

JOHNS LYNG  **GROUP**

JOHNS LYNG GROUP LIMITED

ABN 86 620 466 248

AND CONTROLLED ENTITIES

FINANCIAL REPORT

for the half-year ended 31 December 2021

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31 December 2021

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DIRECTORS' REPORT

31 December 2021

The Directors present their report, together with the financial statements of 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', or the 'Group') at the end of, or during the half-year ended 31 December 2021.

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 period.

DIRECTORS AND COMPANY SECRETARY

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

- Peter Nash (Chairman and Non-executive Director. Appointed 1 October 2017.)
- Scott Didier AM (Managing Director. Appointed 28 September 2017.)
- Lindsay Barber (Executive Director. Appointed 14 July 2017.)
- Adrian Gleeson (Executive Director. Appointed 28 September 2017.)
- Pip Turnbull (Executive Director. Appointed 17 June 2020.)
- Nick Carnell (Executive Director. Appointed 1 September 2020.)
- Robert Kelly (Non-executive Director. Appointed 1 December 2017.)
- Larisa Moran (Non-executive Director. Appointed 10 September 2018.)
- Curt Mudd (Non-executive Director. Appointed 1 December 2018.)
- Peter Dixon (Non-executive Director. Appointed 25 February 2020.)
- Hasaka Martin (Company Secretary. Appointed 23 February 2021.)

OPERATING AND FINANCIAL REVIEW

Financial information in the operating and financial review is based on the reviewed condensed consolidated financial statements for the half-year ended 31 December 2021.

Profit for the Group after providing for income tax and non-controlling interests amounted to \$11.7m (31 December 2020: \$9.6m).

- Sales revenue for the half-year ended 31 December 2021 of \$371.3m (31 December 2020: \$277.8m) was 33.6% higher as a result of various acquisitions detailed in note 10 of the Financial Report and increased activity and job volumes across all business segments.
- Gross margin for the half-year ended 31 December 2021 increased to 21.7% (31 December 2020: 20.8%) as a result of improved sales/job mix.
- Profit before tax for the half-year ended 31 December 2021 of \$26.8m (31 December 2020: \$20.4m) was 31.3% higher as a result of increased sales and gross profit relative to overhead expenses.
- Income tax expense for the half-year ended 31 December 2021 was \$8.2m (31 December 2020: \$6.3m).

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE DECLARATION

DIRECTORS' REPORT

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Peter Nash
Chairman

22 February 2022



Scott Didier AM
Managing Director

22 February 2022

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AUDITOR'S INDEPENDENCE DECLARATION

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

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

In relation to the independent auditor's review for the half-year ended 31 December 2021, 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 period.

N R BULL
Partner

22 February 2022

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	Note	Consolidated	
		31 December 2021 \$'000	31 December 2020 \$'000
Revenue			
Sales income	4	371,319	277,834
Cost of sales		(290,760)	(219,966)
Gross profit		80,559	57,868
Other revenue and income	4	976	2,130
Expenses			
Administration expenses		(998)	(749)
Advertising expenses		(1,344)	(805)
Depreciation and amortisation		(6,243)	(4,534)
Employee benefits expenses		(28,864)	(20,430)
Finance costs		(1,052)	(872)
Goodwill written off		–	(1,771)
Insurance expenses		(1,800)	(1,356)
IT expenses		(3,167)	(1,941)
Motor vehicle expenses		(2,123)	(1,683)
Occupancy expenses		(1,125)	(593)
Printing, postage and stationery expenses		(833)	(896)
Professional fees		(1,328)	(1,319)
Telephone and communication expenses		(968)	(771)
Transaction related expenses		(2,497)	(257)
Travel expenses		(593)	(313)
Other expenses		(1,849)	(1,333)
Total expenses		(54,784)	(39,623)
Profit before income tax		26,751	20,375
Income tax expense		(8,158)	(6,328)
Profit after income tax for the half-year		18,593	14,047
Other comprehensive income for the half-year			
Movement in foreign currency translation reserve		266	(131)
Total comprehensive income for the half-year		18,859	13,916
Profit for the half-year is attributable to:			
Owners of Johns Lyng Group		11,697	9,568
Non-controlling interest		6,896	4,479
		18,593	14,047
Total comprehensive income for the half-year is attributable to:			
Owners of Johns Lyng Group		11,963	9,437
Non-controlling interest		6,896	4,479
		18,859	13,916
		Cents	Cents
Earnings per share (EPS) for profit from continuing operations attributable to equity holders of the Parent Entity:			
Basic earnings per share		5.15	4.29
Diluted earnings per share		5.14	4.28

