

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 2020

Previous corresponding period: For the financial year ended 30 June 2019 (Restated)

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | | \$'000 |
|--|----|-------|---------|
| Revenues from ordinary activities (sales) | up | 47.8% | 495,113 |
| Profit from ordinary activities after tax attributable to the owners of Johns Lyng Group | up | 20.4% | 15,850 |
| Total comprehensive income for the year attributable to the owners of Johns Lyng Group | up | 20.1% | 15,766 |

Explanatory note on results

The profit for the Group after providing for income tax and non-controlling interest expenses amounted to \$15,850,000 (Restated 30 June 2019: \$13,170,000). For further information refer to 'operating and financial review' section within the attached Directors' report.

3. CONTROL GAINED OVER ENTITIES OR BUSINESSES

On 13 August 2019 (effective 1 July 2019), the Group acquired a 51% voting (46% economic) interest in Bright & Duggan Group Pty Ltd – a leading strata, property and facilities management business.

On 18 January 2020 (effective 1 January 2020), the Group acquired the trade and business assets of Steamatic Nashville (USA) - this initial franchisee buy-out is in-line with the Group's US growth strategy following the acquisition of the Steamatic Global Master Franchise in April 2019.

On 3 February 2020 (effective 31 January 2020), in-line with the Group's strata market strategy, the Group (via its subsidiary Bright & Duggan) acquired an 85% equity interest in Capitol Strata Management (Holdings) Pty Ltd.

On 23 March 2020 (effective 29 February 2020), the Group (via its subsidiary Dressed for Sale) acquired a 100% equity interest in Furniture Rentals Australia Holdings Pty Ltd (trading as 'Advantage Styling') - a 'bolt-on' acquisition which expands existing operations from VIC and SA into NSW.

On 3 April 2020 (effective 31 January 2020), the Group acquired a 60% equity interest in Air Control - a leading Victorian based heating, ventilation and air conditioning mechanical services business.

4. LOSS OF CONTROL OVER ENTITIES OR BUSINESSES

Not applicable.

APPENDIX 4E

Preliminary final report

5. DIVIDENDS

| | Dividend per share | Franked amount | Record date | Payment date | Total amount \$'000 |
|-------------------------|--------------------|----------------|-------------------|-------------------|---------------------|
| Year ended 30 June 2020 | | | | | |
| Final dividend | 2.2 cents | 100% | 31 August 2020 | 15 September 2020 | 4,898 |
| Interim dividend | 1.8 cents | 100% | 2 March 2020 | 17 March 2020 | 4,000 |
| Total dividends | 4.0 cents | 100% | | | 8,898 |
| Year ended 30 June 2019 | | | | | |
| Final dividend | 3.0 cents | 100% | 10 September 2019 | 1 October 2019 | 6,667 |
| Total dividends | 3.0 cents | 100% | | | 6,667 |

Current period

On 25 August 2020, the Board declared a final dividend of 2.2 cents per share (fully franked). This final dividend is in addition to the previously announced half year (interim) dividend of 1.8 cents per share (fully franked), totalling 4.0 cents per share (fully franked) and representing 56% of NPAT attributable to the owners of Johns Lyng Group for FY20.

The final dividend will be paid on 15 September 2020 with a record date of entitlement of 31 August 2020.

Previous period

The Board 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 was paid on 1 October 2019 with a record date of entitlement of 10 September 2019.

6. DIVIDEND REINVESTMENT PLANS

Not applicable.

7. NET TANGIBLE ASSETS

Net Tangible Assets (NTA) per ordinary security for the year ended 30 June 2020 was -2.48 cents (Restated 30 June 2019: 10.21 cents). The decrease in NTA is a result of the intangible assets (including goodwill) acquired on acquisition of the businesses detailed in section 3.

The calculation of NTA per ordinary security excludes right-of-use assets recorded on adoption of AASB 16 (Leases). Were right-of-use assets to be included, NTA per ordinary security for the year ended 30 June 2020 would be 3.06 cents (Restated 30 June 2019: 14.58 cents).

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

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 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 2020 is attached.

APPENDIX 4E

Preliminary final report

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

Refer to the attached Annual Report.

13. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Refer to the attached Annual Report.

14. CONSOLIDATED STATEMENT OF CASH FLOWS

Refer to the attached Annual Report.

15. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Refer to the attached Annual Report.

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 2020 Financial Report (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

On 25 August 2020, the Board declared a final dividend of 2.2 cents per share (fully franked). This final dividend is in addition to the previously announced half year (interim) dividend of 1.8 cents per share (fully franked), totalling 4.0 cents per share (fully franked) and representing 56% of NPAT attributable to the owners of Johns Lyng Group for FY20.

The final dividend will be paid on 15 September 2020 with a record date of entitlement of 31 August 2020.

There are no other matters or circumstances that have arisen since 30 June 2020 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.

19. ANNUAL GENERAL MEETING

Johns Lyng Group Limited advises that its Annual General Meeting will be held on Friday, 20 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after despatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) Thursday, 1 October 2020.

JOHNS LYNG  GROUP

**ANNUAL
REPORT 2020**

JOHNS LYNG GROUP LIMITED



CONTENTS



| | |
|---|-----|
| Corporate Directory | 4 |
| FY20 Snapshot | 7 |
| Chairman & CEO's Letter | 8 |
| Company Profile | 12 |
| Geographical Expansion & Strategic Diversification into Strata Management | 14 |
| Business Division Overview | 18 |
| Our Commitment to Culture | 24 |
| Corporate Social Responsibility Report | 26 |
| Board of Directors | 32 |
| Directors' Report | 36 |
| Auditor's Independence Declaration | 53 |
| Consolidated Financial Statements | 54 |
| Notes to the Consolidated Financial Statements | 59 |
| Directors' Declaration | 100 |
| Independent Auditor's Report to the Members of Johns Lyng Group | 101 |
| Shareholder Information | 107 |

Corporate Directory

JOHNS LYNG

DIRECTORS

Peter Nash (Chairman and Non-executive Director)
Scott Didier AM (Managing Director)
Lindsay Barber (Executive Director)
Adrian Gleeson (Executive Director)
Philippa (Pip) Turnbull (Executive Director - appointed 17 June 2020)
Matthew Lunn (Executive Director - resigned 17 June 2020)
Robert Kelly (Non-executive Director)
Curtis (Curt) Mudd (Non-executive Director)
Larisa Moran (Non-executive Director)
Peter Dixon (Non-executive Director - appointed 25 February 2020)

JOINT COMPANY SECRETARIES

Todd Richards (appointed 25 February 2020)
Rebecca Weir (appointed 25 February 2020)

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

AUDITOR

Pitcher Partners
Level 13, 664 Collins Street
Docklands VIC 3008

SHARE REGISTRY

Link Market Services
Level 13, Tower 4,
727 Collins Street
Melbourne VIC 3000
P: +61 3 9067 2005

REGISTERED OFFICE

1 Williamsons Road
Doncaster VIC 3108

PRINCIPAL PLACE OF BUSINESS

1 Williamsons Road
Doncaster VIC 3108

ANNUAL GENERAL MEETING (AGM)

20 November 2020

STOCK EXCHANGE LISTING

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

WEBSITE

www.johnslyng.com.au





JOHNS LYNG GROUP



A COMMITMENT TO GROWTH



FY20 Snapshot

Financial Performance

Group Revenue

\$495.1m

+47.8%
(FY19: \$335.1m)

Group EBITDA¹

\$41.0m

+76.6%
(FY19: \$23.2)

¹ Excluding Transaction related expenses of \$0.7m (FY19: \$0.4m) and non-recurring gain on sale of businesses:

- > Sankey Glass: nil (FY19: \$0.3m)
- > CHR: nil (FY19: \$4.2m)

Geographical Expansion:

- **New Offices Opened:**
 - Coffs Harbour (NSW)
- **27 Johns Lyng Locations Nationally**
- **17 Bright & Duggan Locations Nationally**
- **Steamatic (USA):**
 - **39 US Franchisees**
(Including 1 Company Owned Franchise)

Acquisitions Complete:

- **Bright & Duggan**
- **Capitol Strata**
- **Steamatic Nashville (USA)**
- **Air Control**

Chairman & CEO's Letter

Dear Shareholders,

On behalf of the Board of Directors and Management team, we're pleased to present the Johns Lyng Group Annual Report for the 2020 Financial Year.

FY20 was a year of unprecedented growth and achievement for the Group, driven by an equally unprecedented level of demand for our services. This outstanding result is highly encouraging and follows more than a decade of consistent growth before it.

Group Revenue was \$495.1 million, representing growth of 47.8% from FY19, while EBITDA grew 76.6% to \$41.0 million, which is a resounding achievement, particularly given some of the challenges the broader market confronted during the period.

Our core Insurance Building and Restoration Services division was once again our lead performer, delivering a 52.0% increase in revenue.

This division performed strongly during the first half of FY20 and despite the onset of the Covid-19 pandemic in March, continued to record consistent increases in job registrations throughout the second half.

For our Business as Usual ('BaU') activities to continue to record such strong results, in a year impacted in part by a global pandemic that had a crippling effect on the economy is another encouraging reflection of the value proposition of our Group.

It reflects the strength of our national network, the relationships we have built with key clients, and our commitment to innovation and adaptability in delivering superior customer outcomes.

It's also another clear indicator that our core service offering is insulated from economic factors which impact the broader market.

The BaU performance was complemented by Revenue growth of 92.7% in catastrophe ('CAT') response activity. This growth was the result of an unprecedented level of demand, primarily following six distinct CAT events over the summer period, including the tragic bushfires throughout Australia.

Responding effectively to catastrophic events on such a scale is only achievable through the unrivalled national capacity we have established. We have been very clear in recent years that revenue from CAT events serves as an additional bonus to the performance of our core BaU services and the FY20 result clearly underscores that point.

While this year was unprecedented in terms of demand and financial performance, we remain committed to ensuring our core offering remains robust and dynamic. This includes growing our footprint and expanding our service offering into new markets, through both organic and strategic growth.

Covid-19 Response – Our People

The outstanding results of FY20 were once again only possible through the commitment and dedication of our people. While this has been the case for many years, these qualities (which are central to the Johns Lyng culture) stood out like a beacon in FY20.

The Covid-19 pandemic represented a major disruption to normal operations, impacting both our teams on site, and our head office personnel. With our core activities deemed to be 'Essential Services', we continued to operate, albeit in vastly different circumstances.

Before the onset of the pandemic locally, a Covid-19 Management Committee ('Committee') was established. The Committee was tasked with ensuring that the Group's response was appropriate, and in-line with advice from both local Governments and the World Health Organisation.



Operational staff were required to incorporate social distancing and increased hygiene practices which added additional but necessary challenges to tasks, while our teams worked with clients and customers to ensure job sites were safe and accessible at all times.

The vast majority of our head office staff were asked to transition to work from home for most of the second half. The Covid-19 Management Committee was instrumental in ensuring as smooth a transition as possible, supporting teams to perform their tasks as effectively as possible, while maintaining a commitment to workplace wellbeing.

The Board and Management extend our sincere and heartfelt thanks to all teams for going above and beyond during this extraordinary disruption. Our results speak to your commitment and you are indeed what sets Johns Lyng apart.

Organic Growth

The robust performance of our core businesses was supported by several key contract wins and extensions, achievements that are again testament to our focus on strong relationships and delivering superior outcomes.

Most significantly, Johns Lyng subsidiary Restorx was appointed to strata insurance specialist CHU's Restoration Services Panels in all states and territories (with the exception of Queensland). This agreement represents a further foothold in the strata sector, building on the acquisition of Bright & Duggan earlier in the period.

We also secured a five-year extension to our arrangement with Western Australia's major insurer, which provides access to repair and restoration work on up to 1,000 properties per quarter.



Peter Nash | Chairman

Chairman & CEO's Letter

Strategic Acquisitions & Corporate Development

One of the most significant steps in our growth strategy took place early in FY20 when we acquired a controlling equity interest in Bright & Duggan, a leading Sydney based Strata and Property Management business with more than 55,000 lots under management across more than 1,500 strata schemes.

We have been firm in our belief that this represents a 'game-changing opportunity' for the Group – there are multiple cross-sell opportunities in each Bright & Duggan managed strata title, including: insurance works, scheduled and unscheduled maintenance and event recovery.

At the same time, there is considerable potential for the Bright & Duggan brand to grow and gain a greater market share through the introduction of Johns Lyng market leading services and products.

The highly fragmented nature of the strata management market presents further consolidation opportunities, the first of which was capitalised upon in the second half with the acquisition of an 85% equity interest in Capitol Strata (via the Group's subsidiary, Bright & Duggan).

Capitol Strata is a Brisbane based Strata Manager which added over 16,000 titles across more than 1,250 strata schemes to our portfolio.

FY20 was a strong establishment phase for these new relationships and the acquisitions have already begun to contribute to Group performance.

We acquired a 60% controlling equity interest in Air Control Australia, a Melbourne based heating, ventilation and air conditioning mechanical services business.

The acquisition represents another avenue for growth including cross-sell opportunities for Air Control into the Group's strata managed properties and conversely for the

Group's existing core services to be cross-sold into Air Control's existing client base including: hotels, commercial office buildings and shopping centres.

The pandemic itself presented opportunities for the Group to introduce innovative new services and products, and at the same time deliver additional customer value through our broader offering.

This included entering into an Exclusive Distribution Agreement with Zoono for the Australian B2B market. Zoono manufactures environmentally friendly industrial disinfectant products which are proven to be effective in combating a surrogate of the Covid-19 virus, feline coronavirus¹.

The products are now available throughout Bright & Duggan's network of 71,000-plus strata titles, Johns Lyng's Commercial Building Services division and Johns Lyng's building and contents restoration business Restorx.

Restorx registered significant demand for its biohazard removal/hygiene services during the pandemic, particularly for education buildings and commercial spaces.

Further afield, Johns Lyng acquired the Steamatic franchisee based in Nashville, USA - which is in-line with our growth strategy for Steamatic following the acquisition of the brand and Global Master Franchise in FY19. This represents a thoughtful and cautious progression of our international expansion.

Board Composition

In February we welcomed Mr Peter Dixon as an Independent Non-executive Director. Peter brings more than two decades' of legal, investment banking, funds management and corporate strategy experience to the Johns Lyng Group Board.

¹ Refer to: https://cdn.shopify.com/s/files/1/0014/2471/9931/files/20200323_ASX_Zoono_COVID-19_Clarification.pdf?v=1584945202

In June we welcomed Ms Pip Turnbull to the Board of Directors.

As Executive General Manager, Business Development and Marketing for the past five years, Pip has played a central role in growing the Group through new contracts and client wins and managing important strategic relationships. She will add an important new dimension to the Board.

Ms Turnbull replaced Mr Matthew Lunn, who stepped down after three years' service. We would like to acknowledge the significant contribution Mr Lunn has made during a highly transformative period for the Group, particularly his instrumental role in ensuring a seamless transition onto the ASX. He will remain in his Executive role as Group Chief Financial Officer.

Outlook

We move into FY21 with a strong pipeline of job registrations in our core businesses, and ongoing work continues to flow from the six CAT events of FY20. We expect to deliver another sound performance in FY21.

We look forward to updating you on our progress as the new financial year progresses.

Regards,



Peter Nash

Chairman

25 August 2020



Scott Didier AM

Managing Director

25 August 2020



Company Profile

Johns Lyng Group (the 'Group') is a market leading integrated building services group delivering building, restoration and strata management 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 1,000 employees across Australia and a subcontractor base in excess of 6,000.

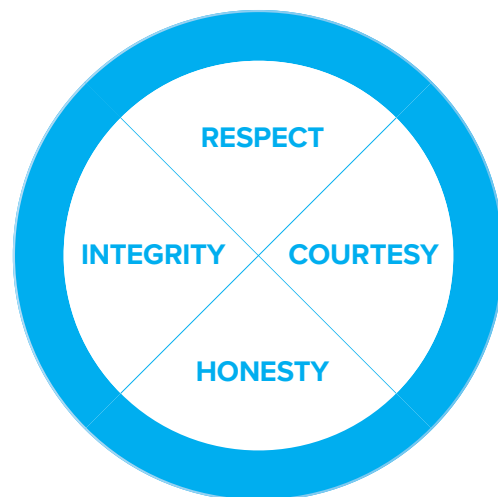
Johns Lyng has a diversified client base comprising: major insurance companies, insurance brokers, loss adjusters, commercial enterprises, local and state governments, body corporates/owners' corporations and retail customers.

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 Northern Queensland, Country Victoria and New South Wales.

Johns Lyng Group'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 defines itself by delivering exceptional customer service outcomes every time – this is the reason the Group is still going strong after more than 65 years.

OUR VALUES



- 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%)

Business Division Summary

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

Insurance Building & Restoration Services



Building fabric repair, contents restoration, hazardous waste removal and strata management

- FY20 revenue: \$396.7m
- FY20 revenue contribution: 80.1%
- FY20 EBITDA¹: \$40.9m
- FY20 EBITDA¹ contribution: 99.8%

¹ Excluding Transaction related expenses of \$0.5m (FY19: 0.4m)

² Excluding Transaction related expenses of \$0.1m (FY19: 0.1m)

Commercial Building Services



Residential and commercial flooring, emergency domestic (household) repairs, retail shop-fitting, HVAC mechanical services and pre-sale property staging

- FY20 revenue: \$54.1m
- FY20 revenue contribution: 10.9%
- FY20 EBITDA²: \$2.8m
- FY20 EBITDA² contribution: 6.9%

Commercial Construction



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

- FY20 revenue: \$43.6m
- FY20 revenue contribution: 8.8%
- FY20 EBITDA: \$1.0m
- FY20 EBITDA contribution: 2.5%

Aug – 2019

Acquired Bright & Duggan (51% voting / 46% economic equity interest)

Jan – 2020

Acquired Steamatic Nashville (USA) - Inaugural franchisee buy-out (100%)

Feb – 2020

Acquired Capitol Strata (85%)

April – 2020

Acquired Air Control (60%)

Geographical Expansion & Strategic Diversification into Strata Management

Johns Lyng'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.

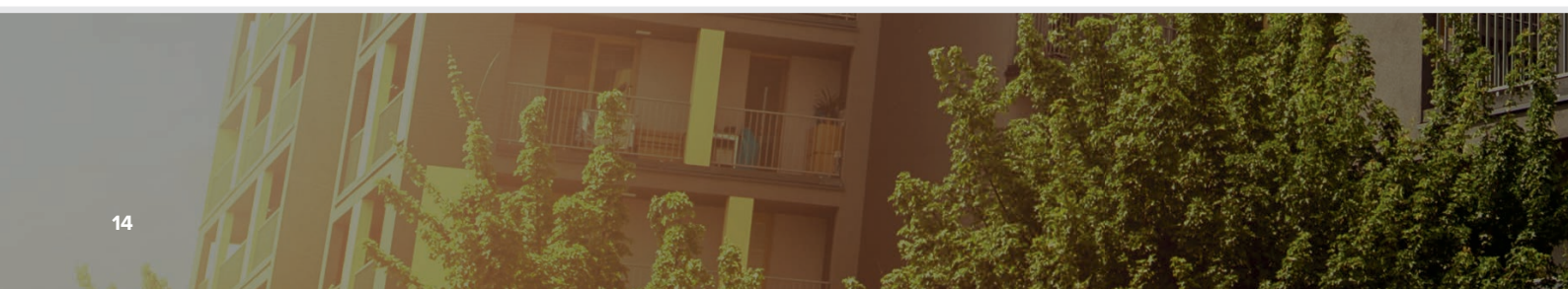
Johns Lyng also operates a portfolio of complementary commercial building services businesses including: residential and commercial flooring, emergency domestic (household) repairs, retail shop-fitting, HVAC mechanical services, pre-sale property staging and a commercial construction business (Johns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

The Group's values driven, meritocratic culture is built on its equity partnership model. The majority of 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.



