Just Life Group

Annual Report Just Life Group Limited

YEAR ENDED 30 JUNE 2020

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Group Overview

Just Life Group Limited is an entrepreneurial company which will continue to take opportunities as they arise. Now with over 30 years of operation, the company continues to build on its strong base for the future.

Just Life Group operates in New Zealand and is focussed on supplying products and services that enhance the lives of New Zealanders.

hometech™ Better spaces. Better lives.

Hometech

A leading supplier and installer of products to make homes healthier through natural lighting, heating and ventilation.

Just Water.

Just Water New Zealand

Supplier of water coolers and filters to businesses and organisations nationwide. Virtually all water coolers derive a recurring income either from monthly rental, water sales or maintenance agreements.

CEO's Report

Tony Falkenstein
Chair & CEO

Full Year 2020

AT A GLANCE

Increased productivty

Efficiencies and cost reductions gained through combining the sales, administration and warehousing functions of Just Water and Hometech.

Strengthened leadership team

Lynne Jacobs, the General Manager of the Just Life Group, responsible for group revenue, and Eldon Roberts, the Chief Operating Officer, responsible for finance and operations, together with a strong senior management team.

Focus on the four major brands

The four major brands, being Just Water, Unovent, Solatube and Hometech, positioned under the General Manager's direction.

Head office property

Auckland Head Office property acquired in 2015 currently valued at $5.8m with current year gain on revaluation of $0.48m.

Future acquisitions

We are in a position to look for future acquisitions which align with our vision of "enhancing lives" and are assessing opportunities as they arise.

Disciplined cost management

Major changes in the structure of the business resulted in personnel and operational cost savings.

Relocated Hometech office

With most of the business centred around Auckland, it was more efficient to operate the Unovent, Solatube and Hometech business in this location.

Prudent capital management

Strong balance sheet with interest bearing liabilities reduced by $2.3m to $7.9m. Debt to equity ratio of 46:54 at 30 June 2020.

Focus on process improvement

Three-year plan to be paperless has meant focus on simplifying and streamlining processes.

COVID-19 pandemic

During the year, business activities were significantly impacted by the Covid-19 Level 4 lockdown.

Operating Revenue
$30.3M
(down 10%)
A result of rationalising the company, to focus on the profitable business units.

Free cash flow [1]
$4.5M
(up 60%)
Improved profitability, sound working capital management and prudent capital expenditure.

(1) Free cash flow is a non-GAAP measurement. It is defined as net cashflow generated from operating activities less net capital expenditure.

Profit after tax
$2.9M
(up 53%)
Operational and personnel efficiencies including minimal overheads incurred during COVID-19 lockdown.

Total dividend declared for the year
2.2 cents
per share
Dividend maintained at previous year's level.

Interest bearing liabilities
$7.9M
(down 23%)
Net debt reduced through improved operating cash flows, strong working capital management and prudent capital expenditure.

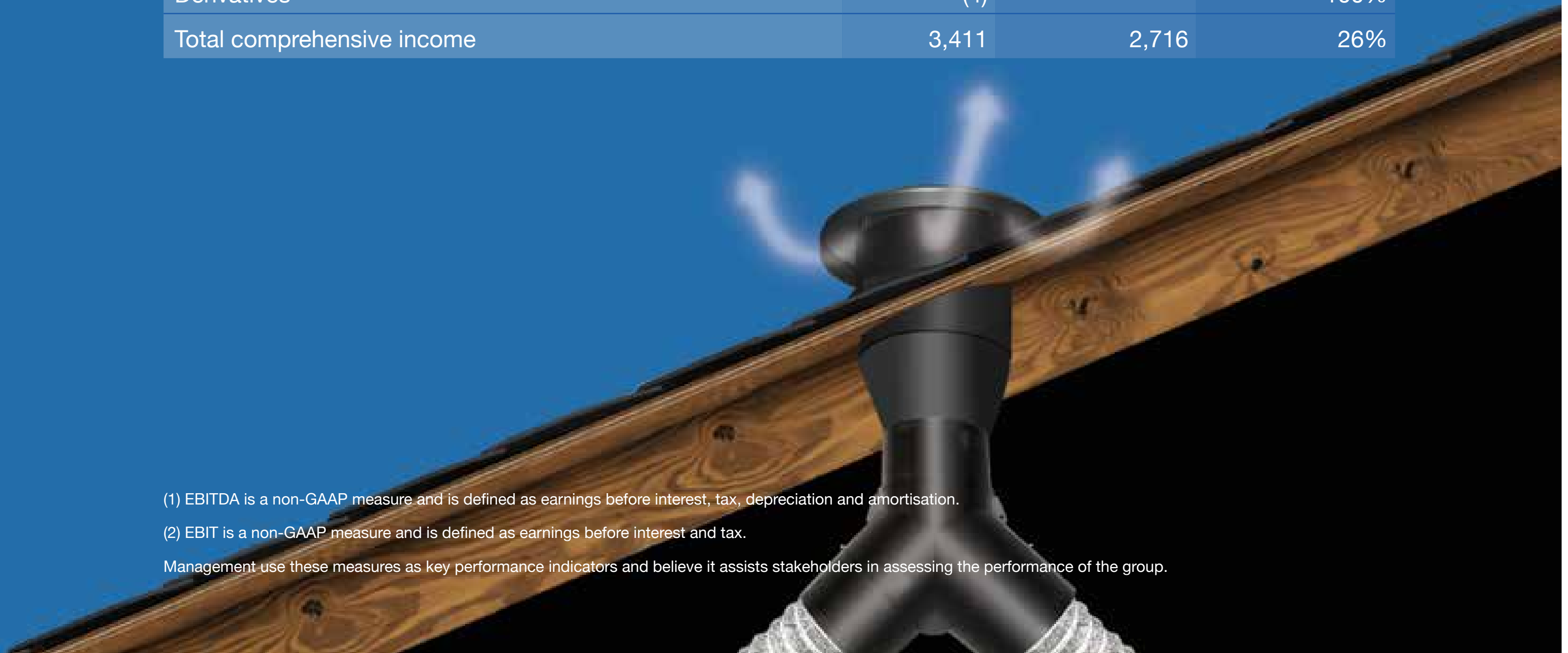
2020 Chair & Chief Executive Officer's Review

2020 has been an extraordinary year – in the first half the group delivered a solid operating performance, resulting in an after-tax earnings growth of 42%. Then the world was hit by COVID-19. During the COVID-19 Level 4 lockdown revenue reduced by 43%, however the group was able to achieve an increase in after tax profit of 53% for the full year.

Income Highlights

Key highlights extracted from the Consolidated Statement of Comprehensive Income (refer to page 14):

	Current year $000	Previous year $000	% change $000
Operating rRevenue	30,257	33,481	(10%)
EBITDA(1)	7,232	6,104	18%
Depreciation & amortisation	(2,576)	(2,921)	(12%)
EBIT(2)	4,656	3,183	46%
Interest	(558)	(548)	2%
Net profit before tax	4,098	2,635	56%
Net profit after tax	2,931	1,912	53%
Gain on asset revaluation net of tax effect	484	804	(40%)
Derivatives	(4)	-	100%
Total comprehensive income	3,411	2,716	26%



(1) EBITDA is a non-GAAP measure and is defined as earnings before interest, tax, depreciation and amortisation.

(2) EBIT is a non-GAAP measure and is defined as earnings before interest and tax.

Management use these measures as key performance indicators and believe it assists stakeholders in assessing the performance of the group.

Operating revenue was down by 10% as a result of a review of the total business. The review revealed trading areas of the business that were barely profitable, or unprofitable. Together with operating efficiencies, this resulted in the net profit before interest and tax being up 46% over the 2019 result. During the current year operating costs were minimised during the period of COVID-19 lockdown and there has been a tight rein on costs post COVID-19 as we are well aware of the current volatile situation of the New Zealand economy. The earnings per share for the year was 3.3 cents (2019 – 2.2 cents).

Balance Sheet Highlights

Shareholder equity has steadily increased from $11.2 million to $17.7 million over the last five years. The debt to equity ratio as at 30 June 2020 was 46:54, which the directors believe is appropriately geared.

As I have stated before, "profit is a matter of opinion; cash is a matter of fact" – it is pleasing to note that free cash flow(3) for the year was $4.5 million, compared with $2.8 million in 2019.

Building a Stronger Business

Just Water and Hometech have formally amalgamated under the Just Life Group entity. Lynne Jacobs, previously General Manager of Just Water, was appointed General Manager of the Group, with Eldon Roberts remaining as Chief Operating Officer. Lynne is responsible for the group revenue, and Eldon responsible for finance, operations and IT. The merger resulted in a restructure of the business, which has meant a more focused and efficient organisation.

The leadership team has taken up the challenge of operating a highly efficient and growth focussed business model. The talents within the business combined with new personnel recruited has given the Company a new lease of life.

The word on the lips of every team member is "ownership", within the values of the group – Fun, Integrity, Respect, Service, Trust (FIRST).

Marketing is Business

Peter Drucker, seen as the marketing guru of the century said "the two most important functions of a business are Innovation and Marketing" as they are the only two functions that contribute to profit while all others are costs.

(3) Free cash flow is a non-GAAP measure. It is defined as net cash flow generated from operating activities less net capital expenditure. Management uses this measure as a key performance indicator.

FROM LEFT

Lynne Jacobs
Group General Manager

Tony Falkenstein
Chair and
Chief Executive Officer

Eldon Roberts
Group Chief Operating Officer
/ Chief Financial Officer

With this in mind, the four brands, being Just Water, Unovent, Solatube and Hometech were placed under the control of one person, the General Manager. One of our 3 year objectives is to grow new and existing selected brands, and this structure sets the platform to achieve that objective.

Keep the Objectives simple

- Recruit and retain top talent only
- Our strategy is owned by the whole business
- Buy recognised brands with #1 potential
- Invest in our brands and people

By adhering to these objectives management believe they can "bring the values alive through our people and brands and deliver value to our customers".

The future depends on what we do today

There is a lot going for Just Life Group – we market four significant brands, our balance sheet is strong and our people are outstanding. Under the leadership of Lynne and Eldon, our marketing programmes are innovative, and operational efficiency is our mantra.

There is no doubt that COVID-19 will affect us – it will be a challenging year – however it does provide an opportunity to invest at a time when others might cut back.

Mergers and Acquisitions

The Group is in a position to take up acquisition and merger opportunities and intends to raise capital over the next 12 to 24 months to support these activities. Any acquisitions would be planned to be cash flow positive and support an ongoing dividend stream to the shareholders.

A dividend is the result of good management

The directors are pleased to recommend that a fully imputed final dividend of 1.2 cents per share be declared for the current year. This brings the total dividend for the year to 2.2 cents per share (2019: 2.2 cents per share). The record date for the dividend will be the 11 September 2020 and the payment date will be the 18th September 2020.

The Harvard Group, being the major shareholder in Just Life Group, will be taking up shares in lieu of dividend under the Dividend Reinvestment Plan.

A proactive and supportive Board

This small Board has been an effective support team for the Chief Executive and Leadership group.

Last year, JJ Luo was appointed as a director of the company. JJ was one of the youngest directors appointed to a public company board. The board's objective is to introduce young talent to directorships to encourage a wider understanding of the opportunities offered in the governance of public companies. We intend to appoint another young person under the Institute of Directors Future Directors programme.

On 5 August 2020, Phil Norman was added to the team to draw on his vast experience as a professional director and business advisor. He is currently Chair of ASX-listed Straker Translations Limited and NZX-listed Plexure Group Limited, as well as being a director of several private companies.

In accordance with the NZX Listing Rules, Phil Norman will hold office until the next annual meeting scheduled for the 20th November 2020, where he will become eligible for election.

Focus on the good

How good is it to have our shareholders, our directors, our senior management, our staff, our customers, suppliers and bankers all on the same team – we thank you. If we are all dedicated to success, we will make sure it happens.

Tony Falkenstein
Chair and Chief Executive Officer

Directors' Report

The Board of Directors present the consolidated financial statements of the Group for the year ended 30 June 2020 and the independent auditor's report thereon.