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		Consolidated	
	Note	31 December 2021 \$'000	30 June 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		52,745	43,313
Trade and other receivables		91,473	78,794
Inventories		1,208	825
Accrued income		41,181	40,711
Prepaid consideration for business acquisition	12(a)	203,002	–
Other current assets		2,132	2,930
Total current assets		391,741	166,573
Non-current assets			
Property, plant and equipment		21,284	15,260
Intangibles	5	78,733	48,158
Right-of-use assets		16,890	13,491
Deferred tax assets		6,809	4,883
Total non-current assets		123,716	81,792
Total assets		515,457	248,365
Liabilities			
Current liabilities			
Trade and other payables		107,238	99,208
Borrowings	6	13,488	6,757
Current tax payable		6,383	5,181
Employee provisions		11,046	7,522
Non-controlling interest liabilities		1,937	1,363
Right-of-use lease liabilities		5,402	3,976
Income in advance		27,966	23,710
Total current liabilities		173,460	147,717
Non-current liabilities			
Right-of-use lease liabilities		13,483	11,368
Borrowings	6	16,107	11,091
Deferred tax liabilities		4,784	4,171
Employee provisions		724	610
Total non-current liabilities		35,098	27,240
Total liabilities		208,558	174,957
Net assets		306,899	73,408
Equity			
Issued capital	7	288,633	64,651
Reserves	8	(18,932)	(19,826)
Retained earnings		26,124	20,737
Equity attributable to the owners of Johns Lyng Group		295,825	65,562
Non-controlling interests	9	11,074	7,846
Total equity		306,899	73,408

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

	Issued capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Consolidated – 31 December 2021	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	64,651	(19,826)	20,737	7,846	73,408
Profit for the half-year	–	–	11,697	6,896	18,593
Movement in foreign currency translation reserve	–	266	–	–	266
Total comprehensive income for the half-year	–	266	11,697	6,896	18,859
<i>Transactions with owners in their capacity as owners:</i>					
Transactions with non-controlling interests	–	(360)	–	39	(321)
Issue of shares in connection with business acquisition	4,940	–	–	1,638	6,578
Non-controlling interests recognised on business acquisition	–	–	–	142	142
Dividends	–	–	(6,310)	(1,367)	(7,677)
Distributions	–	–	–	(4,120)	(4,120)
Share based payments	–	1,787	–	–	1,787
Issue of shares – vesting of Performance Rights ¹	799	(799)	–	–	–
Issue of shares – Institutional Placement and ANREO	221,309	–	–	–	221,309
Issue of shares – exercise of call options	1,000	–	–	–	1,000
Share issue transaction expenses net of tax	(4,066)	–	–	–	(4,066)
Balance at 31 December 2021	288,633	(18,932)	26,124	11,074	306,899

¹ Issued under the Employee and Executive Incentive Plan.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2021

	Issued capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Consolidated – 31 December 2020	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	60,460	(20,656)	12,004	7,294	59,102
Profit for the half-year	–	–	9,568	4,479	14,047
Movement in foreign currency translation reserve	–	(131)	–	–	(131)
Total comprehensive income for the half-year	–	(131)	9,568	4,479	13,916
<i>Transactions with owners in their capacity as owners:</i>					
Transactions with non-controlling interests	–	476	–	–	476
Issue of shares in connection with business acquisition	3,372	–	–	–	3,372
Dividends	–	–	(4,898)	(1,387)	(6,285)
Distributions	–	–	–	(3,220)	(3,220)
Share based payments	5	519	–	–	524
Issue of shares – vesting of Performance Rights ¹	544	(544)	–	–	–
Balance at 31 December 2020	64,381	(20,336)	16,674	7,166	67,885

¹ Issued under the Employee and Executive Incentive Plan.