- Head Office (1)
- Regional Offices (14)
- Dressed for Sale (3)
- State/Territory Offices (6)
- Operational Warehouses (2)
- Air Control (1)





International Expansion

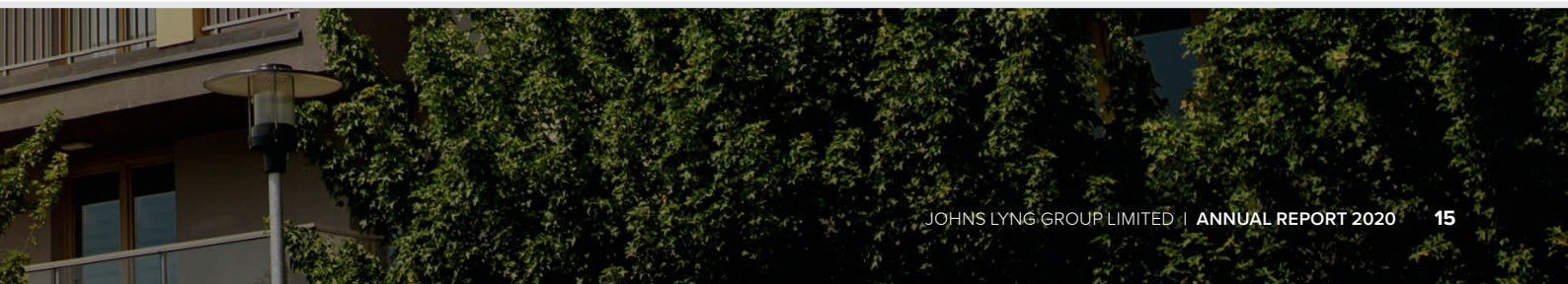
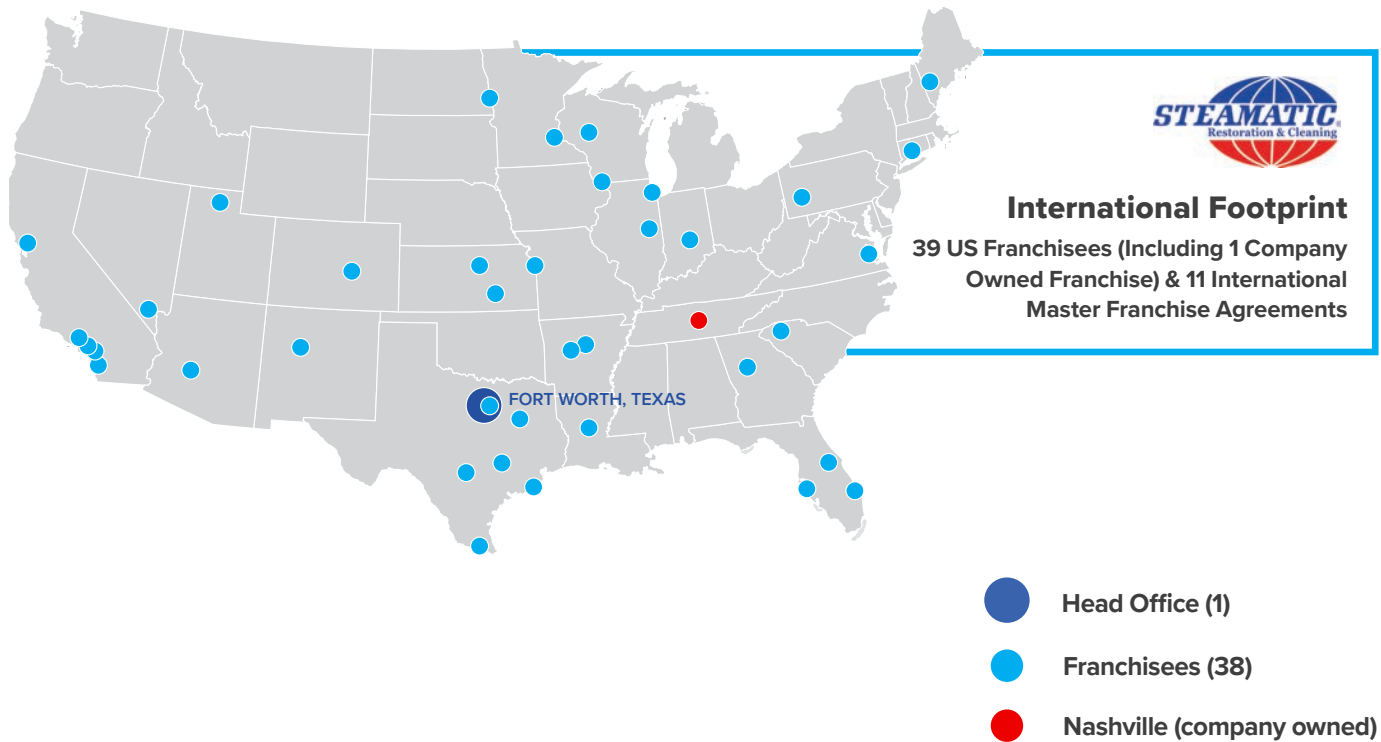
In April 2019, Johns Lyng acquired the trade and business assets of Steamatic Inc. ('Steamatic') – a US based fire and flood restoration services company.

Established in 1948, Steamatic is a household name in the US market with 39 current US Franchisees (including 1 company owned franchise) and 11 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 the Group's insurance building and general contracting businesses.

In January 2020, the Group acquired 100% of the trade and business assets of Steamatic Nashville (USA). This initial franchisee buy-out is in-line with the Group's US growth strategy.



Geographical Expansion & Strategic Diversification into Strata Management

Bright & Duggan - Strata Management

In August 2019, Johns Lyng acquired a 51% voting (46% economic) interest in Bright & Duggan.

Founded in 1978, Bright & Duggan is a leading strata and facilities management business with 14 offices, more than 220 staff and over 55,000 strata titled units under management across more than 1,500 strata schemes.

In February 2020, in-line with the Group's strata market strategy, Bright & Duggan acquired an 85% equity interest in QLD based Capitol Strata Management – adding a further 16,000 units across 1,250 strata schemes.

The strata market is a key strategic focus for the Group going forward, presenting multiple growth opportunities including:

- Roll-up of existing highly fragmented strata management market;
- Cross-sell of strata insurance work; and
- Cross-sell of direct work including:
 - Emergency and scheduled trades for buildings under management (B2B); and
 - Direct to consumer trades (B2C) i.e. homeowners and tenants.



>

71,000

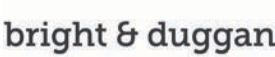
Strata Units




>

2,750

Strata Schemes



australia's strata leader



FOLLOW THE LEADER

National Footprint
17 locations nationally

- Bright & Duggan (14)
- Capitol Strata (3)





Insurance Building & 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.



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



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



Established in 1948, Steamatic is a US based fire and flood restoration services company. Steamatic operates a Global Master Franchise Network with 39 US Franchisees (including 1 company owned franchise) and 11 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.

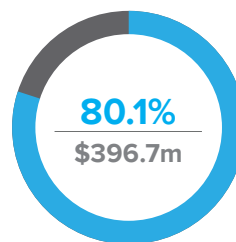


Bright & Duggan is a leading strata and facilities management business with more than 71,000 strata titled units under management across more than 2,750 strata schemes.

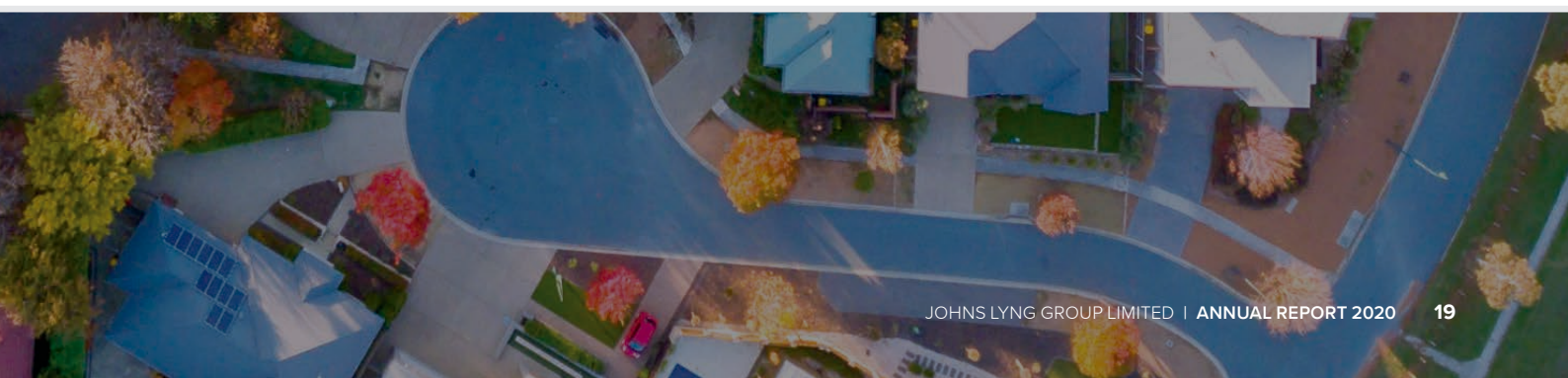
IB&RS Results

| Insurance Building & Restoration Services | FY20 \$m | Restated FY19 \$m | Change % |
|---|-------------|-------------------------|-------------|
| Revenue | 396.7 | 261.0 | 52.0% |
| EBITDA ¹ | 40.9 | 23.2 | 76.4% |

¹ Excluding Transaction related expenses of \$0.5m (FY19: \$0.4m)



IB&RS revenue contribution to the Group



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.



Air Control is a leading Victorian based heating, ventilation and air conditioning mechanical services business. Founded in 2004, with an established track record servicing assets such as commercial office buildings, hotels, shopping centers and large retail chains, Air Control's recurring maintenance revenues are bolstered by project and emergency work from a diversified client base.



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.



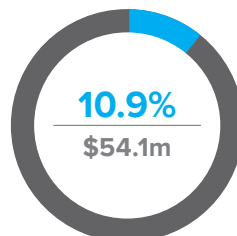
Dressed for Sale is a pre-sale residential property staging and styling business operating in Adelaide, Melbourne and more recently Sydney. Dressed for Sale is expanding its service offering to include: residential renovations, repairs, maintenance and small scale building/construction work in collaboration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

CBS Results

| Commercial Building Services | FY20 \$m | Restated FY19 \$m | Change % |
|------------------------------|----------|-------------------|----------|
| Revenue | 54.1 | 39.4 | 37.1% |
| EBITDA ¹ | 2.8 | 2.2 | 28.6% |

¹ Excluding Transaction related expenses of \$0.1m (FY19: \$0.1m) and non-recurring gain on sale of businesses:

- > Sankey Glass: nil (FY19: \$0.3m)
- > CHR: nil (FY19: \$4.2m)



CBS revenue contribution to the Group



GLOBAL HOME
RESPONSE



HUSKI

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.



Commercial Construction (CC)



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.

Other

(Including Corporate Overheads)



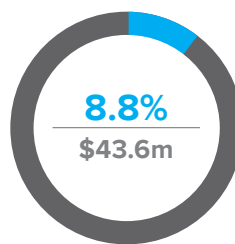
Global 360 is an executive search and selection specialist. Undertaking assignments for both internal and external clients, Global 360 leverages international networks and decades of experience to identify and secure candidates matching exacting criteria.



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

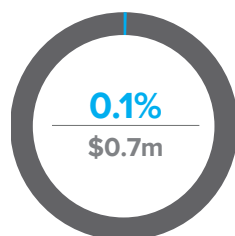
| Commercial Construction | FY20 \$m | Restated FY19 \$m | Change % |
|-------------------------|-------------|-------------------------|-------------|
| Revenue | 43.6 | 33.7 | 29.2% |
| EBITDA | 1.0 | 0.9 | 10.9% |



CC revenue contribution to the Group

Other Results - (Incl. Corporate Overheads)

| Global 360 Local 360 & Corporate Overheads | FY20 \$m | Restated FY19 \$m | Change % |
|--|-------------|-------------------------|-------------|
| Revenue | 0.7 | 0.9 | (15.6%) |
| EBITDA (Incl. Corporate Overheads) | (3.8) | (3.1) | (23.5%) |



Other revenue contribution to the Group



Our 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.

Focus on Customer Outcomes

A key strategic focus of the Group continues to be delivering exceptional customer service outcomes.

Aligned with this strategic objective, Johns Lyng further developed, refined and implemented four key initiatives during FY20:

1. Customers Experiencing Vulnerability;
2. General Insurance Code of Practice;
3. Protecting Customers Privacy; and
4. Customer Feedback.

Each initiative (discussed in more detail in the Corporate Social Responsibility Report) comprises training programs designed to equip employees with the appropriate tools and perspective to deliver on our commitment to providing best practice customer service.





Corporate Social Responsibility Report

Introduction

While the events of FY20 had an unprecedented impact on Australian communities, Johns Lyng Group has been steadfast in its commitment (as an 'Essential Service Provider') to provide a meaningful and sustained level of support and service to every stakeholder – this includes our clients, customers and our people.

For a business like ours, an awareness of, and commitment to community responsibility has never been more important. We believe in supporting the communities in which we live and work.

As indicated in this report, the Group has endeavoured to develop a sound understanding of these commitments and identify the social, environmental and governance opportunities that are relevant to our business. We are committed to ensuring that we not only fulfil those responsibilities but also disclose and report on them accordingly.

Pleasingly, amid the myriad challenges of FY20, we took further steps to ensure that we continue to operate in a socially, culturally and environmentally conscious manner.

We reached some significant milestones in growing and maturing as a responsible and diligent corporate citizen, committed to delivering value to our stakeholders above and beyond our core services.

We made substantial progress in strengthening our governance framework, reinforcing our Codes of Conduct and our commitment to customers, while we also embedded a long-term commitment to ethical trading practices.

The nature of our services means that we are spread across a vast geographical area, while engaging an equally vast network of people and communities under the Johns Lyng banner.

The bushfires that ravaged the nation from late 2019 throughout the summer, followed by a series of hailstorm and flooding events in various areas meant that demand for our services, and our responsibility to contribute, was more widespread than at any time in the past.

The impact of Covid-19 presented an entirely new set of challenges that tested the resilience of our people and also

tested our ability to respond, adapt and continue to provide the highest level of care for our customers.

Our approach to Corporate Social Responsibility will continually evolve over time to reflect our progress.

Our People

Health and Safety During the Covid-19 Pandemic

Johns Lyng's point of difference has always been built around our culture and our people – a commitment to excel and go above and beyond to help drive the Group forward and create a sound platform for success.

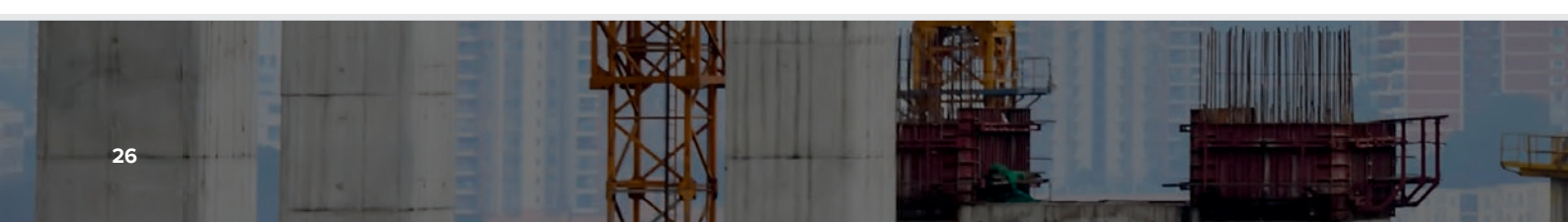
That success is only possible through our people. The Group is committed to fostering and encouraging the growth of talent through professional development opportunities, health and wellbeing initiatives, and most importantly, the opportunity to contribute to the growth of the Group through our meritocratic equity partnership model.

The resolve and resilience of our people was tested like never before during FY20, as the Covid-19 pandemic forced our teams to work in an entirely new way. With our core businesses deemed 'Essential Services', we committed to ensuring our teams continued to work with the utmost adherence to health and safety.

On site staff were required to incorporate social distancing and increased hygiene practices which added additional but necessary challenges to tasks, while our teams worked with clients and customers to ensure job sites were safe and accessible at all times.

The vast majority of our head office staff were asked to transition to work from home for most of the second half of the financial year.

Before the onset of the pandemic locally, a Covid-19 Management Committee ('Committee') was established, led by Human Resources Director Darlene Pearson and comprising other Executive Leadership team members from across the Group.





FY20 Snapshot



\$40_m

Community & Local
Trade Investment



+22%

Increase in
Charitable Donations



85%

Overall Employee
Satisfaction Rate



Corporate Social Responsibility Report

The Committee took steps to ensure that the Group's Covid-19 response was appropriate, and in-line with advice from both local Governments and the World Health Organisation. Additionally, the Committee ensured that staff were supported in the transition to remote working, through checklists and protocols that helped them implement and manage an effective remote working environment.

Teams were provided with regular updates from Management and Executives throughout the pandemic. Managers also maintained regular active dialogue with staff in order to provide support and understand and act upon the needs of teams during such disruption.

Staff Engagement Survey

The first Johns Lyng staff engagement survey was initiated in December 2019, providing employees the chance to provide confidential feedback about the environment, culture and overall experience with the Group.

The survey generated an engagement rate of 81%, slightly above the average across all industries in Australia.

85% of respondents said they were proud to work for Johns Lyng Group, while 86% suggested they felt well equipped to perform their job successfully.

Importantly, 83% said Johns Lyng provided a welcoming and inclusive environment that allowed them to be themselves in the workplace, while they also agreed that the Group valued a diverse workforce.

81% felt confident in the leadership and direction of the business, with 80% saying they were confident of long-term career development with the Group.

The engagement survey is intended to be run bi-annually, however the onset of Covid-19 has delayed the second survey scheduled for mid-2020.

Learning and Development

During FY20, a new Learning and Development strategy was introduced – the '70-20-10 Principle'.

The Principle works to foster an integrated approach to learning and professional development opportunities, through leveraging organic learning opportunities, while placing less reliance on more formal learning methods. The implementation of this Principle was formulated

following a response from team members about their preferences for career development.

The Principle aims to comprise 70% on-the-job learning, 20% learning through others and 10% formal learning.

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.

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

The Johns Lyng People's Choice is awarded to the team member who best demonstrates the Group's 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.

Poppie Sardellis, a member of our Express Builders team, was this year's winner of the Johns Lyng People's Choice Award, recognising 16 years of commitment to the Group.

"What a great privilege to be acknowledged by my peers and those that I work closest with to receive the Johns Lyng People's Choice Award," Poppie said.

"I've been with the Group for 16 years now and it's the great people we have that continue to make it a pleasure to come to work."

Our Community

Bushfire Response

From September 2019 to February 2020, Johns Lyng teams were engaged as part of the response to catastrophic bushfires in seven different locations throughout Queensland, New South Wales, Victoria and South Australia.

Our approach and focus remained the same – the priority is always to assist in helping local communities recover, and then to salvage or rebuild their homes and businesses as quickly as possible.

We also have an overriding commitment to engage with and mobilise local resources to assist us in driving the recovery effort.



Johns Lyng Group Victorian award winners.



The team behind Johns Lyng Group's Buy a Bale Initiative.



Regional Builders' sponsorship of junior girls football team.

Through the utilisation of our national network as part of our various CAT responses, we have helped funnel more than \$40 million worth of business to our local trade base in various communities.

Additionally, our state-of-the-art Catastrophe Rigs have been stationed in Townsville and Batemans Bay since February 2020, providing a central hub for community information, support and resources including: assistance with insurance claims, providing access to meeting rooms, independent power supplies, and computers.

Donations and Sponsorships

Johns Lyng was again a proud contributor to both the EB Research Foundation and Starlight Children's Foundation during FY20.

Through a host of fundraising initiatives, including the annual Star Ball, Johns Lyng helped to collectively raise more than \$190,000 for both charities during the year, a 22% increase on FY19.

Additionally, with the support of PSC Insurance, we again hosted our annual charity golf day.

This year's event surpassed all previous efforts, raising an all-time high \$33,846 contribution to the Starlight Children's Foundation.

'Buy a Bale' Initiative

The Buy a Bale campaign is operated by the charity Rural Aid and operates all over Australia, aiming to support farmers in drought-stricken regions.

