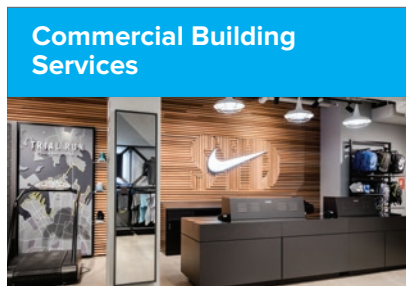
OUR INTEGRATED BUILDING SERVICES

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



Building fabric repair, contents restoration and hazardous waste removal:

- FY19 revenue: \$261.0m
- FY19 revenue contribution: 77.9%
- FY19 EBITDA¹: \$21.6m
- FY19 EBITDA¹ contribution: 84.3%



Residential and commercial flooring, emergency domestic (household) repairs, shop-fitting and pre-sale property staging:

- FY19 revenue: \$39.4m
- FY19 revenue contribution: 11.8%
- FY19 EBITDA²: \$6.2m
- FY19 EBITDA² contribution: 24.3%



Commercial construction projects in the education, aged care, retail, community, hospitality and residential sectors:

- FY19 revenue: \$33.7m
- FY19 revenue contribution: 10.1%
- FY19 EBITDA: \$0.9m
- FY19 EBITDA contribution: 3.6%

1 Excludes IPO and other transaction related expenses of \$0.4m (FY18: nil)

2 Excludes IPO and other transaction related expenses of \$0.1m (FY18: nil)

Insurance Building and Restoration Services (IB&RS)



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 similar events.



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.



Express Builders is a specialist high volume/small works reinstatement business (typically less than \$20,000 in job value). Express Builders provides a range of fast response building services, reinstating residential and commercial properties following damage from impact, weather, fire and other similar events.



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 job 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.



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.



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.



Established in 1948, Steamatic is a Fort Worth, Texas based fire and flood restoration services company. Steamatic operates a Global Master Franchise Network with 63 US Franchisees and 14 International Master Franchise Agreements.



Johns Lyng Strata Services delivers domestic and commercial building and restoration works for: strata insurers, loss adjusters, brokers and property/strata managers.

Our deep industry experience and diversified service offering creates a unique blend of talent and capabilities which is a sustainable source of competitive advantage.

IB&RS Results

Insurance Building & Restoration Services	FY19 A\$m	FY18 A\$m	Change %
Revenue	261.0	222.8	17.2%
EBITDA ¹	21.6	25.1	(13.7%)

77.9%
\$261.0m

IB&RS revenue contribution to the Group

¹ Excludes IPO and other transaction related expenses of \$0.4m (FY18: nil)

Commercial Building Services (CBS)



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 ('GHR') provides emergency and scheduled commercial and domestic (household) repairs and maintenance services. Leveraging an extensive network of qualified trades, Huski Home Services operates an online platform for direct to customer (B2C) repairs and maintenance jobs. GHR also partners with major clients including: insurance and property management companies, automobile clubs and education centres providing a tailored 'white label' service offering.



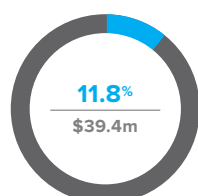
Shopfit plans, designs and delivers solutions for retail, food & beverage and commercial clients including new store fit-outs and upgrades of existing premises. Shopfit offers a national solution typically delivering work programs up to \$2 million project value.

Dressed for Sale
Selling your home faster

Acquired in February 2019, Dressed for Sale is a pre-sale residential property staging and styling business. Currently operating in Adelaide and Melbourne, Dressed for Sale is expanding its service offering to include residential renovations, repairs, maintenance and small scale building/ construction work in collaboration with the rest of the Group.

CBS Results

Commercial Building Services	FY19 A\$m	FY18 A\$m	Change %
Revenue	39.4	42.9	(8.2%)
EBITDA ¹	6.2	1.6	298.7%



CBS revenue contribution to the Group

¹ Excludes IPO and other transaction related expenses of \$0.1m (FY18: nil)

Whether they are 'core business' acquisitions, start-ups or opportunities in complementary adjacencies, Johns Lyng Group is well positioned to embrace & capitalise on growth initiatives.



Commercial Construction (CC) and Other



Johns Lyng Commercial Builders is an award winning construction company. Commercial Builders' highly experienced management team operates in Victoria, typically undertaking projects ranging in value between \$3 million and \$20 million in the education, aged care, retail, community, hospitality and residential sectors.



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 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

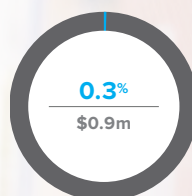
Commercial Construction	FY19 A\$m	FY18 A\$m	Change %
Revenue	33.7	23.3	44.9%
EBITDA	0.9	(1.6)	156.3%



CC revenue contribution to the Group

Other Results

Global 360 Local 360 & Unallocated Corporate Overheads	FY19 A\$m	FY18 A\$m	Change %
Revenue	0.9	1.3	(35.2%)
EBITDA	(3.1)	(1.5)	(110.7%)



Other revenue contribution to the Group

Johns Lyng Group's point of difference is the character and integrity of our people. We take pride in knowing that our interactions make a positive impact on those around us.





An investment in our people

A Commitment To Culture

Developing our Leaders

Johns Lyng Group's point of difference is the character and integrity of our people. We take pride in selecting people with drive and energy – those who have a positive impact on the people around them.

We have developed strategies to identify potential leaders and to support and nurture talent.

Over the past few years our leadership team has fostered an ideology which has been curated into a series of workshops and a competency framework.

Our commitment to culture, talent and leadership development is a central pillar in our growth strategy.

i-Care Program

Our reputation is not only built through the quality of our workmanship. This is why we're investing in overall customer service experiences. Our work environments and customers require clear communication delivered with a personal touch.

The introduction of our i-Care program outlines the mandatory behaviours required when representing Johns Lyng Group. This ensures that we provide the correct tools and support to create an environment of professional service providers. The benefit is consistency in all client interactions, ensuring the success of our mission to deliver exceptional customer service outcomes every time.



Corporate Social Responsibility Report

Introduction

As an employer of more than 600 FTE people, working with a network of more than 5,500 sub-contractors across more than 3,000 insurance jobs per month, the Johns Lyng Group community is vast.

The 2019 financial year was one of substantial growth for the Group, and we're well aware that as we continue to grow, so too does our responsibility to the diverse communities in which we operate.

Your Board is firm in its commitment to an ethical and sustainable operation that delivers long-term value that is additional to our day-to-day business activities.

In order to ensure that the social, environmental, and economic impact of our operations remains a central consideration in our decision making, during FY19 we endeavoured to adopt a more formalised approach to the way in which we record and report on our Corporate Social Responsibility commitments.

Our Corporate Social Responsibility focus is to not only ensure the Group continues to meet its legal responsibilities, but also identify opportunities to enhance our corporate contribution.

In adopting a more formal approach to Corporate Social Responsibility, Johns Lyng engaged a third-party consultant to conduct a comprehensive review of our policies and practices.

This formative work will assist in guiding our initiatives in this area and create a framework for identifying new opportunities to contribute. It will also guide our diligence and reporting of our Corporate Social Responsibility practices.

Our approach will evolve over time to reflect our progress.

Our People

Johns Lyng Group's point of difference in a business sense is the integrity of our people. We have worked hard to earn our reputation for excellent service and we are constantly working to maintain our reputation and striving to improve it. We do this by presenting our team members with regular learning and development opportunities. These opportunities are designed to identify and reward our own talent and provide our people with the opportunity to develop their skills and further their careers. Adopting an 'internal-first' approach to recruitment is also designed to recognise and reward internal talent and give our people the best chance to succeed. Our equity partnership model is designed to reward hard work which helps foster a sense of culture and ownership through aligning both business and individual success.

State and National Awards

Each year, Johns Lyng team members across our Australia-wide network are recognised for their contributions and achievements in helping drive our growth and success.

13 different awards are available each year, recognising the character, integrity, motivation and values of our people. Our people are central to our success and recognising their work in this way is essential to foster a sense of wellbeing – which is part of our commitment to our people and community.

Peer Recognition – Johns Lyng Group People's Choice Award.

Johns Lyng Group People's Choice is awarded to the team member who best demonstrates our values and integrity – as voted by their peers. Providing opportunities for peer recognition allows team members to show support for each other and is central to creating a positive culture and fostering workplace satisfaction.



FY19 winner, Nathan Harrison said it was very humbling to be acknowledged by his peers.

“Working within the Group has provided fantastic advantages for both my career and personal development,” Nathan said.

“I’m surrounded by some of the most positive, hard-working people which is a constant motivation to continue to better myself day in and day out.”

Since 1999, David Trower has been a part of Johns Lyng Group and is the living embodiment of the culture and values that have made us the business we are.

In acknowledgment of David’s ongoing support and service at Johns Lyng Group, he was bestowed the honour of having the Head Office Boardroom named after him.

David said he was honoured to be acknowledged in this way and said that he was a product of the character of the people around him.

“When I first arrived, I was attracted to the character of those who employed me. Their personal values and traits were something that I really connected with. Today, I am fortunate enough to continue to work with and employ people of the same nature of those who employed me.”

Our Community

Donations and Sponsorship

Johns Lyng maintains strong relationships with both the Starlight Children’s Foundation and the EB Research Foundation. We are incredibly proud of the contribution that we make to these two charities which make so much positive difference to people’s lives. In FY19, we managed to raise more than \$155,000 through our annual charity Golf Day, with all funds going directly to our not-for-profit partners.

Care for our Community

Our national footprint provides us with an unrivalled capacity to respond to natural disasters when they occur. While our focus is restoring damaged property as quickly as possible, we aim to help local communities during the recovery period by offering advice and support during what can be a time of enormous upheaval. During FY19, our

Catastrophe Response Operations teams set up in central locations in both Townsville, and the NSW Central Coast, which also acted as community hubs for local residents seeking information, support, shelter and refreshments. We also assisted local people with their insurance claims, providing access to meeting rooms, independent power supplies, and computers.

Supporting Local Business

With a network of more than 5,500 sub-contractors across Australia, we make engaging local business and employing local people a priority in every community in which we operate.

Customer Responsibility

Delivering customer value is central to Johns Lyng’s culture and is a key plank upon which our reputation is built. Relationships are critical in the industry, in order to drive repeat business but also to ensure that our customers know they are receiving the best quality work and the best possible value. Our commitment to Product Responsibility is enshrined in our contractual relationships with our clients as well as compliance with regulatory requirements and industry codes of practice.

Environment

Johns Lyng 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.

Across our office locations and on-site locations throughout Australia, we adhere to strict waste minimisation and carbon emission reduction practices.

On job sites we maintain a ‘reduce, reuse and recycle’ approach, looking to reuse as much existing material as possible. In all other instances materials are recycled wherever possible.

The Group has made a conscious effort to reduce travel where possible, adopting communications technology as a more environmentally responsible way of managing national operations.



