# APPENDIX 4D

## 1. COMPANY DETAILS

| | |
|---|---|
| **Name of entity:** | Johns Lyng Group Limited |
| **ABN:** | 86 620 466 248 |
| **Reporting period:** | For the half-year ended 31 December 2019 |
| **Previous periods:** | For the year ended 30 June 2019 (Restated)<br>For the half-year ended 31 December 2018 (Restated) |

## 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | | $ |
|---|---|---|---|---|
| Revenues from ordinary activities (sales) | up | 53.1% | to | 233,697,119 |
| Profit from ordinary activities after tax attributable to the owners of Johns Lyng Group | up | 1.2% | to | 7,914,676 |
| Total comprehensive income attributable to the owners of Johns Lyng Group | up | 1.6% | to | 7,873,040 |

### Dividends

The Board has declared an interim dividend of 1.8 cents per share (fully franked) (2018: nil), representing 51% of NPAT attributable to the owners of Johns Lyng Group. The interim dividend will be paid on 17 March 2020 with a record date of entitlement of 2 March 2020.

### Explanatory note on results

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $7,914,676 (Restated 31 December 2018: $7,824,132). For further information refer to 'operating and financial review' section within the attached Directors' report.

## 3. CONTROL GAINED OVER ENTITIES

In August 2019, the Group acquired a 51% voting / 46% economic equity interest in Bright & Duggan Group Pty Ltd – a leading strata, property and facilities management business.

## 4. LOSS OF CONTROL OVER ENTITIES

Not applicable.

## 5. DIVIDENDS

| Ordinary Shares | 31 December 2019[1]<br>$ | 31 December 2018[2]<br>$ |
|---|---|---|
| Dividends paid during the half-year (fully franked) | 6,666,566 | 4,216,545 |

1. The final dividend in respect of the year ended 30 June 2019 was paid on 1 October 2019.
2. The final dividend in respect of the year ended 30 June 2018 was paid on 11 October 2018.

## 6.DIVIDEND REINVESTMENT PLANS

Not applicable.

# APPENDIX 4D

## 7. NET TANGIBLE ASSETS

Net Tangible Assets (NTA) per ordinary security for the half-year ended 31 December 2019, was 2.12 cents (Restated 31 December 2018: 10.70 cents). The decrease in NTA is a result of the intangible assets/goodwill acquired on acquisition of Dressed For Sale Pty Ltd, Steamatic Inc and Bright & Duggan Group Pty Ltd.

## 8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

## 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 were subject to a review by the independent auditors with an unqualified opinion. The review report is attached as part of the Financial Report for the half-year ended 31 December 2019.

## 11. ATTACHMENTS

**Details of attachments (if any):**

The Financial Report of Johns Lyng Group for the half-year ended 31 December 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 4.2A.3

Other information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the Financial Report for the half-year ended 31 December 2019 (which includes the Directors' report).

## 17. ACCOUNTING STANDARDS

This report has been compiled using Australian Accounting Standards and International Financial Reporting Standards.

## 18. EVENTS AFTER THE REPORTING PERIOD

In January 2020, the Group acquired the trade and business assets of Steamatic Nashville, TN – a US based water restoration business and franchisee of the Group's subsidiary Steamatic LLC.

In February 2020, the Group acquired an 85% equity interest in Capital Strata Management (Holdings) Pty Ltd – a leading strata, property and facilities management business.

In February 2020, the Group acquired a 60% equity interest in Air Control Australia Pty Ltd – a leading heating, ventilation and air conditioning mechanical services business.

JOHNS LYNG GROUP

JOHNS LYNG GROUP LIMITED
ABN 86 620 466 248
AND CONTROLLED ENTITIES

# FINANCIAL REPORT

for the half-year ended 31 December 2019

# CONTENTS

31 December 2019

# DIRECTORS' REPORT

31 December 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Johns Lyng Group Limited (referred to hereafter as 'Johns Lyng Group', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity consist of insurance building and restoration services, strata and property management, commercial building services and commercial construction. In August 2019, the Group acquired a 51% voting / 46% economic equity interest in Bright & Duggan Group Pty Ltd – a leading strata, property and facilities management business. There were no other significant changes in the nature of the consolidated entity's activities during the period.