Johns Lyng teams in the ACT hosted a BBQ in November 2019, through which they raised more than \$1,600 in support of the campaign at the peak of the drought.

Johns Lyng thanked Milwaukee Power Tools (who supplied merchandise to give away), Kennards (for supplying tables and chairs) and Coles (for donations of food and drink) for their generous support for this important cause.

Corporate Social Responsibility Report

Multiple Sclerosis Research Australia – The May 50km

Clinton Blake, a Johns Lyng supervisor based in Wagga Wagga, NSW, put together a team to take part in the 50km run or walk challenge that raises funds for life changing research into multiple sclerosis.

Eight team members from the ACT office participated and hit their goals of running or walking 50km for the month of May. The fundraiser raised a total of \$2,418, which well exceeded the initial goal of \$1,500 - a fantastic effort by the entire team.

Our Customers

Delivering superior customer value is central to the Johns Lyng culture and a key plank upon which we have built our reputation. Over recent years a key priority has been ensuring that we deliver value above and beyond our core service offering.

To that end, during FY20 we made substantial progress in developing our Customer Experience Roadmap - a strategy and framework that embeds a commitment to high value customer outcomes across the Group.

Our inaugural National Customer Experience Manager was appointed in December 2019, tasked with implementing the formalised Customer Experience Roadmap.

Throughout FY20, progress on various initiatives within the Roadmap included:

- Customers Experiencing Vulnerability

In January 2020 we were one of the first insurance industry suppliers to launch our Customers Experiencing Vulnerability Framework and Guidelines. We recognise there are many different factors and life events that can cause vulnerability, whether it be long-term or on a temporary basis, and we have introduced a series of guiding principles to support these customers. Key leaders and relationship holders across the Group were trained in the application and delivery of these guidelines. This approach was particularly valuable as we assisted communities in their recovery from the summer bushfires.

- General Insurance Code of Practice

More than 500 Johns Lyng team members and 3,800 contractors underwent General Insurance Code of Practice training during the year via specific professional development modules delivered through our capability platform. These modules clearly set out our responsibilities under the Code and are designed to ensure our teams are familiar with our obligations. Pleasingly, we were an early mover in embedding the updated Code of Practice compliance, ahead of changes to the General Insurance Code of Practice, to be fully implemented by January 2021.

- Protecting Customers Privacy

Johns Lyng team members underwent privacy and awareness training during FY20, a professional development protocol that has been built into the Group's annual staff development plan.

Training focuses on best-practice privacy management and appropriately managing customer information.

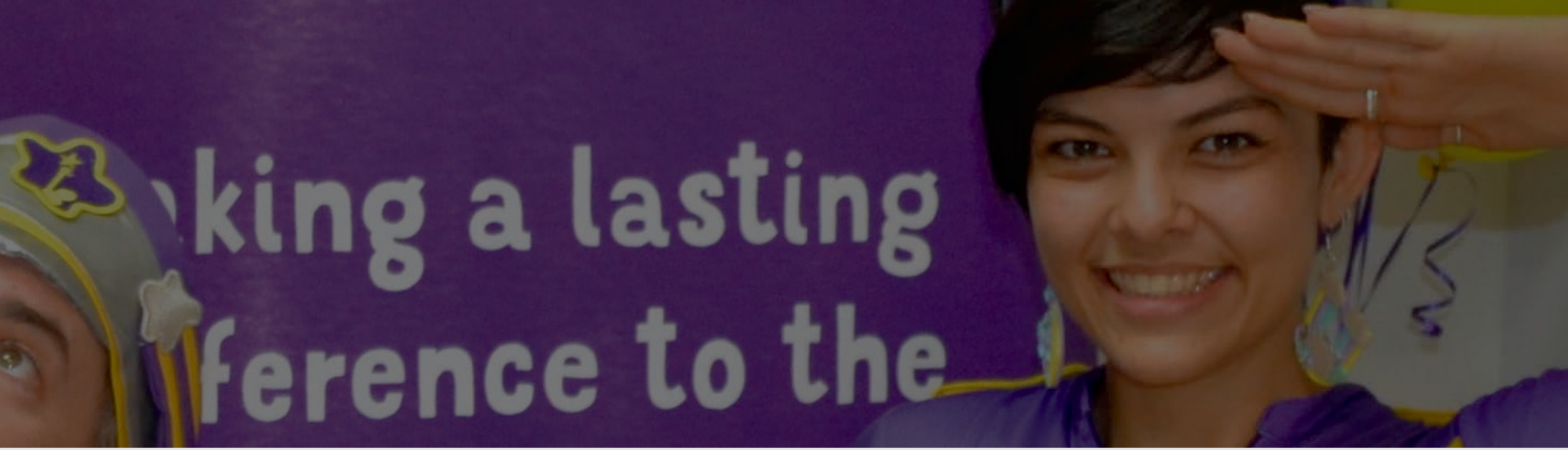
- Customer Feedback

Throughout the period we have been proactive in building a customer feedback framework that helps focus our leaders on the voice of the customer as we continually work to identify opportunities to improve. We have enhanced our reporting and categorisation method, alongside a new monthly Customer Feedback Forum aligned with state leadership. It is in these forums that we have been able to identify the most important aspects emerging from dialogue with customers which helps us to respond and improve accordingly.

Modern Slavery Statement

Johns Lyng Group has a zero-tolerance approach to Modern Slavery and is committed to working with our contractors and suppliers to ensure that our operations and supply chains are slavery free.

Accordingly, in FY20 we engaged an independent expert to undertake a risk assessment to identify the risk of Modern Slavery in our operations and supply chains and make recommendations on how to mitigate any identified risks. The results of the risk assessment will form the basis of a Modern Slavery mitigation strategy to be rolled out in FY21 and assist in meeting our reporting obligations under the *Modern Slavery Act 2018*.



Environment

If ever a reminder was required, the summer bushfires provided another bold indication of the ever-increasing risk climate change poses to Australian communities.

For several years the Group has committed to conducting business in a manner that respects and protects the physical environments in which we work, and maintaining a strong focus on preventative measures. Throughout FY20 we made progress on several initiatives designed to reduce our impact on the environment.

We adhere to strict waste minimisation and carbon emission reduction practices, and when air travel is necessary, we employ the use of carbon offset credits.

On job sites we maintain a “reduce, reuse and recycle” approach, looking to reuse or recycle as much existing material as possible.

Covid-19 Response

As part of the Group’s response to the Covid-19 pandemic, our building and contents restoration business Restorx developed a deep hygiene cleaning and microbial control protocol, for application on domestic and commercial buildings, as well as in the clean-up of educational and healthcare facilities.

As part of this protocol, Restorx signed an Exclusive Distribution Agreement for the use of Zoono products. Zoono manufactures environmentally friendly industrial disinfectant products which are proven to be effective in combating a surrogate of the Covid-19 virus, feline coronavirus¹.

The market for disinfectant products is highly competitive, but an overriding priority for Johns Lyng was to ensure that any products employed as part of Restorx’ protocols were environmentally friendly and posed no risk to our people, customers or other users of the serviced facilities.



EB Research and Starlight Children's Foundation Starball.



Johns Lyng Group and PSC Insurance charity golf day.



Johns Lyng Group CAT Rigs in operation.

¹ Refer to: https://cdn.shopify.com/s/files/1/0014/2471/9931/files/20200323_ASX_Zoono_COVID-19_Clarification.pdf?v=1584945202



Board of Directors



Peter Nash
Non-executive
Chairman

Peter is an experienced Non-executive Director. In addition to his role as Chairman of Johns Lyng Group he also serves on the Boards of Westpac Banking Corporation, Mirvac Group and ASX Limited. In his executive career Peter served 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 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. Peter also holds a number of not-for-profit Board roles including: Reconciliation Australia, Koorie Heritage Trust, Golf Victoria and the Migration Council Australia.

Other current Directorships:

Westpac Banking Corporation
Mircvac 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 for over 16 years, taking the position of CEO on acquisition in 2004. During that time, Scott's enthusiasm, strong leadership and approach towards business has grown the organisation from a Melbourne based, single office, building company with average revenue of approximately \$12m p.a. and 30 staff, to a truly national company with revenue exceeding \$490m and a headcount of more than 1,000 across 46 offices in Australia and the USA. Scott has a unique ability to build companies with strong disciplines and tangible cultures via his focus on people - always striving to advance people's careers and following his firm belief that 'Drive and Energy' coupled with integrity are the cornerstones of any successful business. A true entrepreneur and visionary, Scott constantly demands expansion and growth in every facet of the business, fostering healthy competition and a positive 'can do culture and attitude' within the Group. Scott has also applied his business acumen to the philanthropic sector founding the 'Starball' in 1998 to raise money for seriously ill children throughout Australia. 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. In 2016 Scott founded the EB Research Foundation in Australia (EBRF) to find a cure for Epidermolysis Bullosa, known as 'the worst disease you have never heard of'. The EBRF has recently joined with the EB Research Partnership in New York to accelerate the goal of finding a cure.

Other current Directorships:

EB Research Foundation, Australia (not-for-profit)
EB Research Partnership, New York (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. A degree qualified Civil Engineer and Oxford University alumnus of the Said Business School, Lindsay brings a wealth of experience from a long and successful career in construction and project management. Lindsay leads the day-to-day operations, strategic planning and growth initiatives of the Group - he has deep experience in all facets of the construction industry. Having commenced his career with Jennings Industries, he worked in the private sector for Tier 1 Contractors such as John Holland along with other Tier 2 and 3 Contractors on numerous Construction, Design and Construct and Development projects.

Other current Directorships:

Eildon Boat Club (not-for-profit)

Former Directorships (last 3 years):

None



Adrian Gleeson

Executive Director and Director, Investor and Business Relations

Adrian served as the Group's Chairman from 2011 to Listing. After finishing his AFL playing career with the 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. In 1999, he established C.A.G Wealth Management, which subsequently merged with Tribeca Financial. Adrian had a strong focus on relationship building within the SME market and he supported a number of high net worth individuals, family offices and corporates helping to co-ordinate their accounting, legal, banking and finance affairs in a successful manner. As an Executive Director, Adrian plays a key leadership role supporting Investor Relations, Government Relations, new client acquisition and M&A programs.

Other current Directorships:

None

Former Directorships (last 3 years):

Carlton Football Club



Philippa (Pip) Turnbull

Executive Director and Executive General Manager, Business Development and Marketing
(Appointed as Executive Director 17 June 2020)

Pip joined the Group in early 2014 as General Manager of Business Development and Marketing. With a background in Events Management and Marketing spanning more than a decade, Pip has worked on major projects and campaigns for a range of clients across various fields. This includes BHP Billiton's 2008 Olympic Project Team, managing community events designed to strengthen relationships with clients and stakeholders globally. Pip has been a very dynamic and driven member of the leadership team at Johns Lyng Group for many years and has been influential in winning new customers and developing strong and sustainable relationships. Her deep knowledge of Johns Lyng's client base and markets more generally adds important value to the Board.

Other current Directorships:

None

Former Directorships (last 3 years):

None



Matthew Lunn

Executive Director and Chief Financial Officer
(Resigned as Executive Director 17 June 2020)

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 the Group 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 UK Chartered Accountant and CFq designation holder (ICAEW's Advanced Diploma in Corporate Finance).

Other current Directorships:

None

Former Directorships (last 3 years):

None

Board of Directors



Robert Kelly
Non-executive Director

Robert is the Managing Director and CEO of Steadfast Group Limited (ASX: SDF), the largest general insurance broker network and underwriting agency group in Australasia with growing operations in Asia and Europe. He has more than 50 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 Australian Securities Exchange (ASX). Steadfast is now an ASX 200 company with a market capitalisation of over \$2 billion. Robert is also a director of various subsidiaries of Steadfast, the Steadfast Foundation and ACORD International as well as other international organisations. Robert has been recognised as a leader in the insurance industry in Australia and internationally. He was the Insurance Industry Leader of the Year at the 2011 Annual Australian Insurance Industry Awards. In 2014, Robert was awarded the prestigious ACORD Rainmaker Award. He was a finalist in CEO Magazine's 2015 CEO of the Year Awards and a national finalist for the Eastern Region in the 2016 EY Entrepreneur of the Year program. In 2016 Robert also won the prestigious Lex McKeown Trophy by NIBA and in 2017, Steadfast Group Limited won 5 awards at the East Coles Corporate Performance Awards for ASX listed companies including best company, best CEO, best CFO, best investment desirability and best growth prospects. In 2019 Robert was named the Most Influential Person in the Insurance Industry by Insurance News magazine.

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



Curtis (Curt) Mudd
Non-executive Director

Curt has over 30 years' professional experience including senior roles at Nike, where he and his team 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, not-for-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



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 is currently 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



Peter Dixon
Non-executive Director
(Appointed as
Non-executive Director
25 February 2020)

Peter has extensive legal, corporate advisory, strategy and investment management experience. Peter is currently an executive director of Halo Group Holdings Pty Ltd, a professional services group providing legal, company secretarial and outsourced business services to domestic and international clients. Peter is responsible for driving strategic growth across the group's businesses. Peter is also a director of Source Legal Pty Ltd, an award-winning professional services firm that offers a unique and innovative service to businesses as de facto in-house lawyers and human resource managers. Prior to these roles, Peter was the General Counsel and Company Secretary of Moelis Australia Limited (ASX:MOE), a listed financial services group. In that role, Peter was responsible for the group's legal, risk, compliance and company secretarial functions and was a member of Moelis Australia's Investment Committee and Executive Committee. Prior to this role, Peter was Co-Head of Moelis Australia's Small Cap Industrials investment banking team for over 5 years. Before joining Moelis Australia, Peter worked for Macquarie Group Limited (ASX:MQG) for 7 years in multiple divisions including Central Executive Strategy, Principal Investments, Real Estate Managed Funds and Corporate Advisory. Peter commenced his career as a solicitor in private practice with Mallesons Stephen Jacques (now King & Wood Mallesons) in Sydney and worked for a number of years at Linklaters in London specialising in Mergers & Acquisitions and Equity Capital Markets. Peter holds a Bachelor of Commerce (Finance) and Bachelor of Laws from the University of New South Wales and is admitted as a solicitor in New South Wales.

Other current Directorships:
None

Former Directorships (last 3 years):
None

DIRECTORS' REPORT

30 June 2020

The Directors present their report, together with the financial statements, on the group consisting of Johns Lyng Group Limited (referred to hereafter as the 'Company' or the 'Parent Entity') and the entities it controlled (referred to hereafter as 'Johns Lyng', 'Johns Lyng Group', the 'Group') at the end of, or during the year ended 30 June 2020.

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.)

Adrian Gleeson (Executive Director, appointed 28 September 2017.)

Pip Turnbull (Executive Director, appointed 17 June 2020.)

Matthew Lunn (Executive Director, appointed 14 July 2017. Resigned 17 June 2020.)

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

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

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

Peter Dixon (Non-executive Director, appointed 25 February 2020.)

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

On 25 August 2020, the Board declared a final dividend of 2.2 cents per share (fully franked). This final dividend is in addition to the previously announced half year (interim) dividend of 1.8 cents per share (fully franked), totalling 4.0 cents per share (fully franked) and representing 56% of NPAT attributable to the owners of Johns Lyng Group for FY20.

The final dividend will be paid on 15 September 2020 with a record date of entitlement of 31 August 2020.

Operating and Financial Review

In a year of broad market volatility and uncertainty driven by the impact of Covid-19, Johns Lyng made significant strategic, operational and financial progress during the year – underscoring the robustness of the business model and 'defensive growth' investment thesis.

On a consolidated basis, the Group delivered:

- Revenue: \$495.1m +47.8% (FY19: \$335.1m)
- EBITDA¹: \$41.0m +76.6% (FY19: \$23.2m)

¹ Excluding Transaction related expenses of \$0.7m (FY19: \$0.4m) and non-recurring gain on sale of businesses:

- > Sankey Glass: nil (FY19: \$0.3m)
- > CHR: nil (FY19: \$4.2m)

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 FY20:

- Revenue: \$396.7m +52.0% (FY19: \$261.0m) – comprises:
 - » BaU revenue \$307.7m +43.2% (FY19: \$214.8m)
 - » CAT revenue \$89.0m +92.7% (FY19: \$46.2m)
- EBITDA¹: \$40.9m +76.4% (FY19: \$23.2m) – comprises:
 - » BaU EBITDA¹ \$31.7m +63.8% (FY19: \$19.4m)
 - » CAT EBITDA \$9.2m +139.6% (FY19: \$3.8m)

¹ Excluding Transaction related expenses of \$0.5m (FY19: \$0.4m)

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

Notwithstanding the challenges of the Covid-19 environment, Johns Lyng continued to grow, including winning major new clients and extending significant contracts for Business as Usual ('BaU') works including:

- CHU Insurance: appointed to national restoration panel (excl. QLD):
 - » CHU is an underwriting agency specialising in strata and community title insurance for properties such as apartments, units, villas and townhouses – this national appointment is significant and importantly aligned with the Group's strategic focus on the strata insurance and direct works markets going forward.
- Western Australia's major local insurer: 5 year contract extension:
 - » Provision of domestic property insurance repair work on up to 1,000 properties per quarter, covering both BaU claims and claims made during peak events such as storms and floods.
- Zoono: exclusive 5 year Australian distribution agreement:
 - » Exclusive distribution/partnership agreement with Zoono for the Australian B2B markets. Zoono's non-toxic, colourless, odourless, non-leaching, environmentally safe, non-corrosive disinfectant products are proven to be effective against a wide range of bacteria and mould. In particular, Zoono's Z-71 Microbe Shield surface sanitiser and Germ Free 24 hand sanitiser tested >99.99% effective against a surrogate for a Covid-19 virus, feline coronavirus².
 - ² Refer to: https://cdn.shopify.com/s/files/1/0014/2471/9931/files/20200323_ASX_Zoono_COVID-19_Clarification.pdf?v=1584945202
 - » Johns Lyng has made the products available with a specific focus on the 71,000-plus strata titles it manages through subsidiary Bright & Duggan and throughout Johns Lyng's building and contents restoration business Restorx for use on domestic and commercial buildings.

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

- Hailstorm: Sydney (Dec-18);
- Floods: Townsville (Feb-19);
- Bushfires: NSW & QLD (Sept-19);
- Bushfires: Rappville, NSW (Oct-19);
- Bushfires: QLD, NSW, VIC & SA (Nov-19 to Feb-20);
- Hailstorm: SE QLD (Nov-19);
- Hailstorms: ACT, VIC & NSW (Jan-20); and
- East Coast Low (Feb-20).

DIRECTORS' REPORT

30 June 2020

During FY20, the Group continued to scale up 'Johns Lyng Strata Services' which was launched during FY19 and delivers domestic and commercial building and restoration works for: strata insurers, loss adjusters, brokers and property/strata managers.

The strata property 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 going forward. The appointment of Johns Lyng to CHU's national restoration panel (referenced above), along with the acquisitions of Bright & Duggan and Capitol Strata (discussed below) are 'cornerstone initiatives' of the Group's strata market strategy.

During FY20, the Group continued to extend its national footprint opening an office in Coffs Harbour (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.

Strata Market Strategy & Acquisitions

On 13 August 2019 (effective 1 July 2019), Johns Lyng acquired a 51% voting (46% economic) interest in Bright & Duggan.

Founded in 1978, Bright & Duggan is a leading strata and facilities management business with 14 offices, more than 220 staff and over 55,000 strata titled units under management across more than 1,500 strata schemes.

On 3 February 2020 (effective 31 January 2020), in-line with the Group's strata market strategy, Bright & Duggan acquired an 85% equity interest in QLD based Capitol Strata Management – adding a further 16,000 units across 1,250 strata schemes.

The strata market is a key strategic focus for the Group going forward, presenting multiple growth opportunities including:

- Roll-up of existing highly fragmented strata management market;
- Cross-sell of strata insurance work; and
- Cross-sell of direct work including:
 - » Emergency and scheduled trades for buildings under management (B2B); and
 - » Direct to consumer trades (B2C) i.e. homeowners and tenants

US Market Strategy & Acquisitions

On 18 January 2020 (effective 1 January 2020), Johns Lyng acquired the trade and business assets of Steamatic Nashville (USA). This initial franchisee buy-out is in-line with the Group's US growth strategy following the acquisition of the Steamatic Global Master Franchise in April 2019.