BOARD OF DIRECTORS



Peter Nash
Chairman and
Non-executive Director

Peter was appointed Chairman of Johns Lyng Group in October 2017. He is currently a Non-executive Director of Westpac Banking Corporation and a member of the Board's Audit and Risk Committee. Peter is also a Non-executive Director of Mirvac Group Limited and ASX Limited. 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
Mircac Group Limited
ASX Limited
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 that 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 EB Research Foundation, which has recently joined the EB 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 Construction Project Manager at 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 a 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
Investor & Business
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 having completed 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 Investor Relations and Business Development.

Other current Directorships:
None

Former Directorships (last 3 years):
Carlton Football Club



Curtis (Curt) Mudd

Non-executive Director

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):
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.

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



Larisa Moran

Non-executive Director

Larisa has extensive experience in the corporate and finance sectors with strong financial and operational skills and expertise. Larisa is currently the Global Chief Operating Officer of Woods Bagot, an international Architectural and Interior Design firm. As the COO, she has responsibility for the operations of the business on a global level, including assisting with the development and implementation of strategy, responsibility for Information Technology, Design Technology, Human Resources, Legal, Risk, Practice Management, Knowledge and Research, Communications, Business Planning and Development. Larisa commenced her career as a Chartered Accountant in 1994 with Grant Thornton and became a partner in 2003. In 2007 she joined KPMG as a partner and continued her focus on providing specialist accounting, taxation and advisory services. Larisa was previously on the Professional Advisors Committee for Australian Communities Foundation and the Business Development Committee for Zoos Victoria and was Chair of the University of Melbourne Faculty of Business and Economics Alumni Council, and member of the Board. Larisa has a Bachelor of Commerce degree from The University of Melbourne, is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

Other current Directorships:
None

Former Directorships (last 3 years):
None

DIRECTORS' REPORT

30 June 2019

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', the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during the year ended 30 June 2019.

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.)

Curt Mudd (was Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director 1 December 2018.)

Robert Kelly (Non-executive Director, appointed 1 December 2017.)

Larisa Moran (Non-executive Director, appointed 10 September 2018.)

Paul Dwyer (Non executive Director, appointed 28 September 2017. Resigned 7 December 2018.)

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 3 cents per share (fully franked), representing 50% of NPAT attributable to the owners of Johns Lyng Group. The final dividend will be paid on 1 October 2019 with a record date of entitlement of 10 September 2019.

Operating and Financial Review

Johns Lyng Group made significant strategic, operational and financial progress during the year.

On a consolidated basis, the Group delivered:

- Revenue: \$335.1m +15.4% (FY18: \$290.4m)
- EBITDA¹: \$25.7m +9.1% (FY18: \$23.5m)

1 Excluding IPO and other transaction related expenses of \$0.4m (FY18: \$3.7m)

The key growth drivers (which are discussed in more detail below) include:

- Major client wins;
- Contract extensions;
- Organic growth and diversification; and
- Acquisitions.

Insurance Building and Restoration Services (IB&RS)

The Insurance Building and Restoration Services division delivered a strong financial performance during FY19:

- Revenue: \$261.0m +17.2% (FY18: \$222.8m) – comprises:
 - » BaU revenue \$214.8m +39.9% (FY18: \$153.6m)
 - » CAT revenue \$46.2m -33.2% (FY18: \$69.2m)
 - › FY18 CAT revenue was bolstered by a significant non-recurring contribution from Cyclone Debbie
- EBITDA²: \$21.6m -13.7% (FY18: \$25.1m) – comprises:
 - » BaU EBITDA \$17.8m +19.8% (FY18: \$14.9m)
 - » CAT EBITDA \$3.8m -62.5% (FY18: \$10.2m)
 - › FY18 CAT EBITDA was bolstered by a significant non-recurring contribution from Cyclone Debbie

2 Excluding transaction related expenses of \$0.4m (FY18: nil)

The strong financial performance was driven by the Group's continued focus on client relationships and delivering exceptional customer outcomes.

This led to major client wins and contract extensions for Business as Usual ('BaU') works including:

- Chubb;
- Crawford Contractor Connection;
- CHU;
- IAG;
- Hollard;
- QBE;
- Zurich;
- Suncorp;
- Vero;
- Youi; and
- RACWA.

The Group also benefited from significant work relating to catastrophic ('CAT') and peak weather events including:

- Townsville Floods (QLD: February 2019);
- Hail Storms (NSW: December 2018);
- Residual work resulting from Cyclone Marcus (NT: March 2018); and
- Residual work resulting from Cyclone Debbie (QLD: March 2017).

During FY19, the Group launched 'Johns Lyng Strata Services' which delivers domestic and commercial building and restoration works for: strata insurers, loss adjusters, brokers and property/strata managers.

The strata market comprises in excess of 2.6m strata titled lots nationally. This represents a new market for Johns Lyng and is a key area of strategic focus for FY20 and beyond (refer to acquisition of Bright & Duggan below).

During FY19, the Group continued to extend its national footprint opening offices in:

- Hobart (TAS);
- Townsville (QLD);
- Dubbo (NSW); and
- Wagga Wagga (NSW).

Johns Lyng'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.

The Group's emergency response projects often lead to new client wins and deeper client relationships which translate into BaU operations.

DIRECTORS' REPORT

30 June 2019

Acquisitions

In April 2019, Johns Lyng acquired the trade and business assets of Steamatic Inc. ('Steamatic') - a US based fire and flood restoration services company.

Established in 1948, Steamatic is a household name in the US with 63 US Franchisees and 14 International Master Franchise Agreements.

This 'platform acquisition' provides the Group opportunities to introduce Johns Lyng's other core services to the estimated US\$200bn market – in particular insurance building and general contracting.

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

Commercial Building Services (CBS)

The Commercial Building Services division delivered an improved financial performance during FY19:

- Revenue: \$39.4m -8.2% (FY18: \$42.9m)
- EBITDA³: \$6.2m +298.7% (FY18: \$1.6m)

3 Excluding transaction related expenses of \$0.1m (FY18: nil)

During FY18, the Group undertook a detailed review of its Commercial Building Services division resulting in certain portfolio management and optimisation initiatives completed during FY19 including:

- On 4 July 2018, Johns Lyng sold the trade and business assets of Sankey Glass Pty Ltd ('Sankey') to Express Glass for cash consideration of \$0.3m.
 - » Sankey was determined to be 'non-core' to the Group as a result of its review.
- On 17 July 2018, Johns Lyng, 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 the removal of all restraints of trade for Johns Lyng in the residential (household) repairs and maintenance market.

Accordingly, during FY19, the Group launched Huski Home Services ('Huski').

Huski leverages an extensive network of qualified trades in its operation of an online platform for direct to customer ('B2C') repairs and maintenance jobs.

GHR also partners with major clients including: insurance and property management companies, automobile clubs and education centres providing a tailored 'white label' service offering.

Acquisitions

In February 2019, the Group acquired a 56.6% equity interest in Dressed for Sale (Australia) Pty Ltd ('Dressed for Sale') – a pre-sale residential property staging and styling business.

Currently operating in Adelaide and Melbourne, Dressed for Sale is expanding its service offering to include residential renovations, repairs, maintenance and small scale residential building and construction work in collaboration with the Group.

Commercial Construction (CC)

The Commercial Construction division delivered a strong financial performance during FY19:

- Revenue: \$33.7m +44.9% (FY18: \$23.3m)
- EBITDA: \$0.9m (FY18: (\$1.6m))

FY18 was a year of transition for the Commercial Construction business after a strategic review and the completion of various Management succession initiatives.

The division's improved financial performance was foreshadowed in the FY18 Annual Report and has been achieved by implementing the agreed turnaround plan including a rigorous focus on tendering for appropriate projects within the business's 'competency sweet spot' only.

Balance sheet

The Group continues to maintain a strong balance sheet position with net assets of \$45.3m representing an annual increase of \$10.8m.

The increased net asset position is materially due to the Group's trading profits during the year.

Matters subsequent to the end of the financial year

On 13 August 2019 the Group acquired a controlling equity interest in Bright & Duggan Group Pty Ltd ('Bright & Duggan').

Founded in 1978, Bright & Duggan is a leading Strata and Property Management business with more than 55,000 lots under management across more than 1,500 strata schemes.

The strata market comprises in excess of 2.6m strata titled lots nationally – this represents a compelling investment proposition and growth opportunity for the Group with inherent revenue synergies in collaboration with Johns Lyng's other businesses.

Headquartered in Sydney (NSW), Johns Lyng will support long-standing Management Shareholders to grow Bright & Duggan in its existing markets and additionally cross-sell the Group's various building services.

Key deal terms include:

- \$13.8m cash at Completion plus a potential earn-out based on the financial performance in FY20
- 51% voting interest / 46% economic equity interest acquired
- Remaining equity owned by long-standing Management including:
 - » Trevor Bright (Executive Chairman)
 - » Chris Duggan (Managing Director)

On 20 August 2019, the Board declared a final dividend of 3 cents per share (fully franked), representing 50% of NPAT attributable to the owners of Johns Lyng Group.

The final dividend will be paid on 1 October 2019 with a record date of entitlement of 10 September 2019.

There are no other matters or circumstances that have arisen since 30 June 2019 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.

DIRECTORS' REPORT

30 June 2019

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 (Fourth 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 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 20 years' experience as a corporate and commercial lawyer, and Company Secretary and General Counsel for a number of private and public companies. Sophie is the General Manager of Corporate Counsel, a corporate secretarial business with a focus on ASX Listing Rule and Corporations Act compliance. Sophie is 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 22 and 23.

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 2019 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 ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
Peter Nash	12	12	4	4	2	2	3	3
Robert Kelly	12	6	–	–	1	–	–	–
Larisa Moran	10	10	4	4	–	–	1	1
Curt Mudd	12	11	1	–	2	2	–	–
Paul Dwyer ²	5	3	2	2	1	–	2	1
Scott Didier AM	12	12	–	–	–	–	–	–
Lindsay Barber	12	12	–	–	–	–	–	–
Matthew Lunn	12	12	–	–	–	–	–	–
Adrian Gleeson	12	12	5	5	–	–	3	3

¹ Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

² Paul Dwyer resigned as a Non-executive Director of Johns Lyng Group on 7 December 2018.

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	Directors' interests
9	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); and
- Curt Mudd (was Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director 1 December 2018.)

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.

DIRECTORS' REPORT

30 June 2019

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 that 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.

Curt Mudd was an Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director on 1 December 2018. Accordingly, the Nomination and Remuneration Committee agreed that Curt Mudd's participation in the STI and LTI plans be limited to 50% for FY19. Curt Mudd will also be entitled to Performance Rights issued during his tenure as Executive Director, which may vest in the future subject to the applicable terms and conditions

The remuneration of Non-executive Directors for the year ended 30 June 2019 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 forecast 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 forecast as follows:

KMP STI Plan – Rewards & Performance Matrix				
Net Profit (Actual)	<80% Forecast ¹	80%-90% Forecast ¹	90%-100% Forecast ¹	>100% Forecast 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%	0.33%	0.50%	1.00%
Curt Mudd ²	0%	0.33%	0.50%	1.00%

1 Calculated post STI and LTI Profit or Loss expense, pro-rata in-between bands.

2. Curt Mudd was an Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director on 1 December 2018. Accordingly, the Nomination and Remuneration Committee agreed Curt Mudd's participation in the STI and LTI plans be limited to 50% for FY19. Curt Mudd will also be entitled to Performance Rights issued during his tenure as Executive Director, which may vest in the future subject to the applicable terms and conditions.