## DIRECTORS AND COMPANY SECRETARY

The following persons were directors or the Company secretary of Johns Lyng Group during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

- Peter Nash (Chairman and Non-executive Director. Appointed 1 October 2017.)
- Scott Didier AM (Managing Director. Appointed 28 September 2017.)
- Lindsay Barber (Executive Director. Appointed 14 July 2017.)
- Matthew Lunn (Executive Director. Appointed 14 July 2017.)
- Adrian Gleeson (Executive Director. Appointed 28 September 2017.)
- Curtis (Curt) Mudd (Non-executive Director. Appointed 1 December 2018.)
- Robert Kelly (Non-executive Director. Appointed 1 December 2017.)
- Larisa Moran (Non-executive Director. Appointed 10 September 2018.)
- Sophie Karzis (Company Secretary. Appointed 28 September 2017.)

## OPERATING AND FINANCIAL REVIEW

Financial information in the operating and financial review is based on the reviewed condensed consolidated financial statements for the half-year ended 31 December 2019.

Profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $7.9m (Restated 31 December 2018: $7.8m) – materially consistent with the prior corresponding period.

- Sales for the half-year ended 31 December 2019 of $233.7m (31 December 2018: $152.6m) were $81.1m higher – driven by increased activity and job volumes across all segments.
- Gross margin for the half-year ended 31 December 2019 increased to 20.6% (31 December 2018: 20.5%) – materially consistent with the prior corresponding period.
- Profit before tax for the half-year ended 31 December 2019 of $15.1m (Restated 31 December 2018: $12.9m (including a non-recurring $4.6m gain on sale of businesses)) was $2.2m higher as a result of increased utilisation of resources (higher sales and gross profit relative to 'semi-fixed' overhead expenses).
- Income tax expense for the half-year ended 31 December 2019 was $4.1m (Restated 31 December 2018: $3.9m).

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in the 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.

# DIRECTORS' REPORT

## 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 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors

**Peter Nash**
Chairman

25 February 2020

**Scott Didier AM**
Managing Director

25 February 2020

# AUDITOR'S INDEPENDENCE DECLARATION

PITCHER PARTNERS

**JOHNS LYNG GROUP LIMITED AND CONTROLLED ENTITIES**
**ABN 86 620 466 248**

**AUDITOR'S INDEPENDENCE DECLARATION**
**TO THE DIRECTORS OF JOHNS LYNG GROUP LIMITED AND CONTROLLED ENTITIES**

In relation to the independent auditor's review for the half-year ended 31 December 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 period.

N R BULL
Partner

25 February 2020

PITCHER PARTNERS
Melbourne

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

| | | Consolidated | |
|---|---|---|---|
| | Note | 31 December 2019 $'000 | Restated 31 December 2018 $'000 |
| **Revenue** | | | |
| Sales income | 4 | 233,697 | 152,621 |
| Cost of sales | | (185,453) | (121,373) |
| **Gross profit** | | **48,244** | **31,248** |
| Other revenue and income | 4 | 1,502 | 5,437 |
| **Expenses** | | | |
| Employee benefits | | (17,548) | (14,545) |
| Depreciation and amortisation | | (3,668) | (2,443) |
| Motor vehicle | | (1,716) | (1,493) |
| Travel | | (1,127) | (893) |
| Insurance | | (1,030) | (658) |
| Professional fees | | (771) | (468) |
| Telephone and communication | | (699) | (472) |
| Finance costs | | (932) | (561) |
| Advertising | | (1,265) | (492) |
| Occupancy | | (728) | (544) |
| Transaction related expenses | | (424) | (80) |
| IT expenses | | (1,698) | (574) |
| Other | | (3,035) | (564) |
| **Total expenses** | | **(34,641)** | **(23,787)** |
| **Profit before income tax** | | **15,105** | **12,898** |
| Income tax (expense)/benefit | | (4,085) | (3,853) |
| **Profit after income tax for the half-year** | | **11,020** | **9,045** |
| **Other comprehensive income for the half-year** | | | |
| Movement in foreign currency reserve | | (42) | (74) |
| **Total comprehensive income for the half-year** | | **10,978** | **8,971** |
| Profit for the half-year is attributable to: | | | |
| Non-controlling interest | | 3,105 | 1,221 |
| Owners of Johns Lyng Group | | 7,915 | 7,824 |
| | | **11,020** | **9,045** |
| Total comprehensive income for the half-year is attributable to: | | | |
| Non-controlling interest | | 3,105 | 1,221 |
| Owners of Johns Lyng Group | | 7,873 | 7,750 |
| | | **10,978** | **8,971** |