Established in 1948, Steamatic is a US based fire and flood restoration services company with 39 US Franchisees (including 1 company owned franchise) and 11 International Master Franchise Agreements. Steamatic is a 'platform acquisition' providing the Group opportunities to introduce additional existing core Johns Lyng services to the estimated US\$200bn p.a. 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)

In the context of the Covid-19 environment, the Commercial Building Services division delivered a reasonable financial performance during FY20:

- Revenue: \$54.1m +37.1% (FY19: \$39.4m)
- EBITDA¹: \$2.8m +28.6% (FY19: \$2.2m)

¹ Excluding Transaction related expenses of \$0.1m (FY19: \$0.1m) and non-recurring gain on sale of businesses:

- > Sankey Glass: nil (FY19: \$0.3m)
- > CHR: nil (FY19: \$4.2m)

The Group's Commercial Building Services businesses performed strongly during 1H20, but the impact of Covid-19 resulted in reduced activity and a lower 2H20 trading result.

In particular, the following Business Units were negatively impacted by Covid-19 during 2H20:

- Johns Lyng Shopfit (retail shop-fitting);
- Dressed for Sale (pre-sale residential staging and styling); and
- Trump Floorcoverings (commercial flooring).

The Board is pleased with the overall financial performance of the Commercial Building Services division notwithstanding the material adverse impact Covid-19 has had on the retail and property markets in Australia. Management's ability to scale down quickly and manage risk resulted in a reasonable financial result for 2H20 following a strong first half. Management expects a recovery in 2H21 and will continue to monitor the affected businesses closely and manage risk appropriately.

Acquisitions

On 3 April 2020 (effective 31 January 2020), Johns Lyng acquired a 60% equity interest in Air Control - a leading Victorian based heating, ventilation and air conditioning mechanical services business. Founded in 2004, with an established track record servicing assets such as commercial office buildings, hotels, shopping centers and large retail chains, Air Control's recurring maintenance revenues are bolstered by project and emergency work from a diversified client base.

The acquisition of Air Control is in-line with the Group's strategy of diversifying into 'complementary adjacencies' while partnering with Management – Air Control's management shareholders retained a 40% equity interest.

Commercial Construction (CC)

The Commercial Construction division delivered a strong financial performance during FY20:

- Revenue: \$43.6m +29.2% (FY19: \$33.7m)
- EBITDA: \$1.0m +10.9% (FY19: 0.9m)

The Commercial Construction division's strong financial performance for FY20 builds on a solid FY19 result through a rigorous focus on tendering for appropriate projects within the business's 'competency sweet spot' only. Johns Lyng Commercial Builders continues to undertake an increasing amount of 'Large-loss' insurance building work.

Balance sheet

The Group continues to maintain a strong balance sheet with net assets of \$59.1m representing an annual increase of \$14.7m.

This includes cash and cash equivalents of \$46.8m.

DIRECTORS' REPORT

30 June 2020

Matters subsequent to the end of the financial year

On 25 August 2020, the Board declared a final dividend of 2.2 cents per share (fully franked). This final dividend is in addition to the previously announced half year (interim) dividend of 1.8 cents per share (fully franked), totalling 4.0 cents per share (fully franked) and representing 56% of NPAT attributable to the owners of Johns Lyng Group for FY20.

The final dividend will be paid on 15 September 2020 with a record date of entitlement of 31 August 2020.

There are no other matters or circumstances that have arisen since 30 June 2020 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 regulation under Australian Commonwealth or State Law.

Corporate Governance

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

Modern slavery

Johns Lyng Group has a zero-tolerance approach to Modern Slavery and is committed to working with our contractors and suppliers to ensure that our operations and supply chains are slavery free. In FY20, we engaged an independent expert to undertake a risk assessment to identify the risk of modern slavery in our operations and supply chains and make recommendations on how to mitigate any identified risks.

The results of the risk assessment will form the basis of a modern slavery mitigation strategy to be rolled out in FY21. The Group's Modern Slavery Statement (meeting the reporting obligations under the *Modern Slavery Act 2018*) will be approved by the Board and published in October 2020.

Joint Company Secretaries

Todd Richards

Todd is a Certified Practising Accountant and Company Secretary. His background includes experience in completing IPO's, M&A transactions and capital raising for ASX listed companies. He is Company Secretary for a number of listed and private companies and his corporate secretarial experience in the listed space includes roles in fin-tech, digital media, agri-business, e-commerce and building services.

Rebecca Weir

Rebecca is Company Secretary for a number of companies, including ASX listed, public unlisted and smaller private start-up companies. She has a Bachelor of Laws from Keele University (UK) and is currently studying for the Graduate Diploma in Applied Corporate Governance. Rebecca worked for a number of UK banks in various roles before moving to Australia and beginning her career in Corporate Governance.

Information on directors

The current profiles of the Board of Directors are included on pages 32 to 35.

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 2020 and the number of meetings attended by each Director were as follows:

| Directors | Board of Directors meetings | | Audit Committee meetings | | Nomination & Remuneration Committee meetings | | Risk & Compliance Committee meetings | |
|---|------------------------------------|----------------|------------------------------------|----------------|--|----------------|--------------------------------------|----------------|
| | No. of meetings eligible to attend | Attended | No. of meetings eligible to attend | Attended | No. of meetings eligible to attend | Attended | No. of meetings eligible to attend | Attended |
| Peter Nash (Chairman) | 11 | 11 | – | 5 ¹ | 3 | 3 | 3 | 3 |
| Lindsay Barber | 11 | 11 | – | 5 ¹ | – | 3 ¹ | – | 3 ¹ |
| Scott Didier | 11 | 10 | – | 5 ¹ | – | 3 ¹ | – | 3 ¹ |
| Adrian Gleeson | 11 | 11 | 4 | 5 ¹ | – | 1 ¹ | 2 | 3 ¹ |
| Pip Turnbull (appointed 17 June 2020) | – | 8 ¹ | – | – | – | – | – | 1 ¹ |
| Matthew Lunn (resigned 17 June 2020) | 11 | 11 | – | 5 ¹ | – | 1 ¹ | – | 3 ¹ |
| Robert Kelly | 11 | 11 | – | 5 ¹ | 3 | 3 | – | 3 ¹ |
| Curt Mudd | 11 | 11 | 5 | 5 | 3 | 3 | – | 3 ¹ |
| Larisa Moran | 11 | 10 | 5 | 5 | – | 3 ¹ | 3 | 3 |
| Peter Dixon (appointed 25 February 2020) | 4 | 4 | 1 | 1 | – | 1 ¹ | 1 | 1 |

As at the date of this report, the Company has an Audit Committee, a Nomination and Remuneration Committee and a Risk and Compliance Committee of the Board of Directors.

The current members of the Audit Committee are: Larisa Moran, Curt Mudd and Peter Dixon. The Chairperson of the Audit Committee is Larisa Moran.

- Peter Dixon was appointed to the Committee at the commencement of the meeting held on 9 June 2020
- Adrian Gleeson resigned from the Committee at the commencement of the meeting held on 9 June 2020

The current members of the Nomination and Remuneration Committee are: Curt Mudd, Robert Kelly and Peter Nash. The Chairman of the Nomination and Remuneration Committee is Curt Mudd.

The current members of the Risk and Compliance Committee are: Peter Nash, Larisa Moran and Peter Dixon. The Chairman of the Risk and Compliance Committee is Peter Nash.

- Peter Dixon was appointed to the Committee at the commencement of the meeting held on 13 May 2020
- Adrian Gleeson resigned from the Committee at the commencement of the meeting held on 13 May 2020

¹ Members of the Board of Directors, who are not Members of the Committees, attended Committee meetings by invitation of the Committee Chair. Pip Turnbull also attended Board meetings by invitation prior to her appointment as a Director.

DIRECTORS' REPORT

30 June 2020

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 | Non-executive Directors' and KMP's interests |
| 10 | Transactions with Non-executive Directors and KMP |

1. Remuneration Report overview

The Remuneration Report outlines the remuneration arrangements for the Key Management Personnel ('KMP') of 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 and the Chief Financial Officer as listed below.

The KMP of the Group consists of the following:

- Scott Didier AM (Chief Executive Officer and Managing Director);
- Lindsay Barber (Chief Operating Officer and Executive Director);
- Matthew Lunn (Chief Financial Officer);
- Adrian Gleeson (Director, Investor and Business Relations and Executive Director); and
- Pip Turnbull (Executive General Manager, Business Development and Marketing and Executive Director).

2. Nomination and Remuneration Committee

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

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

The Nomination and Remuneration Committee is also responsible for:

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

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

The Nomination and Remuneration Committee may seek professional advice from employees of the Group and from appropriate external advisors at the Group's cost.

During FY20, the Group's Nomination and Remuneration Committee engaged the services of KPMG to undertake an independent review of the Group's KMP remuneration framework and to make any recommendations required to align Johns Lyng's remuneration framework with current market conditions.

The Board is satisfied that the review was independent and free from any influence of KMP (who were not involved in KPMG's review).

KPMG was paid \$25,875 (plus GST) for its services in relation to the KMP remuneration framework review.

KPMG's recommendations have been reflected in the Group's remuneration framework for FY20 as detailed below.

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

The 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 remuneration policy for Non-executive Directors 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 market rates. The Chairman's fees are determined independently to the fees of other Non-executive Directors based on comparable roles in market rates. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Under the Company's Constitution, the total amount of fees paid to all Non-executive Directors for their services must not exceed \$1,000,000 in aggregate 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 as a Non-executive Director on 1 December 2018. Accordingly, the Nomination and Remuneration Committee agreed that Curt Mudd's participation in the Short-term and Long-term Incentive 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 2020 is detailed in Item 6 of this report.

Executives' 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.

DIRECTORS' REPORT

30 June 2020

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

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 actual versus forecast Net Profit After Tax ('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) ¹ | <90% Forecast | 90% Forecast | 90%-100% Forecast | 100%-200% Forecast | >200% Forecast |
| Scott Didier AM | 0% | 0.68% | Calculated pro-rata (straight-line) between bands | 2.04% | STI Plan capped at 200% Forecast |
| Lindsay Barber | 0% | 0.68% | | 2.04% | |
| Matthew Lunn | 0% | 0.54% | | 1.62% | |
| Adrian Gleeson | 0% | 0.40% | | 1.20% | |
| Pip Turnbull | 0% | 0.30% | | 0.90% | |

¹ Calculated post STI and LTI expense, pre non-controlling interest's share of Profit or Loss and normalised for any non-recurring transaction costs or other adjustments detailed in the FY20 Results Presentation.

STI Plan payments are conditional on the relevant Executive meeting certain KPI's set relative to their role as agreed by the Chief Executive Officer (in collaboration with the Nomination and Remuneration Committee as applicable) annually.

The relevant KPI's for the Chief Executive Officer are set by the Chairman (in collaboration with the Nomination and Remuneration Committee as applicable) annually.

STI Plan payments are payable as follows:

- Cash: 75% of STI value; and
- Performance Rights: 25% of STI value.

The number of Performance Rights to be issued under the STI Plan is calculated by reference to the 30 day VWAP to the ASX market closing share price on the day prior to the FY20 Annual Report issue date.

The calculated number of Performance Rights will vest in 3 equal tranches (subject to certain conditions) as follows:

- Tranche 1 (33.3%):
 - » Vesting date: 20 November 2020 (FY20 AGM) (shares to be issued as soon as practicable thereafter)
- Tranche 2 (33.3%):
 - » Vesting date: 1 July 2021 (shares to be issued as soon as practicable thereafter)
- Tranche 3 (33.3%):
 - » Vesting date: 1 July 2022 (shares to be issued as soon as practicable thereafter)

The vesting of Performance Rights and issue of shares under the STI Plan is conditional on KMP's continued employment only – which condition may be waived at the sole discretion of the Nomination and Remuneration Committee only ('Good Leaver').

All Performance Rights will vest immediately on a 'Takeover', 'Take Private' or similar 'change of control' transaction.

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 the Group's actual versus forecast Net Profit After Tax.

LTI payments to Executives are calculated based on the Group's financial performance for the current financial year as follows:

| KMP LTI Plan – Rewards & Performance Matrix | | | |
|---|-------------------|--------------------|------------------|
| Net Profit (Actual) ¹ | <Forecast +\$2.5m | >=Forecast +\$2.5m | >=Forecast +\$5m |
| Scott Didier AM | – | – | \$150,000 |
| Lindsay Barber | – | – | \$150,000 |
| Matthew Lunn | – | \$100,000 | – |
| Adrian Gleeson | – | \$100,000 | – |
| Pip Turnbull | – | \$100,000 | – |

¹ Calculated post STI and LTI Profit or Loss expense, pre non-controlling interest Profit or Loss expense and normalised for any non-recurring transaction costs or other adjustments detailed in the FY20 Results Presentation.

LTI Plan payments are payable in the form of Performance Rights.

The number of Performance Rights to be issued under the LTI Plan is calculated by reference to the 30 day VWAP to the ASX market closing share price on the day prior to the FY20 Annual Report issue date.

The calculated number of Performance Rights will vest in 3 equal tranches subject to certain conditions as follows:

- Tranche 1 (33.3%):
 - » Vesting date: 1 July 2023 (shares to be issued as soon as practicable thereafter)
 - » Financial performance condition: the Group must meet the minimum return on equity target set by the Nomination and Remuneration Committee for FY21 (annual/non-cumulative measure)
 - » Continued employment condition: the Executive must be employed by the Group on the vesting date
- Tranche 2 (33.3%):
 - » Vesting date: 1 July 2023 (shares to be issued as soon as practicable thereafter)
 - » Financial performance condition: the Group must meet the minimum return on equity target set by the Nomination and Remuneration Committee for FY22 (annual/non-cumulative measure)
 - » Continued employment condition: the Executive must be employed by the Group on the vesting date
- Tranche 3 (33.3%):
 - » Vesting date: 1 July 2023 (shares to be issued as soon as practicable thereafter)
 - » Financial performance condition: the Group must meet the minimum return on equity target set by the Nomination and Remuneration Committee for FY23 (annual/non-cumulative measure)
 - » Continued employment condition: the Executive must be employed by the Group on the vesting date

Should the vesting conditions of any Performance Rights fail to be met, the relevant Performance Rights will expire and be immediately forfeited by the Executive.

All Performance Rights will vest immediately on a 'Takeover', 'Take Private' or similar 'change of control' transaction.

The 'continued employment' vesting condition of Performance Rights issued under the LTI Plan may be waived at the sole discretion of the Nomination and Remuneration Committee ('Good Leaver').

DIRECTORS' REPORT

30 June 2020

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.

Details of the Loan Funded Shares issued to Directors and other KMP as part of their remuneration during the year ended 30 June 2020 are set out below:

| Name | Date | Shares | Issue price | \$ |
|-------------------------|------------------|--------|-------------|----------|
| Peter Nash ¹ | 10 December 2019 | 28,114 | \$1.78 | \$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 20 November 2020. At this time, a vote will be taken to adopt the remuneration report for the year ended 30 June 2020.

4. Employment contracts

Key terms of employment contracts of Executive Directors and KMP 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 | Chief Financial Officer | Unlimited | Three months | Three months fully paid |
| Adrian Gleeson | Executive Director, Director, Investor & Business Relations | Unlimited | Three months | Three months fully paid |
| Pip Turnbull | Executive Director & Executive General Manager, Business Development & Marketing | Unlimited | Three months | Three months fully paid |

5. Group performance

| | 30 June 2020 \$'000 | Restated ¹ 30 June 2019 \$'000 | Restated ¹ 30 June 2018 \$'000 | Restated ¹ 30 June 2017 \$'000 |
|--|------------------------|---|---|---|
| Sales revenue | 495,113 | 335,085 | 290,362 | 249,728 |
| EBITDA ² | 40,987 | 27,779 | 25,231 | 18,072 |
| NPAT ³ | 22,919 | 16,102 | 17,843 | 13,254 |
| Dividends declared (cents per share) | 4.0 | 3.0 | 1.9 | – |
| Performance based incentives to KMP ⁴ | 1,649,838 | 1,371,449 | 1,039,417 | 355,000 |
| Share price at year end | \$2.35 | \$1.45 | \$1.30 | \$1.00 ⁵ |

¹ Restated under AASB 16 (Leases).

² Excluding \$662,993 (FY19: \$427,238, FY18: \$3,716,192, FY17: \$283,000) in Transaction related expenses.

³ Excluding \$722,104 (FY19: \$486,349, FY18: \$3,745,747, FY17: \$283,000) in Transaction related expenses which includes bank facility arrangement fee amortisation of \$59,111 (FY19: \$59,111, FY18: \$29,555, FY17: nil).

⁴ Rounded to the nearest whole dollar.

⁵ 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 \$ | Super-annuation \$ | Employee benefits \$ | Loan funded shares ¹ \$ | LTI performance rights \$ | | | |
| Non-executive Directors: | | | | | | | | | | |
| Peter Nash | | | | | | | | | | |
| 2020 | 150,000 | – | – | – | – | 29,278 | – | 179,278 | 100% | 0% |
| 2019 | 150,000 | – | – | – | – | 18,601 | – | 168,601 | 100% | 0% |
| Robert Kelly | | | | | | | | | | |
| 2020 | 50,000 | – | – | – | – | – | – | 50,000 | 100% | 0% |
| 2019 | 50,000 | – | – | – | – | – | – | 50,000 | 100% | 0% |
| Curt Mudd ² | | | | | | | | | | |
| 2020 | 110,353 | – | 12,186 | – | – | – | 8,294 | 130,833 | 84% | 16% |
| 2019 | 118,564 | – | 97,292 | 7,017 | – | – | 13,844 | 236,717 | 53% | 47% |
| Larisa Moran ³ | | | | | | | | | | |
| 2020 | 60,000 | – | – | – | – | – | – | 60,000 | 100% | 0% |
| 2019 | 46,103 | – | – | – | – | – | – | 46,103 | 100% | 0% |
| Peter Dixon ⁴ | | | | | | | | | | |
| 2020 | 17,350 | – | – | – | – | – | – | 17,350 | 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 as a Non-executive Director on 1 December 2018. Curt Mudd's salary and fees include US \$50,000 per annum (NED fee) plus ad-hoc consulting fees. Curt Mudd's STI and LTI amounts relate to awards made during his tenure as an Executive Director.

³ Larisa Moran was appointed as a Non-executive Director on 10 September 2018.

⁴ Peter Dixon was appointed as a Non-executive Director 25 February 2020.

7. KMP remuneration

| | Short-term benefits | | | | Post employment | Long-term benefits | | | Total | Fixed (%) | Variable/performance linked (%) |
|---------------------------|---------------------|-----------------|-------------------|------------------------|--------------------|----------------------|-----------------------|---------------------------|---------|-----------|---------------------------------|
| | Salary and fees \$ | Non-monetary \$ | STI cash bonus \$ | STI performance rights | Super-annuation \$ | Employee benefits \$ | Loan funded shares \$ | LTI performance rights \$ | | | |
| KMP: | | | | | | | | | | | |
| Scott Didier AM | | | | | | | | | | | |
| 2020 | 479,951 | – | 343,890 | 57,072 | 20,049 | – | – | 74,410 | 975,372 | 51% | 49% |
| 2019 | 479,951 | – | 303,604 | – | 18,489 | – | – | 51,620 | 853,664 | 58% | 42% |
| Lindsay Barber | | | | | | | | | | | |
| 2020 | 379,951 | – | 343,890 | 57,072 | 20,049 | 6,115 | – | 74,410 | 881,487 | 46% | 54% |
| 2019 | 379,951 | – | 303,604 | – | 20,049 | 5,745 | – | 51,620 | 760,969 | 53% | 47% |
| Matthew Lunn | | | | | | | | | | | |
| 2020 | 279,951 | – | 282,297 | 45,322 | 20,049 | 4,710 | – | 63,730 | 696,059 | 44% | 56% |
| 2019 | 279,951 | – | 303,604 | – | 20,049 | 3,193 | – | 51,620 | 658,417 | 46% | 54% |
| Adrian Gleeson | | | | | | | | | | | |
| 2020 | 190,696 | – | 182,970 | 33,572 | 32,827 | 10,368 | – | 44,667 | 495,100 | 44% | 56% |
| 2019 | 153,260 | – | 166,148 | – | 14,560 | 1,039 | – | 28,494 | 363,501 | 46% | 54% |
| Pip Turnbull ¹ | | | | | | | | | | | |
| 2020 | 6,195 | – | 5,462 | 963 | 1,017 | 114 | – | 1,729 | 15,480 | 44% | 56% |

¹ Pip Turnbull was appointed as an Executive Director on 17 June 2020 and was designated a KMP on this date – amounts are presented pro-rata from this date.