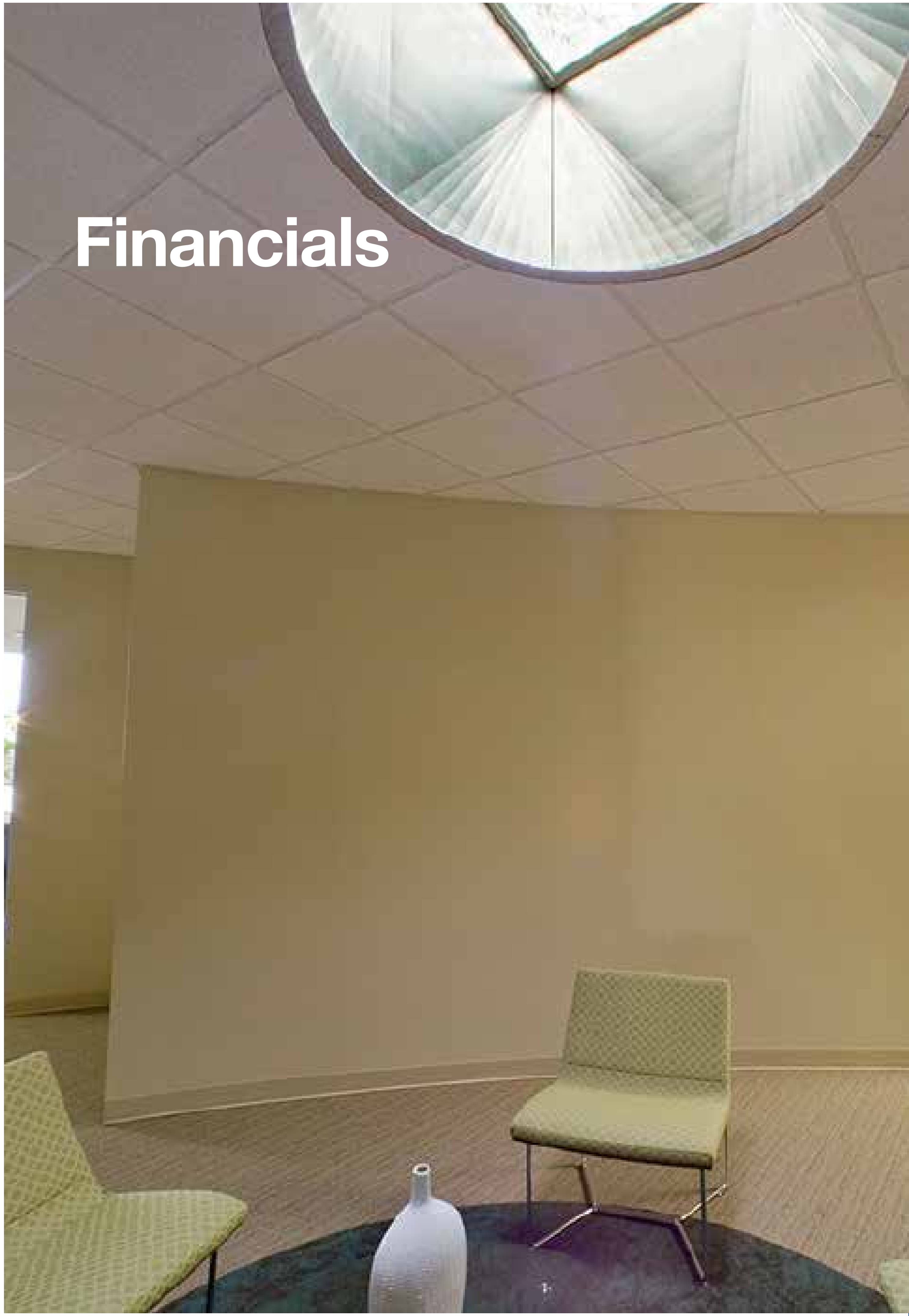
The directors are responsible, on behalf of the Company, for presenting these consolidated financial statements in accordance with applicable New Zealand legislation and generally acceptable accounting practices in New Zealand in order to present consolidated financial statements that present fairly, in all material respects, the financial position of the Group as at 30 June 2020 and the results of the Group's operations and cash flows for the year then ended.

For and on behalf of the Board of Directors who approved these consolidated financial statements for issue on 26 August 2020.

Tony Falkenstein
Chair and Chief Executive Officer
26 August 2020

Richard Carver
Independent Director
26 August 2020

Financials



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	30 June 2020 $000	30 June 2019 $000
Operating revenue	2.1	30,257	33,481
Government grants	2.1	887	-
Other income		98	21
Employee costs	8.1	(9,116)	(9,339)
Finished goods and consumables used	5.2	(6,239)	(7,416)
Service contractors		(3,676)	(3,799)
Marketing expenses		(877)	(1,326)
Other operating expenses		(3,897)	(5,263)
Restructuring costs	8.3.5	(205)	-
Relocation costs		-	(245)
Acquisition costs		-	(10)
Earnings before interest, tax, depreciation and amortisation	2.2	7,232	6,104
Depreciation	5.3	(1,404)	(1,438)
Amortisation of right-of-use assets	5.7	(596)	-
Amortisation of customer contracts	5.6	(422)	(525)
Amortisation of intangible assets	5.4	(154)	(958)
Profit before interest and tax		4,656	3,183
Interest expense		(558)	(548)
Profit before tax		4,098	2,635
Income tax expense	2.3	(1,167)	(723)
Profit after tax for the year		2,931	1,912
Other comprehensive income			
Gain on revaluation of land and buildings		754	804
Tax effect on gain from revaluation of land and buildings		(270)	-
Hedge reserve		(4)	-
Total comprehensive income		3,411	2,716
Earnings per share for profit attributable to the shareholders of the Parent			
Basic earnings per share (cents)		3.3	2.2
Diluted earnings per share (cents)		3.3	2.2

The accompanying notes to the consolidated financial statements are an integral part of, and should be read in conjunction with, the above consolidated statement of comprehensive income of Just Life Group Limited.

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 $000	30 June 2019 $000
CURRENT ASSETS			
Cash and cash equivalents	3.1	2	2
Trade and other receivables	5.1	3,703	3,640
Inventories and work in progress	5.2	3,132	2,587
Total current assets		6,837	6,229
NON-CURRENT ASSETS			
Property, plant and equipment	5.3	10,619	10,805
Right of use assets	5.7.1	1,866	-
Intangible assets	5.4	12,815	12,723
Deferred tax assets	5.5	474	791
Contract assets	5.6	218	548
Total non-current assets		25,992	24,867
Total assets		32,829	31,096
CURRENT LIABILITIES			
Bank overdrafts	3.1, 5.8	319	315
Interest bearing loans and borrowings	5.8	700	112
Trade and other payables	5.9	4,718	4,720
Derivatives	7	4	-
Lease liabilities	5.7.2	482	-
Current tax liabilities		572	278
Deferred income	5.1	44	27
Total current liabilties		6,839	5,452
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	5.8	6,870	9,825
Lease liabilities	5.7.2	1,430	-
Total non-current liabilities		8,300	9,825
Total liabilities		15,139	15,277
Net assets		17,690	15,819
EQUITY			
Issued capital	4	23,141	21,853
Retained losses		(7,089)	(7,184)
Share option reserve		11	3
Hedging reserve		(4)	-
Asset revaluation reserve		1,631	1,147
Total equity		17,690	15,819

Tony Falkenstein
Chair and Chief Executive Officer
26 August 2020

Richard Carver
Independent Director
26 August 2020

(The accompanying notes to the consolidated financial statements are an integral part of, and should be read in conjunction with, the above consolidated statement of comprehensive income of Just Life Group Limited.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Issued capital $000	Retained earnings/ (losses) $000	Share option reserve $000	Hedge reserve $000	Asset revaluation reserve $000	Total equity $000
Balance as at 1 July 2018 (restated)	21,540	(7,180)	-	-	343	14,703
Profit for the period	-	1,912	-	-	-	1,912
Other comprehensive income	-	-	-	-	804	804
Total comprehensive income for the year	-	(1,912)	-	-	(804)	(2,716)
Issue of ordinary shares in relation to the Dividend Reinvestment Plan	28	-	-	-	-	28
Dividends paid	-	(1,916)	-	-	-	(1,916)
Issue of shares in relation to acquisitions	285	-	-	-	-	285
Fair value of options issued	-	-	3	-	-	3
Balance as at 30 June 2019	21,853	(7,184)	3	-	1,147	15,819
Profit for the period	-	2,931	-	-	-	2,931
Other comprehensive income	-	-	-	-	484	484
Total comprehensive income for the year	-	2,931	-	-	484	3,415
Issue of ordinary shares in relation to the Dividend Reinvestment Plan	1,288	-	-	-	-	1,288
Dividends paid	-	(2,836)	-	-	-	(2,836)
Hedging reserve	-	-	-	(4)	-	(4)
Fair value of options issued	-	-	8	-	-	8
Balance at 30 June 2020	23,141	(7,089)	11	(4)	1,631	17,690

The accompanying notes to the consolidated financial statements are an integral part of, and should be read in conjunction with, the above consolidated statement of changes in equity of Just Life Group Limited.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	30 June 2020 $000	30 June 2019 $000
OPERATING ACTIVITIES			
Receipts from customers		30,535	34,099
Government grant received	2.1	887	-
Payments to suppliers and employees		(24,688)	(27,643)
Interest received		-	3
Interest paid		(558)	(548)
Income tax paid		(555)	(1,177)
Net cash flows from operating activities	3.2	5,621	4,734
INVESTING ACTIVITIES			
Acquisition through business combination		-	(215)
Purchase of property, plant and equipment		(975)	(1,806)
Proceeds from sale of property, plant and equipment		61	-
Purchases of intangible assets		(246)	(143)
Net cash flows from investing activities		(1,160)	(2,164)
FINANCING ACTIVITIES			
Proceeds from borrowings		305	944
Repayment of borrowings		(2,672)	(980)
Dividends paid to Company's shareholders (net of dividend reinvestment plan)		(1,548)	(1,890)
Lease repayment		(550)	-
Net cash flows from financing activities		(4,465)	(1,926)
Net (decrease)/increase in cash and cash equivalents		(4)	644
Cash and cash equivalents at beginning of financial year		(313)	(957)
Cash and equivalents at 30 June		**(317)**	**(313)**
Cash and cash equivalents include the following for the purposes of the cash flow statement		2	2
Bank overdrafts		(319)	(315)
Total cash and cash equivalents		(317)	(313)

The accompanying notes to the consolidated financial statements are an integral part of, and should be read in conjunction with, the above consolidated statement of cash flows of Just Life Group Limited.

1

General Information

The following consolidated financial statements for Just Life Group Limited (the 'Company') and its subsidiaries, (collectively the 'Group') are for the twelve months ended 30 June 2020 and represent the full year result for the Group.

The Group's vision is to enhance lives through both the provision of filtered water solutions to customers including the sale of water and water related products and the enabling of healthier homes with its premium Solatube daylighting products and patented Unovent home ventilation systems.

The preparation of consolidated financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates and judgements concerning the future. The resulting estimates may not equal related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are identified below.

Note: 5.4.1	Intangible assets	Page 36	Assumptions used in testing goodwill for impairment
Note: 5.4.2	Intangible assets	Page 38	Assumptions used in testing intangibles other than goodwill for impairment
Note: 5.5	Deferred tax	Page 40	Recognition of deferred tax asset
Note: 6.1	Right of use assets	Page 49	Assumptions used in applying NZ IFRS 16

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out throughout the document where they are applicable. These policies have been consistently applied to all years presented, unless otherwise stated.

Critical judgements and estimates in applying the accounting policies

Further details of the nature of these critical judgements and estimates may be found throughout the financial statements as they are applicable.

Just Life Group Limited is a limited liability company which is domiciled and incorporated in New Zealand, and whose shares are publicly traded on the New Zealand Stock Exchange (NZX).

These consolidated financial statements have been approved for issue by the Board of Directors on 26 August 2020.

General Information *(continued)*

1

Basis of preparation

Statutory base

Just Life Group Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The consolidated financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Act 2013 and the NZX Main Board Listing Rules.

Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

Going concern

The consolidated financial statements have been prepared on a going concern basis. As at 30 June 2020 the Group had negative working capital of $0.002m (2019: $0.777m). The directors assessed the financial performance of the Group including forecast cash flows, unutilised bank facilities and are satisfied that the going concern assumption remains appropriate.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Just Life Group Limited ('Group') as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency

Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is the Group's presentation currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss component of the statement of comprehensive income.

Financial Performance

This section outlines further details of the Groups financial performance.

2.1 Financial performance: Revenue

Just Life Group recognises revenue when performance obligations have been settled. A performance obligation is settled when the customer has received all the benefits associated with the performance obligation. The following sections detail the type of revenue recognised within each category. Revenue is recognised as follows:

2.1.1 Water solutions revenue

Water solutions revenue relates to the provision of filtered water solutions to the customer. Water solutions income is recognised over the period of time the performance obligation is satisfied.

2.1.2 Product revenue

Product revenue is recognised at the point of time when a Group entity delivers the product to the customer.

2.1.3 Service revenue

Service revenue comprises amounts received and receivable by the Group for the provision of services on customer owned water coolers. Service revenue is recognised at the point the service is performed.

2.1.4 Supply and Installation of Hometech products

The revenue derived from the supply and installation of Hometech products is recognised over the period of the performance obligation being performed. Revenue and expenses for contracts that straddle reporting dates are recognised using percentage of completion accounting. The percentage of work completed during the current period is compared to the forecast total revenue and expenditure to be incurred on the contract and the resulting percentage is used to recognise revenue and expenditure for that contract. Any anticipated losses on the contract are recognised immediately.

	2020 $000	2019 $000
RECOGNISED OVER TIME		
Water solutions revenue	11,005	11,285
Supply and installation of Hometech product	9,828	11,613
RECOGNISED AT A POINT AND TIME		
Product revenue	8,770	9,886
Service revenue	654	697
Revenue	30,257	33,481

Government grants

As part of its response to COVID-19, the New Zealand Government provided wage subsidies over a specific calendar period to eligible businesses to allow those businesses to retain employees when they are closed or suffering reduced trading due to COVID-19.

The Group have applied NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in accounting for the income received from the COVID-19 Wage Subsidy.

NZ IAS 20 provides the following key definitions:

Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria.

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.

Grants related to income are government grants other than those related to assets.

Based on those definitions, the wage subsidy is a government grant related to income.

Under NZ IAS 20, the wage subsidy is recognised as income in the same period as the wage and salary costs that are being subsidised are recognised. The Group received $0.887m during the year ended 30 June 2020 and recognised this as government grants.