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2021

	Consolidated	
	31 December 2021 \$'000	31 December 2020 \$'000
Cash flows from operating activities		
Receipts from customers	406,007	314,502
Payments to suppliers and employees	(372,791)	(281,001)
Interest received	81	96
Finance costs	(1,052)	(872)
Income tax paid	(8,501)	(6,491)
Net cash from operating activities	23,744	26,234
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	151	494
Payments for property, plant and equipment	(2,587)	(1,792)
Payments for intangibles	(896)	–
Cash acquired on acquisition	1,088	–
Prepaid consideration for business acquisition	(203,002)	–
Payments for business acquisitions	(14,731)	–
Net cash used in investing activities	(219,977)	(1,298)
Cash flows from financing activities		
Proceeds from share issue	221,309	–
Proceeds from borrowings	10,100	–
Repayment of borrowings	(2,742)	(6,702)
Payments to non-controlling interests	(5,911)	(2,884)
Payments to related parties	(109)	(52)
Payment of right-of-use (principal) lease liabilities	(2,620)	(2,004)
Repayment of hire purchase liabilities	(2,243)	(1,919)
Dividends paid	(6,310)	(4,898)
Share issue transaction expenses	(5,809)	–
Net cash from/(used) in financing activities	205,665	(18,459)
Net increase in cash and cash equivalents	9,432	6,477
Cash and cash equivalents at the beginning of the financial half-year	43,313	46,768
Cash and cash equivalents at the end of the financial half-year	52,745	53,245

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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 22 February 2022. The Directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

These condensed consolidated financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 (Interim Financial Reporting) and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 (Interim Financial Reporting) ensures compliance with International Financial Reporting Standard IAS 34 (Interim Financial Reporting).

These condensed consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Except as described below, the accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2021.

(b) New accounting standards and interpretations issued

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year. There has been no material effect.

(c) Rounding of amounts

The Company is of a kind referred to in the *ASIC 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 3. 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's')) in assessing performance and in determining the allocation of resources.

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

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

Accounting policy for operating segments

Operating segments are presented using the 'management approach', whereby 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.

Operating segment information

	Insurance Building and Restoration Services	Commercial Building Services	Commercial Construction	Other	Intercompany eliminations	Total
Consolidated – 31 December 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Sales to external customers	298,018	25,980	47,151	170	–	371,319
Intersegment sales	5,802	3,528	–	1,051	(10,381)	–
Total sales revenue	303,820	29,508	47,151	1,221	(10,381)	371,319
Total other revenue and expenses	(272,159)	(26,138)	(45,964)	(3,440)	10,381	(337,320)
EBITDA¹	31,661	3,370	1,187	(2,219)	–	33,999
Depreciation and amortisation	(4,936)	(1,244)	(96)	33	–	(6,243)
Interest income	77	2	2	–	–	81
Finance costs	(865)	(134)	91	(144)	–	(1,052)
Banking facility arrangement fee amortisation	–	–	–	(34)	–	(34)
Profit/(loss) before income tax expense	25,937	1,994	1,184	(2,364)	–	26,751
Income tax expense						(8,158)
Profit after income tax expense						18,593

¹ EBITDA includes transaction related expenses of \$2,462,839 shown in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 3. OPERATING SEGMENTS (continued)

	Insurance Building and Restoration Services	Commercial Building Services	Commercial Construction	Other	Intercompany eliminations	Total
Consolidated – 31 December 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Sales to external customers	216,738	22,260	38,772	64	–	277,834
Intersegment sales	7,218	156	–	274	(7,648)	–
Total sales revenue	223,956	22,416	38,772	338	(7,648)	277,834
Total other revenue and expenses	(197,446)	(22,511)	(37,558)	(2,250)	7,648	(252,117)
EBITDA¹	26,510	(95)	1,214	(1,912)	–	25,717
Depreciation and amortisation	(3,438)	(1,100)	(25)	29	–	(4,534)
Interest income	87	7	2	–	–	96
Finance costs	(619)	(234)	(19)	–	–	(872)
Banking facility arrangement fee amortisation	–	–	–	(32)	–	(32)
Profit/(loss) before income tax expense	22,540	(1,422)	1,172	(1,915)	–	20,375
Income tax expense						(6,328)
Profit after income tax expense						14,047