DIRECTORS' REPORT

30 June 2020

8. Directors' interests¹

| | Interest in ordinary shares | Performance rights |
|---------------------------|-----------------------------|--------------------|
| Peter Nash ² | 334,535 | – |
| Scott Didier AM | 58,330,688 | 58,539 |
| Lindsay Barber | 15,782,678 | 58,539 |
| Adrian Gleeson | 1,474,450 | 32,198 |
| Pip Turnbull | 831,755 | 32,937 |
| Robert Kelly ³ | 5,000,000 | – |
| Curt Mudd | 1,070,934 | 11,259 |
| Larisa Moran | 4,400 | – |
| Peter Dixon | 71,888 | – |

¹ Directors' interests as at Directors' Report date being 25 August 2020.

² Includes 134,535 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.

³ Shares owned by Steadfast Group Limited ('Steadfast'). Robert Kelly is Managing Director and CEO of Steadfast.

9. Non-executive Directors' and KMP's interests¹

| | Shareholding at 1 July 2019 | Shares sold during FY20 | Shares purchased during FY20 | Shares received as remuneration during FY20 ² | Initial reported shareholding | Shareholding at 30 June 2020 |
|--------------------------------|-----------------------------|-------------------------|------------------------------|--|-------------------------------|------------------------------|
| Non-executive Directors | | | | | | |
| Peter Nash ³ | 306,421 | – | – | 28,114 | – | 334,535 |
| Robert Kelly ⁴ | 5,000,000 | – | – | – | – | 5,000,000 |
| Curt Mudd | 1,048,344 | – | – | 11,295 | – | 1,059,639 |
| Larisa Moran | – | – | 4,400 | – | – | 4,400 |
| Peter Dixon ⁵ | – | – | – | – | 71,888 | 71,888 |
| KMP | | | | | | |
| Scott Didier AM | 58,198,962 | – | 74,219 | 18,825 | – | 58,292,006 |
| Lindsay Barber | 15,725,171 | – | – | 18,825 | – | 15,743,996 |
| Matthew Lunn ⁶ | 250,000 | (75,000) | – | 18,825 | – | 193,825 |
| Adrian Gleeson | 1,442,517 | – | – | 10,556 | – | 1,453,073 |
| Pip Turnbull ⁷ | – | – | – | – | 809,639 | 809,639 |
| | 81,971,415 | (75,000) | 78,619 | 106,440 | 881,527 | 82,963,001 |

¹ Non-executive Directors' and KMP's interests as at 30 June 2020.

² Includes shares issued on vesting of Performance Rights and Loan Funded Shares.

³ Includes 134,535 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.

⁴ Shares owned by Steadfast Group Limited ('Steadfast'). Robert Kelly is Managing Director and CEO of Steadfast.

⁵ Peter Dixon was appointed as a Non-executive Director on 25 February 2020.

⁶ Includes 175,000 Loan Funded Shares.

⁷ Pip Turnbull was appointed as an Executive Director on 17 June 2020 and was designated a KMP on this date.

| | Performance rights holding at 1 July 2019 | Performance rights granted during FY20 | Performance rights vested during FY20 ¹ | Initial reported performance rights holding | Performance rights holding at 30 June 2020 |
|--------------------------------|---|--|--|---|--|
| Non-executive Directors | | | | | |
| Peter Nash | – | – | – | – | – |
| Robert Kelly | – | – | – | – | – |
| Curt Mudd ² | 33,885 | – | (11,295) | – | 22,590 |
| Larisa Moran | – | – | – | – | – |
| Peter Dixon | – | – | – | – | – |
| KMP | | | | | |
| Scott Didier AM | 56,475 | 59,571 | (18,825) | – | 97,221 |
| Lindsay Barber | 56,475 | 59,571 | (18,825) | – | 97,221 |
| Matthew Lunn | 56,475 | 59,571 | (18,825) | – | 97,221 |
| Adrian Gleeson | 31,668 | 32,463 | (10,556) | – | 53,575 |
| Pip Turnbull ³ | – | – | – | 55,053 | 55,053 |
| | 234,978 | 211,176 | (78,326) | 55,053 | 422,881 |

¹ Represents the 1st tranche of Performance Rights issued under the FY18 Executive Incentive Plan which vested 1 July 2019 on achieving all relevant vesting conditions for FY19.

² Curt Mudd was an Executive Director from 28 September 2017 to 30 November 2018 and was appointed as a Non-executive Director on 1 December 2018. The Performance Rights were issued to Curt during his tenure as an Executive Director.

³ Pip Turnbull was appointed as an Executive Director on 17 June 2020 and was designated a KMP on this date.

10. 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 current 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 as a 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 \$34,912 (GST: nil) (FY19: \$12,634 (GST: nil)). These amounts have been included in salary and fees within the Remuneration Report.

During FY20 the Group paid \$9,059 (plus GST) (FY19: \$15,919 (plus GST)) 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 unitholder of EBH. The arrangement is 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 FY20 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 \$276,947 (plus GST) (FY19: \$292,744 (plus GST)) to related party entities.

DIRECTORS' REPORT

30 June 2020

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, demolition and construction work at 719-721 Whitehorse Road, Mont Albert (VIC). Is My CV is owned by Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Pip Turnbull, Curt Mudd and other unitholders. During FY20 the cost of work totalled \$2,942,107 (plus GST) (FY19: \$253,201 (plus GST)). The arrangement is on an arm's length basis and on commercial terms.

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 January 2020. The scope of work completed totalled \$130,725 (plus GST). This project was completed on an arm's length basis and on commercial terms.

Johns Lyng Insurance Building Solutions (VIC) Pty Ltd ATF Johns Lyng Insurance Building Solutions (Victoria) Unit Trust completed renovations at EBH Leasehold Pty Ltd ATF EBH Leasehold Unit Trust ('EBH') for the period December 2019 to June 2020. The scope of work completed totalled \$434,078 (plus GST). Scott Didier AM is a director and sole unitholder of EBH. This project was completed 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. Four 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 Trump Investments Trust. Premises: 17 Capital Place, Carrum Downs, Victoria 3201 | Scott Didier AM is a director of Trump Investments Pty Ltd and sole unitholder of Trump Investments Trust. | FY20: \$156,389 (plus GST) FY19: \$164,632 (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 of Trump Sunshine Pty Ltd and a unitholder of Trump Sunshine Trust (through Trump Investments Trust). | FY20: \$118,921 (plus GST) FY19: \$107,160 (plus GST) |
| Landlord: 1 Williamsons Road Pty Ltd ACN 130 622 187 ATF 1 Williamsons Road Unit Trust. Premises: 1 Williamsons Road, 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, Pip Turnbull, Curt Mudd and other unitholders own the units in Johns Lyng Investments Unit Trust. | FY20: \$392,532 (plus GST) FY19: \$382,049 (plus GST) |
| Landlord: Is My Software Pty Ltd ACN 136 024 256 ATF Is My Software Unit Trust. Premises: 3 Williamsons Road, Doncaster, Victoria 3108 | Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Pip Turnbull, Curt Mudd and other unitholders own the units in Is My Software Unit Trust. | FY20: \$22,500 (plus GST) FY19: \$nil |

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

Related party loans - receivable

| | Consolidated | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust ¹ | 15 | 25 |
| Total related party loans – receivable | 15 | 25 |

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

Arrangements discontinued during FY20

During FY20 the Group paid \$60,000 (plus GST) (FY19: \$72,000 (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 of Trump Yacht Charters Pty Ltd and sole unitholder of Trump Yacht Charters Trust. The arrangement is on an arm's length basis and on commercial terms. The arrangement was discontinued during FY20.

Arrangements discontinued during FY19

During FY19 the Group paid \$18,701 (plus GST) for aviation services to ADD Aviation Services Pty Ltd ATF ADD Aviation Services Unit Trust ('ADD'). Scott Didier AM is a unitholder of ADD. The arrangement is on an arm's length basis and on commercial terms. This arrangement was discontinued during FY19.

End of Remuneration Report

DIRECTORS' REPORT

30 June 2020

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 (including Independence Standards)* 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 Group, acting as advocate for the Group 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

25 August 2020



Scott Didier AM
Managing Director

25 August 2020

AUDITOR'S INDEPENDENCE DECLARATION

30 June 2020



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 2020, 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 (including Independence Standards)*.

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 'N R Bull'.

N R BULL
Partner
25 August 2020

A handwritten signature in black ink, appearing to be 'Pitcher Partners'.

PITCHER PARTNERS
Melbourne

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

| | Note | Consolidated | |
|---|------|-----------------|----------------------------|
| | | 2020 \$'000 | Restated 2019 \$'000 |
| Revenue | | | |
| Sales income | 5 | 495,113 | 335,085 |
| Cost of sales | | (394,461) | (267,077) |
| Gross profit | | 100,652 | 68,008 |
| Other revenue and income | 5 | 2,892 | 7,045 |
| Expenses | | | |
| Administration expenses | | (1,250) | (540) |
| Advertising expenses | | (1,817) | (1,273) |
| Depreciation and amortisation | 6 | (8,104) | (5,210) |
| Employee benefits expenses | 6 | (38,515) | (31,472) |
| Finance costs | 6 | (1,954) | (1,107) |
| Insurance expenses | | (2,136) | (1,394) |
| IT expenses | | (3,680) | (1,386) |
| Motor vehicle expenses | | (3,640) | (3,028) |
| Occupancy expenses | | (1,151) | (1,124) |
| Printing, postage and stationery expenses | | (1,735) | (388) |
| Professional fees | | (2,279) | (995) |
| Telephone and communication expenses | | (1,447) | (1,048) |
| Transaction related expenses ¹ | | (722) | (486) |
| Travel expenses | | (2,021) | (2,470) |
| Other expenses | | (2,605) | (1,741) |
| Total expenses | | (73,056) | (53,662) |
| Profit before income tax | | 30,488 | 21,391 |
| Income tax expense | 7 | (8,291) | (5,775) |
| Profit after income tax for the year | | 22,197 | 15,616 |

¹ Transaction related expenses include \$59,111 (FY19: \$59,111) in respect of banking facility arrangement fee amortisation.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

| | | Consolidated | |
|--|----------|----------------|----------------------------|
| | Note | 2020 \$'000 | Restated 2019 \$'000 |
| Other comprehensive income | | | |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | | |
| Movement in foreign currency translation reserve | 22 | (84) | (46) |
| Total comprehensive income for the year | | 22,113 | 15,570 |
| Profit for the year is attributable to: | | | |
| Owners of Johns Lyng Group | 23 | 15,850 | 13,170 |
| Non-controlling interest | 24(b)(c) | 6,347 | 2,446 |
| | | 22,197 | 15,616 |
| Total comprehensive income for the year is attributable to: | | | |
| Owners of Johns Lyng Group | | 15,766 | 13,124 |
| Non-controlling interest | | 6,347 | 2,446 |
| | | 22,113 | 15,570 |

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

| | Note | Cents | Cents |
|----------------------------|------|-------|-------|
| Basic earnings per share | 36 | 7.13 | 5.94 |
| Diluted earnings per share | 36 | 7.12 | 5.93 |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2020

| | | Consolidated | |
|---|------|----------------|----------------------------|
| | Note | 2020 \$'000 | Restated 2019 \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 46,768 | 30,063 |
| Trade and other receivables | 9 | 63,002 | 57,626 |
| Inventories | 10 | 1,855 | 833 |
| Accrued income | 11 | 34,041 | 22,114 |
| Other current assets | 12 | 1,904 | 1,431 |
| Total current assets | | 147,570 | 112,067 |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 12,365 | 9,104 |
| Intangibles | 14 | 50,677 | 9,528 |
| Right-of-use assets | 15 | 14,226 | 9,695 |
| Deferred tax assets | 7 | 4,561 | 3,101 |
| Total non-current assets | | 81,829 | 31,428 |
| Total assets | | 229,399 | 143,495 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 91,316 | 58,810 |
| Borrowings | 17 | 5,646 | 3,351 |
| Current tax payable | 7 | 4,198 | 4,387 |
| Employee provisions | 18 | 7,120 | 3,116 |
| Non-controlling interest liabilities | 19 | 619 | 549 |
| Right-of-use lease liabilities | 15 | 3,611 | 1,900 |
| Income in advance | 20 | 23,602 | 14,667 |
| Total current liabilities | | 136,112 | 86,780 |
| Non-current liabilities | | | |
| Right-of-use lease liabilities | 15 | 12,281 | 9,122 |
| Borrowings | 17 | 16,917 | 2,868 |
| Deferred tax liability | 7 | 4,324 | – |
| Employee provisions | 18 | 663 | 369 |
| Total non-current liabilities | | 34,185 | 12,359 |
| Total liabilities | | 170,297 | 99,139 |
| Net assets | | 59,102 | 44,356 |
| Equity | | | |
| Issued capital | 21 | 60,460 | 60,018 |
| Reserves | 22 | (20,656) | (21,837) |
| Retained earnings | 23 | 12,004 | 6,821 |
| Equity attributable to the owners of Johns Lyng Group | | 51,808 | 45,002 |
| Non-controlling interests | 24 | 7,294 | (646) |
| Total equity | | 59,102 | 44,356 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

| | Issued capital | Reserves | Retained earnings | Non-controlling interest | Total equity |
|--|----------------|-----------------|-------------------|--------------------------|---------------|
| Restated Consolidated 30 June 2019 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2018 | 58,983 | (22,909) | (2,132) | (128) | 33,814 |
| Profit for the year | – | – | 13,170 | 2,446 | 15,616 |
| Movement in foreign currency reserve | – | (46) | – | – | (46) |
| Total comprehensive income for the year | – | (46) | 13,170 | 2,466 | 15,570 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Transactions with non-controlling interests | – | 845 | – | 93 | 938 |
| Non-controlling interests recognised on business combination | – | – | – | 79 | 79 |
| Issue of shares in connection with business combination | 100 | – | – | – | 100 |
| Dividends | – | – | (4,217) | (329) | (4,546) |
| Distributions | – | – | – | (2,807) | (2,807) |
| Share based payments | – | 387 | – | – | 387 |
| Issue of shares – 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) | 6,821 | (646) | 44,356 |
| Consolidated 30 June 2020 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2019 | 60,018 | (21,837) | 6,821 | (646) | 44,356 |
| Profit for the year | – | – | 15,850 | 6,347 | 22,197 |
| Movement in foreign currency reserve | – | (84) | – | – | (84) |
| Total comprehensive income for the year | – | (84) | 15,850 | 6,347 | 22,113 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Transactions with non-controlling interests | – | 609 | – | (323) | 286 |
| Non-controlling interests recognised on business combination | – | – | – | 5,625 | 5,625 |
| Issue of shares to non-controlling interests | – | – | – | 152 | 152 |
| Issue of shares in connection with business combination | 300 | – | – | 941 | 1,241 |
| Dividends | – | – | (10,667) | (901) | (11,568) |
| Distributions | – | – | – | (3,901) | (3,901) |
| Share based payments | – | 798 | – | – | 798 |
| Issue of shares – vesting of Performance Rights ¹ | 142 | (142) | – | – | – |
| Balance at 30 June 2020 | 60,460 | (20,656) | 12,004 | 7,294 | 59,102 |

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

| | Note | Consolidated | |
|---|--------------|-----------------|----------------------------|
| | | 2020 \$'000 | Restated 2019 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 540,182 | 352,922 |
| Payments to suppliers and employees | | (480,146) | (328,426) |
| Dividends received | | – | 306 |
| Interest received | | 281 | 415 |
| Finance costs | | (1,954) | (1,107) |
| Income tax paid | 7 | (8,126) | (5,164) |
| Net cash from operating activities | 35(b) | 50,237 | 18,946 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 619 | 460 |
| Payments for property, plant and equipment | | (899) | (233) |
| Payments for intangibles (capitalised software) | | (482) | – |
| Proceeds from sale of business | | – | 4,503 |
| Cash acquired on acquisition | 34 | 9,525 | 437 |
| Payments for business acquisitions | 34 | (26,262) | (6,379) |
| Net cash used in investing activities | | (17,499) | (1,212) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 35(c) | 25,845 | 836 |
| Repayment of borrowings | 35(c) | (21,214) | (728) |
| Payments to non-controlling interests | | (3,747) | (3,336) |
| Receipts from non-controlling interests | | 283 | – |
| Receipts from related parties | | 11 | 683 |
| Payment of right-of-use (principal) lease liabilities | 35(c) | (3,305) | (1,549) |
| Repayment of hire purchase liabilities | 35(c) | (3,239) | (1,629) |
| Dividends paid | | (10,667) | (4,217) |
| Net cash used in financing activities | | (16,033) | (9,940) |
| Net increase in cash and cash equivalents | | 16,705 | 7,794 |
| Cash and cash equivalents at the beginning of the financial year | | 30,063 | 22,269 |
| Cash and cash equivalents at the end of the financial year | 8, 35 | 46,768 | 30,063 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 1. GENERAL INFORMATION

The financial statements cover Johns Lyng Group Limited and its controlled entities as a group. 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

1 Williamsons Road
Doncaster VIC 3108

Principal place of business

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 25 August 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 combinations

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 acquiree.

(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 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.

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 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 following impact:

Statement of consolidated financial position

As at 1 July 2018: recognition of right-of-use assets with an aggregate carrying amount of \$10,719,000, corresponding right-of-use lease liabilities with an aggregate carrying amount of \$11,670,000, a deferred tax asset of \$285,000 and a balancing adjustment to retained earnings of \$666,000.

Statement of consolidated profit or loss and other comprehensive income

For the year ended 30 June 2019: an increase of \$1,925,000 in depreciation and \$549,000 in finance costs and a corresponding decrease in occupancy expense of \$2,098,000.

Statement of consolidated statement of cash flows

For the year ended 30 June 2019: an increase of \$549,000 in finance costs, the addition of \$1,549,000 in payment of right-of-use (principal) lease liabilities with a corresponding decrease in payments to suppliers and employees of \$2,098,000.

The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of right-of-use lease liabilities was 5.0%.

Further details of the Group's accounting policy for leases, for the year ended 30 June 2020, are set out in note 15.