| | Cents | Cents |
|---|---|---|
| **Earnings per share (EPS) for profit from continuing operations attributable to equity holders of the parent entity:** | | |
| Basic earnings per share | 3.56 | 3.53 |
| Diluted earnings per share | 3.56 | 3.53 |

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | | Consolidated | |
|---|---|---|---|
| | Note | 31 December 2019 $'000 | Restated 30 June 2019 $'000 |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 33,147 | 30,063 |
| Trade and other receivables | | 55,101 | 57,626 |
| Inventories | | 1,041 | 833 |
| Accrued income | | 18,795 | 22,114 |
| Other | | 1,297 | 1,431 |
| Total current assets | | 109,381 | 112,067 |
| **Non-current assets** | | | |
| Property, plant and equipment | | 9,946 | 9,104 |
| Intangibles | | 40,985 | 10,954 |
| Right-of-use assets | | 11,668 | 9,695 |
| Deferred tax asset | | – | 3,101 |
| Total non-current assets | | 62,599 | 32,854 |
| **Total assets** | | **171,980** | **144,921** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 57,833 | 60,236 |
| Borrowings | | 4,293 | 3,351 |
| Current tax payable | | 87 | 4,387 |
| Provisions | | 5,535 | 3,116 |
| Beneficiary entitlements | | 609 | 549 |
| Lease liabilities | | 3,038 | 1,900 |
| Income in advance | | 13,716 | 14,667 |
| Total current liabilities | | 85,111 | 88,206 |
| **Non-current liabilities** | | | |
| Lease liabilities | | 10,168 | 9,122 |
| Borrowings | | 20,851 | 2,868 |
| Deferred tax liability | | 1,633 | – |
| Provisions | | 416 | 369 |
| Total non-current liabilities | | 33,068 | 12,359 |
| **Total liabilities** | | **118,179** | **100,565** |
| **Net assets** | | **53,801** | **44,356** |
| **Equity** | | | |
| Issued capital | 5 | 60,160 | 60,018 |
| Reserves | 6 | (21,365) | (21,837) |
| Retained earnings | | 8,069 | 6,821 |
| Equity attributable to the owners of Johns Lyng Group | | 46,864 | 45,002 |
| Non-controlling interest | 7 | 6,937 | (646) |
| **Total equity** | | **53,801** | **44,356** |

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

| | Issued capital | Reserves | Retained earnings | Non-controlling interest | Total equity |
|---|---|---|---|---|---|
| **Consolidated – 31 December 2019** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Balance at 1 July 2019 | 60,018 | (21,837) | 6,821 | (646) | 44,356 |
| Profit for the half-year | – | – | 7,915 | 3,105 | 11,020 |
| Movements in foreign currency reserve | – | (42) | – | – | (42) |
| Total comprehensive income for the half-year | – | (42) | 7,915 | 3,105 | 10,978 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Issue of shares – vesting of performance rights | 142 | – | – | – | 142 |
| Issue of shares – Loan Funded Shares | – | 19 | – | – | 19 |
| Issue of long-term share based incentives (performance rights) | – | 209 | – | – | 209 |
| Transactions with non-controlling interests | – | 286 | – | (191) | 95 |
| Dividends paid | – | – | (6,667) | (525) | (7,192) |
| Distributions to unitholders | – | – | – | (1,728) | (1,728) |
| Non-controlling interest on acquisition | – | – | – | 6,922 | 6,922 |
| **Balance at 31 December 2019** | **60,160** | **(21,365)** | **8,069** | **6,937** | **53,801** |