¹ EBITDA includes transaction related expenses of \$225,537 and goodwill written off of \$1,770,929 shown in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 4. REVENUE AND OTHER INCOME

	Consolidated	
	31 December 2021 \$'000	31 December 2020 \$'000
Sales income		
Insurance Building and Restoration Services	298,018	216,738
Commercial Building Services	25,980	22,260
Commercial Construction	47,151	38,772
Other	170	64
	371,319	277,834
Other revenue and income		
Interest income	81	96
Profit on sale of property, plant and equipment	59	177
Other revenue	836	1,857
	976	2,130

NOTE 5. INTANGIBLES

	Consolidated	
	31 December 2021 \$'000	30 June 2021 \$'000
Goodwill	58,230	30,667
Trademarks	5,220	5,114
Customer contracts	15,354	12,744
Less: Accumulated amortisation	(1,395)	(1,020)
	13,959	11,724
Software	1,628	876
Less: Accumulated amortisation	(304)	(223)
	1,324	653
	78,733	48,158

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 5. INTANGIBLES (continued)

Reconciliations

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

Consolidated	Goodwill \$'000	Trademarks \$'000	Customer contracts \$'000	Software \$'000	Total \$'000
Balance at 30 June 2021	30,667	5,114	11,724	653	48,158
Additions	–	–	191	705	896
Additions through business acquisitions	27,537	–	2,419	50	30,006
Disposals	–	–	–	–	–
Foreign exchange movements	26	106	–	–	132
Amortisation expense	–	–	(375)	(84)	(459)
Balance at 31 December 2021	58,230	5,220	13,959	1,324	78,733

NOTE 6. BORROWINGS

	Consolidated	
	31 December 2021 \$'000	30 June 2021 \$'000
Current borrowings		
Secured:		
Other loans	–	1,587
Hire purchase	3,228	3,320
Bank loans	10,260	1,850
	13,488	6,757
Non-current borrowings		
Secured:		
Hire purchase	5,236	3,291
Bank loans	10,871	7,800
	16,107	11,091

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 7. EQUITY – ISSUED CAPITAL

	Consolidated			
	31 December 2021 Shares	30 June 2021 Shares	31 December 2021 \$'000	30 June 2021 \$'000
Ordinary shares – fully paid	257,850,958	224,099,475	288,633	64,651

Movements in ordinary share capital

Details	Date	Shares	\$'000
Opening balance	1 July 2021	224,099,475	64,651
Issue of shares – vesting of Performance Rights	1 July 2021	301,287	528
Issue of shares – business acquisition	29 July 2021	971,940	4,790
Issue of shares – vesting of Performance Rights	22 November 2021	40,274	271
Issue of shares – Loan Funded Shares	22 November 2021	8,201	–
Issue of shares – Institutional Placement and ANREO	21 December 2021	31,752,563	221,309
Issue of shares – business acquisition (earn-out)	21 December 2021	24,026	150
Issue of shares – exercise of call options	21 December 2021	234,810	1,000
Issue of shares – Loan Funded Shares	21 December 2021	418,382	–
Share issue transaction expenses net of tax		–	(4,066)
Balance	31 December 2021	257,850,958	288,633

Loan Funded Shares

Peter Nash (Chairman) was issued 8,201 Loan Funded Shares during the half-year ended 31 December 2021. Under the terms of his contract, he is entitled to \$50,000 worth of Loan Funded Shares on each anniversary date of his appointment.

418,382 Loan Funded Shares were issued during the half-year ended 31 December 2021 to various executives under the Employee and Executive Incentive Plan. The Loan Funded Share issue was a reward for the successful acquisition of Reconstruction Holdings Inc. as detailed in note 12(a).