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 14. 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 2020

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 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 – 2020 | Insurance Building and Restoration Services \$'000 | Commercial Building Services \$'000 | Commercial Construction \$'000 | Other \$'000 | Intercompany eliminations \$'000 | Total \$'000 |
|--|---|--|-----------------------------------|-----------------|-------------------------------------|-----------------|
| Revenue | | | | | | |
| Sales to external customers | 396,715 | 54,081 | 43,589 | 728 | – | 495,113 |
| Intersegment sales | 15,878 | 1,343 | – | 900 | (18,121) | – |
| Total sales revenue | 412,593 | 55,424 | 43,589 | 1,628 | (18,121) | 495,113 |
| Total other revenue and expenses | (372,179) | (52,685) | (42,575) | (5,471) | 18,121 | (454,789) |
| EBITDA¹ | 40,414 | 2,739 | 1,014 | (3,843) | – | 40,324 |
| Depreciation and amortisation | (6,717) | (1,368) | (71) | 52 | – | (8,104) |
| Finance income | 224 | 33 | 7 | 17 | – | 281 |
| Finance costs | (1,818) | (114) | (22) | – | – | (1,954) |
| Banking facility arrangement fee amortisation | – | – | – | (59) | – | (59) |
| Profit/(loss) before income tax expense | 32,103 | 1,290 | 928 | (3,833) | – | 30,488 |
| Income tax expense | | | | | | (8,291) |
| Profit after income tax expense | | | | | | 22,197 |

¹ Includes Transaction related expenses of \$662,992 shown in the consolidated statement of profit or loss and other comprehensive income.

| Restated Consolidated – 2019 | Insurance Building and Restoration Services \$'000 | Commercial Building Services \$'000 | Commercial Construction \$'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 | (253,730) | (33,931) | (32,826) | (5,458) | 18,212 | (307,733) |
| EBITDA¹ | 22,836 | 6,715 | 914 | (3,113) | – | 27,352 |
| Depreciation and amortisation | (4,266) | (831) | (82) | (31) | – | (5,210) |
| Finance income | 179 | 37 | 94 | 105 | – | 415 |
| Finance costs | (979) | (121) | – | (7) | – | (1,107) |
| Banking facility arrangement fee amortisation | – | – | – | (59) | – | (59) |
| Profit/(loss) before income tax expense | 17,770 | 5,800 | 926 | (3,105) | – | 21,391 |
| Income tax expense | | | | | | (5,775) |
| Profit after income tax expense | | | | | | 15,616 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 5. REVENUE AND OTHER INCOME

| | Consolidated | |
|--|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| Sales Income | | |
| Insurance Building and Restoration Services | 396,715 | 261,049 |
| Commercial Building Services | 54,081 | 39,433 |
| Commercial Construction | 43,589 | 33,740 |
| Other | 728 | 863 |
| | 495,113 | 335,085 |
| Other revenue and income | | |
| Dividend income | – | 110 |
| Interest income | 281 | 415 |
| Management fees | 790 | 1,247 |
| Other revenue | 1,764 | 949 |
| Profit/(loss) on sale of property, plant and equipment | 57 | (241) |
| Profit on sale of business | – | 4,565 |
| | 2,892 | 7,045 |

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 are probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

All expected losses are recognised as an expense immediately when it is probable that 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 | |
|--|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| Profit before income tax includes the following specific expenses: | | |
| Employee benefits: | | |
| Gross remuneration, bonuses and on-costs | 72,341 | 58,158 |
| Less amounts expensed through cost of sales | (39,722) | (30,984) |
| Superannuation | 5,098 | 3,911 |
| Share based payments expense | 798 | 387 |
| Total employee benefits | 38,515 | 31,472 |
| Depreciation and amortisation: | | |
| Depreciation | 3,892 | 3,275 |
| Depreciation – right-of-use assets | 3,644 | 1,925 |
| Amortisation | 568 | 10 |
| Total depreciation and amortisation | 8,104 | 5,210 |
| Finance costs: | | |
| Borrowings | 1,236 | 558 |
| Right-of-use lease liabilities | 718 | 549 |
| Total finance costs | 1,954 | 1,107 |
| Profit/(loss) on disposal of property, plant and equipment | 57 | (241) |

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 2020

NOTE 7. INCOME TAX

| | Consolidated | |
|---|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| (a) Components of tax expense | | |
| Current tax | 9,245 | 5,711 |
| Deferred tax | (872) | (138) |
| Under/(over) provision in prior years | (82) | 202 |
| | 8,291 | 5,775 |
| (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 | 30,488 | 21,391 |
| Prima facie income tax payable on profit before income tax at 30.0% (2019: 30.0%) | 9,146 | 6,418 |
| Add tax effect of: | | |
| – Subsidiary losses not recognised | 882 | 1,420 |
| – Other non-deductible expenses | 151 | 78 |
| Less tax effect of: | | |
| – Distributions to non-controlling interests | (1,170) | (841) |
| – Subsidiary losses utilised (previously not recognised) | (461) | (383) |
| – Capital losses otherwise deductible | – | (1,119) |
| – Other otherwise deductible expenses | (175) | – |
| – Under/(over) provision in prior years | (82) | 202 |
| | 8,291 | 5,775 |
| (c) Current tax | | |
| Current tax relates to the following: | | |
| Current tax liabilities/(assets) | | |
| Opening at 1 July | 4,387 | 3,638 |
| Current tax liabilities/(assets) assumed on business combination | (1,226) | – |
| Income tax expense | 9,245 | 5,711 |
| Tax payments | (8,126) | (5,164) |
| Under/(over) provision in prior years | (82) | 202 |
| Closing at 30 June | 4,198 | 4,387 |

| | Consolidated | |
|---|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| (d) Deferred tax | | |
| Deferred tax relates to the following: | | |
| Deferred tax assets | | |
| – Accruals | 937 | 501 |
| – Employee benefits | 2,203 | 1,046 |
| – Property, plant and equipment | 312 | 237 |
| – Capital raising costs | 609 | 919 |
| – Right-of-use leases | 500 | 398 |
| | 4,561 | 3,101 |
| Deferred tax liabilities | | |
| – Intangibles | (4,324) | – |
| | (4,324) | – |
| Net deferred tax assets/(liabilities) | 237 | 3,101 |
| Movements: | | |
| Opening balance | 3,101 | 2,963 |
| Income tax (expense)/benefit | 872 | 138 |
| Assumed on business combination | (3,736) | – |
| Closing balance | 237 | 3,101 |
| (e) Deferred income tax (benefit)/expense included in income tax expense comprises | | |
| Net decrease/(increase) in deferred tax assets | (872) | (138) |
| (f) Deferred income tax assumed on business combination | | |
| Net decrease/(increase) in deferred tax assets | 3,736 | – |

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 2020

NOTE 8. CASH AND CASH EQUIVALENTS

| | Consolidated | |
|-----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Cash on hand | 25 | 14 |
| Cash at bank | 46,561 | 29,867 |
| Cash on deposit | 182 | 182 |
| | 46,768 | 30,063 |

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 statement of cash flows as follows:

| | | |
|---|--------|--------|
| Balances as above | 46,768 | 30,063 |
| Balance as per consolidated statement of cash flows | 46,768 | 30,063 |

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 statement of cash flows presentation purposes, cash and cash equivalents also include bank overdrafts, which are shown within borrowings in current liabilities on the consolidated statement of financial position.

NOTE 9. TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Trade receivables | 55,440 | 52,116 |
| Trade retentions | 1,094 | 1,023 |
| Other debtors | 1,509 | 1,929 |
| | 2,603 | 2,952 |
| Related parties | 15 | 26 |
| Non-controlling interests | 4,944 | 2,532 |
| | 63,002 | 57,626 |

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 (Financial Instruments) to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 (Financial Instruments) 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 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 | |
|---------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Raw materials | 1,855 | 833 |

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 | |
|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Accrued income | 34,041 | 22,114 |

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 Group'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 Group expects to be entitled to in exchange for goods or services transferred to the customer.

The Group recovered the majority of the 2019 accrued income within the 2020 year and expects the 2020 balance to be settled within 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 12. OTHER CURRENT ASSETS

| | Consolidated | |
|-----------------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Prepayments | 1,904 | 1,431 |
| Total other current assets | 1,904 | 1,431 |

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. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Freehold land – at cost | 1,018 | – |
| Buildings – at cost | 364 | – |
| Less: accumulated depreciation | (6) | – |
| | 358 | – |
| Leasehold improvements – at cost | 3,140 | 2,667 |
| Less: accumulated depreciation | (1,759) | (1,348) |
| | 1,381 | 1,319 |
| Plant and equipment – at cost | 7,043 | 4,325 |
| Less: accumulated depreciation | (4,491) | (3,117) |
| | 2,552 | 1,208 |
| Motor vehicles – at cost | 12,649 | 11,131 |
| Less: accumulated depreciation | (6,027) | (4,962) |
| | 6,622 | 6,169 |
| Computer equipment – at cost | 1,892 | 1,744 |
| Less: accumulated depreciation | (1,458) | (1,336) |
| | 434 | 408 |
| Total property, plant and equipment | 12,365 | 9,104 |

Reconciliations

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

| Consolidated | Freehold land \$'000 | Buildings \$'000 | Leasehold improvements \$'000 | Plant and equipment \$'000 | Motor vehicles \$'000 | Computer equipment \$'000 | Total \$'000 |
|---|-------------------------|---------------------|----------------------------------|-------------------------------|--------------------------|------------------------------|-----------------|
| 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 |
| Additions | – | – | 262 | 725 | 2,215 | 229 | 3,431 |
| Additions through business combinations | 1,018 | 364 | 211 | 2,100 | 591 | – | 4,284 |
| Disposals | – | – | – | (105) | (449) | (8) | (562) |
| Depreciation expense | – | (6) | (411) | (1,376) | (1,904) | (195) | (3,892) |
| Balance at 30 June 2020 | 1,018 | 358 | 1,381 | 2,552 | 6,622 | 434 | 12,365 |

Property, plant and equipment secured under hire purchase arrangements

The total net book value of motor vehicles under hire purchase arrangements at 30 June 2020 is \$6,622,000 (2019: \$6,169,000).

The corresponding hire purchase liability of \$5,673,000 (2019: \$5,390,000) has been included in borrowings note 17.

Accounting policy for property, plant and equipment

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

Property, 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:

Land is not depreciated.

| Class of fixed asset | Depreciation rates | Depreciation basis |
|--------------------------------|--------------------|--------------------|
| Buildings at cost | 2-4% | Straight-line |
| 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 14. INTANGIBLES

| | Consolidated | |
|--------------------------------|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| Goodwill | 32,340 | 6,098 |
| Trademarks | 5,394 | 3,145 |
| Customer contracts | 12,744 | – |
| Less: Accumulated amortisation | (510) | – |
| | 12,234 | – |
| Software | 797 | 315 |
| Less: Accumulated amortisation | (88) | (30) |
| | 709 | 285 |
| | 50,677 | 9,528 |

Reconciliations

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

| Consolidated | Restated Goodwill \$'000 | Trademarks \$'000 | Customer contracts \$'000 | Software \$'000 | Restated Total \$'000 |
|----------------------------------|--------------------------------|----------------------|---------------------------------|--------------------|-----------------------------|
| Balance at 1 July 2018 | 3,342 | 2 | – | 48 | 3,392 |
| Additions | 2,756 | 3,143 | – | 247 | 6,146 |
| Amortisation expense | – | – | – | (10) | (10) |
| Balance at 30 June 2019 | 6,098 | 3,145 | – | 285 | 9,528 |
| Additions | 26,223 | 2,179 | 12,744 | 482 | 41,628 |
| Net foreign exchange differences | 19 | 70 | – | – | 89 |
| Amortisation expense | – | – | (510) | (58) | (568) |
| Balance at 30 June 2020 | 32,340 | 5,394 | 12,234 | 709 | 50,677 |

Accounting policy for intangible assets

Goodwill

Goodwill represents the future economic benefit arising from other assets acquired in business combinations 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.

Trademarks

Trademarks, including brand names, are acquired through business combinations and are initially measured at their fair value at the date of acquisition.

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

Customer contracts

Customer contracts and relationships are acquired through business combinations and are initially measured at their fair value at the date of acquisition. Customer contracts and relationships are amortised over their estimated useful lives of 25 years commencing from the date of acquisition.

Software

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

Impairment tests for goodwill and intangible assets with indefinite useful lives

Goodwill has been tested for impairment by comparing the carrying amount to its recoverable amount. The recoverable amount is based on a value-in-use calculation, determined using a discounted cash flow model.

These calculations are based on projected cash flows approved by Management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. Key assumptions for each Cash Generating Unit ('CGU') in determining value-in-use include:

- Trump Property Maintenance (VIC) Pty Ltd – A terminal value growth rate of 2.5% (2019: 3.0%) and a discount rate of 8.9% (2019: 9.8%).
- Trump Property Maintenance Pty Ltd ATF Floorcoverings Unit Trust – A terminal value growth rate of 2.5% (2019: 3.0%) and a discount rate of 8.9% (2019: 9.8%).
- Trump Floorcoverings QLD Pty Ltd – A terminal value growth rate of 2.5% (2019: 3.0%) and a discount rate of 8.9% (2019: 9.8%).
- Dressed for Sale Australia Pty Ltd (including Furniture Rentals Australia Holdings Pty Ltd) – A terminal value growth rate of 2.5% (2019: 3.0%) and a discount rate of 8.9% (2019: 9.8%).
- Bright & Duggan Group Pty Ltd (including Capitol Strata Management (Holdings) Pty Ltd) – A terminal value growth rate of 2.5% and a discount rate of 8.9%.
- Steamatic, LLC – A terminal value growth rate of 2.5% and a discount rate of 8.9%.
- Air Control Australia Pty Ltd ATF Vanzis Unit Trust – A terminal value growth rate of 2.5% and a discount rate of 8.9%.

Goodwill and intangibles with indefinite useful lives are allocated to the following CGU's:

| | Consolidated | |
|---|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| Goodwill: | | |
| Trump Property Maintenance (VIC) Pty Ltd | 1,571 | 1,571 |
| Trump Property Maintenance Pty Ltd ATF Floorcoverings Unit Trust | 1,364 | 1,364 |
| Trump Floorcoverings QLD Pty Ltd | 407 | 407 |
| Dynamic Construction | 100 | 100 |
| Dressed for Sale Australia Pty Ltd (including Furniture Rentals Australia Holdings Pty Ltd) | 5,217 | 1,856 |
| Steamatic, LLC | 819 | 800 |
| Bright & Duggan Group Pty Ltd (including Capitol Strata Management (Holdings) Pty Ltd) | 20,314 | – |
| Air Control Australia Pty Ltd ATF Vanzis Unit Trust | 2,548 | – |
| | 32,340 | 6,098 |
| Trademarks: | | |
| Steamatic | 3,213 | 3,143 |
| Bright & Duggan | 2,179 | – |
| Other | 2 | 2 |
| | 5,394 | 3,145 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 15. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

The Group's right-of-use assets and lease liabilities are derived from underlying operating leases - the majority of which are property leases for the Group's various offices.

| | Consolidated | |
|---|------------------------|-------------------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| Right-of-use assets | | |
| Buildings under lease arrangements at cost | 22,512 | 14,337 |
| Accumulated depreciation | (8,286) | (4,642) |
| Total carrying amount of right-of-use assets | 14,226 | 9,695 |
| Reconciliation of carrying amount of right-of-use assets | | |
| | Buildings | Total |
| Carrying amount at 1 July 2018 | 10,719 | 10,719 |
| Additions | 901 | 901 |
| Depreciation | (1,925) | (1,925) |
| Carrying amount at 30 June 2019 | 9,695 | 9,695 |
| Carrying amount at 1 July 2019 | 9,695 | 9,695 |
| Additions | 545 | 545 |
| Additions through business combinations | 7,630 | 7,630 |
| Depreciation | (3,644) | (3,644) |
| Carrying amount at 30 June 2020 | 14,226 | 14,226 |
| | 2020 \$'000 | Restated 2019 \$'000 |
| Right-of-use lease liabilities | | |
| Current right-of-use lease liabilities | 3,611 | 1,900 |
| | 3,611 | 1,900 |
| Non-current right-of-use lease liabilities | 12,281 | 9,122 |
| | 12,281 | 9,122 |
| Right-of-use lease expense & cashflow | | |
| Expense relating to leases of 12 months or less (for which a right-of-use asset and lease liability has not been recognised) | (457) | (261) |
| Total cash outflow in relation to leases | (4,480) | (2,359) |

Accounting policy for right-of-use assets and lease liabilities

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 right-of-use 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.

Right-of-use assets do not include any property, plant or equipment under hire purchase arrangements.

Right-of-use 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.

Right-of-use lease liabilities do not include any property, plant or equipment under hire purchase arrangements.

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.

NOTE 16. TRADE AND OTHER PAYABLES

| | Consolidated | |
|-------------------------------|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| Trade creditors | 72,170 | 50,612 |
| Sundry creditors and accruals | 19,146 | 8,198 |
| | 91,316 | 58,810 |

Accounting policy for trade and other payables

Trade and other payables are stated at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 17. BORROWINGS

| | Consolidated | |
|-------------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Current borrowings | | |
| Secured: | | |
| Other loans | 1,114 | 829 |
| Hire purchase | 3,182 | 2,522 |
| Bank loans | 1,350 | – |
| | 5,646 | 3,351 |
| Non-current borrowings | | |
| Secured: | | |
| Hire purchase | 2,491 | 2,868 |
| Bank loans | 14,426 | – |
| | 16,917 | 2,868 |

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 statement of profit or loss and other comprehensive income over the tenor of the borrowings.

Plant and equipment subject to hire purchase arrangements is included in property, plant and equipment per note 13.

NOTE 18. EMPLOYEE PROVISIONS

| | Consolidated | |
|--------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Current | | |
| Employee benefits | 7,120 | 3,116 |
| Non-current | | |
| Employee benefits | 663 | 369 |

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 statement 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. 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 19. NON-CONTROLLING INTEREST LIABILITIES

| | Consolidated | |
|--------------------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Non-controlling interest liabilities | 619 | 549 |

Accounting policy for non-controlling interest liabilities

Non-controlling interest liabilities represent distributions and dividends owing to non-controlling interests. Distributions and dividends are recognised in accordance with the requirements of the distribution minutes, trust deeds and dividend statements as appropriate. Intergroup distributions and dividends have been eliminated on consolidation.

NOTE 20. INCOME IN ADVANCE

| | Consolidated | |
|-------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Income in advance | 23,602 | 14,667 |

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

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

NOTE 21. ISSUED CAPITAL

| | Consolidated | | | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2020 Shares | 2019 Shares | 2020 \$'000 | 2019 \$'000 |
| Ordinary shares – fully paid | 222,388,980 | 222,087,758 | 60,460 | 60,018 |

Movements in issued capital

| Details | Date | Shares | \$'000 |
|---|---------------------|--------------------|---------------|
| Opening balance | 1 July 2018 | 221,106,324 | 58,983 |
| Issue of shares - exercise of call options | 14 September 2018 | 706,642 | 808 |
| Issue of shares - Executive Incentive Plan | 14 September 2018 | 110,449 | 127 |
| Issue of shares - Loan Funded Shares | 30 November 2018 | 56,421 | – |
| Issue of shares - business acquisition | 30 November 2018 | 107,922 | 100 |
| Balance | 30 June 2019 | 222,087,758 | 60,018 |
| Opening balance | 1 July 2019 | 222,087,758 | 60,018 |
| Issue of shares - vesting of Performance Rights | 1 July 2019 | 78,326 | 85 |
| Issue of shares - vesting of Performance Rights | 20 August 2019 | 52,782 | 57 |
| Issue of shares - Loan Funded Shares | 10 December 2019 | 28,114 | – |
| Issue of shares - business acquisition | 3 April 2020 | 142,000 | 300 |
| Balance | 30 June 2020 | 222,388,980 | 60,460 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 21. ISSUED CAPITAL (Continued)

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

28,114 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 are 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 statement 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 | |
|---|-----------------|-----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Foreign currency translation reserve | (130) | (46) |
| Options reserve | 1,287 | 631 |
| Changes in subsidiary interests reserve | (21,813) | (22,422) |
| Balance at 30 June 2020 | (20,656) | (21,837) |

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 2018 | – | 358 | (23,267) | (22,909) |
| Transactions with non-controlling interests | – | – | 845 | 845 |
| Foreign currency translation | (46) | – | – | (46) |
| Share based payments | – | 387 | – | 387 |
| Issue of shares – in lieu of cash bonus ¹ | – | (114) | – | (114) |
| Balance at 30 June 2019 | (46) | 631 | (22,422) | (21,837) |
| Balance at 1 July 2019 | (46) | 631 | (22,422) | (21,837) |
| Transactions with non-controlling interests | – | – | 609 | 609 |
| Foreign currency translation | (84) | – | – | (84) |
| Share based payments | – | 798 | – | 798 |
| Issue of shares on vesting of Performance Rights ¹ | – | (142) | – | (142) |
| Balance at 30 June 2020 | (130) | 1,287 | (21,813) | (20,656) |

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

NOTE 23. RETAINED EARNINGS

| | Consolidated | |
|---|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| Retained earnings/(accumulated losses) at the beginning of the financial year | 6,821 | (2,132) |
| Profit after income tax for the year | 15,850 | 13,170 |
| Dividends paid | (10,667) | (4,217) |
| Retained earnings at the end of the financial year | 12,004 | 6,821 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 24. NON-CONTROLLING INTERESTS

| | Consolidated | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Non-controlling interest – paid up capital in subsidiaries | 1,877 | 889 |
| Non-controlling interest – share of retained earnings/(accumulated losses) | (82) | (1,535) |
| Non-controlling interest – share of acquisition date net intangible assets recognised on consolidation ¹ | 5,499 | – |
| | 7,294 | (646) |
| Non-controlling interest – paid up capital in subsidiaries | | |
| Opening balance | 889 | 107 |
| Transactions with the Group | (105) | 93 |
| Capital acquired through business combination | – | 689 |
| Issue of shares through business combination | 941 | – |
| Issue of shares to non-controlling interests | 152 | – |
| Closing balance | 1,877 | 889 |
| Non-controlling interest – share of retained earnings/(accumulated losses) | | |
| Opening balance | (1,535) | (235) |
| Share of profit after income tax | 6,541 | 2,446 |
| Share of dividends | (901) | (329) |
| Share of distributions | (3,901) | (2,807) |
| Transactions with the Group | (218) | – |
| Retained earnings acquired through business combination | (68) | (610) |
| Closing balance | (82) | (1,535) |
| Non-controlling interest – share of acquisition date net intangible assets recognised on consolidation¹ | | |
| Opening balance | – | – |
| Reserves acquired through business combination ¹ | 5,693 | – |
| Share of profit after income tax | (194) | – |
| Closing balance | 5,499 | – |

¹ The non-controlling interest's share of acquisition date net intangible assets recognised on consolidation represents the non-controlling interest's proportionate share of the acquiree's identifiable net intangible assets recognised on consolidation including: trademarks, customer contracts and deferred tax liabilities.