2.2 Financial performance: Operating segments

An operating segment is a component of an entity that engages in business activities, which earns revenue and incurs expenses and for which the chief operating decision maker (CODM) reviews the operating results on a regular basis and makes decisions on resource allocation. The Group has determined its CODM to be the Chief Executive and Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The operating segments have been determined as:

- Just Water New Zealand (a division of Just Life Group Limited)
- Hometech Limited (a wholly owned subsidiary of Just Life Group Limited)
- Just Life Group Limited - Corporate Overhead (corporate overhead expenditure incurred by Just Life Group Limited)

The CODM has determined that the Just Water New Zealand and Hometech Limited operating segments are also the Cash Generating Units for the purposes of Goodwill Impairment testing as disclosed in note 5.4.1

Operating segments 30 June 2020	Note	Just Water New Zealand	Hometech	Just Life Group Corporate	Total Group
Over time		11,005	9,828	-	20,833
At a point in time		5,241	4,183	-	9,424
Revenue		16,246	14,011	-	30,257
Other income		721	264	-	985
Employee costs		(6,146)	(2,427)	(543)	(9,116)
Other trading expenses		(4,602)	(9,997)	(296)	(14,895)
EBITDA	2.2	6219	1,851	(838)	7,232
Depreciation		(1,179)	(94)	(131)	(1,404)
Amortisation of right-of-use assets		(229)	(367)	-	(596)
Amortisation of contract assets		(422)	-	-	(422)
Amortisation of intangible assets		(108)	(124)	78	(154)
EBIT	2.2	4,281	1,266	(891)	4,656
Interest expense		(68)	(80)	(410)	(558)
Profit/(loss) for the period		4,213	1,186	(1,302)	4,098
Income tax expense		(1,204)	(327)	364	(1,179)
Profit/(loss) for the period		3,009	859	(938)	2,931
Total assets		14,214	6,130	12,485	32,829
Total liabilities		4,030	3,684	7,425	15,139
Total additions to non-current assets excluding financial instruments and deferred tax assets		1,001	-	-	1,001

Financial Performance *(continued)*

Operating segments 30 June 2019	Just Water New Zealand	Hometech	Just Life Group Corporate	Total Group
Over time	11,285	11,613	-	22,898
At a point in time	6,411	4,172	-	10,583
Revenue	17,696	15,785	-	33,481
Other income	9	12	-	21
Employee costs	(6,709)	(2,351)	(279)	(9,339)
Other trading expenses	(5,932)	(11,607)	(520)	(18,059)
EBITDA(1)	5,064	1,839	(799)	6,104
Depreciation	(1,230)	(88)	(120)	(1,438)
Amortisation of contract assets	(525)	-	-	(525)
Amortisation of intangible assets	(113)	(845)	-	(958)
EBIT(2)	3,196	906	(919)	3,183
Interest expense	(22)	(49)	(477)	(548)
Profit/(loss) before income tax	3,174	857	(1,396)	2,635
Income tax expense	(540)	(183)	-	(723)
Profit/(loss) for the period	2,634	674	(1,396)	1,912
Total assets	13,939	4,940	12,217	31,096
Total liabilities	2,392	293	12,592	15,277
Total additions to non-current assets excluding financial instruments and deferred tax assets	1,492		-	1,492

Just Life Group Limited use several non-GAAP measures when discussing financial performance. These include EBITDA, EBIT and Working Capital and may be used internally by management to evaluate performance, analyse trends and allocate resources.

Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

(1) EBITDA is a non-GAAP measure and is defined as earnings before net finance costs, income tax, depreciation and amortisation, acquisition expenses, capital gains/losses, impairment losses and equity accounted results.

(2) EBIT is a non-GAAP measure and is defined as earnings before net finance costs, income tax, acquisition expenses, capital gains/losses, impairment losses and equity accounted results.

Financial Performance *(continued)*

2.3 Financial performance: Income tax expense

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and to unused tax losses.

	2020 $000	2019 $000
Current tax	1,121	1,072
Deferred tax	46	(349)
Income tax expense from continuing operations	1,167	723
RECONCILIATION OF INCOME TAX EXPENSE TO TAX RATE APPLICABLE TO PROFITS:		
Accounting profit before tax from continuing operations	4,098	2,635
At statutory income tax rate of 28% (2019:28%)	1,147	738
Prior period adjustments	(5)	(58)
NON-DEDUCTIBLE EXPENSES FOR TAX PURPOSES:		
Other non-deductible expenses	25	43
Income tax expense	1,167	723

3

Cash and Short term Deposits

2.4 Imputation credits

The table below represents the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax;
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

	30 June 2020 $000	30 June 2019 $000
The amount of imputation credits available for use in subsequent reporting periods	5,328	5,246

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently restated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss component of the statement of comprehensive income over the period of the interest bearing liabilities using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

3.1 Cash and cash equivalents

	Group as at 30 June 2020 $000	Group as at 30 June 2019 $000
Cash in hand	1	2
Short-term bank deposits	1	-
Total cash and cash equivalents	2	2
Cash and cash equivalents include the following for the purposes of the cash flow statement:		
Cash and cash equivalents	2	2
Bank overdrafts	(319)	(315)
Total cash and cash equivalents	(317)	(313)

Cash and Short term Deposits *(continued)*

3

3.2 Reconciliation of net profit after income tax to net cash inflow from operating activities

	30 June 2020	30 June 2019
Profit after tax for the year	2,931	1,912
Depreciation and impairment of property, plant and equipment	1,404	1,438
Amortisation of right of use assets	596	-
Amortisation and impairment of intangible assets	576	1,483
Loss on disposal of property, plant and equipment	225	236
Provision for doubtful debts	82	128
Provision for tax	295	(12)
Deferred tax	317	(350)
Net non-cash items	6,426	4,835
Decrease/(increase) in inventories and work in progress	(545)	(550)
Decrease in trade receivables, contract assets, deferred revenue and prepayments	39	484
Decrease/(increase) in trade and other payables, contract liabilities and refund liabilities	(321)	509
Movement in contract assets	5	(547)
Movement in deferred income	17	3
Net change in working capital	(805)	(101)
Net cash generated from operating activities	5,621	4,734

4

Capital Structure

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 from the proceeds, net of tax.

	30 June 2020 Shares	30 June 2019 Shares
	$000	$000
Ordinary shares, issued and fully-paid	89,348	86,757
	89,348	86,757

All ordinary shares rank equally with one vote attached to each fully-paid ordinary share. Shares have no par value. Shares are listed on the NZX Main Board.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of ordinary shares held.

Every holder of ordinary shares, present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

4.1 Contributed equity

	Number of shares	Share capital
Movements in ordinary shares capital:	$000	$000
Ordinary shares on issue as at 1 July 2018	86,059	21,540
Shares issued for acquisitions	63	28
Shares issued under the Dividend Reinvestment Plan	635	285
Ordinary shares on issue as at 30 June 2019	86,757	21,853
Shares issued under the Dividend Reinvestment Plan	2,591	1,288
Ordinary shares on issue as at 30 June 2020	89,348	23,141

Capital Structure *(continued)*

4

4.2 Earnings per share

Basic earnings per share are calculated by dividing the profit after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	Year ended 30 June 2020	Year ended 30 June 2019
	$000	$000
Profit attributable to ordinary equity holders of the parent for basic earnings	2,931	1,912
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic earnings per share	88,263	86,419
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	88,805	86,419
Earnings per share for profit attributable to the shareholders of the Parent		
Basic earnings per share (cents)	3.3	2.2
Diluted earnings per share (cents)	3.3	2.2

4.3 Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

A dividend was announced during the year ended 30 June 2020 of $2,836,000 (2019: $1,916,000).

The cash portion of the dividend paid was $1,548,000 (2019: $1,890,000). The portion reinvested and linked to the Dividend Reinvestment Plan was $1,288,000 (2019: $26,000).

Capital Structure *(continued)*

4.4 Options on Issue

The executive share option plan was designed to provide long term incentives for senior managers and above (including executive directors) to provide long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or receive any guaranteed benefits.

Options are granted under the plan for no consideration and carry no dividend or voting rights and expire five years after the Offer Date of the Option.

On 12 March 2019 Just Life Group Limited granted Eldon Roberts (Chief Operating Officer and Chief Financial Officer) an option to purchase 500,000 fully paid ordinary shares in Just Life Group Limited. The exercise price for the granted option is $0.493 per share. The option is conditional on the employee remaining in the employment of the Group, and can be exercised any time after 24 months from the grant date. The fair value of the share option granted at granted date was $0.1029.

On 22 June 2020, Just Life Group Limited granted Eldon Roberts (Chief Operating Officer and Chief Financial Officer) an option to purchase 250,000 fully paid ordinary shares in Just Life Group Limited and Lynne Jacobs (Group General Manager) an option to purchase 250,000 fully paid ordinary shares in Just Life Group Limited. The exercise price for the granted option is $0.492 per share. The option is conditional on the employee remaining in the employment of the Group, and can be exercised any time after 24 months from the grant date. The fair value of the share option granted at granted date was $0.0942.

No options expired during the current period.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Expiry date	Exersise price	2020	2019
Granted date			Number outstanding	Number outstanding
12 March 2019	11 March 2024	$.493	500,000	500,000
New grant: 22 June 2020	19 June 2025	$.492	500,000	-
Total			1,000,000	500,000

The fair value of options granted is recognised as an expense in the statement of comprehensive income with a corresponding increase in the share option reserve. The fair value is measured at grant date and amortised over the vesting periods. Just Life Group Limited has recognised $.008m of employee expenses during the year ended 30 June 2020 (2019:$.003m) related to two active members of the Executive Share Option scheme.

The fair value of the rights granted is measured using Just Life Group share price as at the grant date. When performance rights vest, the amount in the share option reserve relating to those rights is transferred to share capital. When any granted performance rights lapse upon participant termination, the amount in the share option reserve relating to the rights is transferred to retained earnings.

Operating Assets & Liabilities

5.1 Trade and other receivables

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Trade receivables which are known to be uncollectable are written off. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the movement in the provision is recognised in other operating expenses of the statement of comprehensive income. Details about the Groups application of NZ IFRS 9 Financial Instruments are provided in note 7.

	30 June 2020 $000	30 June 2019 $000
Trade receivables	3,706	3,528
Doubtful debts provision	(444)	(362)
Net trade receivables	3,262	3,166
Prepayments and other receivables	441	474
Trade and other receivables	3,703	3,640

	30 June 2020	30 June 2019
Movement in the provision for doubtful trade receivables is as follows:	$000	$000
As at 1 July	362	234
Expected specific and expected credit losses recognised (Note 7.3)	381	505
Write-offs during year as uncollectable	(299)	(377)
As at 30 June 2020	444	362

Operating Assets & Liabilities *(continued)*

5.2 Inventories and work in progress

Inventories consist of finished goods, consumables and work in progress for partially completed installations. Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis for consumables and individual purchase cost basis for coolers. Work in progress is valued on a percentage of completion basis in accordance with accounting policy.

	30 June 2020 $000	30 June 2019 $000
Finished goods	2,491	1,765
Consumables	207	259
Work in progress (at cost)	434	563
Total inventories and work in progress	3,132	2,587

The cost of finished goods and consumables consumed recognised as an expense in the Statement of Comprehensive Income is $6,238,000 (2019: $7,416,000) for the Group.

Write downs of inventories to net realisable value was recognised as an expense during 2020 of

$6,000 compared to an expense in 2019 of $9,000. The net movement in provision has been included in 'purchases of finished goods and consumables consumed' in the Statement of Comprehensive Income.

5.3 Property, plant and equipment

5.3.1 Land and buildings

Land and buildings are measured at fair value based on periodic valuations by independent external valuers, less any impairment losses recognised after the date of valuation. Valuations are performed with sufficient regularity to ensure the carrying amount does not differ materially from fair value.

5.3.2 Revaluation surplus

Any revaluation increasing the fair value of land and buildings is credited to asset revaluation reserve in equity and any revaluation that offsets previous increases of the same asset are charged to other comprehensive income and debited to the asset revaluation reserve in equity; all other decreases are charged to the profit or loss in the Statement of Comprehensive Income. Upon disposal or de-recognition of an asset, any revaluation reserve relating to that particular asset is transferred directly to retained losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Operating Assets & Liabilities *(continued)*

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5.3.3 Other items

All other items of property, plant and equipment (PPE) are shown at cost less subsequent depreciation and impairment. The cost of purchased PPE is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use. Where parts of an item of PPE have different useful lives, they are accounted for as separate items of PPE.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss component of the statements of comprehensive income during the financial period in which they are incurred.

With the exception of the Hometech cash generating unit, depreciation on assets is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives, as follows:

Leasehold improvements	5-15 Years
Rental equipment	2-8 years
Office equipment	3-11 years
Motor vehicles	4-5 years
Plant and machinery	4-10 years
Buildings	50 years

Hometech assets are depreciated using the diminishing value method to allocate their cost, net of their residual values over their estimated useful lives, as follows:

Leasehold improvements	10%-20%
Office equipment	8%-80%
Motor vehicles	18%-60%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the profit or loss component of the Statement of Comprehensive Income. Work in progress is accounted for at cost and capitalised to property, plant and equipment as projects are completed and become ready for use.

Operating Assets & Liabilities *(continued)*

	Leasehold Improvements	Water solutions equipment	Motor vehicles	Plant & office equipment	Land	Buildings	Total
	$000	$000	$000	$000	$000	$000	$000
AS AT 30 JUNE 2018							
Cost	1,368	10,581	2,583	3,683	1,890	1,796	21,901
Accumulated depreciation	(393)	(7,374)	(1,902)	(2,263)	-	(100)	(12,032)
Net book amount	975	3,207	681	1,420	1,890	1,696	9,869
YEAR ENDED AT 30 JUNE 2019							
Opening net book amount	975	3,207	681	1,420	1,890	1,696	9,869
Additions	110	1,492	62	142	-	-	1,806
Disposals	-	(216)	(14)	(6)	-	-	(236)
Revaluation adjustment	-	-	-	-	95	709	804
Depreciation charge for the year	(103)	(820)	(228)	(252)	-	(35)	(1,438)
Closing net book amount	982	3,663	501	1,304	1,985	2,370	10,805
AS AT 30 JUNE 2019							
Cost	1,476	10,990	2,536	3,747	1,985	2,375	23,109
Accumulated depreciation	(494)	(7,327)	(2,035)	(2,443)	-	(5)	(12,304)
Net book amount	982	3,663	501	1,304	1,985	2,370	10,805
YEAR ENDED AT 30 JUNE 2019							
Opening net book amount	982	3,663	501	1,304	1,985	2,370	10,805
Additions	99	652	30	122	-	-	(903)
Disposals	(84)	(289)	(63)	(3)	-	-	(439)
Revaluation adjustment	-	-	-	-	315	439	754
Depreciation charge for the year	(117)	(846)	(144)	(249)	-	(48)	(1,404)
At 30 June 2020	880	3,180	324	1,174	2,300	2,761	10,619
AS AT 30 JUNE 2020							
Cost	1,273	10,592	2,341	3,322	2,300	2,763	22,591
Accumulated depreciation	(393)	(7,412)	(2,017)	(2,148)	-	-	(11,972)
Closing net book amount	880	3,180	324	1,174	2,300	2,761	10,619

Operating Assets & Liabilities *(continued)*

Land and building valuation

The external independent valuation of land and buildings was conducted by Seagar & Partners on 10 June 2020. Seagar & Partners valued the land and building at $5,750,000 in accordance with the Property Institute of New Zealand Valuation and Property Standards and the provisions of NZ IAS 16 Property, Plant and Equipment and NZ IFRS 13 Fair Value Measurement. The directors considered the core underlying assumptions used in the valuation and concluded that the valuation would be carried in the financial statements at 100% of the value assessed by Seagar & Partners.