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 forecast versus actual Net Profit.

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

Provided actual Net Profit exceeds forecast 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.

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.

DIRECTORS' REPORT

30 June 2019

Details of the shares issued to Directors and other KMP as part of their remuneration during the year ended 30 June 2019 are set out below:

Name	Date	Shares	Issue price	\$
Peter Nash ¹	30 November 2018	56,421	\$0.89	\$50,000

¹ Peter Nash is entitled to \$50,000 worth of Loan Funded Shares on each anniversary of his appointment as Chairman in accordance with the terms of his contract.

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 Annual General Meeting on 21 November 2019. At this time, a vote will be taken to adopt the remuneration report for the year ended 30 June 2019.

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, Investor & Business Relations	Unlimited	Three months	Three months fully paid
Curt Mudd ¹	Executive Director & Executive General Manager, Strategic Initiatives	Unlimited	Three months	Three months fully paid

¹ Curt Mudd was an Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director on 1 December 2018.

5. Group performance

	30 June 2019 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Sales revenue	335,085	290,362	249,728
EBITDA ¹	25,681	23,549	17,222
NPAT ²	16,365	18,313	13,584
Dividends declared (cents per share)	3	1.9	–
Performance based incentives to KMP	1,371,449	1,039,417	355,000
Share price at year end	\$1.45	\$1.30	\$1.00 ³

¹ Excluding \$427,238 (FY18: \$3,716,192, FY17: \$283,000) in IPO and other transaction related expenses.

² Excluding \$486,349 (FY18: \$3,745,747, FY17: \$283,000) in IPO and other transaction related expenses which includes bank facility arrangement fee amortisation of \$59,111 (FY18: \$29,555).

³ On IPO at 26 October 2017

6. Non-executive Director remuneration

	Short-term benefits			Post employment	Long-term benefits			Total	Fixed (%)	Variable/performance linked (%)
	Salary and fees \$	Non-monetary \$	STI cash bonus \$	Superannuation \$	Employee benefits \$	Loan funded shares ¹ \$	LTI performance rights \$			
Non-executive Directors:										
Peter Nash										
2019	150,000	–	–	–	–	18,601	–	168,601	100%	0%
2018	102,740	–	–	9,760	–	22,895	–	135,395	100%	0%
Robert Kelly										
2019	50,000	–	–	–	–	–	–	50,000	100%	0%
2018	26,637	–	–	2,530	–	–	–	29,167	100%	0%
Larisa Moran										
2019	46,103	–	–	–	–	–	–	46,103	100%	0%
Curt Mudd										
2019 ²	118,564	–	97,292	7,017	–	–	13,844	236,717	53%	47%
Paul Dwyer ³										
2019	–	–	–	25,000	–	–	–	25,000	100%	0%
2018	–	–	–	37,500	–	–	–	37,500	100%	0%

1 Loan funded shares have been valued by an independent expert.

2 Curt Mudd was an Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director on 1 December 2018. Accordingly, the Nomination and Remuneration Committee agreed Curt Mudd's participation in the STI and LTI plans be limited to 50% for FY19. Curt Mudd will also be entitled to Performance Rights issued during his tenure as Executive Director, which may vest in the future subject to the applicable terms and conditions.

3 Paul Dwyer resigned as a Non-executive Director of Johns Lyng Group on 7 December 2018.

7. KMP remuneration

	Short-term benefits			Post employment	Long-term benefits			Total	Fixed (%)	Variable/performance linked (%)
	Salary and fees \$	Non-monetary \$	STI cash bonus \$	Superannuation \$	Employee benefits \$	Loan funded shares \$	LTI performance rights \$			
KMP:										
Scott Didier AM										
2019	479,951	–	303,604	18,489	–	–	51,620	853,664	58%	42%
2018	413,546	–	164,753	18,205	–	–	15,383	611,887	70%	30%
Lindsay Barber										
2019	379,951	–	303,604	20,049	5,745	–	51,620	760,969	53%	47%
2018	317,478	–	164,753	32,148	29,389	–	15,383	559,151	67%	33%
Matthew Lunn										
2019	279,951	–	303,604	20,049	3,193	–	51,620	658,417	46%	54%
2018	261,859	–	164,753	24,448	14,714	–	15,383	481,157	61%	39%
Adrian Gleeson										
2019	153,260	–	166,148	14,560	1,039	–	28,494	363,501	46%	54%
2018	116,608	–	95,809	3,604	3,550	–	8,625	228,196	54%	46%
Curt Mudd										
2018 ¹	166,999	–	98,853	16,606	8,092	–	9,230	299,780	63%	37%
John McPhee										
2018 ²	33,654	–	–	3,197	2,188	–	–	39,039	100%	0%

1 Curt Mudd was an Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director on 1 December 2018.

2 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).

DIRECTORS' REPORT

30 June 2019

IPO bonus	IPO cash bonus	IPO bonus Super	IPO loan funded shares	Total
	\$	\$	\$	\$
Executive Directors				
Matthew Lunn				
	2019	–	–	–
	2018	149,641	359	114,475
				264,475

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. Directors' interests

	Interest in ordinary shares	Performance rights
Peter Nash ¹	306,421	–
Robert Kelly ²	5,000,000	–
Larisa Moran	–	–
Curt Mudd	1,048,344	33,885
Paul Dwyer ³	5,241,723	–
Scott Didier AM	58,198,962	56,475
Lindsay Barber	15,725,171	56,475
Matthew Lunn ⁴	250,000	56,475
Adrian Gleeson	1,442,517	31,668

1 Includes 106,421 Loan Funded Shares. Peter Nash is entitled to \$50,000 worth of Loan Funded Shares on each anniversary of his appointment as Chairman in accordance with the terms of his contract.

2 Shares owned by Steadfast Group Limited ('Steadfast'). Robert Kelly is Managing Director and CEO of Steadfast.

3 Shares owned by PSC JLG Investment Pty Ltd (a wholly owned subsidiary of PSC Insurance Group Limited) ('PSC'). Paul Dwyer is Deputy Chairman and a Non-executive Director of PSC. Paul Dwyer resigned as a Non-executive Director of Johns Lyng Group on 7 December 2018.

4 Loan Funded Shares

	Shareholding at 1 July 2018	Shares sold during FY19	Shares purchased during FY19	Shares received as remuneration during FY19	Shareholding at 30 June 2019
Non-executive Directors					
Peter Nash ¹	250,000	–	–	56,421	306,421
Robert Kelly ²	5,000,000 ²	–	–	–	5,000,000
Larisa Moran	–	–	–	–	–
Curt Mudd ³	1,048,344	–	–	–	1,048,344
Paul Dwyer ⁴	15,233,265	(9,991,542)	–	–	5,241,723
Executive Directors					
Scott Didier AM	57,658,962	–	540,000	–	58,198,962
Lindsay Barber	15,725,171	–	–	–	15,725,171
Matthew Lunn ⁵	250,000	–	–	–	250,000
Adrian Gleeson	1,572,517	(130,000)	–	–	1,442,517
	96,738,259	(10,121,542)	540,000	56,421	87,213,138

1 Includes 106,421 Loan Funded Shares. Peter Nash is entitled to \$50,000 worth of Loan Funded Shares on each anniversary of his appointment as Chairman in accordance with the terms of his contract.

2 Shares owned by Steadfast Group Limited ('Steadfast'). Robert Kelly is Managing Director and CEO of Steadfast.

3 Curt Mudd was an Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director on 1 December 2018.

4 Shares owned by PSC JLG Investment Pty Ltd (a wholly owned subsidiary of PSC Insurance Group Limited) ('PSC'). Paul Dwyer is Deputy Chairman and a Non-executive Director of PSC. Paul Dwyer resigned as a Non-executive Director of Johns Lyng Group on 7 December 2018.

5 Loan Funded Shares

	Performance rights holding at 1 July 2018	Performance rights granted during FY19	Performance rights vested during FY19	Performance rights holding at 30 June 2019
Non-executive Directors				
Peter Nash	–	–	–	–
Robert Kelly	–	–	–	–
Larisa Moran	–	–	–	–
Curt Mudd	–	33,885	–	33,885
Paul Dwyer ¹	–	–	–	–
Executive Directors				
Scott Didier AM	–	56,475	–	56,475
Lindsay Barber	–	56,475	–	56,475
Matthew Lunn	–	56,475	–	56,475
Adrian Gleeson	–	31,668	–	31,668
	–	234,978	–	234,978

1 Paul Dwyer resigned as a Non-executive Director of Johns Lyng Group on 7 December 2018.

DIRECTORS' REPORT

30 June 2019

9. 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.

Curt Mudd was an Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director on 1 December 2018. Post retirement as an Executive Director, Curt Mudd received consultancy fees from the Group in the amount of \$12,634 (GST: nil) (FY18: nil). These amounts have been included in salary and fees within the Remuneration Report.

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 large shareholder in the Group. Paul Dwyer is the Deputy Chairman and a Non-executive Director of PSC. During FY19 the Group paid PSC \$295,610 (plus GST) (FY18: \$242,656 (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. Paul Dwyer resigned as Non-executive Director on 7 December 2018 and as such, the fees declared are in respect of the period up to his resignation date.

During FY19 the Group paid \$72,000 (plus GST) (FY18: \$68,182 (plus GST)) to Trump Yacht Charters Pty Ltd ATF Trump Yacht Charters Trust for use of a corporate yacht for client entertainment purposes (client entertainment consists of up to 30 charters of 20 people throughout a financial year). Scott Didier AM is a director and sole 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 FY19 the Group paid \$18,701 (plus GST) (FY18: \$86,559) for aviation services to ADD Aviation Services Pty Ltd ATF ADD Aviation Services Unit Trust ('ADD'). ADD is owned by Scott Didier AM, Paul Dwyer and related party associate Brian Austin. The arrangement is on an arm's length basis and on commercial terms. This arrangement was discontinued during FY19.

During FY19 the Group paid \$15,919 (plus GST) (FY18: nil) to EBH Leasehold Pty Ltd ATF EBH Leasehold Unit Trust ('EBH') for staff and client entertainment purposes (primarily for accommodation under a corporate arrangement of \$170 per night, inclusive of a 20% discount for staff and other related parties). Scott Didier AM is a director and sole shareholder of EBH. The arrangement is 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	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.	FY19: \$164,632 (plus GST) FY18: \$140,000 (plus GST)
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).	FY19: \$107,160 (plus GST) FY18: \$96,464 (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, Curt Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust.	FY19: \$382,049 (plus GST) FY18: \$370,921 (plus GST)

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

From time-to-time and as required, the Group provides administrative support services to related party businesses (demerged pre-IPO) along with Trump Investments Pty Ltd ATF Trump Investments Trust.