NOTE 25. DIVIDENDS

| | Consolidated | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Dividends paid or declared | | |
| Dividends paid at \$0.048 per share (FY19: 0.019) fully franked at 30% | 10,667 | 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 \$0.022 per share (FY19: \$0.03) fully franked at 30% | 4,898 | 6,667 |
| 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 | 10,315 | 3,204 |

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 2020, 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

30 June 2020

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 statement 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 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 and (contracted) interest cash flows disclosed as remaining contractual maturities.

| | < 6 months \$'000 | 6-12 months \$'000 | 1-5 years \$'000 | > 5 years \$'000 | Total contractual cash flows \$'000 | Carrying amount \$'000 |
|-------------------------------------|----------------------|-----------------------|---------------------|---------------------|--|------------------------------|
| Consolidated – 2020 | | | | | | |
| Payables | 91,316 | – | – | – | 91,316 | 91,316 |
| Borrowings | 3,617 | 2,223 | 16,995 | – | 22,835 | 22,563 |
| Right-of-use lease liabilities | 2,242 | 2,046 | 11,747 | 1,883 | 17,918 | 15,892 |
| Total non-derivatives | 97,175 | 4,269 | 28,742 | 1,883 | 132,069 | 129,771 |
| Consolidated – Restated 2019 | | | | | | |
| Payables | 58,810 | – | – | – | 58,810 | 58,810 |
| Borrowings | 2,156 | 1,371 | 2,974 | – | 6,501 | 6,219 |
| Right-of-use lease liabilities | 1,158 | 1,231 | 7,223 | 3,220 | 12,832 | 11,022 |
| Total non-derivatives | 62,124 | 2,602 | 10,197 | 3,220 | 78,143 | 76,051 |

Accounting policy for financial instruments

Financial Assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group 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 Instruments).

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 Group'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 | |
|------------------------------|------------------|------------------|
| | 2020 \$ | 2019 \$ |
| Short-term employee benefits | 2,895,142 | 2,832,032 |
| Post-employment benefits | 93,991 | 105,164 |
| Long-term employee benefits | 21,307 | 9,977 |
| Share based payments | 490,519 | 215,799 |
| | 3,500,959 | 3,162,972 |

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 Group:

| | Consolidated | |
|---|--------------|------------|
| | 2020 \$ | 2019 \$ |
| Audit services | | |
| Audit or review of the financial statements | 347,500 | 312,500 |
| Other audit services | 167,500 | – |
| | 515,000 | 312,500 |
| Other services | | |
| Accounting and taxation compliance | 218,000 | 254,385 |
| Other advisory services | 117,229 | 71,252 |
| Corporate finance | 40,000 | 27,100 |
| Corporate secretarial | 83,469 | 82,891 |
| Other | 17,880 | 9,578 |
| | 476,578 | 445,206 |
| Amounts paid and payable to network firms of Pitcher Partners¹ for: | | |
| Other advisory services | 5,018 | 120,172 |
| Total remuneration for audit and other services | 996,596 | 877,878 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

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

NOTE 29. CONTINGENT LIABILITIES

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

| | Consolidated | |
|---|--------------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Estimates of the maximum amounts of contingent liabilities that may become payable: | | |
| Bank guarantees | 6,736 | 6,940 |

NOTE 30. COMMITMENTS

| | Consolidated | |
|--|---------------|---------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Expenditure commitments contracted for: | | |
| Contracted construction commitments | | |
| Within one year | 85,905 | 77,295 |

NOTE 31. RELATED PARTY TRANSACTIONS

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

During the current 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 as a 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 \$34,912 (GST: nil) (FY19: \$12,634 (GST: nil)). These amounts have been included in salary and fees within the Remuneration Report.

During FY20 the Group paid \$9,059 (plus GST) (FY19: \$15,919 (plus GST)) 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 unitholder of EBH. The arrangement is 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 FY20 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 \$276,947 (plus GST) (FY19: \$292,744 (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, demolition and construction work at 719-721 Whitehorse Road, Mont Albert (VIC). Is My CV is owned by Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Pip Turnbull, Curt Mudd and other unitholders. During FY20 the cost of work totalled \$2,942,107 (plus GST) (FY19: \$253,201 (plus GST)). The arrangement is on an arm's length basis and on commercial terms.

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 January 2020. The scope of work completed totalled \$130,725 (plus GST). This project was completed on an arm's length basis and on commercial terms.

Johns Lyng Insurance Building Solutions (VIC) Pty Ltd ATF Johns Lyng Insurance Building Solutions (Victoria) Unit Trust completed renovations at EBH Leasehold Pty Ltd ATF EBH Leasehold Unit Trust ('EBH') for the period December 2019 to June 2020. The scope of work completed totalled \$434,078 (plus GST). Scott Didier AM is a director and sole unitholder of EBH. This project was completed 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. Four 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 Trump Investments Trust. Premises: 17 Capital Place, Carrum Downs, Victoria 3201 | Scott Didier AM is a director of Trump Investments Pty Ltd and sole unitholder of Trump Investments Trust. | FY20: \$156,389 (plus GST) FY19: \$164,632 (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 of Trump Sunshine Pty Ltd and a unitholder of Trump Sunshine Trust (through Trump Investments Trust). | FY20: \$118,921 (plus GST) FY19: \$107,160 (plus GST) |
| Landlord: 1 Williamsons Road Pty Ltd ACN 130 622 187 ATF 1 Williamsons Road Unit Trust. Premises: 1 Williamsons Road, 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, Pip Turnbull, Curt Mudd and other unitholders own the units in Johns Lyng Investments Unit Trust. | FY20: \$392,532 (plus GST) FY19: \$382,049 (plus GST) |
| Landlord: Is My Software Pty Ltd ACN 136 024 256 ATF Is My Software Unit Trust. Premises: 3 Williamsons Road, Doncaster, Victoria 3108 | Scott Didier AM, Lindsay Barber, Matthew Lunn, Adrian Gleeson, Pip Turnbull, Curt Mudd and other unitholders own the units in Is My Software Unit Trust. | FY20: \$22,500 (plus GST) FY19: \$nil |

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

Related party loans - receivable

| | Consolidated | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Johns Lyng Investments Pty Ltd ATF Johns Lyng Investments Unit Trust ¹ | 15 | 25 |
| Total related party loans – receivable | 15 | 25 |

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

Arrangements discontinued during FY20

During FY20 the Group paid \$60,000 (plus GST) (FY19: \$72,000 (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 of Trump Yacht Charters Pty Ltd and sole unitholder of Trump Yacht Charters Trust. The arrangement is on an arm's length basis and on commercial terms. The arrangement was discontinued during FY20.

Arrangements discontinued during FY19

During FY19 the Group paid \$18,701 (plus GST) for aviation services to ADD Aviation Services Pty Ltd ATF ADD Aviation Services Unit Trust ('ADD'). Scott Didier AM is a unitholder of ADD. 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 2020

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 | |
|--|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| Profit after income tax | 14,840 | 10,711 |
| Total comprehensive income | 14,840 | 10,711 |
| <i>Statement of financial position</i> | | |
| Total current assets | 62,997 | 57,401 |
| Total assets | 85,141 | 79,471 |
| Total current liabilities | (6,661) | (6,119) |
| Total liabilities | (6,661) | (6,119) |
| Equity | | |
| Issued capital | 60,460 | 60,160 |
| Options reserve | 1,287 | 631 |
| Retained earnings | 16,733 | 12,561 |
| Total equity | 78,480 | 73,352 |

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 2020 (2019: nil).

Contingent liabilities

The Parent Entity had no contingent liabilities as at 30 June 2020 (2019: nil).

Capital commitments

The Parent Entity had no capital commitments as at 30 June 2020 (2019: 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.

Where the Group's equity interest in a subsidiary is less than 50%, control is established through its share of voting rights in the entity.

| | | | Ownership interest | |
|------|--|-----------|--------------------|---------|
| Name | Principal place of business / country of incorporation | 2020 % | 2019 % | |
| 1 | Johns Lyng Unit Trust | Australia | 100.00% | 100.00% |
| 2 | Johns Lyng Victoria Unit Trust | Australia | 93.00% | 98.00% |
| 3 | Johns Lyng Makesafe Emergency Builders (Victoria) Unit Trust | Australia | 86.03% | 90.70% |
| 4 | Johns Lyng Express Claims (VIC) Unit Trust | Australia | 83.70% | 88.20% |
| 5 | Johns Lyng Insurance Building Solutions (Victoria) Unit Trust | Australia | 93.00% | 98.05% |
| 6 | Johns Lyng Technical Claims (Vic) Unit Trust ¹ | Australia | – | 98.05% |
| 7 | Johns Lyng Major Claims (Vic) Unit Trust ¹ | Australia | – | 98.05% |
| 8 | Johns Lyng Building Solutions (Vic) Unit Trust ¹ | Australia | – | 98.05% |
| 9 | Restorx (VIC) Unit Trust | Australia | 87.21% | 91.89% |
| 10 | Restorx (VIC) Insurance Services Unit Trust | Australia | 87.21% | 92.10% |
| 11 | Restorx (VIC) Major Loss Unit Trust | Australia | 87.21% | 91.89% |
| 12 | Restorx (VIC) Delivery Unit Trust | Australia | 87.21% | 91.89% |
| 13 | Restorx (VIC) Biohazard Services Unit Trust | Australia | 78.49% | 87.30% |
| 14 | Johns Lyng (VIC) Regional Unit Trust | Australia | 93.00% | 98.20% |
| 15 | Johns Lyng (VIC) Gippsland Unit Trust | Australia | 88.35% | 95.74% |
| 16 | Johns Lyng (VIC) Geelong Unit Trust | Australia | 93.00% | 98.20% |
| 17 | Johns Lyng (VIC) North Unit Trust | Australia | 88.35% | 98.24% |
| 18 | JLG SC Victoria Unit Trust | Australia | 93.00% | 98.00% |
| 19 | Johns Lyng Hazrem Unit Trust (trading as 'Aztech') | Australia | 93.00% | 98.00% |
| 20 | Johns Lyng Insurance Building Solutions (Tasmania) Unit Trust | Australia | 74.40% | 78.40% |
| 21 | Johns Lyng Insurance Builders (Vic) Unit Trust (Dormant) | Australia | 93.00% | 98.00% |
| 22 | Johns Lyng NSW Unit Trust | Australia | 90.00% | 90.38% |
| 23 | Johns Lyng Makesafe Emergency Builders (NSW) Unit Trust | Australia | 85.50% | 85.86% |
| 24 | Johns Lyng Express Building Solutions (NSW) Unit Trust | Australia | 85.50% | 85.86% |
| 25 | Johns Lyng Insurance Building Solutions (NSW) Unit Trust | Australia | 86.63% | 86.99% |
| 26 | Restorx NSW Unit Trust | Australia | 81.00% | 85.86% |
| 27 | Restorx (NSW) Major Loss Unit Trust | Australia | 76.95% | – |
| 28 | Johns Lyng (NSW) Regional Unit Trust | Australia | 85.50% | 85.86% |
| 29 | Johns Lyng (ACT) Unit Trust | Australia | 81.23% | 81.57% |
| 30 | JLG SC NSW Unit Trust | Australia | 85.50% | 90.38% |
| 31 | Johns Lyng Strata NSW Unit Trust | Australia | 90.00% | – |
| 32 | Johns Lyng Commercial Builders (NSW) Unit Trust (Dormant) ¹ | Australia | – | 90.38% |

¹ Entity wound up in FY20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 33. INTERESTS IN SUBSIDIARIES (continued)

| | | | Ownership interest | |
|------|--|-----------|--------------------|---------|
| Name | Principal place of business / country of incorporation | 2020 % | 2019 % | |
| 33 | Johns Lyng Queensland Unit Trust | Australia | 96.40% | 92.81% |
| 34 | Johns Lyng Makesafe Emergency Builders (QLD) Unit Trust | Australia | 96.40% | 92.81% |
| 35 | Johns Lyng Express Building Solutions (QLD) Unit Trust | Australia | 91.58% | 90.67% |
| 36 | Johns Lyng Insurance Building Solutions (Brisbane) Unit Trust | Australia | 96.40% | 92.81% |
| 37 | Restorx Services QLD Unit Trust | Australia | 96.40% | 90.49% |
| 38 | Johns Lyng (QLD) Regional Unit Trust | Australia | 91.58% | 88.17% |
| 39 | Johns Lyng (QLD) Gold Coast Unit Trust | Australia | 91.58% | 88.17% |
| 40 | Johns Lyng (QLD) Central Unit Trust | Australia | 87.00% | 85.97% |
| 41 | Johns Lyng (QLD) North Unit Trust | Australia | 91.58% | 88.17% |
| 42 | JLG SC Queensland Unit Trust | Australia | 96.40% | 92.81% |
| 43 | Trump Ceramic & Timber Unit Trust | Australia | 96.40% | 92.81% |
| 44 | Johns Lyng Northern Territory Unit Trust | Australia | 96.40% | 83.53% |
| 45 | Johns Lyng Insurance Building Solutions (QLD) Unit Trust (Dormant) | Australia | 96.40% | 92.81% |
| 46 | Johns Lyng Insurance Building Solutions (WA) Unit Trust | Australia | 87.50% | 87.50% |
| 47 | Restorx (WA) Unit Trust | Australia | 87.50% | 87.50% |
| 48 | JLG SC Western Australia Unit Trust | Australia | 87.50% | 87.50% |
| 49 | Johns Lyng Insurance Building Solutions (SA) Unit Trust | Australia | 87.50% | 98.00% |
| 50 | Johns Lyng USA, LLC | USA | 100.00% | 100.00% |
| 51 | Johns Lyng Intermediary Holdings, LLC | USA | 100.00% | – |
| 52 | Steamatic Property, LLC | USA | 100.00% | – |
| 53 | Steamatic of Nashville Real Property Holdings, LLC | USA | 100.00% | – |
| 54 | Johns Lyng Florida, LLC | USA | 100.00% | 100.00% |
| 55 | Steamatic, LLC (formerly Johns Lyng Restoration, LLC) | USA | 85.00% | 100.00% |
| 56 | Steamatic Operating Holdings, LLC | USA | 100.00% | – |
| 57 | Steamatic of Nashville, LLC | USA | 100.00% | – |
| 58 | Johns Lyng Strata Services Unit Trust | Australia | 80.00% | – |
| 59 | Johns Lyng Strata Services Victoria Unit Trust | Australia | 80.00% | – |
| 60 | Johns Lyng Strata Services Queensland Unit Trust | Australia | 80.00% | – |
| 61 | Johns Lyng Strata Management Pty Ltd | Australia | 100.00% | – |
| 62 | Bright & Duggan Group Pty Ltd | Australia | 45.50% | – |
| 63 | Esquire Property Group Pty Ltd | Australia | 45.50% | – |
| 64 | Bright & Duggan (Hunter) Pty Ltd | Australia | 23.21% | – |
| 65 | Bright & Duggan Pty Ltd | Australia | 45.50% | – |
| 66 | Bright & Duggan (QLD) Pty Ltd | Australia | 45.50% | – |
| 67 | On To It Pty Ltd | Australia | 45.50% | – |

¹ Entity wound up in FY20.

| | | | Ownership interest | |
|------|---|-------------|--------------------|---------|
| Name | Principal place of business / country of incorporation | 2020 % | 2019 % | |
| 68 | City Strata Management Pty Ltd | Australia | 45.50% | – |
| 69 | CMS Holdings (Mirvac) Pty Ltd | Australia | 45.50% | – |
| 70 | Cambridge Management Services Pty Ltd | Australia | 45.50% | – |
| 71 | Cambridge Management Services (Hunter) Pty Ltd | Australia | 23.21% | – |
| 72 | Focus Community Management Pty Ltd | Australia | 45.50% | – |
| 73 | Capitol Strata Management (Holdings) Pty Ltd | Australia | 38.68% | – |
| 74 | Capitol Strata Management (Brisbane) Pty Ltd | Australia | 38.68% | – |
| 75 | Capitol Strata Management (Redcliffe) Pty Ltd | Australia | 38.68% | – |
| 76 | Capitol Strata Management (Gold Coast) Pty Ltd | Australia | 38.68% | – |
| 77 | Johns Lyng Trump Unit Trust | Australia | 100.00% | 100.00% |
| 78 | Trump Property Maintenance (VIC) Pty Ltd | Australia | 56.00% | 51.00% |
| 79 | Trump Floorcoverings Victoria Unit Trust | Australia | 56.00% | 51.00% |
| 80 | Floorcoverings Unit Trust | Australia | 90.00% | 90.00% |
| 81 | Trump Floorcoverings QLD Pty Ltd | Australia | 85.00% | 80.00% |
| 82 | Global Home Response Unit Trust | Australia | 95.00% | 90.00% |
| 83 | Global Home Response NZ Limited | New Zealand | 95.00% | 90.00% |
| 84 | Global Trade Unit Trust | Australia | 76.00% | – |
| 85 | Johns Lyng Shopfit Services Unit Trust | Australia | 85.00% | 95.00% |
| 86 | Global 360 Unit Trust | Australia | 95.00% | 85.00% |
| 87 | Johns Lyng Glass Unit Trust (Dormant) | Australia | 100.00% | 100.00% |
| 88 | Johns Lyng DFS Pty Ltd | Australia | 100.00% | 90.00% |
| 89 | Dressed For Sale Australia Pty Ltd | Australia | 65.00% | 50.97% |
| 90 | Furniture Rentals Australia Holdings Pty Ltd | Australia | 65.00% | – |
| 91 | Johns Lyng Air Control Unit Trust | Australia | 100.00% | – |
| 92 | Vanzis Unit Trust (trading as 'Air Control Australia') | Australia | 60.00% | – |
| 93 | Johns Lyng Commercial Builders Unit Trust | Australia | 100.00% | 100.00% |
| 94 | Modlife Constructions Unit Trust (Dormant) ¹ | Australia | – | 100.00% |
| 95 | Johns Lyng Group International Holdings Pty Ltd (Dormant) | Australia | 100.00% | 100.00% |
| 96 | Restorx Australia Unit Trust (Dormant) | Australia | 100.00% | 100.00% |
| 97 | Trump Holdings (Aust) Pty Ltd (Dormant) ¹ | Australia | – | 100.00% |
| 98 | Johns Lyng Group IP Unit Trust (Dormant) | Australia | 100.00% | 100.00% |
| 99 | Johns Lyng Services Unit Trust | Australia | 100.00% | 100.00% |

¹ Entity wound up in FY20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 34. BUSINESS COMBINATIONS

Dressed for Sale Australia Pty Ltd

On 25 February 2019, the Group acquired a 56.6% controlling equity interest in 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: | \$'000 |
|--|--------------|
| Cash paid | 1,959 |
| Total purchase consideration | 1,959 |

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 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 nil (FY19: \$50,000) were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

Steamatic, LLC

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 39 US Franchisees (including 1 company owned Franchise) and 11 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: | | \$'000 |
|---|--|---------------|
| Cash paid | | 4,420 |
| Total purchase consideration | | 4,420 |

A potential earn-out amount of up to US \$1,900,000 is payable as follows:

- US \$100,000 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 \$1,900,000.