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

| | Issued capital | Reserves | Retained earnings | Non-controlling interest | Total equity |
|---|---|---|---|---|---|
| **Restated Consolidated – 31 December 2018** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Balance at 1 July 2018 | 58,983 | (22,909) | (2,132) | (128) | 33,814 |
| Profit for the half-year | – | – | 7,824 | 1,221 | 9,045 |
| Movements in foreign currency reserve | – | (74) | – | – | (74) |
| Total comprehensive income for the half-year | – | (74) | 7,824 | 1,221 | 8,971 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Issue of shares – exercise of call options | 808 | – | – | – | 808 |
| Issue of shares – Loan Funded Shares | – | 23 | – | – | 23 |
| Issue of shares in connection with business acquisition | 100 | – | – | – | 100 |
| Issue of long-term share based incentives (performance rights) | – | 250 | – | – | 250 |
| Transactions with non-controlling interests | – | 1,677 | – | (100) | 1,577 |
| Dividends paid | – | – | (4,217) | – | (4,217) |
| Distributions to unitholders | – | – | – | (1,891) | (1,891) |
| **Balance at 31 December 2018** | **59,891** | **(21,033)** | **1,475** | **(898)** | **39,435** |

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $'000 | Restated 31 December 2018 $'000 |
| **Cash flows from operating activities** | | |
| Receipts from customers | 264,254 | 167,778 |
| Payments to suppliers and employees | (244,212) | (153,847) |
| Dividends received | – | 300 |
| Interest received | 163 | 164 |
| Finance costs | (932) | (561) |
| Income tax paid | (7,195) | (184) |
| **Net cash from operating activities** | **12,078** | **13,650** |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment | 237 | 191 |
| Payment for property, plant and equipment | (436) | (194) |
| Payment for acquisition of business | (14,801) | – |
| Cash acquired on acquisition of business | 8,297 | – |
| Proceeds from sale of business | – | 4,503 |
| **Net cash from/(used in) investing activities** | **(6,703)** | **4,500** |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | 19,405 | 1,219 |
| Receipts from beneficiaries | 476 | – |
| Payments to beneficiaries | (1,412) | (2,434) |
| Receipts from/(payments to) related parties | – | 620 |
| Repayment of principal lease liabilities | (1,414) | (1,203) |
| Repayment of borrowings | (11,430) | (721) |
| Net repayment of hire purchase | (1,249) | (1,601) |
| Dividends paid | (6,667) | (4,217) |
| **Net cash from/(used in) financing activities** | **(2,291)** | **(8,337)** |
| Net increase in cash and cash equivalents | 3,084 | 9,813 |
| Cash and cash equivalents at the beginning of the financial half-year | 30,063 | 22,269 |
| **Cash and cash equivalents at the end of the financial half-year** | **33,147** | **32,082** |

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 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, or during, the half-year. The financial statements are presented in Australian dollars, which is Johns Lyng Group's functional and presentation currency.

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

| Registered office | Principal place of business |
|---|---|
| Level 13, 664 Collins Street<br>Docklands VIC 3008 | 1 Williamsons Road<br>Doncaster VIC 3108 |

A description of the nature of the consolidated entity'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 25 February 2020.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of the condensed consolidated half-year financial report

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 (Interim Financial Reporting) and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 (Interim Financial Reporting) ensures cwompliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below.

### (b) Rounding of amounts

The Company is of a kind referred to in the 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.

### (c) New and revised accounting standards adopted 1 July 2019

The Group has applied all new and revised Australian Accounting Standards that apply to reporting periods beginning on or after 1 July 2019, including AASB 16 (Leases).

AASB 16 (Leases) replaces AASB 117 (Leases) and introduces a single lessee accounting model that requires 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 cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

a. assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
    i. investment property, the lessee applies the fair value model in AASB 140 (Investment Property) to the right-of-use asset; or
    ii. property, plant or equipment, the lessee applies 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
b. lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

## (c) New and revised accounting standards adopted 1 July 2019 (continued)

AASB 16 (Leases) substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117 (Leases). Accordingly, under AASB 16 (Leases) a lessor continues 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 accounts for each type of lease in a manner consistent with the current approach under AASB 117 (Leases).