During FY19 the Group charged fees for services on an arm's length basis and on commercial terms (hourly rates based on the time expended). The Group provided administrative support services for which it charged \$292,744 (plus GST) (FY18: \$45,879 (plus GST)) to related party entities.

Is My CV Australia Pty Ltd ATF Is My CV Australia Unit Trust ('Is My CV') has entered into an agreement with Johns Lyng Commercial Builders Pty Ltd ATF Johns Lyng Commercial Builders Unit Trust for design and demolition works at 719-721 Whitehorse Road, Mont Albert (VIC). Is My CV is owned by Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curt Mudd, Paul Dwyer, John McPhee and other unitholders. During FY19 the cost of work totalled \$253,201 (plus GST) (FY18: \$339,103 (plus GST)). The arrangement is on an arm's length basis and on commercial terms.

DIRECTORS' REPORT

30 June 2019

Related party loans - receivable

	Consolidated	
	2019 \$'000	2018 \$'000
Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust ¹	25	642
Your Caretaker Pty Ltd ATF Your Caretaker Unit Trust ²	–	15
Club Home Response Pty Ltd ³	–	248
Total related party loans – receivable	25	905

1 Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curt Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust.

2 Your Caretaker Unit Trust is owned by Johns Lyng National Services Unit Trust ('JLNS'). JLNS is owned by Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curt Mudd, Paul Dwyer, John McPhee and other unitholders.

3 The Group sold its 49% equity interest in CHR to RACV (51% Shareholder) on 17 July 2018.

Related party arrangements discontinued during FY18

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) was invoiced to the Group for services provided by Scott Didier AM through Trump Investments Pty Ltd ATF Trump Investments Trust. These amounts have been included in salary and fees within the Remuneration Report.

Prior to entering into an Executive Services Agreement in respect of his role as Executive Director, Investor and Business 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) was invoiced to the Group for services provided by Adrian Gleeson through Aust-Sport Financial Services Pty Ltd ATF Gleeson Family Trust. These amounts have been included in salary and fees within the Remuneration Report.

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, 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 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.

As part of the pre-IPO restructuring and to assist with the separation and transition of the demerged businesses, on 15 September 2017, the Group 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 the Group \$100,000 (plus GST) during FY18. The TSA expired on 30 June 2018.

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 28 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 28 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

20 August 2019



Scott Didier AM
Managing Director

20 August 2019

AUDITOR'S INDEPENDENCE DECLARATION

30 June 2019



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 2019, 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.

A handwritten signature in black ink, appearing to be 'S D Whitchurch'.

S D WHITCHURCH
Partner

20 August 2019

A handwritten signature in black ink, appearing to be 'P O J'.

PITCHER PARTNERS
Melbourne

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	Consolidated	
		2019 \$'000	2018 \$'000
Revenue			
Sales income	5	335,085	290,362
Cost of sales		(267,077)	(229,708)
Gross profit		68,008	60,654
Other revenue and income	5	6,958	2,431
Expenses			
Employee benefits expense	6	(31,472)	(24,627)
Depreciation and amortisation expense	6	(3,285)	(2,715)
Motor vehicle expenses		(3,028)	(2,408)
Travelling expenses		(2,470)	(1,752)
Insurance		(1,394)	(1,020)
Professional fees		(995)	(1,929)
Telephone and communication		(1,048)	(1,074)
Finance costs		(471)	(703)
Advertising expense		(1,273)	(984)
Occupancy expense		(3,222)	(2,687)
IPO and other transaction related expenses ¹		(486)	(3,746)
Other expenses		(4,055)	(2,914)
Total expenses		(53,199)	(46,559)
Operating profit		21,767	16,526
Share of net profits of investments accounted for using the equity method	13	–	20
Profit before income tax		21,767	16,546
Income tax expense	7	(5,888)	(1,979)
Profit after income tax for the year		15,879	14,567

1 IPO and other transaction related expenses includes \$59,111 (FY18: \$29,555) in respect of banking facility arrangement fee amortisation.

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 2019

		Consolidated	
	Note	2019 \$'000	2018 \$'000
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in foreign currency translation reserve		(46)	(2)
Total comprehensive income for the year		15,833	14,565
Profit for the year is attributable to:			
Owners of Johns Lyng Group	23	13,433	10,745
Non-controlling interest	24(b)	2,446	3,822
		15,879	14,567
Total comprehensive income for the year is attributable to:			
Owners of Johns Lyng Group		13,387	10,743
Non-controlling interest		2,446	3,822
		15,833	14,565

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

	Note	Cents	Cents
Basic earnings per share	37	6.05	5.39
Diluted earnings per share	37	6.05	5.39

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

For the year ended 30 June 2019

	Note	Consolidated	
		2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	30,063	22,269
Trade and other receivables	9	57,626	40,789
Inventories	10	833	611
Accrued income	11	22,114	16,128
Other current assets	12	1,431	1,271
Total current assets		112,067	81,068
Non-current assets			
Investments accounted for using the equity method	13	–	235
Property, plant and equipment	14	9,104	9,259
Intangibles	15	10,954	3,392
Deferred tax asset	7	2,703	2,678
Total non-current assets		22,761	15,564
Total assets		134,828	96,632
Liabilities			
Current liabilities			
Trade and other payables	16	60,236	41,169
Borrowings	17	3,351	2,049
Current tax payable	7	4,387	3,638
Employee provisions	18	3,116	2,504
Beneficiary entitlements	19	549	1,412
Income in advance	20	14,667	8,664
Total current liabilities		86,306	59,436
Non-current liabilities			
Borrowings	17	2,868	2,369
Employee provisions	18	369	347
Total non-current liabilities		3,237	2,716
Total liabilities		89,543	62,152
Net assets		45,285	34,480
Equity			
Issued capital	21	60,018	58,983
Reserves	22	(21,837)	(22,909)
Accumulated profits/(losses)	23	7,750	(1,466)
Equity attributable to the owners of Johns Lyng Group		45,931	34,608
Non-controlling interests	24	(646)	(128)
Total equity		45,285	34,480

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 2019

	Issued capital	Reserves	Net accumulated (losses)/profits	Non-controlling interest	Total equity
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
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
<i>Transactions with owners in their capacity as owners:</i>					
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
Balance at 1 July 2018	58,983	(22,909)	(1,466)	(128)	34,480
Profit for the year	–	–	13,433	2,446	15,879
Movement in foreign currency reserve	–	(46)	–	–	(46)
Total comprehensive income for the year	–	(46)	13,433	2,446	15,833
<i>Transactions with owners in their capacity as owners:</i>					
Transactions with non-controlling interests	–	845	–	93	938
Transactions with non-controlling interests on acquisition	–	–	–	79	79
Issue of shares in connection with business acquisition	100	–	–	–	100
Dividends	–	–	(4,217)	(329)	(4,546)
Distributions to unitholders	–	–	–	(2,807)	(2,807)
Share based payments	–	387	–	–	387
Share based payments (transfer from option reserve) – value of new shares issued to employees in lieu of cash bonus ¹	127	(114)	–	–	13
Issue of shares - exercise of call options	808	–	–	–	808
Balance at 30 June 2019	60,018	(21,837)	7,750	(646)	45,285

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

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 2019

	Note	Consolidated	
		2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		352,922	314,913
Payments to suppliers and employees		(330,524)	(297,973)
Dividends received		306	589
Interest received		328	161
Finance costs		(471)	(703)
Income tax paid	7	(5,164)	(378)
Net cash from operating activities	36(b)	17,397	16,609
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		460	175
Net payments for property, plant and equipment		(233)	(194)
Proceeds from sale of business		4,503	–
Cash acquired on business acquisition		437	–
Net payments for business acquisitions	34	(6,379)	–
Net cash used in investing activities		(1,212)	(19)
Cash flows from financing activities			
Net proceeds from share issue ¹	21	–	43,455
Proceeds from borrowings	36(c)	836	4,419
Receipts from beneficiaries		–	3,079
Payments to beneficiaries		(3,336)	(23,999)
Payments to related parties		–	(2,435)
Receipts from related parties		683	–
Repayment of borrowings	36(c)	(728)	(18,489)
Repayment of hire purchase	36(c)	(1,629)	(4,879)
Dividends paid		(4,217)	–
Share issue transaction costs		–	(445)
Net cash from/(used in) financing activities		(8,391)	706
Net increase in cash and cash equivalents		7,794	17,296
Cash and cash equivalents at the beginning of the financial year		22,269	4,973
Cash and cash equivalents at the end of the financial year	8, 36	30,063	22,269

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 2019

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 the 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 20 August 2019. 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 32.

(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 and revised accounting standards adopted 1 July 2018

The Company has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2018, including AASB 9 Financial Instruments (AASB 9) and AASB 15 Revenue from Contracts with Customers (AASB 15).

AASB 9 Financial Instruments

AASB 9 replaces AASB 139: Financial Instruments: Recognition and Measurement. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value;
- permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income ('OCI');
- simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;
- requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- introducing a new 'expected credit loss' impairment model (replacing the 'incurred loss' impairment model of the previous accounting standard).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In accordance with the transition requirements of AASB 9, the Company has elected to apply AASB 9 retrospectively with the cumulative effect of initially applying the new Standard recognised at the date of initial application (i.e. as at 1 July 2018).

The application of AASB 9 has not materially impacted the classification and measurement of the Company's financial assets and financial liabilities.

AASB 15 Revenue from Contracts with Customers

AASB 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, AASB 118 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

In accordance with the transition requirements of AASB 15, the Company has elected to apply AASB 15 retrospectively with the cumulative effect of initially applying the new Standard recognised at the date of initial application (i.e. as at 1 July 2018).

The application of AASB 15 has not materially impacted the recognition and measurement of the Company's revenue from contracts with customers.

(h) 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 16 Leases

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

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

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

AASB 16 mandatorily applies to annual reporting periods commencing on or after 1 January 2019 and will be first applied by the Group in the financial year commencing 1 July 2019.

As disclosed in note 30 to the financial statements, the Group's aggregate operating lease expenditure commitment at 30 June 2019 (measured on an undiscounted basis) is \$6,197,896.

When AASB 16 is applied by the Group at 1 July 2019, the present value the Group's operating lease commitment (adjusted for the impact, if any, of the revised definitions of 'lease term' and 'lease payments'), for all leases with a term of more than 12 months, but excluding leases of low value assets, will be recognised as a lease liability, using an appropriate discount rate as prescribed by the accounting standard. The Group will also recognise a corresponding right-of-use asset, which the Group can choose to initially measure at either its carrying amount as if the accounting standard had applied from the commencement date of the lease or at an amount equal to the initial lease liability. The preliminary assessment of the Group is

that it will most likely elect to initially measure the right-of-use asset at an amount equal to the initial lease liability. As such the Group anticipates that the initial application of AASB 16 will not impact the net assets of the Group.