No earn-out amounts were paid between the acquisition date and the reporting date and no future earn-out payments are expected to be made.

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 | | 800 |
| Total purchase consideration | | 4,420 |

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 nil (FY19: \$289,000) were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 34. BUSINESS COMBINATIONS (continued)

Bright & Duggan Group Pty Ltd

On 13 August 2019 (effective 1 July 2019), the Group acquired a 51% voting (46% economic) controlling equity 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: | \$'000 |
|--|---------------|
| Cash paid | 13,791 |
| Deferred and contingent consideration | 4,251 |
| Total purchase consideration | 18,042 |

A potential earn-out of up to \$3,448,000 is payable based on the financial performance of Bright & Duggan for FY20. Accordingly, the Group has recognised a potential earn-out liability within 'Sundry creditors and accruals' per note 16 in the amount of \$3,448,000 at the reporting date being the maximum earn-out payable.

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 | |
| Cash and cash equivalents | 8,297 |
| Trade and other receivables | 3,391 |
| Current tax assets | 1,313 |
| Other current assets | 327 |
| Property, plant and equipment | 1,624 |
| Trademarks | 2,179 |
| Customer contracts | 12,744 |
| Right-of-use assets | 3,598 |
| Trade and other payables | (2,137) |
| Borrowings | (11,430) |
| Employee provisions | (2,217) |
| Right-of-use lease liabilities | (3,598) |
| Deferred tax liabilities | (3,877) |
| Net identifiable assets acquired | 10,214 |
| Add: goodwill | 13,409 |
| Less: non-controlling interests | (5,581) |
| Total purchase consideration | 18,042 |

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 \$279,000 (FY19: nil) were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

Steamatic Nashville, LLC

On 18 January 2020 (effective 1 January 2020), the Group acquired 100% of the trade and business assets of Steamatic Nashville (USA). Steamatic Nashville (USA) is a water, fire and flood restoration services company and an existing Franchisee of Steamatic, LLC.

The acquisition is in-line with the Group's US strategy which includes acquiring appropriate existing Franchisees and operating company owned locations.

Control was obtained via an asset purchase.

| Details of the purchase consideration: | | \$'000 |
|---|--|---------------|
| Cash paid | | 1,730 |
| Total purchase consideration | | 1,730 |

Assets and liabilities acquired

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

| | | \$'000 |
|--|--|---------------|
| Assets and liabilities acquired | | |
| Inventory | | 281 |
| Property, plant and equipment | | 1,449 |
| Net identifiable assets acquired | | 1,730 |
| Add: goodwill | | – |
| Total purchase consideration | | 1,730 |

Contractual amounts

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

Transaction costs

Transaction costs of \$110,000 (FY19: nil) were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 34. BUSINESS COMBINATIONS (continued)

Capitol Strata Management (Holdings) Pty Ltd (provisionally accounted)

On 3 February 2020 (effective 31 January 2020), the Group acquired an 85% controlling equity interest (via its subsidiary, Bright & Duggan) in Queensland based Capitol Strata Management (Holdings) Pty Ltd ('Capitol Strata') – a leading strata and property management business with a portfolio of more than 16,000 properties across more than 1,250 strata schemes.

The strategic rationale was a 'bolt-on' acquisition for Bright & Duggan in-line with the Group's strata management strategy.

Control was obtained via a share purchase.

| Details of the purchase consideration: | \$'000 |
|--|--------------|
| Cash paid | 7,154 |
| Total purchase consideration | 7,154 |

Assets and liabilities acquired

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

| | \$'000 |
|--|--------------|
| Assets and liabilities acquired | |
| Cash and cash equivalents | 885 |
| Trade and other receivables | 147 |
| Accrued income | 72 |
| Other current assets | 144 |
| Right-of-use assets | 874 |
| Deferred tax assets | 141 |
| Trade and other payables | (416) |
| Current tax liabilities | (90) |
| Employee provisions | (292) |
| Right-of-use lease liabilities | (874) |
| Income in advance | (298) |
| Net identifiable assets acquired | 293 |
| Add: goodwill | 6,905 |
| Less: non-controlling interests | (44) |
| Total purchase consideration | 7,154 |

The initial accounting for the acquisition of Capitol Strata 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 Capitol Strata 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 \$118,000 (FY19: nil) were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

Furniture Rentals Australia Holdings Pty Ltd (provisionally accounted)

On 23 March 2020 (effective 29 February 2020), the Group (via its subsidiary, Dressed for Sale) acquired a 100% equity interest in Furniture Rentals Australia Holdings Pty Ltd (trading as Advantage Styling ('Advantage')).

The strategic rationale was a 'bolt-on' acquisition for Dressed for Sale – expanding existing operations from VIC and SA into NSW.

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

| Details of the purchase consideration: | | \$'000 |
|--|--|---------------|
| Cash paid | | 1,965 |
| Shares issued (Dressed for Sale Australia Pty Ltd) | | 941 |
| Total purchase consideration | | 2,906 |

A potential earn-out is payable based on the financial performance of Advantage in FY20 and FY21.

The Group does not expect any amounts to be payable in respect of the potential earn-out.

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 | | |
| Cash and cash equivalents | | 97 |
| Trade and other receivables | | 279 |
| Current tax assets | | 3 |
| Property, plant & equipment | | 957 |
| Right-of-use assets | | 2,923 |
| Trade and other payables | | (1,101) |
| Borrowings | | (474) |
| Employee provisions | | (216) |
| Right-of-use lease liabilities | | (2,923) |
| Net identifiable assets/(liabilities) acquired | | (455) |
| Add: goodwill | | 3,361 |
| Total purchase consideration | | 2,906 |

The initial accounting for the acquisition of Advantage 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 Advantage 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 \$95,000 (FY19: nil) were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 34. BUSINESS COMBINATIONS (continued)

Air Control Australia Pty Ltd (provisionally accounted)

On 3 April 2020 (effective 31 January 2020), the Group acquired a 60% controlling equity interest in Melbourne based Air Control Australia Pty Ltd ATF Vanzis Unit Trust ('Air Control'). Air Control is a leading heating, ventilation and air conditioning mechanical services business.

The strategic rationale was to diversify into a 'complementary adjacency' partnering with high calibre management.

Control was obtained via a share purchase.

| Details of the purchase consideration: | \$'000 |
|--|--------------|
| Cash paid | 1,622 |
| Shares issued | 300 |
| Deferred and contingent consideration | 626 |
| Total purchase consideration | 2,548 |

A potential earn-out is payable based on the financial performance of Air Control in FY20 and FY21. Accordingly, the Group has recognised a potential earn-out liability within 'Sundry creditors and accruals' per note 16 in the amount of \$400,000 being the estimated amount of the potential earn-out payable.

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 | |
| Cash and cash equivalents | 246 |
| Trade and other receivables | 1,684 |
| Inventories | 92 |
| Other current assets | 5 |
| Property, plant and equipment | 254 |
| Right-of-use assets | 232 |
| Trade and other payables | (1,556) |
| Borrowings | (263) |
| Income in advance | (4) |
| Employee provisions | (458) |
| Right-of-use lease liabilities | (232) |
| Net identifiable assets acquired | – |
| Add: goodwill | 2,548 |
| Less: non-controlling interests | – |
| Total purchase consideration | 2,548 |

The initial accounting for the acquisition of Air Control 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 Air Control 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 \$10,000 (FY19: nil) were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

NOTE 35. CASH FLOW INFORMATION

| | Consolidated | |
|---|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| (a) Reconciliation of cash: | | |
| Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows: | | |
| Cash on hand | 25 | 14 |
| Cash at bank | 46,561 | 29,867 |
| At call deposits with financial institutions | 182 | 182 |
| | 46,768 | 30,063 |
| (b) Reconciliation of cash flow from operating activities with profit after income tax | | |
| Profit after income tax for the year | 22,197 | 15,616 |
| Depreciation and amortisation | 8,104 | 5,210 |
| Net (gain)/loss on disposal of property, plant and equipment | (57) | (241) |
| Movement in foreign currency translation reserve | (84) | (46) |
| Foreign currency translation differences | (89) | – |
| Share based payments expense | 798 | 273 |
| Proceeds from sale of business | – | (4,503) |
| Change in operating assets and liabilities (excluding those assumed on acquisition): | | |
| Decrease/(increase) in trade and other receivables | (716) | (15,493) |
| Decrease/(increase) in inventories | (649) | 14 |
| Decrease/(increase) in accrued income | (11,855) | (5,986) |
| Decrease/(increase) in other current assets | 3 | (160) |
| Decrease/(increase) in deferred tax assets | (872) | (138) |
| Increase/(decrease) in trade and other payables | 22,672 | 17,264 |
| Increase/(decrease) in provision for income tax | 1,037 | 749 |
| Increase/(decrease) in employee provisions | 1,115 | 384 |
| Increase/(decrease) in income in advance | 8,633 | 6,003 |
| Net cash from operating activities | 50,237 | 18,946 |
| (c) Reconciliation of liabilities arising from financing activities | | |

Proceeds from borrowings during the year amounted to \$25,845,000 (FY19: \$836,000). Borrowings were repaid during the year of \$21,214,000, (FY19: \$728,000). Repayments were made in relation to hire purchase liabilities of \$3,239,000 (FY19: \$1,629,000) and right-of-use (principal) lease liabilities of \$3,305,000 (FY19: \$1,549,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

NOTE 36. EARNINGS PER SHARE

| | Consolidated | |
|--|----------------|----------------------------|
| | 2020 \$'000 | Restated 2019 \$'000 |
| Profit after income tax | 22,197 | 15,616 |
| Non-controlling interest | (6,347) | (2,446) |
| Profit after income tax attributable to the owners of Johns Lyng Group | 15,850 | 13,170 |

| | Number | Number |
|---|-------------|-------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 222,261,507 | 221,851,424 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 222,744,951 | 222,055,090 |

| | Cents | Cents |
|----------------------------|-------|-------|
| Basic earnings per share | 7.13 | 5.94 |
| Diluted earnings per share | 7.12 | 5.93 |

NOTE 37. SHARE BASED PAYMENTS

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

| | Consolidated | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Value of new shares issued under the Employee Share Loan Plan (Loan Funded Shares) | 29 | 19 |
| Value of share based incentives (Performance Rights) issued under the Executive Incentive Plan | 769 | 368 |
| | 798 | 387 |

Loan Funded Shares

On 10 December 2019, the Company issued a total of 28,114 Loan Funded Ordinary Shares ('Loan Funded Shares') to Directors of the Group at \$1.78 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 | 10 December 2019 | 30 November 2018 | 18 October 2017 |
|------------------------|------------------|------------------|-----------------|
| Grant date share price | \$1.78 | \$0.89 | \$1.00 |
| Volatility | 40% | 40% | 45% |
| Dividend yield | 1.42% | 2.29% | 2.70% |
| Risk-free rate | 1.11% | 2.59% | 2.72% |
| Fair value | \$1.04 | \$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 actual versus forecast Net Profit After Tax.

NOTE 38. EVENTS AFTER THE REPORTING PERIOD

On 25 August 2020, the Board declared a final dividend of 2.2 cents per share (fully franked). This final dividend is in addition to the previously announced half year (interim) dividend of 1.8 cents per share (fully franked), totalling 4.0 cents per share (fully franked) and representing 56% of NPAT attributable to the owners of Johns Lyng Group for FY20.

The final dividend will be paid on 15 September 2020 with a record date of entitlement of 31 August 2020.

There are no other matters or circumstances that have arisen since 30 June 2020 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.

DIRECTORS' DECLARATION

30 June 2020

The Directors declare that:

1. In the Directors' opinion, the financial statements and notes thereto, as set out on pages 54 to 99, 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) complying with International Financial Reporting Standards as stated in note 2(a) of the consolidated financial statements; and
 - (c) giving a true and fair view of the financial position of the Group as at 30 June 2020 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 2020.

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

On behalf of the Directors



Peter Nash
Chairman

25 August 2020



Scott Didier AM
Managing Director

25 August 2020

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



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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 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and 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 2020 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 (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report 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.

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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 matter | How our audit addressed the key audit matter |
|--|--|
| <p>Recognition of work in progress on construction contracts - accrued income (\$34,041,000) and income in advance (\$23,602,000)</p> <p>Refer note 3, note 11 and note 20.</p> | |
| <p>For the year ended 30 June 2020, the Group's revenue from construction contracts and other service revenue totalled \$495m. 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 revenue recognition; • 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; • Assessing the revenue recognition for compliance with AASB 15 <i>Revenue from Contracts with Customers</i>; and • Assessing the adequacy of the disclosures in the financial statements. |

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

| | |
|--|--|
| <p>Impairment of intangible assets (\$50,677,000)</p> <p>Refer note 3 and note 14</p> | |
| <p>In assessing impairment of intangible assets, management have estimated the value in use for each relevant cash generating unit ("CGU").</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 2020.</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, terminal value 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; • Engaging an internal expert to evaluate the discount rate adopted by management in comparison to a reasonable range of alternatives; and • Assessing the adequacy of the disclosures in the financial statements. |

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

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 2020, 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.

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

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.

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

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

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 42 to 51 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Johns Lyng Group Limited, for the year ended 30 June 2020, 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.

Handwritten signature of N R Bull in black ink.

N R BULL
Partner

25 August 2020

Handwritten signature of a representative of Pitcher Partners in black ink.

PITCHER PARTNERS
Melbourne

SHAREHOLDER INFORMATION

30 June 2020

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 20 July 2020 ('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 | 25.90% |
| – Trump Investments Pty Limited/ Scott Didier AM | Ordinary Shares | 540,000 | 0.24% |
| – Trump One Pty Limited/ Scott Didier AM | Ordinary Shares | 127,507 | 0.06% |
| – Yvette & Scott Investments Pty Ltd/ Scott Didier AM | Ordinary Shares | 4,219 | 0.00% |
| Total – Scott Didier AM | Ordinary Shares | 58,330,688 | 26.20% |
| Abilas Holdings Australia Pty Ltd/ Lindsay Barber | Ordinary Shares | 13,830,678 | 6.21% |
| JLG Share Custodians Pty Ltd/ Lindsay Barber | Ordinary Shares | 1,643,800 | 0.74% |
| Abilas Super Pty Ltd/ Lindsay Barber | Ordinary Shares | 308,200 | 0.14% |
| Total – Lindsay Barber | Ordinary Shares | 15,782,678 | 7.09% |
| QVG Capital | Ordinary Shares | 13,849,048 | 6.22% |
| Wilson Asset Management Group | Ordinary Shares | 12,435,995 | 5.59% |

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 | 1,950 |

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 1,950 holders of a total of 222,648,346 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.

SHAREHOLDER INFORMATION

30 June 2020

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 | % |
|------------------|--------------|-----------------------|----------------|
| 1 – 1,000 | 529 | 275,347 | 0.12% |
| 1,001 – 5,000 | 682 | 1,958,140 | 0.88% |
| 5,001 – 10,000 | 262 | 2,183,915 | 0.98% |
| 10,001 – 100,000 | 401 | 13,212,647 | 5.93% |
| >100,000 | 76 | 205,018,297 | 92.09% |
| Total | 1,950 | 222,648,346 | 100.00% |

Distribution of performance rights holders (FY18 LTI – tranche 3)

| Holdings ranges | Holders | Total performance rights (in class) | % |
|------------------|----------|-------------------------------------|----------------|
| 1 – 1,000 | – | – | – |
| 1,001 – 5,000 | – | – | – |
| 5,001 – 10,000 | – | – | – |
| 10,001 – 100,000 | 9 | 131,108 | 100.00% |
| >100,000 | – | – | – |
| Total | 9 | 131,108 | 100.00% |

Distribution of performance rights holders (FY19 LTI – tranche 2)

| Holdings ranges | Holders | Total performance rights (in class) | % |
|------------------|----------|-------------------------------------|----------------|
| 1 – 1,000 | – | – | – |
| 1,001 – 5,000 | – | – | – |
| 5,001 – 10,000 | – | – | – |
| 10,001 – 100,000 | 9 | 128,258 | 100.00% |
| >100,000 | – | – | – |
| Total | 9 | 128,258 | 100.00% |

Distribution of performance rights holders (FY19 LTI – tranche 3)

| Holdings ranges | Holders | Total performance rights (in class) | % |
|------------------|----------|-------------------------------------|----------------|
| 1 – 1,000 | – | – | – |
| 1,001 – 5,000 | – | – | – |
| 5,001 – 10,000 | – | – | – |
| 10,001 – 100,000 | 9 | 128,258 | 100.00% |
| >100,000 | – | – | – |
| Total | 9 | 128,258 | 100.00% |

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 | 1,947 |
| Fully paid ordinary shares restricted until 25 August 2020 ¹ | 3 |
| Performance rights (FY18 LTI – tranche 3) | 9 |
| Performance rights (FY19 LTI – tranche 2) | 9 |
| Performance rights (FY19 LTI – tranche 3) | 9 |

¹ On lodgement of FY20 Annual Report with ASX

Escrow

| Class of restricted securities | Type of restriction | Number of securities | End date of escrow period |
|--------------------------------|---------------------|----------------------|-----------------------------|
| Ordinary shares | Voluntary escrow | 107,922 | 25 August 2020 ¹ |
| Total | | 107,922 | |

¹ On lodgement of FY20 Annual Report with ASX

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 |
|-----------------------|---------------------|-------------|---|
| 222,648,346 | 5,292 | 83 | – |

Unquoted equity securities

| Class of equity securities | Number of securities |
|--|----------------------|
| Performance rights (FY18 LTI – tranche 3) ¹ | 131,108 |
| Performance rights (FY19 LTI – tranche 2) ¹ | 128,258 |
| Performance rights (FY19 LTI – tranche 3) ² | 128,258 |
| Total | 387,624 |

¹ Performance rights vest between 1 July 2021 and 31 August 2021

² Performance rights vest between 1 July 2022 and 31 August 2022

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

SHAREHOLDER INFORMATION

30 June 2020

Twenty largest shareholders

The Company has only one class of quoted 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/ Scott Didier | 57,658,962 | 25.90% |
| 2 | HSBC Custody Nominees (Australia) Limited | 24,191,772 | 10.87% |
| 3 | J P Morgan Nominees Australia Pty Limited | 21,655,323 | 9.73% |
| 4 | Abilas Holdings Australia Pty Ltd | 13,830,678 | 6.21% |
| 5 | National Nominees Limited | 13,425,010 | 6.03% |
| 6 | Citicorp Nominees Pty Limited | 10,815,986 | 4.86% |
| 7 | BNP Paribas Nominees Pty Ltd | 6,888,619 | 3.09% |
| 8 | BNP Paribas Noms Pty Ltd | 6,397,078 | 2.87% |
| 9 | Steadfast Group Limited | 5,000,000 | 2.25% |
| 10 | EMJAY Capital Pty Ltd | 4,300,000 | 1.93% |
| 11 | NSC Collective Pty Ltd | 3,861,276 | 1.73% |
| 12 | John Mc Pty Ltd | 3,275,134 | 1.47% |
| 13 | UBS Nominees Pty Ltd | 3,156,676 | 1.42% |
| 14 | Rubi Holdings Pty Ltd | 2,254,586 | 1.01% |
| 15 | Milton Corporation Limited | 1,950,000 | 0.88% |
| 16 | Thomas Andrew Alvin & Sally Anne Alvin | 1,206,252 | 0.54% |
| 17 | P&T Folkard Investments P/L | 1,159,723 | 0.52% |
| 18 | Cottage Link Pty Ltd | 1,081,755 | 0.49% |
| 19 | St. Mudd Pty Ltd | 1,048,344 | 0.47% |
| 20 | Mr David Davidson | 1,000,000 | 0.45% |
| Total number of shares of top 20 holders | | 184,157,174 | 82.72% |

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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