NZ IFRS 13 requires the disclosure of this fair value measurement by a level of fair value hierarchy. For valuation purposes, land is considered to be a level 3 asset (disclosure value inputs) within this fair value hierarchy.

The valuation utilised both an income capitalisation approach and a sales comparison approach. The observable inputs were the rental capitalisation rate as applied to estimated rental income and the value per square metre based on comparable sales.

Valuation uncertainty

The property valuation dated 10 June 2020 includes a 'valuation uncertainty' clause. The registered valuers have regarded the impact on market activity due to COVID-19 and the unprecedented set of circumstances on which to base a value judgement and consider there to be a significant market uncertainty.

Events causing market uncertainty may be macroeconomic such as the COVID-19 pandemic or microeconomic such as an unexpected change in the law disrupting a sector of the market or disruption to the supply chain of an industry.

In the real estate market, both macro or microeconomic events may result in valuation uncertainty as the only evidence available to be considered by the Valuer is most likely to have taken place before the event occurred and the impact of which was not reflected in market evidence. The impact on sale prices and volumes will not be known until the market has stabilised and a new normal is in place.

Less certainty exists than normal and a higher degree of caution should be attached to the valuation than normally would be the case. Given the unknown future impact that COVID-19 might have on real estate markets, the registered Valuer recommends that the users of the valuation report should review the valuation periodically.

The Group has recorded valuation of land and building according to the valuation report but will continue monitoring the macro or microeconomic events that may result in change in the value.

5.4 Intangible assets

5.4.1 Assets: Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets.

Value in use calculations are used in determining the recoverable amount of each Cash Generating Unit (CGU). Just Water New Zealand and Hometech are treated as separate CGU's consistent with the identified operating segments of the Group. Management has projected the cash flows for each CGU over a five-year period based on approved budgets. CGU determination of appropriate pre-tax cash flows, terminal growth rates and discount rates for the calculation of value in use is subjective and requires a number of assumptions to be made, including growth in revenue and net profit, timing and quantum of future capital expenditure, working capital, long term growth and the selection of discount rates to reflect the risks involved.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset.

Goodwill has been allocated to the following CGU's.

	30 June 2020 $000	30 June 2019 $000
Just Water New Zealand	5,374	5,374
Hometech Limited	6,450	6,450
Net book amount	11,824	11,824

Goodwill: Impairment testing

Intangible and tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, which has an indefinite useful life, is not subject to amortisation and is tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses are recognised in the statement of comprehensive income.

Management has identified the trading activities of Just Water New and Hometech as two cash generating units for the year ended 30 June 2020 as management operating these businesses both as separate entities and with separate management teams.

The values assigned to the key assumptions represent management's assessment of future trends and are based on both external and internal sources.

The Group has carried out an impairment review of goodwill allocated to each CGU in order to ensure that recoverable amounts exceed carrying amounts. Value in use was determined by discounting the future cash flows generated by each CGU. Cash flows were projected based on a 5-year business model for each CGU.

For the purposes of impairment testing a terminal growth rate has been used for all segments based on the long-term industry and country averages.

The key assumptions used in the baseline value in use calculations are as follows:

	Just Water New Zealand 2020	Hometech 2020
Terminal growth rate	1.0%	1.0%
Discount rate - pre-tax	13%	15.2%
Growth rate of revenue	(4.2%)	1.5%

The average growth rate of revenue shown above for Hometech is for year 2 forwards in the impairment testing modelling. The first year has been forecast to show a decline in revenue by 18% as a result of changed customer contracts and the expected immediate economic impact from the COVID-19 pandemic.

	Just Water New Zealand 2019	Hometech 2019
Terminal growth rate	1.0%	1.0%
Discount rate - pre-tax	15.5%	15.5%
Growth rate of revenue	1.0%	4.2%

Sensitivity analysis

Given the COVID-19 pandemic, the carrying value of each CGU's Goodwill were scenario stress tested.

Just Water New Zealand: Modelling reasonable changes in assumptions in terminal growth rate, discount rate or revenue did not result in any impairment eventuating from the modelling.

Hometech: The impairment testing resulted in approximately $0.86m in headroom between the carrying value of the CGU and the value in use from the modelling. The discount rate would need to increase by more than 1.4% above the mid-point of the range used in the modelling for an impairment to occur. Likewise, revenue would need to decrease by at least 2.4%, with the associated resulting change in working capital requirements for an impairment to occur.

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Operating Assets & Liabilities *(continued)*

5.4.2 Assets: Intangible assets other than goodwill

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure on capitalised other intangible assets is capitalised only when they increase the future economic benefits embodied in the specific asset to which it related. All other expenditure is expensed as incurred.

Amortisation is charged to the profit or loss component of the statement of comprehensive income over the estimated useful lives of intangible assets unless such lives are indefinite.

Software assets and licenses are recorded as intangible assets unless they are directly related to a specific item of hardware and recorded as property, plant and equipment and amortised over a period of three to four years.

WIth the exception of Hometech software/licences, amortisation on assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

	2020	2019
Software/licenses	3 - 4 years	3 - 4 years
Patents and trademarks	20 years	20 years
Customer contracts	1 - 8 years	1 - 8 years

Hometech amortisation on assets is calculated using the diminishing-value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

	2020	2019
Software/licenses	50%	50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Operating Assets & Liabilities *(continued)*

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	Software $000	Goodwill $000	Patents and trademarks $000	Customer contracts $000	Total $000
AS AT 1 JULY 2018					
Cost	2,705	11,824	79	1,055	15,663
Accumulated amortisation	(2,558)	-	(65)	-	(2,623)
Net book amount	147	11,824	14	1,055	13,040
YEAR ENDED 30 JUNE 2019					
Opening net book amount	147	11,824	14	1,055	13,040
Additions	135	-	8	-	143
Acquisition of a subsidiary	-	-	500	-	500
Disposals	(2)	-	-	-	(2)
Amortisation	(119)	-	(6)	(833)	(958)
Carrying amount at 30 June 2019	**161**	**11,824**	**516**	**222**	**12,723**

AS AT 1 JULY 2019					
Cost	2,789	11,824	587	1,055	16,255
Accumulated amortisation	(2,628)	-	(71)	(833)	(3,532)
Net book amount	161	11,824	516	222	12,723
YEAR ENDED 30 JUNE 2019					
Opening net book amount	161	11,824	516	222	12,723
Additions	246	-	-	-	246
Amortisation	(94)	-	(28)	(32)	(154)
Closing net book amount	313	11,824	488	190	12,815
AS AT 30 JUNE 2020					
Cost	3,035	11,824	587	1,055	16,501
Accumulated amortisation	(2,722)	-	(99)	(865)	(3,686)
Carrying amount at 30 June 2020	**313**	**11,824**	**488**	**190**	**12,815**

5.5 Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting or 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 tax assets of one entity in the Group are offset against a current tax liability of another entity in the Group if, and only if, the entities concerned have a legally enforceable right to make or receive a single net payment and the entities intend to make or receive such a net payment or to recover the asset and settle the liability simultaneously.

The utilisation of the deferred tax asset relating to temporary differences is dependent on future tax profits in excess of the profits arising from the reversal of existing taxable temporary differences. If it is not probable they will be utilised, the losses are de-recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements on the deferred income tax account are as follows:

	2020	2019
	$000	$000
AS AT 1 JULY 2019	791	442
Deferred tax	(317)	349
As at 30 June 2020	474	791

Continued recognition of the deferred tax asset is subject to continued compliance with relevant tax legislation.

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

Deferred tax assets/(deferred tax liability)	Accruals	Property plant & equipment	Customer contracts	Total
	$000	$000	$000	$000
At 30 June 2018	342	395	(295)	442
Profit or (loss)	193	(77)	233	349
At 30 June 2019	535	318	(62)	791
Equity	-	(271)	-	271
Profit or (loss)	(52)	(2)	8	(46)
At 30 June 2020	483	45	(54)	474

5.6 Contract assets

5.6.1 Contract assets: Capitalised contract acquisition costs

Initial commission costs incurred in negotiating and arranging water contracts are capitalised and recognised as an expense over the average water contract term. Capitalised commission is amortised over a period of two years for the Home Division customer and five years for Business contracts.

Schedule of Capitalised Contract Acquisition Costs	30 June 2020	30 June 2019
	$000	$000
AS AT 1 JULY 2018		
Cost	1,126	1,118
Accumulated amortisation	(601)	(615)
Net book amount at 30 June 2019	525	503
YEAR ENDED 30 JUNE 2020		
Opening net book amount	525	503
Additions	97	547
Amortisation	(422)	(525)
Closing book amount	200	525
AS AT 30 JUNE 2020		
Cost	709	1,126
Accumulated amortisation	(509)	(601)
Net book amount at 30 June 2020	200	525

Operating Assets & Liabilities *(continued)*

5.6.2 Contract asset: Accrued revenue

Contract assets represents the accrued service revenue where performance obligation has been fulfilled but invoice not raised at year end. The contract assets balance at year end is $18,000 (2019: $23,000). The balance from the previous financial year has been invoiced therefore released from contract assets during the year.

5.7 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Lease assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

5.7.1 Right-of-use assets

The following tables show the movements and analysis in relation to the right-of-use assets created on the adoption of NZ IFRS 16

	30 June 2020 $000
RIGHT OF USE ASSETS	
Buildings	2,278
Accumulated amortisation- buildings	(512)
Equipment	51
Accumulated amortisation- equipment	(33)
Motor Vehicles	119
Accumulated amortisation- motor vehicles	(37)
	1,866
RIGHT OF USE ASSETS	
Cost	2,462
Accumulated depreciation	(596)
	1,866

Operating Assets & Liabilities *(continued)*

5.7.2 Lease liabilities

	30 June 2020
	$000
LEASE LIABILITIES	
Current	482
Non-current	1,430
	1,912
DEPRECIATION CHARGE OR RIGHT-OF-USE ASSETS	
Buildings	521
Equipment	34
Vehicles	41
	596
Interest expense (included in finance costs)	90
Short term leases and expense relating to leases of low value-assets	52
Lease payments NZ IFRS 16 (included in financing activities of consolidated statement of cash flows)	550
The total cash outflow for leases as of June 2020	692

From 1 July 2019, leases are recognised as a right of use asset and a corresponding lease liability at the date at which the leased asset is available for use by Just Life Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The lease asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Refer note 6 on page 49 for further detail of adoption of NZ IFRS 16.

Operating Assets & Liabilities *(continued)*

5.8 Interest bearing liabilities

	30 June 2020	30 June 2019
	$000	$000
CURRENT INTEREST-BEARING LOANS AND BORROWINGS		
Bank overdrafts	319	315
Short term borrowings	700	112
Total interest-bearing liabilities	1,019	427
NON-CURRENT INTEREST-BEARING LOANS AND BORROWINGS		
Bank loans	6,870	9,825
Total non-current interest-bearing loans and borrowings	6,870	9,825
Total interest-bearing loans and borrowings	7,889	10,252

The movement of financing activities, excluding bank overdraft, is detailed as below:

	30 June 2020	30 June 2019
	$000	$000
Balance at beginning of year	9,937	9,973
Proceeds from borrowings	305	944
Repayment of borrowings	(2,672)	(980)
Total liabilities from finance activities	7,570	9,937

The Group is subject to a number of covenants under its banking agreements. During the year the Group complied with all of the required covenants.

The net bank facility drawn as at year end was $7,189,000 (2019: $10,140,000), the undrawn banking facility at year end was $5,167,000 (2019: $2,216,000).

	Maturity date	$000
Hometech facility - loan and overdraft	Dec 20	1,200
Hometech facility - letter of credit	Dec 20	156
Just Life Group facility - loan and overdraft	Dec 21	11,000
Total		12,356

The bank loans and overdraft are secured by a floating debenture over the Group assets. There is a cross guarantee between Just Life Group Limited and Hometech Limited.

The effective interest-rates at the balance date were as follows:

	30 June 2020	30 June 2019
Bank overdraft	5.24%	6.13 %
Bank loans	3.91%-4.38%	4.67 - 4.79 %
Short-term borrowing	n/a	3.96 %

5.9 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid at year end. The amounts are unsecured and are generally paid within normal terms of trade. Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

	30 June 2020	30 June 2019
	$000	$000
Trade and other payables	3,099	3,310
Related parties	7	14
Accrued expenses	1,612	1,396
Total	4,718	4,720

5.10 Related parties transactions

Key management personnel include Just Life Group's Board of Directors (executive and non-executive) and senior management.

Senior management is defined as the CEO and personnel that report directly to the CEO. Senior management personnel include 3 key senior management in 2020 (2019: 4 key senior management).