Based on the Group's preliminary assessment, which includes the likely election to initially measure the right-of-use asset at an amount equal to the initial lease liability, and using a provisionally determined discount rate, it is anticipated that:

- The application of AASB 16 will result in the recognition of a lease liability and a corresponding right-of-use asset of approximately \$5,589,414; and
- The application of AASB 16 will not result in a material impact on the profit or loss of the Group, as the aggregate of the estimated interest expense on the lease liability and the estimated depreciation expense of the right-of-use asset in the first year of application is not expected to differ materially from the aggregate operating lease expense recognised by the Group for the financial year ended 30 June 2019 under the predecessor accounting standard.

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.

Construction Contracts

Revenue from construction contracts is recognised over time, as the services are provided to the customer, based on costs incurred for work performed to date as a percentage of total estimated costs under the contract. Judgements made in the application of the Australian Accounting Standards that could have a significant effect on the financial report and estimates with a risk of adjustment in the next year are as follows:

- Determination of stage of completion;
- Estimation of total contract revenue and contract costs; and
- Estimation of project completion date.

Income Tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

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.

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 CODM's. The CODM's are responsible for the allocation of resources to operating segments and assessing their performance. The operating segments below depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors and all revenue from contracts with customers are recognised over time.

Consolidated – 2019	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	261,049	39,433	33,740	863	–	335,085
Intersegment sales	15,517	1,213	–	1,482	(18,212)	–
Total sales revenue	276,566	40,646	33,740	2,345	(18,212)	335,085
Total other revenue and expenses	(255,283)	(34,476)	(32,826)	(5,458)	18,212	(309,831)
EBITDA¹	21,283	6,170	914	(3,113)	–	25,254
Depreciation and amortisation	(2,839)	(333)	(82)	(31)	–	(3,285)
Finance income	179	37	7	105	–	328
Finance costs	(593)	42	87	(7)	–	(471)
Banking facility arrangement fee amortisation	–	–	–	(59)	–	(59)
Profit/(loss) before income tax expense	18,030	5,916	926	(3,105)	–	21,767
Income tax expense						(5,888)
Profit after income tax expense						15,879

1 Includes IPO and other transaction related expenses of \$427,238 shown in the consolidated statements of profit or loss and other comprehensive income.

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)	–	(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 Includes IPO and other transaction related expenses of \$3,716,192 shown in the consolidated statements of profit or loss and other comprehensive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 5. REVENUE AND OTHER INCOME

	Consolidated	
	2019 \$'000	2018 \$'000
Insurance Building and Restoration Services	261,049	222,802
Commercial Building Services	39,433	42,939
Commercial Construction – Commercial Builders	33,740	23,290
Other sales revenue	863	1,331
	335,085	290,362
Other revenue and income		
Dividend income	110	443
Interest income	328	161
Management fees	1,247	600
Other revenue	949	1,197
Profit/(loss) on sale of property, plant and equipment	(241)	30
Profit on sale of business	4,565	–
	6,958	2,431

Accounting policy for revenue recognition

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

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

Revenue from construction contracts is recognised over time, as the services are provided to the customer, based on costs incurred for work performed to date as a percentage of total estimated costs under the contract. Recognising revenue on the basis of costs incurred is considered an appropriate method of recognising revenue as it is consistent with the manner in which services are provided to the customer.

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

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

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	
	2019 \$'000	2018 \$'000
Profit before income tax includes the following specific expenses:		
Employee benefits:		
Gross remuneration, bonuses and on-costs	58,158	45,603
Less amounts expensed through cost of sales	(30,984)	(24,737)
Superannuation	3,911	3,403
Share based payments expense	387	358
Total employee benefits	31,472	24,627
Depreciation		
Depreciation	3,275	2,705
Amortisation	10	10
Total depreciation and amortisation	3,285	2,715
Profit/(loss) on disposal of fixed assets	(241)	30

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 7. INCOME TAX

	Consolidated	
	2019 \$'000	2018 \$'000
(a) Components of tax expense		
Current tax	5,711	3,934
Deferred tax	(25)	(2,038)
Under provision in prior years	202	83
	5,888	(1,979)
(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	21,767	16,546
Prima facie income tax payable on profit before income tax at 30.0% (2018: 30.0%)	6,531	4,964
Add tax effect of:		
– Subsidiary losses not recognised	1,420	1,398
– Other non-deductible expenses	78	260
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 taxable income to non-controlling interests	(841)	(1,104)
– Tax losses utilised	(383)	(255)
– Share of profits from equity accounted investments	–	(6)
– Capital losses otherwise deductible	(1,119)	–
– Franking credits	–	(133)
– Under provision in prior years	202	83
	5,888	1,979
(c) Current tax		
Current tax relates to the following:		
Current tax liabilities/(assets)		
Opening at 1 July	3,638	(1)
Income tax	5,711	3,934
Tax payments	(5,164)	(378)
Under provision in prior years	202	83
Closing at 30 June	4,387	3,638

	Consolidated	
	2019 \$'000	2018 \$'000
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
– Accruals	501	443
– Employee benefits	1,046	855
– Fixed assets	237	150
– Capital raising costs	919	1,230
	2,703	2,678
Movements:		
Opening balance	2,678	–
Credited/(charged) to profit or loss	25	2,038
Credited to equity	–	640
Closing balance	2,703	2,678
(e) Deferred income tax (benefit)/expense included in income tax expense comprises		
Decrease/(increase) in deferred tax assets	(25)	(2,038)
(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 8. CASH AND CASH EQUIVALENTS

		Consolidated	
	Note	2019 \$'000	2018 \$'000
Cash on hand		14	14
Cash at bank		29,867	22,073
Cash on deposit		182	182
		30,063	22,269

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		30,063	22,269
Balance as per consolidated statements of cash flows		30,063	22,269

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	
		2019 \$'000	2018 \$'000
Trade receivables		52,116	35,727
Trade retentions		1,023	1,277
Other debtors		329	193
		1,352	1,470
Related parties		26	709
Dividends receivable from associates		–	196
Non-controlling interests		2,532	846
Johns Lyng Unit Trust unitholders (now previous unitholders)		1,600	1,841
		57,626	40,789

Accounting policy for trade and other receivables

A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e. only the passage of time is required before payment of the consideration is due). Invoicing of customers generally occurs on a monthly basis. Outstanding invoices are generally due for payment within 30 days of the invoice date.

Impairment of receivables from contracts with customers and other receivables

The Group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The majority of the Group's debtors pertain to work completed in accordance with contracts with counterparties such as: insurance companies, local governments and other corporates etc. and are billed and typically received in accordance with the terms of those contracts.

The Group assesses the collectability of each debt on a monthly basis and where necessary provides for any portion which may be unrecoverable. The Group has low credit risk exposure given its customer profile and the fact that works are completed in accordance with contracted amounts.

Where a debtor is in 'default' (outside credit terms) the Group assesses the enforceability of the contract and takes the appropriate collection action with legal action being the last resort.

NOTE 10. INVENTORIES

	Consolidated	
	2019 \$'000	2018 \$'000
Raw materials	833	611

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	
	2019 \$'000	2018 \$'000
Accrued income	22,114	16,128

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 represents the Company's right to consideration (not being an unconditional right recognised as a receivable) in exchange for goods and services transferred to the customer. Construction work in progress is measured at the amount of consideration that the Company expects to be entitled to in exchange for goods or services transferred to the customer.

The Group recovered the majority of the 2018 accrued income within the 2019 year and expects the 2019 balance to be settled within 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 12. OTHER CURRENT ASSETS

	Consolidated	
	2019 \$'000	2018 \$'000
Prepayments	1,431	1,271
Total other current assets	1,431	1,271

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 relates.

NOTE 13. EQUITY ACCOUNTED INVESTMENTS

On 17 July 2018, the Group sold its 49% equity interest in Club Home Response Pty Ltd ('CHR') to RACV (51% Shareholder).

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.

	Consolidated	
	2019 \$'000	2018 \$'000
Non-current		
Club Home Response Pty Ltd	–	235
Summarised Balance Sheet		
Current assets	–	2,271
Non-current assets	–	1,307
Current liabilities	–	(3,006)
Non-current liabilities	–	(91)
Net assets	–	481
Cash and cash equivalents	–	969
Current financial liabilities (excluding trade and other payables and provisions)	–	818
Non-current financial liabilities (excluding trade and other payables and provisions)	–	85
Summarised Profit or Loss		
Revenue	–	15,245
Profit before income tax	–	1,352
Income tax expense	–	(406)
Profit for the period	–	946
Total comprehensive profit for the period	–	946

	Consolidated	
	2019 \$'000	2018 \$'000
Depreciation expense	–	112
Interest income	–	12
Finance costs	–	16
Reconciliation of carrying amount of investment		
Opening carrying amount	235	215
Share of net profit after income tax	–	463
Dividends paid	(110)	(443)
Sale of business	(125)	–
	(235)	20
Share of net profits of investments accounted for using the equity method	–	20
Closing carrying amount	–	235

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2019 \$'000	2018 \$'000
Leasehold improvements – at cost	2,667	2,428
Less: accumulated depreciation	(1,348)	(870)
	1,319	1,558
Plant and equipment – at cost	4,325	3,658
Less: accumulated depreciation	(3,117)	(2,342)
	1,208	1,316
Motor vehicles – at cost	11,131	9,599
Less: accumulated depreciation	(4,962)	(3,790)
	6,169	5,809
Computer equipment – at cost	1,744	1,737
Less: accumulated depreciation	(1,336)	(1,161)
	408	576
Total property, plant and equipment	9,104	9,259

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 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
Additions	162	1,084	2,568	7	3,821
Disposals	(18)	(316)	(339)	(28)	(701)
Depreciation expense	(383)	(876)	(1,869)	(147)	(3,275)
Balance at 30 June 2019	1,319	1,208	6,169	408	9,104

Property, plant and equipment secured under finance leases

Refer to note 30 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	
	2019 \$'000	2018 \$'000
Goodwill	7,524	3,342
Software	315	68
Less: Accumulated amortisation	(30)	(20)
	285	48
Trademarks	3,145	2
	10,954	3,392

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NOTE 15. INTANGIBLES (continued)

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 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
Additions	4,182	3,143	247	7,572
Disposals	–	–	–	–
Amortisation expense	–	–	(10)	(10)
Balance at 30 June 2019	7,524	3,145	285	10,954

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 2019 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% (2018: 3.0%) and a discount rate of 9.8% (2018: 9.8%).
- Floorcoverings Unit Trust – A terminal value growth rate of 3.0% (2018: 3.0%) and a discount rate of 9.8% (2018: 9.8%)
- Trump Floorcoverings QLD Pty Ltd – A terminal value growth rate of 3.0% (2018: 3.0%) and a discount rate of 9.8% (2018: 9.8%).
- Dressed for Sale (Australia) Pty Ltd (acquired 28 February 2018) - A terminal value growth rate of 3.0% and a discount rate of 9.8%.
- Impairment for the Steamatic Inc. CGU has been assessed based on its fair value less cost of disposal at 30 June 2019.