In accordance with relevant accounting standards, the Loan Funded Shares have been classified as options and are therefore not recognised within share capital.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 8. EQUITY – RESERVES

	Consolidated	
	31 December 2021 \$'000	30 June 2021 \$'000
Foreign currency translation reserve	(254)	(520)
Options reserve	2,920	1,932
Changes in subsidiary interests reserve	(21,598)	(21,238)
Balance at 31 December 2021	(18,932)	(19,826)

Movements in reserves

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

	Foreign currency translation reserve	Options reserve	Changes in subsidiary interests reserve	Total
Consolidated	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	(520)	1,932	(21,238)	(19,826)
Transactions with non-controlling interests	–	–	(360)	(360)
Movement in foreign currency translation reserve	266	–	–	266
Share based payments	–	1,787	–	1,787
Issue of shares - vesting of Performance Rights ¹	–	(799)	–	(799)
Balance at 31 December 2021	(254)	2,920	(21,598)	(18,932)

¹ Issued under the Employee and Executive Incentive Plan.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 9. NON-CONTROLLING INTERESTS

	Consolidated	
	31 December 2021 \$'000	30 June 2021 \$'000
Non-controlling interests – paid up capital in subsidiaries	3,714	2,037
Non-controlling interests – share of retained earnings	1,510	505
Non-controlling interests – share of acquisition date net intangible assets recognised on consolidation ¹	5,850	5,304
	11,074	7,846
Non-controlling interests – paid up capital in subsidiaries		
Opening balance	2,037	1,877
Transactions with the Group	39	160
Sale of shares to non-controlling interests	1,638	–
Closing balance	3,714	2,037
Non-controlling interests – share of retained earnings		
Opening balance	505	(82)
Share of profit after income tax	7,027	9,095
Share of dividends	(1,367)	(2,303)
Share of distributions	(4,120)	(6,205)
Retained earnings/(accumulated losses) acquired through business acquisition	(535)	–
Closing balance	1,510	505
Non-controlling interests – share of acquisition date net intangible assets recognised on consolidation¹		
Opening balance	5,304	5,499
Reserves acquired through business acquisition ¹	677	–
Share of profit/(loss) after income tax	(131)	(195)
Closing balance	5,850	5,304

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 10. BUSINESS COMBINATIONS

Steamatic Australia (provisionally accounted)

On 29 July 2021 (effective 1 July 2021), the Group acquired a 60% controlling equity interest in Steamatic Australia - a leading national restoration services company.

The strategic rationale for the acquisition was to consolidate the Group's position as a national market leader in restoration services and represents natural progression following the Group's acquisition of the Steamatic Global Master Franchise in FY19. Control was obtained via share purchase.

Details of the purchase consideration:	\$'000
Cash paid	6,083
Shares issued	4,790
Deferred and contingent consideration	3,461
Total purchase consideration	14,334

A potential earn-out of up to \$3,592,683 is payable based on the financial performance of Steamatic Australia for FY22 and FY23. Accordingly, the Group has recognised a potential earn-out liability in the amount of \$3,592,683 at the reporting date being the maximum earn-out payable.

Deferred and contingent consideration includes post-completion purchase price adjustments in respect of net debt.

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	94
Trade and other receivables	3,223
Inventories	79
Accrued income	1,507
Other current assets	427
Property, plant and equipment	4,214
Intangibles - customer contracts	2,419
Intangibles - software	50
Right-of-use assets	4,077
Trade and other payables	(2,516)
Borrowings	(4,412)
Current tax payable	(1,055)
Employee provisions	(1,587)
Right-of-use lease liabilities	(4,077)
Income in advance	(1,188)
Deferred tax liabilities	(1,001)
Net identifiable assets acquired	254
Add: goodwill	14,181
Less: non-controlling interests	(101)
Total purchase consideration	14,334

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 \$132,891 were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 10. BUSINESS COMBINATIONS (continued)

Unitech Building Services (provisionally accounted)

On 12 July 2021 (effective 1 July 2021), the Group acquired a 60% controlling equity interest in Unitech Building Services - a South Australian-based insurance building services company.