In accordance with the transition requirements of AASB 16 (Leases), the Group has elected to apply AASB 16 (Leases) retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e. at 1 July 2018). Accordingly, comparative information has been restated.

The application of AASB 16 (Leases), on 1 July 2018, resulted in the recognition of: right-of-use assets with an aggregate carrying amount of $10,719,177, corresponding lease liabilities with an aggregate carrying amount of $11,670,702, a deferred tax asset of $285,457 and a balancing adjustment to retained earnings of $666,067. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 5.0%.

Further details of the Group's accounting policy for leases, for the half-year period ended 31 December 2019, is as follows:

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

### *Right-of-use assets*

Right-of-use assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, right-of-use assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Right-of-use assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

### *Lease liabilities*

Lease liabilities are initially recognised at the present value of the future lease payments (i.e. the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

### *Leases of 12-months or less and leases of low value assets*

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a right-of-use asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

## NOTE 3. OPERATING SEGMENTS

### Identification of reportable operating segments

The consolidated entity is organised into four operating segments: insurance building and restoration services, commercial building services, commercial construction (Johns Lyng 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's') in assessing performance and in determining the allocation of resources.

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

The information reported to the CODM's 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.

### Operating segment information

| | Insurance building and restoration services | Commercial building services | Commercial construction – Commercial Builders | Other[1] | Intercompany eliminations | Total |
|---|---|---|---|---|---|---|
| **Consolidated – 31 December 2019** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Revenue** | | | | | | |
| Sales to external customers | 183,171 | 31,060 | 18,887 | 579 | – | 233,697 |
| Intersegment sales | 9,342 | 830 | – | 554 | (10,726) | – |
| **Total revenue** | **192,513** | **31,890** | **18,887** | **1,133** | **(10,726)** | **233,697** |
| Total other revenue and expenses | (174,098) | (29,791) | (18,389) | (2,573) | 10,726 | (214,125) |
| **EBITDA** | **18,415** | **2,099** | **498** | **(1,440)** | – | **19,572** |
| Depreciation and amortisation | (3,159) | (491) | (44) | 26 | – | (3,668) |
| Finance income | 133 | 23 | 5 | 2 | – | 163 |
| Finance costs | (911) | (30) | 7 | 2 | – | (932) |
| Banking facility arrangement fee amortisation | – | – | – | (30) | – | (30) |
| **Profit/(loss) before income tax** | **14,478** | **1,601** | **466** | **(1,440)** | – | **15,105** |
| Income tax (expense) | | | | | | (4,085) |
| **Profit after income tax** | | | | | | **11,020** |

[1] Included in Other is $394,619 in one-off transaction related expenses.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

## NOTE 3. OPERATING SEGMENTS (continued)

| Restated Consolidated – 31 December 2018 | Insurance building and restoration services $'000 | Commercial building services $'000 | Commercial construction – Commercial Builders $'000 | Other[1] $'000 | Intercompany eliminations $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Sales to external customers | 117,507 | 18,980 | 15,647 | 487 | – | 152,621 |
| Intersegment sales | 5,447 | 495 | – | 444 | (6,386) | – |
| **Total revenue** | **122,954** | **19,475** | **15,647** | **931** | **(6,386)** | **152,621** |
| Total other revenue and expenses | (111,596) | (13,548) | (15,579) | (2,546) | 6,386 | (136,883) |
| **EBITDA** | **11,358** | **5,927** | **68** | **(1,615)** | – | **15,738** |
| Depreciation and amortisation | (1,964) | (329) | (39) | (111) | – | (2,443) |
| Finance income | 46 | 10 | 2 | 106 | – | 164 |
| Finance costs | (453) | (124) | 27 | (11) | – | (561) |
| **Profit/(loss) before income tax** | **8,987** | **5,484** | **58** | **(1,631)** | – | **12,898** |
| Income tax (expense) | | | | | | (3,853) |
| **Profit after income tax** | | | | | | **9,045** |

[1] Included in Other is $80,442 in one-off transaction related expenses.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