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

	Consolidated	
	2019 \$'000	2018 \$'000
Goodwill:		
Trump Property Maintenance VIC Pty Ltd	1,571	1,571
Floorcoverings Unit Trust	1,364	1,364
Trump Floorcoverings QLD Pty Ltd	407	407
Dynamic Construction	100	–
Dressed for Sale (Australia) Pty Ltd	1,856	–
Steamatic Inc.	2,226	–
	7,524	3,342
Trademarks:		
Steamatic	3,143	–
Other	2	2
	3,145	2
	10,669	3,344

NOTE 16. TRADE AND OTHER PAYABLES

	Consolidated	
	2019 \$'000	2018 \$'000
Trade creditors	50,612	36,132
Sundry creditors and accruals	9,624	5,037
	60,236	41,169

Accounting policy for trade and other payables

Trade and other payables are stated at amortised cost.

NOTE 17. BORROWINGS

	Consolidated	
	2019 \$'000	2018 \$'000
Current borrowings		
Secured:		
Other loans	829	721
Hire purchase	2,522	1,328
	3,351	2,049
Non-current borrowings		
Secured:		
Hire purchase	2,868	2,369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 17. BORROWINGS (continued)

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	
	2019 \$'000	2018 \$'000
Current		
Employee benefits	3,116	2,504
Non-current		
Employee benefits	369	347

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	
	2019 \$'000	2018 \$'000
Beneficiary entitlements	549	1,412

Accounting policy for beneficiary entitlements

Beneficiary entitlements represent distributions owing to non-controlling interests. 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	
	2019 \$'000	2018 \$'000
Income in advance	14,667	8,664

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

Construction deferred income represents the Company's obligation to transfer goods or services to the customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Amounts recorded as construction deferred income are subsequently recognised as revenue when the Company transfers the contracted goods or services to the customer.

NOTE 21. ISSUED CAPITAL

	Consolidated			
	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Ordinary shares – fully paid	222,087,758	221,106,324	60,018	58,983

Movements in issued capital

Details	Date	Units	\$'000
Units in Johns Lyng Unit Trust			
Balance	1 July 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 21. ISSUED CAPITAL (continued)

Movements in issued capital

Details	Date	Shares	\$'000
Opening balance	1 July 2018	221,106,324	58,983
Issue of new shares - exercise of call options	14 September 2018	706,642	808
Issue of new shares under Employee & Executive Incentive Plan	14 September 2018	110,449	127
Loan Funded Shares	30 November 2018	56,421	–
Issue of shares in connection with business acquisition	30 November 2018	107,922	100
Balance	30 June 2019	222,087,758	60,018

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

56,421 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.

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	
	2019 \$'000	2018 \$'000
Foreign currency translation reserve	(46)	–
Options reserve	631	358
Subsidiary interests reserve	(22,422)	(23,267)
Balance at 30 June 2019	(21,837)	(22,909)

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 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)
Balance at 1 July 2018	–	358	(23,267)	(22,909)
Transactions with non-controlling interests	–	–	845	845
Foreign currency translation	(46)	–	–	(46)
Share based payments	–	387	–	387
Share based payments (transfer from option reserve) – value of new shares issued to employees in lieu of cash bonus ¹	–	(114)	–	(114)
Balance at 30 June 2019	(46)	631	(22,422)	(21,837)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 23. ACCUMULATED PROFITS/(LOSSES)

	Consolidated	
	2019 \$'000	2018 \$'000
Accumulated losses at the beginning of the financial year	(1,466)	(14,797)
Profit after income tax for the year	13,433	10,745
Interposition of Johns Lyng Group Limited – demerger of non-core businesses pre-IPO	–	10,422
Dividends paid	(4,217)	–
Transfer from changes in subsidiary interests reserve	–	(449)
Distribution to unitholders	–	(7,387)
Accumulated profits/(losses) at the end of the financial year	7,750	(1,466)

NOTE 24. NON-CONTROLLING INTERESTS

	Consolidated	
	2019 \$'000	2018 \$'000
Non-controlling interest – Capital (a)	889	107
Non-controlling interest – Retained earnings (b)	(1,535)	(235)
	(646)	(128)

(a) Non-controlling interest – Capital

Opening balance	107	81
Issue of equity on Roll-up	–	(6)
Transactions with the Group	93	32
Capital acquired through business combination	689	–
Closing balance	889	107

(b) Non-controlling interest – Retained earnings

Opening balance	(235)	(348)
Share of profit after income tax	2,446	3,822
Share of dividends	(329)	(636)
Share of distributions	(2,807)	(3,073)
Retained earnings acquired through business combination	(610)	–
Closing balance	(1,535)	(235)

NOTE 25. DIVIDENDS

	Consolidated	
	2019 \$'000	2018 \$'000
Dividends paid or declared		
Dividends paid at \$0.019 per share (FY18: nil) fully franked at 30%	4,217	–
Dividends declared after the reporting period and not recognised		
Since the end of reporting period the Directors have recommended/declared a dividend at \$0.03 per share (FY18: \$0.019) fully franked at 30%	6,667	4,217
Franking account		
Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years	3,204	181

NOTE 26. 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 focusses 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 2019, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 26. FINANCIAL INSTRUMENTS (continued)

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.

	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
Consolidated – 2019					
Payables	60,236	–	–	60,236	60,236
Borrowings	2,029	1,277	2,868	6,174	6,174
Total non-derivatives	62,265	1,277	2,868	66,410	66,410
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

Accounting policy for financial instruments

Financial Assets

Financial assets recognised by the Company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income ('FVtOCI') in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss ('FVtPL') on the basis of both:

- The Company's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

NOTE 27. DIRECTORS' AND EXECUTIVES' COMPENSATION

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	
	2019 \$	2018 \$
Short-term employee benefits	2,832,032	2,278,442
Post-employment benefits	105,164	147,998
Long-term employee benefits	9,977	57,933
Share based payments	215,799	201,644
	3,162,972	2,686,017

NOTE 28. REMUNERATION OF AUDITORS

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	
	2019 \$	2018 \$
Audit services		
Audit or review of the financial statements	312,500	408,545
Other services		
Accounting and taxation compliance	254,385	160,000
Other advisory services	71,252	74,858
IPO related services including advisory, accounting and tax	–	228,011
Independent Accountant report	–	245,000
Corporate finance	27,100	
Corporate secretarial	82,891	127,201
Other	9,578	11,830
	445,206	846,900
Amounts paid and payable to network firms¹ of Pitcher Partners for:		
Other advisory services	120,172	8,910
Total remuneration for audit and other services	877,878	1,264,355

1 Network firms of Pitcher Partners include members of the Pitcher Partners network and members of the Baker Tilly International network.

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NOTE 29. CONTINGENT LIABILITIES

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

	Consolidated	
	2019 \$'000	2018 \$'000
Estimates of the maximum amounts of contingent liabilities that may become payable:		
Bank guarantees	6,940	5,883

NOTE 30. COMMITMENTS

	Consolidated	
	2019 \$'000	2018 \$'000
(a) Hire purchase commitments payable		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	2,743	1,491
One to five years	2,974	2,482
Total commitment	5,717	3,973
Less: future finance charges	(327)	(276)
Net commitments recognised as liabilities	5,390	3,697
Representing:		
Current liability	2,522	1,328
Non-current liability	2,868	2,369
	5,390	3,697

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Within one year	2,112	1,809
One to five years	3,561	3,444
More than five years	525	1,234
	6,198	6,487

(c) Expenditure commitments contracted for:

Contracted construction commitments

Within one year	77,295	46,674
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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 31. 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.

Curt Mudd was an Executive Director from 28 September 2017 to 30 November 2018 and was appointed Non-executive Director on 1 December 2018. Post retirement as an Executive Director, Curt Mudd received consultancy fees from the Group in the amount of \$12,634 (GST: nil) (FY18: nil).

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 large shareholder in the Group. Paul Dwyer is the Deputy Chairman and a Non-executive Director of PSC. During FY19 the Group paid PSC \$295,610 (plus GST) (FY18: \$242,656 (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. Paul Dwyer resigned as Non-executive Director on 7 December 2018 and as such, the fees declared are in respect of the period up to his resignation date.

During FY19 the Group paid \$72,000 (plus GST) (FY18: \$68,182 (plus GST)) to Trump Yacht Charters Pty Ltd ATF Trump Yacht Charters Trust for use of a corporate yacht for client entertainment purposes (client entertainment consists of up to 30 charters of 20 people throughout a financial year). Scott Didier AM is a director and sole 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 FY19 the Group paid \$18,701 (plus GST) (FY18: \$86,559) for aviation services to ADD Aviation Services Pty Ltd ATF ADD Aviation Services Unit Trust ('ADD'). ADD is owned by Scott Didier AM, Paul Dwyer and related party associate Brian Austin. The arrangement is on an arm's length basis and on commercial terms. This arrangement was discontinued during FY19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 31. RELATED PARTY TRANSACTIONS (continued)

During FY19 the Group paid \$15,919 (plus GST) (FY18: nil) to EBH Leasehold Pty Ltd ATF EBH Leasehold Unit Trust ('EBH') for staff and client entertainment purposes (primarily for accommodation under a corporate arrangement of \$170 per night, inclusive of a 20% discount for staff and other related parties). Scott Didier AM is a director and sole shareholder of EBH. The arrangement is 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.	FY19: \$164,632 (plus GST) FY18: \$140,000 (plus GST)
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).	FY19: \$107,160 (plus GST) FY18: \$96,464 (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, Curt Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust.	FY19: \$382,049 (plus GST) FY18: \$370,921 (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

Is My CV Australia Pty Ltd ATF Is My CV Australia Unit Trust ('Is My CV') has entered into an agreement with Johns Lyng Commercial Builders Pty Ltd ATF Johns Lyng Commercial Builders Unit Trust for design and demolition works at 719-721 Whitehorse Road, Mont Albert (VIC). Is My CV is owned by Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curt Mudd, Paul Dwyer, John McPhee and other unitholders. During FY19 the cost of work totalled \$253,201 (plus GST) (FY18: \$339,103 (plus GST)). The arrangement is on an arm's length basis and on commercial terms.

Related party employees

From time-to-time and as required, the Group provides administrative support services to related party businesses (demerged pre-IPO) along with Trump Investments Pty Ltd ATF Trump Investments Trust.

During FY19 the Group charged fees for services on an arm's length basis and on commercial terms (hourly rates based on the time expended). The Group provided administrative support services for which it charged \$292,744 (plus GST) (FY18: \$45,879 (plus GST)) to related party entities.

Related party loans – receivable

	Consolidated	
	2019 \$'000	2018 \$'000
Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust ¹	25	642
Your Caretaker Pty Ltd ATF Your Caretaker Unit Trust ²	–	15
Club Home Response Pty Ltd ³	–	248
Total related party loans – receivable	25	905

1 Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curt Mudd, Paul Dwyer, John McPhee and other unitholders own the units in Johns Lyng Investments Unit Trust.