The strategic rationale for the acquisition was to expand and grow the Group's service offering in South Australia by leveraging Unitech's market position and provide additional scale and capacity for a market leading CAT response in SA.

Control was obtained via share purchase.

Details of the purchase consideration:	\$'000
Cash paid	1,893
Deferred and contingent consideration	641
Total purchase consideration	2,534

A potential earn-out of up to \$640,766 is payable based on the financial performance of Unitech Building Services for FY21 and FY22. Accordingly, the Group has recognised a potential earn-out liability in the amount of \$640,766 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	155
Trade and other receivables	63
Accrued income	325
Property, plant and equipment	230
Right-of-use assets	193
Trade and other payables	(310)
Current tax payable	(39)
Employee provisions	(217)
Right-of-use lease liabilities	(193)
Income in advance	(70)
Deferred tax liabilities	(35)
Net identifiable assets acquired	102
Add: goodwill	2,473
Less: non-controlling interests	(41)
Total purchase consideration	2,534

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 \$69,652 were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 10. BUSINESS COMBINATIONS (continued)

Change Strata Management (provisionally accounted)

On 1 July 2021, the Group, via its subsidiary Bright & Duggan acquired a 100% controlling equity interest in Change Strata Management - a strata management company managing high-end buildings in Sydney with a portfolio of 2,974 lots across 75 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 share purchase.

Details of the purchase consideration:	\$'000
Cash paid	2,700
Deferred consideration	166
Total purchase consideration	2,866

Deferred consideration includes post-completion purchase price adjustments in respect of net debt.

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	518
Other current assets	7
Deferred tax assets	65
Trade and other payables	(89)
Current tax payable	(71)
Employee provisions	(211)
Net identifiable assets acquired	219
Add: goodwill	2,647
Total purchase consideration	2,866

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 \$91,530 were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 10. BUSINESS COMBINATIONS (continued)

Structure Building Management (provisionally accounted)

On 1 July 2021, the Group, via its subsidiary Bright & Duggan acquired a 100% controlling equity interest in Structure Building Management - a building management company with a portfolio of 54 Sydney buildings, encompassing 6,954 lots.

A new entity, Bright & Duggan Facilities Management (BDFM), was established to acquire and manage both Structure Building Management and Shift Facilities Management. Mite Domazetovski, the former owner and operator of both Change Strata Management and Shift Facilities Management subsequently acquired a 25% equity interest in BDFM (back-to-back) and assumed the role of Managing Director.

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

Control was obtained via share purchase.

Details of the purchase consideration:	\$'000
Cash paid	4,705
Deferred and contingent consideration	1,441
Total purchase consideration	6,146

A potential earn-out is payable based on the successful signing of certain long-term contracts between FY22 and FY26. The Group has recognised a potential earn-out liability in the amount of \$1,441,440 being the estimated amount of the 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	273
Trade and other receivables	37
Current tax assets	90
Property, plant and equipment	20
Deferred tax assets	83
Trade and other payables	(1,036)
Employee provisions	(226)
Net identifiable assets acquired	(759)
Add: goodwill	6,905
Total purchase consideration	6,146

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 \$27,500 were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 10. BUSINESS COMBINATIONS (continued)

Shift Facilities Management (provisionally accounted)

On 1 July 2021, the Group, via its subsidiary Bright & Duggan acquired a 100% controlling equity interest in Shift Facilities Management - a building management company with a portfolio of 4 Sydney buildings, encompassing 296 lots.

A new entity, Bright & Duggan Facilities Management (BDFM), was established to acquire and manage both Structure Building Management and Shift Facilities Management. Mite Domazetovski, the former owner and operator of both Change Strata Management and Shift Facilities Management subsequently acquired a 25% equity interest in BDFM (back-to-back) and assumed the role of Managing Director.

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

Control was obtained via share purchase.