	2020	2019
	$000	$000
Short-term employee benefits	702	654
Directors fees	126	149
Long term benefits	5	3
Total compensation paid to key management personnel	833	806

Outstanding balance of senior management personnel entitlements as at 30 June 2020 is $44,800 (2019: $54,000). Balances are settled in cash.

The Group's ultimate parent is The Harvard Group Limited, which owns or has voting entitlements for 80.45% of the Company's shares. The remaining 19.55% is widely held. The Group's ultimate controlling parties are Ian Malcolm and Tony Falkenstein.

The Harvard Group Limited participated in the dividend reinvestment plan during the year and were issued 2,476,606 shares valuing $1,227,000 on 6 December 2019. In addition, The Harvard Group Limited received the cash amount $624,071 from the interim dividend paid on 13 March 2020.

Pure SEO Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, provided internet search engine optimisation services to the Group during the financial year to the value of $10,500 (2019: $11,550). As at balance date the Group had a trade payable balance of $1,200 (2019:$1,208)

Greenlion Limited, a company of which Ian Malcolm is a director and a shareholder, provided accounting compliance and accounting services to the Group during the financial year to the value of Nil (2019: $7,680). At balance date the Group had no balances payable or receivable in respect of this related party.

The Harvard Group Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, charged management fees for Tony Falkenstein to the Group during the financial year to the value of Nil (2019: $220,000). At balance date the Group had no balances payable or receivable in respect of this related party.

Advisory Works Limited, a company of which Ian Malcolm is a director and shareholder, provided consulting services to the Group during the financial year to the value of $12,000 (2019: $1,975). At balance date the Group had no balances payable or receivable in respect of this related party.

The Group provided services to the Jennian & Milestone Group's of companies of which Richard Carver is a director and shareholder during the year to the value of $71,812 (2019: $71,000). As at balance date the Group had a trade payable balance of $700 (2019:Nil).

Construction Marketing Services Limited, a company of which Richard Carver is a director and shareholder provided specification marketing services to the Group during the financial year to the value of $68,889 (2019: $119,000). As at balance date the Group had a trade payable balance of Nil (2019:$12,755).

Oji Fibre Solutions (NZ) Limited, a company of which Jing Jing Luo is an employee provided services to the Group during the financial year to the value of $268 (2019: Nil). At balance date the Group had no balances payable or receivable in respect of this related party.

Carver Management Limited, a company of which Richard Carver is a director provided services to the Group during the financial year to the value of $1,477(2019: Nil). At balance date the Group had no balances payable or receivable in respect of this related party.

Dialhog Limited, a company of which Ian Malcolm is a shareholder provided services to the Group during the financial year to the value of $57,298 (2019: $74,206). As at balance date the Group had a trade payable balance of $4,782 (2019: $5,497).

5

Operating Assets & Liabilities *(continued)*

5.11 Contract liabilities

Contract liabilities represent the deferred water solution revenue where an invoice has been raised but performance obligation has not been fulfilled at year end.

The contract liabilities balance at year end is $44,000 (2019: $27,000). The balance from the previous financial year has been recognised as revenue during the current year when the performance obligation had been fulfilled.

5.12 Employee benefit payables and accruals

5.12.1 Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of balance date, are recognised in other payables in respect of employees' services up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

5.12.2 Short term employee benefits

Employee entitlements to salary and wages, annual leave and sick leave to be settled within 12 months of the balance date, represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

5.12.3 KiwiSaver

KiwiSaver is a voluntary savings initiative administrated by the Inland Revenue Department. Just Life Group make contributions to eligible employees at the compulsory rate of 3% of eligible employee's gross salary or wages as required by the The KiwiSaver Act 2006.

Deductions for enrolled members to the KiwiSaver scheme are made from the employees gross salary or wages. Employer contributions and employee deductions are paid to the Inland Revenue with PAYE payments.

Adoption of New Accounting Standards

6

6.1 Impact of new standards adopted by Just Life Group

The only new or amended standard that had a significant impact on Just Life Group's accounting policies was the first-time adoption of NZ IFRS 16.

Just Life Group adopted NZ IFRS 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019 . The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was buildings 5.5%, motor vehicles 8.0% and equipment between 2.31% - 16.95%.

A reconciliation of operating lease commitments at 30 June 2019 to the lease liability recognised at 1 July 2019 is shown below:

	$000
Operating lease commitments disclosed at 30 June 2019	1,943
Discounted using leasee's incremental borrowing rate at the date of initial application	(312)
Lease liability recognised as at 1 July 2019	1,631

The Group have a number of low value leases such as mobile phones and EFTPOS devices, where the value of each asset is less than $5,000 when new. Under the exemptions allowed in NZ IFRS 16, lessees are not required to recognise assets or liabilities for leases of low value assets in the balance sheet. The Group had a total of $31,500 low value assets that were expensed to profit and loss during the year to 30 June 2020.

In applying NZ IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics with the exception of equipment where a range of discount rates are applied
- relying on previous assessments on whether leases are onerous as an alternative to perform an impairment review, there is an onerous lease as at 30 June 2020 which has been considered as part of the initial adoption of standard
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on it's assessment made applying NZ IAS 17 and interpretation 4 - Determining Whether an Arrangement Contains a Lease.

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

6

Adoption of New Accounting Standards *(continued)*

From 1 July 2019, leases are recognised as a right of use asset (lease asset) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The lease asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Further details can be found in note 5.7, page 42 of the financial statements within this Annual Report.

Had the Group followed old IAS-17, the interest and amortisation of right of use assets would be lower by $90,000 and $596,000 respectively and operating expenses would have been higher by $630,000 with the corresponding impact on the profit before tax of a $56,000 increase.

Financial Risk Management

7

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Future commercial transaction not domiciled in NZD. Recognised financial assets and liabilities not denominated in NZD	Cash flow forecasting Sensitivity analysis	Foreign currency forward contracts
Market risk - interest rates	Long-term borrowings at variable rates	Sensitivity analysis	Fixed rate loans
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and use of stop credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's risk management is predominantly controlled by the corporate (parent) function under policies approved by the Board of Directors. Group corporate identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, guidance covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

7.1 Derivatives

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases. Fair value of the derivatives at year end was disclosed in the balance sheet.

Classification and derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Financial Rsk Management *(continued)*

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. The Group does not hedge 100% of forecast foreign currency purchases therefore the Group performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of New Zealand or the derivative counterparty.

7.2 Market risk

Foreign exchange risk

The Group's exposure to foreign currency risk at the end of the reporting period, was as follows:

	30 June 2020			30 June 2019		
	USD $000	AUD $000	EUR €000	USD $000	AUD $000	EUR €000
Pre-Payments	20	1	1	20	-	27
Trade Payables	396	159	-	272	206	14
Foreign currency forward contracts						
Cash flow hedges	1,951	209	29	771	606	50

Financial Risk Management *(continued)*

Instruments used by the Group

The Group ouse international suppliers and is exposed to foreign exchange risk, primarily USD and AUD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The risk is measured through a forecast of highly probable expenditures in foreign currency. The risk is hedged with the objective of minimising the volatility of the New Zealand currency cost of highly probable forecast inventory purchases.

The Group treasury's risk management policy is to hedge between 70% and 80% of forecast foreign currency cash flows for inventory purchases up to one year in advance, subject to a review of the cost of implementing each hedge. For the year ended 30 June 2020, approximately 80% of inventory purchases were hedged in respect of foreign currency risk.

The Group uses foreign currency forward contracts to hedge its exposure to foreign currency risk. Under the Group's policy the critical terms of the forwards and options must align with the hedged items.

The Group only designates the spot component of foreign currency forward contracts in hedge relationships. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. It is discounted, where material.

The changes in the forward element of the foreign currency forward contracts and the time value of the options that relate to hedged items are deferred in the hedging reserve.

	Group as at 30 June 2020	Group as at 30 June 2019
Change in value of hedged item used to determine hedge effectiveness Weighted average hedged rate for the year (including forward points)		
USD	0.6440	0.6761
AUD	0.9408	0.9417
EUR	0.5827	0.5870

Sensitivity

The majority of the Group's forward currency hedges are domiciled in USD. This constituted 69% of all foreign currency hedges as at 30 June 2020.

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

2020	Effect on profit before tax $000	Effect on equity $000
Year ended 30 June 2020		
USD/NZD exchange rate - cross rate decreases by 10%	44	-
USD/NZD exchange rate - cross rate increases by 10%	(36)	-
Year ended 30 June 2019		
USD/NZD exchange rate - cross rate decreases by 10%	4	-
USD/NZD exchange rate - cross rate increases by 10%	(3)	-

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Group policy is to assess the expected principal repayment profile of its borrowings and enter into fixed rate loans to achieve an interest rate profile that is acceptable to the directors, taking forecasts and economic projections into consideration. Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's borrowings are only denominated in New Zealand dollars.

The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

Bank loans currently in place have fixed and variable interest rates.

Of the total bank borrowings $3.0m is at a fixed interest rate of 5.05% for 18 months (2019: 5.05% for 2.5 years), after which the interest rates will be repriced (if applicable).

The remaining bank borrowings are at a variable rate of 1.25% above the 90-day bank bill rate (2019:1.25%). The bank overdrafts are exposed to a floating interest rate.

Sensitivity

Profit or loss is sensitive to higher/lower interest charges on borrowings as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings and the fair value of debt investments at fair value through other comprehensive income.

	Impact on profit before tax		Impact on other components of equity	
	Group as at 30 June 2020 $000	Group as at 30 June 2019 $000	Group as at 30 June 2020 $000	Group as at 30 June 2019 $000
Interest rates - increase by 100 basis points	8	10	-	-
Interest rates - decrease by 100 basis points	(8)	(10)	-	-

7.3 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

Risk management

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, line management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by senior management. The compliance with credit limits by customers is regularly monitored by line management.

Sales to retail customers are required to be settled in cash, major credit cards or a credit card limit of less than $200, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Security

For some trade receivables the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory and from the provision of services
- contract assets relating to unbilled works in progress.

While cash and cash equivalents are also subject to the impairment requirements of NZ IFRS 9, the identified impairment loss was immaterial.

Financial Risk Management *(continued)*

Trade receivables and work in progress

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and work in progress.

To measure the expected credit losses, trade receivables and work in progress have been grouped based on shared credit risk characteristics and the days past due.

Unbilled work in progress has substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the work in progress.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2020 and 30 June 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified construction industry volatility as a relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for both trade receivables and work in progress.

	Just Water New Zealand $000	Hometech $000	Total $000
30 JUNE 2020			
Gross carrying amount - trade receivables	1,649	1,571	3,220
Loss allowance	117	-	117
Specific provision	213	114	327
Provision for loss receivables	330	114	444
Expected loss rate	7.1%	0.0%	3.6%

	Just Water New Zealand $000	Hometech $000	Total $000
30 JUNE 2019			
Gross carrying amount - trade receivables	1,854	1,674	3,528
Loss allowance	23	6	29
Specific provision	208	125	333
Provision for loss receivables	231	131	362
Expected loss rate	1.2%	0.4%	0.8%

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Financial Risk Management *(continued)*

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Net impairment losses on financial assets recognised in profit or loss

During the year, the following movement was recognised in profit or loss in relation to impaired financial assets:

7.4 Significant estimates and judgements

Liquidity risk

Prudent liquidity risk management implies maintaining the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 3) on the basis of expected cash flows.

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

The tables below analyse the Group's financial liabilities into relevant maturity Groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

(i) Financing arrangements

The amounts disclosed in the table are the contractual undiscounted cash flows.

	2020 $000	2019 $000
Expiring beyond one year (bank loans)	3,630	1,746

(ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity Groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

Financial Risk Management *(continued)*

The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities as at 30 June 2020	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows
	$'000	$'000	$'000	$'000	$'000
NON-DERIVATIVES					
Trade payables	3,100	-	-	-	3,100
Borrowings (excluding short term borrowings)	1,033	-	7,321	-	8,354
Lease liabilities	256	226	362	1,068	1,912
Short term borrowings	-	-	-	-	-
Related parties	6	-	-	-	6
Total non-derivatives	**4,396**	**226**	**7,683**	**1,068**	**13,373**
DERIVATIVES					
Gross settled (foreign currency forward contracts - cash flow hedges)					
- Inflow					
- Outflow	1,372	1,370	-	-	2,742
Total derivatives	**1,372**	**1,370**	**-**	**-**	**2,742**

Contractual maturities of financial liabilities as at 30 June 2019	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows
	$'000	$'000	$'000	$'000	$'000
NON-DERIVATIVES					
Trade payables	3,310	-	-	-	3,310
Borrowings (excluding short term borrowings)	586	271	717	10,731	12,305
Short term borrowings	112	-	-	-	112
Related parties	14	-	-	-	14
Total non-derivatives	**4,022**	**271**	**717**	**10,731**	**15,741**
DERIVATIVES					
Gross settled (foreign currency forward contracts - cash flow hedges)					
- Inflow					
- Outflow	830	1,039	-	-	1,869
Total derivatives	**830**	**1,039**	**-**	**-**	**1,869**

Other Information

8.1 Expenses

	Group as at 30 June 2020	Group as at 30 June 2019
	$000	$000
Continuing operations	24,010	27,398
Discontinued operations	-	-
Total expenses	24,010	27,398
INCLUDED IN OTHER EXPENSES		
Directors' fees	126	149
Donations	2	1
Loss on disposal of property, plant and equipment and intangibles	225	236
Operating lease payments	-	788
Total employee costs	**9,116**	**9,339**
ACQUISITION COSTS		
Acquisition costs in respect of the purchase		
of the business of Unovent Limited	-	10
Total acquisition costs	**-**	**10**
AUDITOR'S FEES		
During the year the following fees were paid or payable for services provided by the Group's auditor, PwC		
Assurance services		
Audit of the consolidated financial statements	207	235
Total assurance services	207	235
OTHER SERVICES		
Half-year limited assurance engagement and agreed upon procedures	12	11
Tax compliance services	24	18
Total other services	**36**	**29**
Total remuneration to PwC	**243**	**264**

Other Information *(continued)*

8.2 Financial instruments

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets are recognised on trade-date - being the date on which the Group commits to purchase or sell the asset.