## NOTE 4. REVENUE AND OTHER INCOME

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $'000 | 31 December 2018 $'000 |
| Insurance building and restoration services | 183,171 | 117,507 |
| Commercial building services | 31,060 | 18,980 |
| Commercial construction - Commercial Builders | 18,887 | 15,647 |
| Other | 579 | 487 |
| | **233,697** | **152,621** |
| **Other revenue and income** | | |
| Dividend | – | 104 |
| Interest | 163 | 164 |
| Profit on sale of business | – | 4,565 |
| Profit on sale of plant and equipment | 30 | 10 |
| Sundry | 1,309 | 594 |
| | **1,502** | **5,437** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

## NOTE 5. EQUITY – ISSUED CAPITAL

| | Consolidated | | | |
|---|---|---|---|---|
| | 31 December 2019 Shares | 30 June 2019 Shares | 31 December 2019 $'000 | 30 June 2019 $'000 |
| Ordinary shares – fully paid | 222,246,980 | 222,087,758 | 60,160 | 60,018 |

### Movements in ordinary share capital

| Details | Date | Shares | $'000 |
|---|---|---|---|
| Opening balance | 1 July 2019 | 222,087,758 | 60,018 |
| Issue of shares – vesting of performance rights (FY18) | 1 July 2019 | 78,326 | 85 |
| Issue of shares – vesting of performance rights (FY18) | 20 August 2019 | 52,782 | 57 |
| Issue of shares – Loan Funded Shares (FY19) | 10 December 2019 | 28,114 | – |
| **At 31 December 2019** | | **222,246,980** | **60,160** |

### 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 Company does not have a limited amount of authorised share capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### 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

Peter Nash was issued 28,114 Loan Funded Shares during the half-year ended 31 December 2019. Under the terms of his contract, he is entitled to $50,000 worth of Loan Funded Shares on each anniversary date of his appointment.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

## NOTE 6. EQUITY – RESERVES

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $'000 | 30 June 2019 $'000 |
| Foreign currency translation reserve | (88) | (46) |
| Options reserve | 859 | 631 |
| Subsidiary interests reserve | (22,136) | (22,422) |
| **Balance at 31 December 2019** | **(21,365)** | **(21,837)** |

### Movements in reserves

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

| | Foreign currency translation reserve | Options reserve | Subsidiary interests reserve | Total |
|---|---|---|---|---|
| Consolidated | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 July 2019 | (46) | 631 | (22,422) | (21,837) |
| Other transactions with the Group | – | – | 286 | 286 |
| Issue of long-term share based incentives (performance rights) | – | 209 | – | 209 |
| Issue of shares – Loan Funded Shares | – | 19 | – | 19 |
| Foreign currency translation | (42) | – | – | (42) |
| **Balance at 31 December 2019** | **(88)** | **859** | **(22,136)** | **(21,365)** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

## NOTE 7. NON-CONTROLLING INTEREST

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $'000 | 30 June 2019 $'000 |
| Non-controlling interest – paid up capital in subsidiaries (a) | 698 | 889 |
| Non-controlling interest – share of acquisition date intangible assets recognised on consolidation (b) | 6,875 | – |
| Non-controlling interest – share of retained earnings (c) | (636) | (1,535) |
| | **6,937** | **(646)** |
| **(a) Non-controlling interest – paid up capital in subsidiaries** | | |
| Opening balance | 889 | 107 |
| Transactions with the Group | (191) | 93 |
| Capital acquired through business combination | – | 689 |
| **Closing balance** | **698** | **889** |
| **(b) Non-controlling interest – share of acquisition date intangible assets recognised on consolidation** | | |
| Opening balance | – | – |
| Non-controlling interest's share of intangible assets arising from business combinations[1] | 6,875 | – |
| **Closing balance** | **6,875** | **–** |
| **(c) Non-controlling interest – share of retained earnings** | | |
| Opening balance | (1,535) | (235) |
| Share of profit after income tax | 3,105 | 2,446 |
| Share of dividends | (525) | (329) |
| Share of distributions | (1,728) | (2,807) |
| Retained earnings acquired through business combination | 47 | (610) |
| **Closing balance** | **(636)** | **(1,535)** |

The non-controlling interest's share of acquisition date net assets recognised on consolidation represents the non-controlling interest's proportionate share of the acquiree's identifiable net assets recognised on consolidation.