2 Your Caretaker Unit Trust is owned by Johns Lyng National Services Unit Trust ('JLNS'). JLNS is owned by Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Curt Mudd, Paul Dwyer, John McPhee and other unitholders.

3 The Group sold its 49% equity interest in CHR to RACV (51% Shareholder) on 17 July 2018.

Related party arrangements discontinued during FY18

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) was invoice 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 Director, Investor and Business 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) was invoiced to the Group for services provided by Adrian Gleeson through Aust-Sport Financial Services Pty Ltd ATF Gleeson Family Trust.

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, 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 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.

As part of the pre-IPO restructuring and to assist with the separation and transition of the demerged businesses, on 15 September 2017, the Group 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 the Group \$100,000 (plus GST) during FY18. The TSA expired on 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 32. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019 \$'000	2018 \$'000
Profit after income tax	15,063	6,067
Total comprehensive income	15,063	6,067

Statement of financial position

Total current assets	61,813	55,374
Total assets	84,320	70,251
Total current liabilities	6,758	4,843
Total liabilities	6,758	4,843

Equity

Issued capital	60,018	58,983
Options reserve	631	358
Accumulated profits/(losses)	16,913	6,067
Total equity	77,562	65,408

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 2019 (2018: nil).

Contingent liabilities

The Parent Entity had no contingent liabilities as at 30 June 2019 (2018: nil).

Capital commitments

The Parent Entity had no capital commitments as at 30 June 2019 (2018: 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; and
- Dividends and distributions received from subsidiaries are recognised as other income by the Parent Entity.

NOTE 33. 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:

Name	Principal place of business / country of incorporation	Ownership interest	
		2019 %	2018 %
Johns Lyng Unit Trust	Australia	100.00%	100.00%
Johns Lyng Victoria Unit Trust	Australia	98.00%	100.00%
Johns Lyng Makesafe Emergency Builders (Victoria) Unit Trust	Australia	90.70%	90.00%
Johns Lyng Express Building Solutions (Victoria) Unit Trust	Australia	88.20%	92.50%
Johns Lyng Insurance Building Solutions (Victoria) Unit Trust	Australia	98.05%	97.50%
Johns Lyng Technical Claims (Vic) Unit Trust	Australia	98.05%	97.50%
Johns Lyng Major Claims (Vic) Unit Trust	Australia	98.05%	97.50%
Johns Lyng Building Solutions (Vic) Unit Trust	Australia	98.05%	97.50%
Restorx (VIC) Unit Trust	Australia	91.89%	93.77%
Restorx (VIC) Insurance Services Unit Trust	Australia	92.10%	91.43%
Restorx (VIC) Major Loss Unit Trust	Australia	91.89%	93.77%
Restorx (VIC) Biohazard Services Unit Trust	Australia	87.30%	89.08%
Restorx (VIC) Delivery Unit Trust	Australia	91.89%	93.77%
Johns Lyng (VIC) Regional Unit Trust	Australia	98.20%	90.16%
Johns Lyng (VIC) Gippsland Unit Trust	Australia	95.74%	87.91%
Johns Lyng (VIC) Geelong Unit Trust	Australia	98.20%	90.16%
Johns Lyng (VIC) North Unit Trust	Australia	98.24%	87.91%
Johns Lyng Hazrem Unit Trust	Australia	98.00%	85.00%
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	98.00%	100.00%
JLG SC Victoria Unit Trust	Australia	98.00%	–
Johns Lyng Tasmania Unit Trust	Australia	78.40%	–
Johns Lyng South Australia Unit Trust	Australia	98.00%	–
Johns Lyng (NSW) Unit Trust	Australia	90.38%	92.69%
Johns Lyng Makesafe Emergency Builders (NSW) Unit Trust	Australia	85.86%	92.69%
Johns Lyng Express Building Solutions (NSW) Unit Trust	Australia	85.86%	88.06%
Johns Lyng Insurance Building Solutions (NSW) Unit Trust	Australia	86.99%	89.21%
Restorx NSW Unit Trust	Australia	85.86%	88.06%
Johns Lyng (NSW) Regional Unit Trust	Australia	85.86%	90.37%
Johns Lyng (ACT) Unit Trust	Australia	81.57%	–
Johns Lyng NSW Commercial Builders Unit Trust (Dormant)	Australia	90.38%	92.69%
JLG SC NSW Unit Trust	Australia	90.38%	–
Johns Lyng Queensland Unit Trust	Australia	92.81%	92.81%
Johns Lyng Makesafe Emergency Builders (QLD) Unit Trust	Australia	92.81%	92.81%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 33. INTERESTS IN SUBSIDIARIES (continued)

Name	Principal place of business / country of incorporation	Ownership interest	
		2019 %	2018 %
Johns Lyng Express Building Solutions (QLD) Unit Trust	Australia	90.67%	88.17%
Johns Lyng Insurance Building Solutions (Brisbane) Unit Trust	Australia	92.81%	90.49%
Restorx Services QLD Unit Trust	Australia	90.49%	90.49%
Johns Lyng (QLD) Regional Unit Trust	Australia	88.17%	88.17%
Johns Lyng (QLD) Gold Coast Unit Trust	Australia	88.17%	88.17%
Johns Lyng (QLD) Central Unit Trust	Australia	85.97%	88.17%
Johns Lyng (QLD) North Unit Trust	Australia	88.17%	83.76%
Trump Ceramic & Timber Unit Trust (formerly Atlanta Projects Unit Trust)	Australia	92.81%	92.81%
Johns Lyng Insurance Building Solutions (QLD) Unit Trust (Dormant)	Australia	92.81%	92.81%
Johns Lyng Northern Territory Unit Trust	Australia	83.53%	–
JLG SC Queensland Unit Trust	Australia	92.81%	–
Johns Lyng Insurance Building Solutions (WA) Unit Trust	Australia	87.50%	87.50%
Restorx (WA) Unit Trust	Australia	87.50%	87.50%
JLG SC Western Australia Unit Trust	Australia	87.50%	–
Johns Lyng Trump Unit Trust	Australia	100.00%	100.00%
Trump Property Maintenance (VIC) Pty Ltd	Australia	51.00%	95.00%
Trump Floorcoverings Victoria Unit Trust	Australia	51.00%	95.00%
Floorcoverings Unit Trust	Australia	90.00%	92.50%
Trump Floorcoverings (QLD) Pty Ltd	Australia	80.00%	92.50%
Global Home Response Unit Trust	Australia	90.00%	90.00%
Global Home Response NZ Limited	New Zealand	90.00%	90.00%
Johns Lyng Shopfit Services Unit Trust	Australia	95.00%	95.00%
Sankey Security & Glass Unit Trust (Dormant)	Australia	100.00%	95.00%
Global 360 Unit Trust	Australia	85.00%	85.00%
Johns Lyng International Holdings Pty Ltd (Dormant)	Australia	100.00%	100.00%
Restorx Australia Unit Trust (Dormant)	Australia	100.00%	–
Johns Lyng DFS Pty Ltd	Australia	90.00%	–
Dressed For Sale (Australia) Pty Ltd	Australia	50.97%	–
Johns Lyng USA LLC	USA	100.00%	100.00%
Johns Lyng Florida LLC	USA	100.00%	100.00%
Steamatic LLC (formerly Johns Lyng Restoration LLC)	USA	100.00%	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 34. BUSINESS COMBINATIONS

Dressed for Sale (Australia) Pty Ltd (provisionally accounted)

On 25 February 2019, the Group acquired 56.6% of the share capital of Dressed for Sale (Australia) Pty Ltd ('DFS'). DFS is a pre-sale residential property staging and styling business.

The strategic rationale for the acquisition was to facilitate growth by diversifying into a complementary adjacency with scope to cross-sell the Group's other existing building services.

Control was obtained via a combination of share purchase and share subscription.

Details of the purchase consideration:		\$
Cash paid	1,959,223	
Shares issued	–	
Total purchase consideration	1,959,223	

Assets and liabilities acquired

Assets and liabilities acquired as a result of the business combination were:

		\$'000
Assets and liabilities acquired		
Cash	488	
Receivables from contracts with customers	180	
Property, plant and equipment	12	
Bank overdraft	(51)	
Payables	(197)	
Provisions	(250)	
Net identifiable assets acquired	182	
Add: goodwill	1,856	
Less: non-controlling interests	(79)	
Total purchase consideration	1,959	

The initial accounting for the acquisition of DFS has been provisionally determined at the end of the reporting period. Given the proximity of the acquisition date to the reporting date, the values of the acquired assets and liabilities of DFS are considered provisional. These will be updated within 12 months post-acquisition in accordance with AASB 3: Business Combinations.

The goodwill on acquisition comprises: trademarks and other intellectual property, customer relationships and expected future revenue and operating synergies with Johns Lyng Group.

Goodwill is not deductible for tax purposes.

Contractual amounts

The fair value of receivables from contracts with customers equals the contractual amounts due.

Transaction costs

Transaction costs of \$50,199 were incurred in relation to the acquisition. These costs are included in 'IPO and other transaction related expenses' within profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 34. BUSINESS COMBINATIONS (continued)

Steamatic Inc. (provisionally accounted)

On 10 April 2019, the Group acquired 100% of the trade and business assets of Steamatic Inc. ('Steamatic'). Steamatic is a water, fire and flood restoration services company operating a global Master Franchise network with 63 US Franchisees and 14 International Master Franchise Agreements.

The strategic rationale for the acquisition was to facilitate growth into the US market.

Control was obtained via an asset purchase.

Details of the purchase consideration:		\$
Cash paid		4,420,361
Shares issued		–
Contingent Consideration		1,425,923
Total purchase consideration		5,846,284

A potential earn-out amount of up to US\$1.9m is payable as follows:

- US\$0.1m per new franchise sold (within agreed parameters), during the 18 month period post completion; and
- Capped at a maximum of 19 franchise sales being US\$1.9m.

Accordingly, the Group has recognised a potential earn-out liability within sundry creditors in the amount of US\$1m (A\$1,425,923 at the reporting date FX rate of A\$:US\$0.7013) being the Group's estimate of the actual earn-out amount likely to be paid over the period.

No earn-out amounts were paid between the acquisition date and the reporting date.

Assets and liabilities acquired

Assets and liabilities acquired as a result of the business combination were:

		\$'000
Assets and liabilities acquired		
Receivables from contracts with customers		402
Inventory		236
Property, plant and equipment		19
Trademarks		3,143
Payables		(180)
Net identifiable assets acquired		3,620
Add: goodwill		2,226
Total purchase consideration		5,846

The initial accounting for the acquisition of Steamatic has been provisionally determined at the end of the reporting period. Given the proximity of the acquisition date to the reporting date, the values of the acquired assets and liabilities of Steamatic are considered provisional. These will be updated within 12 months post-acquisition in accordance with AASB 3: Business Combinations.