8.3 Other disclosures

8.3.1 Good and Services Tax (GST)

The statements of comprehensive income have been prepared so that all components are stated exclusive of GST. All items in the balance sheets are stated net of GST, with the exception of receivables and payables, which include GST invoiced. All items in the cash flow statements are stated exclusive of GST.

8.3.2 Contingent liabilities

There were no contingent liabilities for Just Life Group at 30 June 2020 (2019: $Nil).

8.3.3 Commitments

The Group has capital commitments and capital expenditure contracted but not recognised as at year end, these are as below.

	30 June 2020	30 June 2019
	$000	$000
Water coolers	43	87
Total commitments	**43**	**87**

All capital commitments are payable within one year.

8.3.4 Events after Balance Date

The amalgamation of Just Life Group Limited and Hometech Limited took place on 31 July 2020.

COVID-19 - Alert level raised

On 12 August 2020 at noon, the Auckland region moved to Alert Level 3 and the rest of the country moved to Level 2. At the time of publishing this report these levels are expected to remain in place until 11:59pm Sunday 30 August 2020.

Auckland team members are working remotely where possible and all team members operate under the Just Life Group Limited COVID-19 Protocols.

Other Information *(continued)*

Scheduled water deliveries are still occurring across the country although with reduced volumes in Auckland due to office staff working from home. On-site installations and servicing has in many cases been deferred in the Auckland region although building sites continue to operate with the appropriate protocols being observed.

Dividend

Subsequent to year end, the Board of Directors resolved to pay a fully imputed final dividend for the year ended 30 June 2020 of 1.2 cents per share payable to the shareholders to be recorded on the share register as at 11 September 2020. The dividend will be paid on 18 September 2020. The directors of The Harvard Group Limited have elected for full participation in the dividend reinvestment plan.

8.3.5 COVID-19 pandemic

On 25 March 2020 the New Zealand Government placed restrictions on individuals and businesses by raising its COVID-19 Alert Level to 4, which required non-essential businesses to close.

The Group's sites were closed for usual business between 25 March 2020 and 26 April 2020, with a small number of employees returning to support essential businesses that were operational during level 4.

Restrictions were lifted as New Zealand returned to level 1 on 9 June 2020.

Below are some of the impacts the COVID-19 pandemic has had on Just Life Group to 30 June 2020:

Team members	Majority of team members working remotely during level 4 and 3, holiday leave utilised during lock down period where possible.
Restructure of business	Just Water New Zealand and Hometech merged into one operating unit in June 2020. Restructuring costs $0.2m incurred.
Covid-19 wage subsidy	The group received $0.9m other income from COVID-19 Wage Subsidy. Refer note 2.1 for further information.
Trade receivables	The Group has increased the provision for credit losses to reflect expected change in customer circumstances such as business closures or financial difficulties.
Inventory	The Group have not made any adjustments to inventory due to COVID-19.
Right of use assets/Leases	Partial rent relief was provided for one site over the lockdown period. No adjustment made to carrying value of right-of-use assets or lease liabilities at 30 June 2020.
Goodwill	The Group have considered the impacts of COVID-19 in the assumptions used in the assesment of goodwill impairment and has concluded that no impairment is required.

8

Other Information *(continued)*

8.3.6 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

	Country of Incorporation	Class of Shares	Equity Holdings % 2020	Equity Holdings % 2019
Trading				
Hometech Limited	New Zealand	Ordinary	100	100
HJD Properties Limited	New Zealand	Ordinary	100	100
Note: Just Water New Zealand is a trading division of Just Life Group Limited.				
Non-trading				
MBO Direct Limited	New Zealand	Ordinary	100	100
Just Water Limited	New Zealand	Ordinary	100	100
Just Water New Zealand Limited	New Zealand	Ordinary	100	100
MBO Partners Limited	New Zealand	Ordinary	100	100
Just Water International Limited	New Zealand	Ordinary	100	100
Just MBO Limited	New Zealand	Ordinary	100	100
Solatube New Zealand Limited	New Zealand	Ordinary	100	100
Unovent Limited	New Zealand	Ordinary	100	100

Note: in most cases the above entities are incorporated for the purpose of name protection.

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Independent auditor's report

To the shareholders of Just Life Group Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a significant accounting policy.

Our opinion

In our opinion, the accompanying consolidated financial statements of Just Life Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of limited assurance engagement regarding the compliance of the interim financial statements with the disclosure requirements of NZ IAS 34, certain agreed upon procedures related to the interim financial statements and tax compliance services. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have determined that there is one key audit matter, being goodwill impairment including the impact of COVID-19. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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Description of the key audit matter	How our audit addressed the key audit matter

Goodwill impairment, including the impact of COVID-19
 	
As described in note 5.4 of the consolidated financial statements the Group had goodwill of 11.8 million at 30 June 2020. Management has identified the trading activities of Just Water New Zealand and Hometech as two cash generating units (CGU). The amount allocated to the Hometech CGU is $6.4 million and to the Just Water New Zealand CGU is $5.4 million. Management performs an annual assessment to determine whether there is any impairment of goodwill.
 	
A value in use (VIU) methodology was utilised to determine the recoverable amount of each CGU using discounted cash flows. This VIU was then compared to the carrying amount of the associated net assets, including goodwill, of each CGU as at 30 June 2020.
 	
The goodwill impairment test is considered one of the more sensitive area within the financial reporting process due to the application of significant judgement in forecasting future business performance and determining certain key assumptions and estimates, in particular:
• The short-term impact on sales for the expected economic slowdown, including the impact of COVID-19;
• Average Revenue growth rates for the 5 year forecast period;
• The terminal growth rates for cash flows beyond the 5 year forecast period; and
• The appropriate discount rate for each CGU.
 	
The risk is greater for the goodwill attributed to the Hometech CGU where the headroom compared to the carrying amount is lower than the Just Water CGU.
	Our audit procedures in relation to impairment testing of goodwill included the following:
	• Considered the appropriateness of the identified CGUs by obtaining Management's determination of CGUs and holding discussions with Management.
	• Gained an understanding of the Group's impairment assessments and held discussions with management to understand the basis of determining key assumptions used in the impairment models.
	• Considered whether the methodology applied was appropriate and whether changes as a result of the adoption of IFRS 16 had been correctly incorporated into the impairment assessments.
	• Engaged an auditor's expert to independently determine an appropriate discount rate, terminal growth rates, mathematical accuracy and to assist us in challenging management's assumptions.
	• Assessed the appropriateness of key assumptions used by management to develop cash flow forecasts including adjustments for the potential impact of COVID-19 by analysing the Group's performing the following procedures:
	  ○ Assessed management's ability to accurately forecast by comparing historical forecasts to actual results;
	  ○ Compared growth rates used over the 5 year forecast period to historical growth rates as well as challenging whether the forecast growth rates are sustainable as the businesses mature;
	  ○ Obtained and evaluated management's sensitivity analysis to ascertain the impact of reasonably possible changes in the key assumptions. We also performed our own sensitivity analysis on the impact of changing key assumptions to consider whether any reasonably possible changes could result in the impairment of goodwill;
	• For the Hometech CGU, we also performed the following procedures:
	  ○ Considered the performance of the CGU and gained an understanding of strategic and operational initiatives being undertaken through discussions with management.

Description of the key audit matter	How our audit addressed the key audit matter
Our audit focused on this area due to the value of goodwill balance, and the level of judgement involved in assessing the recoverable amount of each CGU. Management's assessment concluded that no impairment of goodwill is required to be recognised, as disclosed in Note 5.4. However, the valuation of Hometech CGU was sensitive to reasonably possible changes in revenue growth assumptions which could result in an impairment, as disclosed in Note 5.4 of the financial statements.	○ Assessed the extent to which revenue in the 2021 budget is secured by way of contract, recalculated estimated gross margin under the terms of the contract and agreed a sample of forecast amounts to signed customer contracts. • Considered whether the disclosures in the consolidated financial statements were in compliance with the requirements of the accounting standards. We have no matters to report as a result of our procedures.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $200,000, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark.

As reported above, we have one key audit matter, being:

- Goodwill Impairment, including the impact of COVID-19

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are 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 ISAs (NZ) and ISAs 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 these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Leopino Foliaki.

For and on behalf of:

Pricewaterhouse Coopers

Chartered Accountants
26 August 2020

Auckland

Corporate Governance Statement

The Governance section of the Company's website (www.justlifegroup.co.nz) includes copies of the following corporate governance documents referred to in this section:

- **Company Constitution**
- **NZX Corporate Governance Code**
- **Board Charter**
- **Audit and Risk Committee Charter**
- **People and Culture Committee Charter**
- **Code of Ethics Policy**
- **Security Trading Policy**
- **Director Appointment Policy**
- **External Audit Independence Policy**
- **Remuneration Policy**
- **Health and Safety Charter**
- **Diversity and Inclusion Policy**
- **Continuous Disclosure Policy**
- **Risk Management Framework & Policy**

The Board recognises the importance of good corporate governance, particularly its role in delivering improved corporate performance and protecting the interests of all stakeholders.

The Board is responsible for establishing and implementing the Company's corporate governance frameworks and is committed to fulfilling this role in accordance with best practice and observing applicable laws and the NZX Corporate Governance Code (NZX Recommendations).

The Company is listed on the NZX.

For the year ended 30 June 2020, the Company has prepared its corporate governance statement against the eight principles of the NZX Recommendations. During that year, the Company has complied with all the NZX Corporate Governance Code Recommendations except for Recommendations 2.8, 2.9, 3.6 and 4.3.

Code of Ethical Behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Recommendation 1.1 – The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics).

The code of ethics and where to find it should be communicated to the issuer's employees. Training should be provided regularly. The standards may be contained in a single policy document or more than one policy.

The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer's expectations about behaviour, namely that every director and employee:

a) acts honestly and with personal integrity in all actions;

b) declares conflicts of interest and proactively advises of any potential conflicts;

c) undertakes proper receipt and use of corporate information, assets and property;

d) in the case of directors, gives proper attention to the matters before them;

e) acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law;

f) adheres to any procedures around giving and receiving gifts (for example, where gifts are given that are of value to influence employees and directors, such gifts should not be accepted);

g) adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer's procedures, an issuer should protect and support them, whether or not action is taken); and

h) manages breaches of the code.

The Board maintains high standards of ethical conduct and the Chief Executive Officer (CEO) is responsible for ensuring that high standards of ethical conduct are maintained by all the Company's staff.

Director responsibilities and expectations with regard to conflicts of interest are set out in the Company's Code of Ethics Policy. The Code of Ethics Policy is available on the Company's website.

Code of Ethical Behaviour *(continued)*

Code of Ethics

The Company has adopted a Code of Ethics Policy which plays a key role in establishing the framework by which the Company's employees are expected to conduct themselves.

The Code of Ethics Policy is not intended to prescribe an exhaustive list of acceptable and non-acceptable behaviour, rather it is intended to facilitate decisions that are consistent with the Company's values, business goals and legal and policy obligations, thereby enhancing performance outcomes.

Employees must familiarise themselves with the Company's values, because they govern their behaviour while they are employed by the Company.

The Code of Ethics Policy covers, among other things, conflicts of interest and behaviours.

The Code of Ethics Policy sets out:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to consider the Company's legal obligations and the reasonable expectations of its stakeholders; and
- the responsibility and accountability of individuals to report and investigate unethical practices.

Corporate Governance Statement

Directors and management are expected to lead the Company according to the Code of Ethics Policy and to ensure that the standards set out in the Code of Ethics Policy are communicated to the people who report to the Directors and management.

Any person who becomes aware of a breach or suspected breach of the Code of Ethics Policy is required to report it immediately in accordance with the policy.

The Code of Ethics Policy is provided to new employees as part of their induction material and the current version is maintained on the Company's internal web portal for access by employees.

Conflicts of Interest

The Code of Ethics Policy outlines the Board's policy on conflicts of interest. Where conflicts of interest do exist, Directors excuse themselves from discussions and do not exercise their right to vote in respect of such matters.

Recommendation 1.2 – An issuer should have a financial product dealing policy which applies to employees and directors.

All Directors and employees are required to comply with the Company's Security Trading Policy in undertaking any trading in the Company's shares. The Security Trading Policy is available on the Company's website and the Company's internal web portal for access by employees.

Board Composition & Performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Recommendation 2.1 – The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.

The Board is the overall and final body responsible for all decision making within the Company, having a core objective to effectively represent and promote the interests of its stakeholders with a view to adding long-term value to the Company.

The Board has developed and approved a Board Charter. The Board Charter is available on the Company's website.

The Board Charter describes the Board's role and responsibilities and regulates internal Board procedures. The Board has a responsibility to work to enhance the value of the Company in the interests of the Company and its stakeholders.

The Board

The Board is responsible for directing the Company and enhancing shareholder value in accordance with good corporate governance principles. Further, the Board has statutory responsibilities over the affairs and activities of the Company, with the power to delegate those responsibilities to the CEO and the senior executive team.

The main functions of the Board, the CEO and the senior executive team are set out in the Board Charter. There is a clear delineation between the Board's responsibility for the Company's strategy and activities, and the day-to-day management of operations conferred upon the CEO and senior leadership team.