Details of the purchase consideration:	\$'000
Cash paid	178
Deferred and contingent consideration	227
Total purchase consideration	405

A potential earn-out of up to \$197,796 is payable based on the successful renewal of certain long-term contracts between FY22 and FY24. The Group has recognised a potential earn-out liability in the amount of \$197,796 being the maximum amount of the earn-out payable.

Deferred and contingent consideration includes post-completion purchase price adjustments in respect of net debt.

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	20
Trade and other payables	(11)
Current tax payable	(2)
Net identifiable assets acquired	7
Add: goodwill	398
Total purchase consideration	405

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 \$1,500 were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 10. BUSINESS COMBINATIONS (continued)

BrisBay (provisionally accounted)

On 2 September 2021 (effective 1 September 2021), the Group, via its subsidiary Bright & Duggan acquired a 100% controlling equity interest in BrisBay - a Brisbane-based boutique strata management business, focused on small buildings, with a portfolio of 1,387 lots across 123 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 share purchase.

Details of the purchase consideration:	\$'000
Cash paid	810
Deferred consideration	135
Total purchase consideration	945

Deferred consideration includes post-completion purchase price adjustments in respect of net debt.

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	28
Trade and other payables	(6)
Current tax payable	(10)
Net identifiable assets acquired	12
Add: goodwill	933
Total purchase consideration	945

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 \$28,269 were incurred in relation to the acquisition. These costs are included in 'Transaction related expenses' within profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

NOTE 11. DIVIDENDS

	Consolidated	
	31 December 2021 \$'000	31 December 2020 \$'000
Dividends paid		
Dividends paid of 2.8 cents per share (31 December 2020: 2.2 cents per share) fully franked at 30%	6,310	4,898
Dividends declared after the reporting period and not recognised		
Since the end of the reporting period, the Directors have recommended/declared a dividend of 2.7 cents per share (31 December 2020: 2.2 cents per share) fully franked at 30%	6,998	4,928

NOTE 12. EVENTS AFTER THE REPORTING PERIOD

(a)

On 5 January 2022, the Group announced the successful closing of the acquisition of Reconstruction Holdings, Inc. and the completion of the retail component of the fully underwritten 1 for 35.91 accelerated non-renounceable entitlement offer ("Entitlement Offer") announced on 9 December 2021 ("Retail Entitlement Offer").

The Retail Entitlement Offer closed on 30 December 2021, raising approximately \$9 million. This followed the successful completion of the institutional placement and the institutional component of the Entitlement Offer which raised approximately \$221 million, providing a total equity raising of approximately \$230 million. From the funds raised, the Group advanced a deposit of \$203 million for the acquisition of Reconstruction Experts prior to period end.

(b)

On 22 February 2022, the Board declared an interim dividend of 2.7 cents per share (fully franked) (31 December 2020: 2.2 cents per share), representing 59.8% of NPAT attributable to the owners of Johns Lyng Group for the half-year ended 31 December 2021 (31 December 2020: 51.5%). The interim dividend will be paid on 15 March 2022 with a record date of entitlement of 28 February 2022.

There are no other matters or circumstances that have arisen since 31 December 2021 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 periods.

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DIRECTORS' DECLARATION

31 December 2021

The directors declare that:

- 1 In the directors' opinion, the financial statements and notes thereto, as set out on pages 1 to 23, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position of the Group as at 31 December 2021 and of its performance for the half-year ended on that date.
- 2 In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that *Johns Lyng Group Limited* will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Peter Nash
Chairman

22 February 2022



Scott Didier AM
Managing Director

22 February 2022

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



JOHNS LYNG GROUP LIMITED AND CONTROLLED ENTITIES

ABN 86 620 466 248

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Johns Lyng Group Limited, "the Company" and its controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Johns Lyng Group Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Johns Lyng Group Limited's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 annual 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 review report.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



JOHNS LYNG GROUP LIMITED AND CONTROLLED ENTITIES

ABN 86 620 466 248

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

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

Handwritten signature of N R Bull in black ink.

N R BULL
Partner

Handwritten signature of Pitcher Partners in black ink.

PITCHER PARTNERS
Melbourne

22 February 2022

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