The goodwill on acquisition comprises: trademarks and other intellectual property, customer relationships and expected future revenue and operating synergies with Johns Lyng Group.

Goodwill is not deductible for tax purposes.

Contractual amounts

The fair value of receivables from contracts with customers equals the contractual amounts due.

Transaction costs

Transaction costs of \$288,877 were incurred in relation to the acquisition. These costs are included in 'IPO and other transaction related expenses' within profit or loss.

NOTE 35. EVENTS AFTER THE REPORTING PERIOD

On 13 August 2019 the Group acquired a controlling equity interest in Bright & Duggan Group Pty Ltd ('Bright & Duggan').

Founded in 1978, Bright & Duggan is a leading Strata and Property Management business with more than 55,000 lots under management across more than 1,500 strata schemes.

The strata market comprises in excess of 2.6m strata titled lots nationally – this represents a compelling investment proposition and growth opportunity for the Group with inherent revenue synergies in collaboration with Johns Lyng's other businesses.

Headquartered in Sydney (NSW), Johns Lyng will support long-standing Management Shareholders to grow Bright & Duggan in its existing markets and additionally cross-sell the Group's various building services.

Key deal terms include:

- \$13.8m cash at Completion plus a potential earn-out based on the financial performance in FY20
- 51% voting interest / 46% economic equity interest acquired
- Remaining equity owned by long-standing Management including:
 - » Trevor Bright (Executive Chairman)
 - » Chris Duggan (Managing Director).

On 20 August 2019, the Board declared a final dividend of 3 cents per share (fully franked), representing 50% of NPAT attributable to the owners of Johns Lyng Group.

The final dividend will be paid on 1 October 2019 with a record date of entitlement of 10 September 2019.

There are no other matters or circumstances that have arisen since 30 June 2019 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 36. CASH FLOW INFORMATION

	Consolidated	
	2019 \$'000	2018 \$'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	14
Cash at bank	29,867	22,073
At call deposits with financial institutions	182	182
	30,063	22,269
(b) Reconciliation of cash flow from operating activities with profit after income tax		
Profit after income tax for the year	15,879	14,567
Depreciation and amortisation	3,285	2,715
Net loss on disposal of property, plant and equipment	(241)	(30)
Foreign exchange differences	(46)	(2)
Share based payments expense	273	358
Proceeds from sale of business	(4,503)	–
Share of associated company's net profit after dividends	–	(20)
Tax on IPO costs capitalised in equity	–	640
IPO costs offset from the proceeds of IPO	–	992
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(15,493)	146
Decrease/(increase) in other current assets	(160)	(701)
Decrease/(increase) in inventories	14	172
Decrease/(increase) in accrued income	(5,986)	(3,876)
Increase/(decrease) in trade and other payables	17,264	895
Increase/(decrease) in provision for income tax	749	3,639
Increase/(decrease) in deferred tax	(25)	(2,678)
Increase/(decrease) in employee provisions	384	382
Increase/(decrease) in income in advance	6,003	(589)
Increase/(decrease) in other liabilities	–	(1)
Net cash from operating activities	17,397	16,609
(c) Reconciliation of liabilities arising from financing activities		

Proceeds from borrowings during the year amounted to \$835,874 (FY18: \$4,419,409). Borrowings were repaid during the year of \$2,357,000, which included hire purchase commitments of \$1,629,000. (FY18: proceeds from the primary capital raising component of the Group's IPO were used to repay borrowings in the amount of \$23,368,000, which included hire purchase commitments of \$4,879,000).

NOTE 37. EARNINGS PER SHARE

	Consolidated	
	2019 \$'000	2018 \$'000
Profit after income tax	15,879	14,567
Non-controlling interest	(2,446)	(3,822)
Profit after income tax attributable to the owners of Johns Lyng Group	13,433	10,745

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	221,851,424	199,221,666
Weighted average number of ordinary shares used in calculating diluted earnings per share	222,055,090	199,221,666

	Cents	Cents
Basic earnings per share	6.05	5.39
Diluted earnings per share	6.05	5.39

NOTE 38. SHARE BASED PAYMENTS

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

	Consolidated	
	2019 \$'000	2018 \$'000
Value of new shares issued under the Employee Share Loan Plan (Loan Funded Shares)	19	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	368	107
	387	358

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

NOTE 38. SHARE BASED PAYMENTS (continued)

Loan Funded Shares

On 30 November 2018, the Company issued a total of 56,421 Loan Funded Ordinary Shares ('Loan Funded Shares') to Directors of the Group at \$0.89 per share.

Loan Funded Shares are funded by a zero interest 10 year non-recourse loan from the Group.

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	30 November 2018	18 October 2017
Grant date share price	\$0.89	\$1.00
Volatility	40%	45%
Dividend yield	2.29%	2.70%
Risk-free rate	2.59%	2.72%
Fair value	\$0.33	\$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 forecast versus actual Net Profit.

DIRECTORS DECLARATION

30 June 2019

The Directors declare that:

1. In the Directors' opinion, the financial statements and notes thereto, as set out on pages 41 to 84, 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 2019 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 2019.

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

On behalf of the Directors



Peter Nash
Chairman

20 August 2019



Scott Didier AM
Managing Director

20 August 2019

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



JOHNS LYNG GROUP LIMITED
86 620 466 248

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 2019, 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 2019 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.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF JOHNS LYNG GROUP



JOHNS LYNG GROUP LIMITED
86 620 466 248

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

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
<p>Recognition of work in progress on construction contracts - accrued income (\$22,114,000) and income in advance (\$14,667,000)</p> <p>Refer note 3, note 11 and note 20.</p>	
<p>For the year ended 30 June 2019, the Group’s revenue from construction contracts totalled \$335m. Revenue from construction contracts is recognised over time as the services are provided to the customer, based on costs incurred for work performed to date as a percentage of total estimated costs under the contract.</p> <p>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.</p>	<p>Audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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 and 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; • Agreeing, on a sample basis, job data back to source documentation, including customer contracts, approved variations and capitalised job costs. • Assessment of revenue recognition for compliance with newly adopted revenue standard AASB 15.

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



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

<p>Impairment of goodwill (\$10,954,000)</p> <p>Refer note 3 and note 15</p>	
<p>In assessing impairment of intangible assets, management have estimated the value in use for each cash generating unit ("CGU"), under the following segments:</p> <ul style="list-style-type: none"> • Trump Property Maintenance VIC Pty Ltd; • Floorcovering Unit Trust; and • Trump Floorcoverings QLD Pty Ltd. • Dressed For Sale Australia Pty Ltd <p>Impairment for the Steamatic Inc. CGU has been considered with reference to its fair value less costs of disposal given its acquisition date of 10 April 2019.</p> <p>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 2019.</p> <p>As disclosed in note 3, significant judgements and estimation is required in determining value in use of each CGU including but not limited to discount rate, growth rates and expected future cash flows, which has led to our inclusion of intangibles as a key audit matter.</p>	<p>Audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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 the 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.

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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 2019, 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 in 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.

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



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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.

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



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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 29 to 38 of the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Johns Lyng Group Limited, for the year ended 30 June 2019, 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.

A handwritten signature in black ink, appearing to be "S D Whitchurch".

S D WHITCHURCH
Partner

20 August 2019

A handwritten signature in black ink, appearing to be "P. O. D." followed by a flourish.

PITCHER PARTNERS
Melbourne

SHAREHOLDER INFORMATION

30 June 2019

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 5 August 2019 ('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	26.0%
– Trump Investments Pty Limited/ Scott Didier AM	Ordinary Shares	540,000	0.2%
– Trump One Pty Limited/ Scott Didier AM	Ordinary Shares	18,825	0.0%
Total/Scott Didier AM	Ordinary Shares	58,217,787	26.2%
Abilas Holdings Australia Pty Limited/ Lindsay Barber	Ordinary Shares	15,743,996	7.1%
Wilson Asset Management Group	Ordinary Shares	12,435,995	5.6%

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	1,052

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 1,052 holders of a total of 222,166,084 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	145	85,239	0.04%
1,001 – 5,000	284	900,739	0.41%
5,001 – 10,000	181	1,507,839	0.68%
10,001 – 100,000	352	12,805,889	5.76%
100,001 +	90	206,866,378	93.11%
Total	1,052	222,166,084	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
222,166,084	999	25	0.0004%

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	25.95%
2	HSBC Custody Nominees (Australia) Limited	28,625,388	12.88%
3	J P Morgan Nominees Australia Pty Limited	15,390,933	6.93%
4	Abilas Holdings Australia Pty Ltd	13,791,996	6.21%
5	National Nominees Limited	11,445,924	5.15%
6	Citicorp Nominees Pty Limited	9,085,206	4.09%
7	BNP Paribas Nominees Pty Ltd	5,476,033	2.46%
8	John MC Pty Ltd	5,241,723	2.36%
8	PSC JLG Investment Pty Ltd	5,241,723	2.36%
9	Emjay Capital Pty Ltd	5,000,000	2.25%
9	Steadfast Group Limited	5,000,000	2.25%
10	UBS Nominees Pty Ltd	4,736,481	2.13%
11	NSC Collective Pty Ltd	3,808,316	1.71%
12	Rubi Holdings Pty Ltd	2,254,586	1.01%
13	Aust-Sport Financial Services Pty Ltd	1,453,073	0.65%
14	HSBC Custody Nominees (Australia) Limited - A/C 2	1,279,729	0.58%
15	M & R Baratta Investment Pty Ltd	1,243,326	0.56%
16	Thomas Andrew Alvin & Sally Anne Alvin	1,206,252	0.54%
17	ELAS Investments Pty Ltd	1,200,000	0.54%
18	P & T Folkard Investments Pty Ltd	1,149,723	0.52%
19	CS Third Nominees Pty Limited	1,065,823	0.48%
20	Two Strides Ahead Pty Ltd	1,048,344	0.47%
20	St. Mudd Pty Ltd	1,048,344	0.47%
20	Cottage Link Pty Ltd	1,048,344	0.47%
Total number of shares of top 20 holders		184,500,229	83.05%

SHAREHOLDER INFORMATION

30 June 2019

Escrow

Class of restricted securities	Type of restriction	Number of securities	End date of escrow period
Ordinary shares	Voluntary escrow	65,499,669	20 August 2019 ¹
Ordinary shares	Voluntary escrow	107,922	31 August 2020 ²
Total		65,607,591	

1 On lodgement of FY19 Annual Report with ASX

2 On lodgement of FY20 Annual Report with ASX

Unquoted equity securities

Class of restricted securities	Number of securities
Performance Rights (FY18 LTI - Tranche 1) ¹	131,108
Performance Rights (FY18 LTI - Tranche 2) ²	131,108
Performance Rights (FY18 LTI - Tranche 3) ³	131,108
Total	393,324

1 Performance Rights vest between 1 July 2019 and 20 August 2019

2 Performance Rights vest between 1 July 2020 and 31 August 2020

3 Performance Rights vest between 1 July 2021 and 31 August 2021

The Company does not have any other 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.



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