The Board reserves certain functions to itself. These include:

- approving, and from time to time reviewing, the Company's corporate mission statement;
- selecting and (if necessary) replacing the CEO;
- ensuring that the Company has adequate management to achieve its objectives and to support the CEO so that a satisfactory plan for management succession is in place;
- reviewing and approving the strategic, business and financial plans prepared by management;
- reviewing and approving certain material transactions, and making certain investment and divestment decisions;

Board Composition & Performance *(continued)*

- approving and overseeing the administration of the Company's technology development strategy;
- monitoring the Company's performance against its approved strategic, business and financial plans and overseeing the Company's operating results;
- ensuring the Company, the Board and the executive team's behaviour is consistent with the Code of Ethics Policy, including compliance with the Company's Constitution, any relevant laws, listing rules and regulations and any relevant auditing and accounting principles;
- implementing, and from time to time reviewing, the Company's Code of Ethics Policy, to foster high standards of ethical conduct and personal behaviour, and hold accountable those Directors, managers or other employees who engage in unethical behaviour;
- ensuring the quality and independence of the Company's external audit process; and
- assessing from time to time the Company's effectiveness in carrying out the functions listed above, and the other responsibilities of the Board.

Indemnities and insurance

In accordance with Section 162 of the Companies Act 1993 and the Company's Constitution, the Company indemnifies the Directors in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as Directors. The Directors' and Officers' Liability insurance covers risks normally covered by such policies arising out of acts or omissions of Directors and employees in their capacity as such.

Board meetings

In the period from 1 July 2019 to 30 June 2020 the Board met formally eight times. At each scheduled meeting the Board considers key financial and operational information as well as matters of strategic importance. Directors who are not members of the Board Committees may still attend the Committees' meetings.

Refer below for additional information on the Board Committees.

Company subsidiaries

During the year ended 30 June 2020 the Company operated a trading division, Just Water New Zealand and two wholly owned trading subsidiaries, Hometech Limited (HT) and HJD Properties Limited (HJD). Board meetings were held for each of these subsidiaries during the year ended 30 June 2020, with material matters raised in these meetings reported to the Company's Board, as appropriate.

On 31 July 2020 the Company amalgamated with HT under section 222(1) of the Companies Act 1993, with the Company continuing as the amalgamated company. As part of the amalgamation, the Company's company number, ticker and ISIN remains the same. The amalgamation was undertaken in order to simplify the Company group structure with no change to the day-to-day operations of HT.

Board Composition & Performance *(continued)*

Delegation

To enhance efficiency, the Board has delegated some of its powers to Board Committees and other powers to the CEO. The CEO's contract is not for a specific term. The day-to-day leadership and management of the Company is undertaken by the CEO and senior leadership team.

The CEO is responsible for:

- formulating the vision for the Company;
- recommending policy for, and the strategic direction of, the Company subject to approval by the Board;
- providing management of the day to day operations of the Company; and
- acting as the spokesperson for the Company.

The terms of the delegation by the Board to the CEO are documented in the Company's Delegated Authority Policy which also establishes the authority levels for decision- making within the Company's wider management team

The CEO has also formally delegated decision making to the senior leadership team within their areas of responsibility, subject to quantitative limits to ensure consistent and efficient decision making across the Company.

Board Committees

The Board has established and adopted Charters for two Committees: The Audit and Risk Committee and the People and Culture Committee. The Committee Charters are available on the Company's website.

The membership of each Committee as at 30 June 2020 was:

- Audit and Risk Committee – Richard Carver (Chair), Jing Jing Luo and Ian Malcolm.
- People and Culture Committee – Ian Malcolm (Chair), Richard Carver and Jing Jing Luo.

Steve Bootten was a member of the Audit and Risk Committee and Chair of the People and Culture Committee until 22 August 2019, when he retired from the Board. Ian Malcolm became the Chair of the People and Culture Committee when Steve Bootten retired.

Board Composition & Performance *(continued)*

Subsequent to 30 June 2020 Phil Norman was appointed an Independent Director on 5 August 2020 and is a member of both the Audit and Risk and People and Culture Committees.

Recommendation 2.2 – Every issuer should have a procedure for the nomination and appointment of directors to the board.

Nomination and appointment

The procedures for the appointment and removal of Directors are ultimately governed by the Company's Constitution. The Board has established a Director Appointment Policy administered by the People and Culture Committee which makes recommendations for Director Appointment to the Board. The primary objectives of the People and Culture Committee in relation to the nomination and appointment of Directors are:

- to ensure that a formal and transparent method for the nomination and appointment of Directors exists;
- to recommend Director appointments to the Board; and
- to regularly review the composition of the Board to ensure the appropriate composition of Directors is maintained.

The People and Culture Committee does this by:

- making recommendations to the Board as to its size;
- reviewing the composition of the Board to ensure the most appropriate balance of skills, qualifications and experience;
- reviewing Board succession plans to maintain an appropriate balance of skills, experience and expertise on the Board;
- reviewing criteria for determining suitability of potential Directors in terms of maintaining a balance of relevant skills between Board members to ensure the Board can meet the Company's objectives;
- identifying and maintaining a list of suitably qualified people who could be approached for future Board positions;
- ensuring there is an appropriate induction programme in place for all new Directors; and
- making recommendations to the Board about the appointment and re-election of Directors.

When recommending to the Board suitable candidates for appointment as Directors, the People and Culture Committee will consider, among other things:

- the candidate's experience as a Director;
- the candidate's skills, expertise and competencies; and
- the extent to which those skills complement the skills of existing Directors.

Board Composition & Performance *(continued)*

Composition of the Board

As at 30 June 2020, the Board comprised of the following four Directors:

- Tony Falkenstein – Executive Director
- Richard Carver – Independent Director
- Ian Malcolm – Non-Executive Director
- Jing Jing Luo – Independent Director

Steve Bootten was an Independent Director until 22 August 2019, when he resigned from the Board. Subsequent to 30 June 2020, Phil Norman was appointed to the Board as an Independent Director on 5 August 2020.

Retirement and re-election

The Board acknowledges and observes the relevant Director rotation/retirement rules under the NZX Listing Rules.

- Richard Carver and Jing Jing Luo were elected to the Board at the Annual Shareholders' Meeting held in December 2019.
- Tony Falkenstein and Ian Malcolm retired by rotation and were re-elected to the Board at the Annual Shareholders' Meeting in December 2019.

The Board has a broad range of business leadership, financial, sale, construction industry and other skills and expertise necessary to meet its objectives. The Company's Constitution requires a minimum of three Directors.

The Board considers that it has an appropriate mix of skills, experience and independence to ensure that the Company is governed in a manner that ensures that the interests of all stakeholders are represented and protected. The Board is also confident that proper processes are in place to address the needs and expectations of stakeholders with respect to independence in decision-making and the management of any conflicts of interest.

Recommendation 2.3 – An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

New Directors are required to consent to act as a Director and receive a formal letter of appointment which sets out their duties, responsibilities, rights and remuneration entitlements.

The CEO and each senior executive are employed under an individual employment agreement which sets out the terms on which the executive is employed including details of the executive's duties, responsibilities, rights and remuneration entitlements. The employment agreement also sets out the circumstances in which employment may be terminated by either the Company or the executive.

Board Composition & Performance *(continued)*

Recommendation 2.4 – Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and director attendance at board meetings.

Information about each Director including a profile of experience and independence is available on the Company's website.

Director independence

The NZX Listing Rules require a minimum of two Directors be 'independent'.

The Board considers the guidance provided under the NZX Listing Rules in determining the independence of Directors. Under those rules and recommendations, Directors are independent if they are non-executive and do not have an interest or relationship that could or could be perceived to unreasonably influence their decisions relating to the Company or interfere with their ability to act in the Company's best interests. The Board will review any determination it makes as to a Director's independence on becoming aware of any information that may have an impact on the independence of the Director. For this purpose, Directors are required to ensure that they immediately advise the Board of any relevant new or changed relationships to enable the Board to consider and determine the materiality of the relationships.

As at 30 June 2020, the Board considers that Richard Carver and Jing Jing Luo are Independent Directors. As at 30 June 2020, the Board also determined that Tony Falkenstein and Ian Malcolm are not Independent Directors because of Tony Falkenstein's executive responsibilities and Tony Falkenstein and Ian Malcolm's association with the largest shareholder of the Company, with both being directors of The Harvard Group Limited.

Length of service of Directors

DIRECTOR	APPOINTED	CUMULATIVE LENGTH OF SERVICE TO 30 JUNE 2020
Tony Falkenstein	5-Feb-90	30 years, 5 months
Ian Malcolm	15 December 2014*	17 years, 7 months
Richard Carver	1-Mar-19	1 year, 4 months
Jing Jing Luo	19-Aug-19	10 months
Steve Bootten	Appointed January 2019, resigned August 2019	7 months

*Ian Malcolm was originally appointed to the Board on 8 October 2001, resigned from the Board on 24 October 2013 and was reappointed to the Board on the 15 December 2014.

Board Composition & Performance *(continued)*

Attendance at Board Meetings

In the year ended 30 June 2020 there were a total of eight Board meetings. The number of meetings attended by the Board members are as follows:

DIRECTOR	NUMBER OF MEETINGS ATTENDED
A E Falkenstein	8
I D Malcolm	8
R Carver	8
JJ Luo (appointed August 2019)	8
S Bootten (resigned August 2019)	1

Attendance at Committee meetings

The Audit and Risk Committee met three times during the year ended 30 June 2020. The auditors, PwC, attended two of the Audit and Risk Committee meetings. The meetings were attended by all members during their tenure on the Board.

The People and Culture Committee held one formal meeting during the year ended 30 June 2020. The meeting was attended by all members during their tenure on the Board.

Ownership interests

The table of Directors' shareholdings is included in the Disclosures section of this Annual Report set out on page 98.

Recommendation 2.5 – An issuer should have a written Diversity and Inclusion Policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

Diversity and Inclusion Policy

The Company values and respects the contributions, ideas and experiences of people from all backgrounds and is proud to have a diverse company with staff from all around the world. The Company has a formal Diversity and Inclusion Policy, a copy of which is available on the Company's website and the Company's internal web portal for access by all employees. The Diversity and Inclusion Policy sets out the Company's commitment to achieving diversity in the attributes and experiences of the Board, management and staff across a broad range of criteria including gender, background, and education (amongst others). Under the policy measurable objectives are set for achieving diversity and progress is assessed annually.

The Board has concluded that the Company has complied with the Diversity and Inclusion Policy.

Board Composition & Performance *(continued)*

Gender diversity statistics

	Male		Female		
As at 30 June 2020	No.	%	No.	%	Total
Board	3	75%	1	25%	4
Senior Executive*	1	50%	1	50%	2
Total Group	4	67%	2	33%	6

	Male		Female		
As at 30 June 2019	No.	%	No.	%	Total
Board	4	100%	0	0%	4
Senior Executive*	2	67%	1	33%	3
Total Group	6	86%	1	14%	7

* For the purposes of this annual report 'Senior Executive' means the senior executive team constituted in accordance with the Code, and who report directly to the CEO. The senior executive team are 'officers' for the purposes of the NZX Listing Rules but exclude Executive Directors as they are captured in the 'Board' category.

Recommendation 2.6 – Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

All Directors are responsible for ensuring they remain current in understanding their duties as Directors.

To ensure ongoing education, Directors are regularly informed of developments that affect the Company's industry and business environment, as well as company and legal issues that impact the Directors themselves. Directors have access to management and any additional information they consider necessary for informed decision making.

Board access to information and advice

The Group COO/CFO, supported by external specialist legal advisors, is responsible for supporting the effectiveness of the Board by ensuring that policies and procedures are followed and coordinating the completion and dispatch of the Board agendas and papers. All Directors have access to the senior leadership team, including the Group General Manger and Group COO/ CFO and the external legal advisors, to discuss issues or obtain information on specific areas in relation to items to be considered at Board meetings or other areas as they consider appropriate. Further, Directors have unrestricted access to the Company's records and information.

The Board, the Board Committees and each Director have the right, subject to the approval of the Chair of the Board, to seek independent professional advice at the Company's expense to assist them to carry out their responsibilities as a Director or Committee member. Further, the Board and Board Committee members have the authority to invite external advisors with relevant experience and expertise to attend Board or Board Committee meetings.

* For the purposes of this annual report 'Senior Executive' means the senior executive team constituted in accordance with the Code, and who report directly to the CEO. The senior executive team are 'officers' for the purposes of the NZX Listing Rules but exclude Executive Directors as they are captured in the 'Board' category.

Board Composition & Performance *(continued)*

Recommendation 2.7 – The board should have a procedure to regularly assess director, board and committee performance.

Performance evaluation of the Board, its Committees and individual Directors

The Chair of the Board leads an annual process to evaluate the performance of the Board, Board Committees and individual Directors, and the Board's relationship with management. The review process may be by internal methods such as questionnaires or self-assessment or with external assistance, as may be considered appropriate by the Chair.

Further, the Board Committees undertake an annual self-review of their objectives and responsibilities. In addition, those objectives and responsibilities are also reviewed by the Board against the relevant Board Committee Charter.

Performance evaluation of senior executives

The Board is responsible for monitoring the performance of the CEO against the Board's requirements.

The People and Culture Committee is responsible for overseeing the CEO's evaluation of the senior leadership team that report directly to the CEO.

Recommendation 2.8 – A majority of the board should be independent directors.

As discussed under Recommendation 2.4, two of the four directors as at 30 June 2020 are Independent Directors. Although this is only half of the Board and not a majority, this meets the requirement under NZX Listing Rule 2.1.1(c) of having a minimum of two Independent Directors.

Subsequent to 30 June 2020, Phil Norman was appointed an Independent Director on 5 August 2020. The Company is therefore compliant with this Recommendation as at the date of release of this corporate governance statement.

Recommendation 2.9 – An issuer should have an independent chair of the board. If the chair is not independent, the Chair and the CEO should be different people.

Tony Falkenstein was appointed as Chair following Steve Bootten's retirement from the Board on 22 August 2019. Mr Falkenstein is not considered to be independent.

Board Committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

Recommendation 3.1 – An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not the chair of the board.