[1] The non-controlling interest's share of intangible assets arising from business combinations during the period relates to the recognition of brand names, customer contracts and deferred tax liabilities on consolidation.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

## NOTE 8. BUSINESS COMBINATIONS

### Bright & Duggan Group Pty Ltd (provisionally accounted)

On 13 August 2019, the Group acquired a 51% voting / 46% economic interest in Bright & Duggan Group Pty Ltd – a leading strata, property and facilities management 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 | 14,800,947 |
| Deferred and contingent consideration | 3,031,657 |
| **Total purchase consideration** | **17,832,604** |

### Assets and liabilities acquired

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

| | $'000 |
|---|---|
| **Assets and liabilities acquired** | |
| Cash | 8,297 |
| Trade and other receivables | 3,314 |
| Other current assets | 363 |
| Current tax assets | 1,252 |
| Right-of-use assets | 3,514 |
| Property, plant and equipment | 1,624 |
| Customer contracts | 12,744 |
| Brand name | 5,278 |
| Payables | (1,754) |
| Provisions | (2,218) |
| Lease liabilities | (3,514) |
| Deferred tax liabilities | (4,796) |
| Borrowings | (11,430) |
| Net identifiable assets acquired | 12,674 |
| Add: goodwill | 12,081 |
| Less: non-controlling interests | (6,922) |
| **Total purchase consideration** | **17,833** |

The initial accounting for the acquisition of Bright & Duggan 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 Bright & Duggan are considered provisional. These will be updated within 12 months post-acquisition in accordance with AASB 3 (Business Combinations).

The goodwill on acquisition comprises: 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 $222,178 were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

## NOTE 9. DIVIDENDS

a) Dividends paid or declared

| Consolidated | 31 December 2019 $'000 | 31 December 2018 $'000 |
|---|---|---|
| Dividends paid at 3.0 cents per share (2018: 1.9 cents) fully franked at 30%. | 6,667 | 4,217 |

b) Dividends proposed after the reporting period and not recognised

| | Amount per security | Franked amount per security |
|---|---|---|
| Consolidated | Cents | Cents |
| Proposed dividends not recognised at end of the half-year | 1.8 | 1.8 |

## NOTE 10. EVENTS AFTER THE REPORTING PERIOD

In January 2020, the Group acquired the trade and business assets of Steamatic Nashville, TN – a US based water restoration business and franchisee of the Group's subsidiary Steamatic LLC.

In February 2020, the Group acquired an 85% equity interest in Capital Strata Management (Holdings) Pty Ltd – a leading strata, property and facilities management business.

In February 2020, the Group acquired a 60% equity interest in Air Control Australia Pty Ltd – a leading heating, ventilation and air conditioning mechanical services business.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

# DIRECTORS' DECLARATION

31 December 2019

The directors declare that:

1 In the directors' opinion, the financial statements and notes thereto, as set out on pages 1 to 18, are in accordance with the *Corporations Act 2001*, including:

(a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance for the half-year ended on that date.

2 In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that *Johns Lyng Group Limited* will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.

On behalf of the directors

**Peter Nash**
Chairman

25 February 2020

**Scott Didier AM**
Managing Director

25 February 2020

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

**JOHNS LYNG GROUP LIMITED AND CONTROLLED ENTITIES**
**ABN 86 620 466 248**

**INDEPENDENT AUDITOR'S REVIEW REPORT**
**TO THE MEMBERS OF JOHNS LYNG GROUP LIMITED AND CONTROLLED ENTITIES**

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Johns Lyng Group Limited "the Company" and its controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Johns Lyng Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

PITCHER PARTNERS

**JOHNS LYNG GROUP LIMITED AND CONTROLLED ENTITIES**
**ABN 86 620 466 248**

**INDEPENDENT AUDITOR'S REVIEW REPORT**
**TO THE MEMBERS OF JOHNS LYNG GROUP LIMITED AND CONTROLLED ENTITIES**

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Johns Lyng Group Limited is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

N R BULL
Partner

PITCHER PARTNERS
Melbourne

25 February 2020

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