Audit and Risk Committee

The Board has an Audit and Risk Committee whose primary objective is to assist the Board in fulfilling its responsibilities, by:

- ensuring the quality and independence of the Company's external audit process;
- overseeing (among other things):
- the integrity of external financial reporting,
- application of accounting policies,
- financial management, and
- the risk management framework and monitoring compliance with that framework;
- providing a formal forum for communication between the Board and senior financial management;
- regularly reviewing the Company's internal controls and systems;
- undertaking an annual self-review of the Committee's objectives;
- regularly reporting to the Board on the operation of the Company's risk management and internal control processes; and
- providing enough information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company.

Charter

The Company's Audit and Risk Committee operates under a written Charter. A copy of the Charter is available on the Company's website.

Composition of the Audit and Risk Committee

A majority of the Committee members are Independent Directors and all members are Non-Executive Directors. The Audit and Risk Committee is chaired by Richard Carver who is an Independent Director and not Chair of the Board.

The other members of the Audit and Risk Committee as at 30 June 2020 are Ian Malcom and Jing Jing Luo.

Board Committees *(continued)*

Recommendation 3.2 – Employees should only attend audit committee meetings at the invitation of the audit committee.

The Audit and Risk Committee Charter provides that employees and Directors who are not members of the Audit and Risk Committee can only attend Audit and Risk Committee meetings at the invitation of the Committee Chair.

The Audit and Risk Committee may invite such members of management and any other persons, including external advisers, as the Committee considers necessary to provide information and advice. All Directors are entitled to attend meetings of the Audit and Risk Committee by standing invitation provided that executive Directors shall not be entitled to attend meetings where they are conflicted for personal reasons.

Recommendation 3.3 – An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.

People and Culture Committee

The Board has a People and Culture Committee whose primary objective is to assist the Board in fulfilling its responsibilities, by:

- recommending to the Board the CEO's remuneration, and those roles that report to the CEO, and review the next layer down of senior management.
- ensuring that the Company has a formal and transparent method to recommend Director remuneration packages to shareholders;
- reviewing the Company's remuneration policy; and
- being responsible for all other human resource related policies that guide the culture and people related practices and procedures of the Company and its subsidiaries.

The People and Culture Committee may invite such members of management and any other persons, including external advisers, as the Committee considers necessary to provide information and advice. All Directors are entitled to attend meetings of the People and Culture Committee by standing invitation provided that executive Directors shall not be entitled to attend meetings where they are conflicted for personal reasons.

Charter

The Company's People and Culture Committee operates under a written Charter. A copy of the Charter is available on the Company's website.

Board Committees *(continued)*

Composition of the People and Culture Committee

The members of the People and Culture Committee as at 30 June 2020 are Richard Carver, Jing Jing Luo and Ian Malcolm. A majority of the members of the Committee, including the Chair, are Independent Directors.

Recommendation 3.4 – An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.

The People and Culture Committee recommends Director appointments to the Board in accordance with the Director Appointment Policy.

Further information as to the primary objectives and processes of the People and Culture Committee in relation to the nomination and appointment of Directors is contained under Recommendation 2.2. The composition of the People and Culture Committee is described under Recommendation 3.3.

Recommendation 3.5 – An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

Other Committees as considered necessary may be established from time to time.

Recommendation 3.6 – The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. It should disclose the scope of independent advisory reports to shareholders.

These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

In the event of a takeover offer, the Company would form an independent committee of the Board to oversee disclosure and response, engage expert legal and financial advisors to provide advice on procedure and the terms of the offer. Given the composition of the Company's share register (which means that it is very unlikely that a takeover offer would be made for the Company without the bidder having obtained the support of The Harvard Group Limited, which holds 69.85% of JLG shares on issue), the Directors do not believe it is necessary to establish takeover offer protocols ahead of any offer being made.

Reporting & Disclosure

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Recommendation 4.1 – An issuer's board should have a written continuous disclosure policy. The Company is required to comply with the disclosure requirements of the NZX Listing Rules.

The Company is committed to notifying the market through full and fair disclosure to the NZX of any material information related to its business that is required to be disclosed by the NZX Listing Rules. The Company is mindful of the need to keep stakeholders informed through a timely, clear and balanced approach which communicates both positive and negative news. These notifications are linked to the Company's website.

The Company is also required to comply with the periodic disclosure requirements under the NZX Listing Rules.

The Company has adopted a Continuous Disclosure Policy which establishes procedures that are aimed at ensuring that the Directors and all employees of the Company are aware of and fulfil their disclosure obligations under the NZX Listing Rules. A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

The Continuous Disclosure Policy has been communicated internally and is available on the Company's internal web portal for access by all employees.

Reporting & Disclosure *(continued)*

Recommendation 4.2 – An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

The Governance section of the Company's website includes copies of the following corporate governance documents:

- Company Constitution
- NZX Corporate Governance Code
- Board Charter
- Audit and Risk Committee Charter
- People and Culture Committee Charter
- Code of Ethics Policy
- Security Trading Policy
- Director Appointment Policy
- External Audit Independence Policy
- Remuneration Policy
- Health and Safety Charter
- Diversity and Inclusion Policy
- Continuous Disclosure Policy
- Risk Management Framework Policy

Recommendation 4.3 – Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including environmental, economic and social sustainability factors and other practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the Board.

The Company provides commentary in the financial reports and associated investor presentations which are balanced and provide an objective view on the performance of the Company.

Given its relatively small size, the Company does not yet consider it appropriate to adopt a formal Environmental, Social and Governance (ESG) framework. There is a focus by senior management on environmental and sustainability initiatives including the use of recyclable packaging by suppliers and all team members being offered the opportunity to take public transport paid by the Company. The Company does intend to increase disclosure in this area in the future.

The Company has established a risk management framework focused on strategic issues within the business which is regularly updated by management and reviewed by the Audit and Risk Committee.

Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

Recommendation 5.1 – An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.

Shareholders have approved the Directors' fees in aggregate for all Directors at $200,000 per annum. The actual amount of fees paid in the past year was $126,000.

Full disclosure of Directors' remuneration is set out at page 95.

The Independent and Non-Executive Directors receive $45,000 per annum each (a Chair of a Committee or the Board receives additional fees).

The executive Director receives remuneration from the Company and does not receive Directors' fees.

Directors are also entitled to be paid for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings, or otherwise in connection with the Company's business.

Recommendation 5.2 – An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.

The Company has adopted a Remuneration Policy, a copy of which is available on the Company's website. The Board recognises it is desirable that executives (including Executive Directors) remuneration should include an element dependent upon the performance of both the Company and the individual and should be clearly differentiated from Non-Executive Director remuneration.

Executive remuneration currently comprises of three components: fixed remuneration, short term performance incentives (STI) and a long-term performance incentive (LTI). This is to ensure appropriate weighting of incentives between short and longer-term performance, and to align executive packages with longer-term shareholder value.

Fixed remuneration

Fixed remuneration consists of base salary and benefits.

Remuneration *(continued)*

Short term performance incentives

The STI will be an annual ‘at-risk’ performance bonus which is either a specific percentage of each executive’s base salary or a set value. The weightings of the STI in relation to fixed remuneration range from 10% to 20%. The STI is based on financial performance measures of the Company and the business unit the relevant executive manages. The executives’ right to short term performance incentives is conditional on the performance of the individual and the Company and is assessed annually by the Board.

Executive long-term incentive plan

The Company has an LTI Plan for executives. The LTI Plan aims to align the interests of key staff with those of shareholders, by providing “options to acquire a defined quantity of the Company shares at a fixed exercise price”.

Grants are offered to executives at the absolute discretion of the Board. To be eligible for a grant of options under the LTI Plan, an executive must be in continuous employment of the Company or its subsidiaries for a minimum of 2 years.

The options are conditional on the employee remaining in the employment of the Company and can be exercised any time after 2 years from the grant date with an expiry date of 5 years from the grant date.

Recommendation 5.3 – An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long-term incentives and the performance criteria used to determine performance-based payments.

The remuneration of the CEO has been disclosed in the Annual Report on page 95.

The CEO is also a substantial product holder of the Company through exercising control of The Harvard Group Limited and associated parties. He has advised the Board that he does not wish to participate in the STI or LTI as he believes both short term and long-term incentive is provided to him by the return on shareholders’ funds achieved by the Company, dividend policy as set by the Independent Directors and the increase in the share price of the JLG shares listed on the NZX.

Remuneration *(continued)*

The elements of the CEO’s remuneration are set out below:

	2020	2019
Remuneration		
Salary	233,500	220,000
Taxable benefits	-	-
Subtotal	233,500	220,000
PAY FOR PERFORMANCE		
Short term incentives	-	-
Long term incentives	-	-
Subtotal	-	-
Total remuneration	**233,500**	**220,000**

Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Recommendation 6.1 – An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports.

An issuer should report the material risks facing the business and how these are being managed.

Risk Management Framework and Policy

The identification and effective management of the Company's risks are a priority of the Board. The CEO is accountable for all operational and compliance risk across all of the Company's operations and businesses. The Group COO/CFO has the management accountability for the effective implementation of the Risk Framework (as defined below) across all the Company's businesses.

The Company has in place an overarching Risk Management Framework and Policy (Risk Framework) supported by operating risk and compliance policies that aim to ensure that the Company, its Directors and employees will comply with relevant regulatory requirements such as New Zealand laws, NZX Listing Rules, and relevant codes of practice.

The purpose of the Risk Framework is to ensure a consistent approach to operating and compliance risk across all the Company's businesses in all geographies where the Company operates. The Risk Framework sets out the specific areas for which the CEO and Group COO/CFO are accountable.

The Board has established an Audit and Risk Committee whose primary objective is to assist the Board in fulfilling its responsibilities. The Audit and Risk Committee's responsibilities are set out under Recommendation 3.1 above.

Recommendation 6.2 – An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

The Company operates under a Health and Safety Charter. A report is provided regularly by senior management to the Board on benchmarks against the Health and Safety Policy issued by each trading subsidiary.

Auditors

"The board should ensure the quality and independence of the external audit process."

Recommendation 7.1 – The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures:

(a) for sustaining communication with the issuer's external auditors;

(b) to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;

(c) to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; and

(d) to provide for the monitoring and approval by the issuer's audit committee of any service provided by the external auditors to the issuer other than in their statutory audit role.

The Board's framework for the Company's relationship with its external auditors is described in the External Audit Independence Policy which is available on the Company's website. The External Audit Independence Policy covers matters relating to the appointment of auditors, the independence of auditors, transparent dialogue with auditors, rotation of the audit partner, reporting on audit fees and non-audit work.

The Audit and Risk Committee assists the Board in fulfilling its responsibility to ensure the quality and independence of the Company's external audit process. Pursuant to the Audit and Risk Committee Charter, the Board has delegated the Audit and Risk Committee the responsibility to monitor all aspects of the external audit of the Company's affairs including:

- considering the appointment of auditors, audit fees and any issues on an auditor's resignation or dismissal;
- discussing with auditors, before the commencement of each audit, the nature and scope of their audit;
- reviewing auditors' service delivery plan;
- reviewing the Company's letter of representation to auditors; and
- discussing with auditors any problems, reservations, or issues arising from the audit and referring matters of a material or serious nature to the Board.

Auditors *(continued)*

Recommendation 7.2 – The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.

The external auditor attends the Annual Shareholders' Meeting.

Shareholders are given an opportunity at the meeting to directly ask the external auditor questions relevant to the conduct of the audit, the audit report, the Company's accounting policies and the independence of the auditor.

Recommendation 7.3 – Internal audit functions should be disclosed.

The CEO is accountable for all operational and compliance risks across all the Company's operations and businesses. The Group COO/ CFO is accountable for the effective implementation of the Risk Framework across all the Company's businesses.

The Company has appointed an external consultant to undertake independent reviews of internal processes and adherence to internal controls on a rotational basis and provide reports on weaknesses and recommendations on where improvements can be made.

Shareholder Rights & Relations

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Recommendation 8.1 – An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

The Investors Information section of the Company's website provides information to shareholders and investors about the Company. The website includes copies of past annual reports, links to results announcements, media releases and general Company information.

The Governance section of the website provides copies of relevant policies and of the corporate governance documents referred to under Recommendation 4.2.

Recommendation 8.2 – An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

Although the Company does not have a formal shareholder communications policy, it does take appropriate steps to keep shareholders informed about its activities and to listen to issues or concerns raised by shareholders.

Fundamental to the Company's provision of information to shareholders is the management of its continuous disclosure obligations which ensures all shareholders have access to material Company information.

In addition to lodging this Company information with the NZX, the Company uses its website to make available to shareholders information about the Company and its activities. All Shareholder Newsletters are available on the Company's website.

Shareholders have the option of electing to receive all shareholder communications, including dividend statements, by email. Shareholders are advised that the Annual Report is available on the Company's website in accordance with the requirements of the Companies Act 1993, the Financial Markets Conduct Act 2013 and associated regulations. The Company provides a printed copy of the Annual Report only to shareholders who have specifically elected to receive a printed copy.

All announcements made to the NZX are available to shareholders by email notification where a shareholder has provided the Company's Share Registry with an email address and elects to be notified of all such announcements.

Shareholder Rights & Relations *(continued)*

The Company's Share Register is managed and maintained by Link Market Services Limited. Shareholders can access their shareholding details or make enquiries about their current shareholding electronically by contacting Link Market Services Limited.

The CEO provides both his email and mobile contact details on the Company's website and shareholders are encouraged to contact him directly if they have any questions about the Group.

Recommendation 8.3 – Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested.

The Company complies with its obligations under the Companies Act 1993 to obtain shareholder approval under a special resolution for any major transactions. The Company also complies with NZX Listing Rule requirements to obtain shareholder approval for transactions, or a series of transactions, that would change the essential nature of the business.

Recommendation 8.4 – If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing security holders of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.

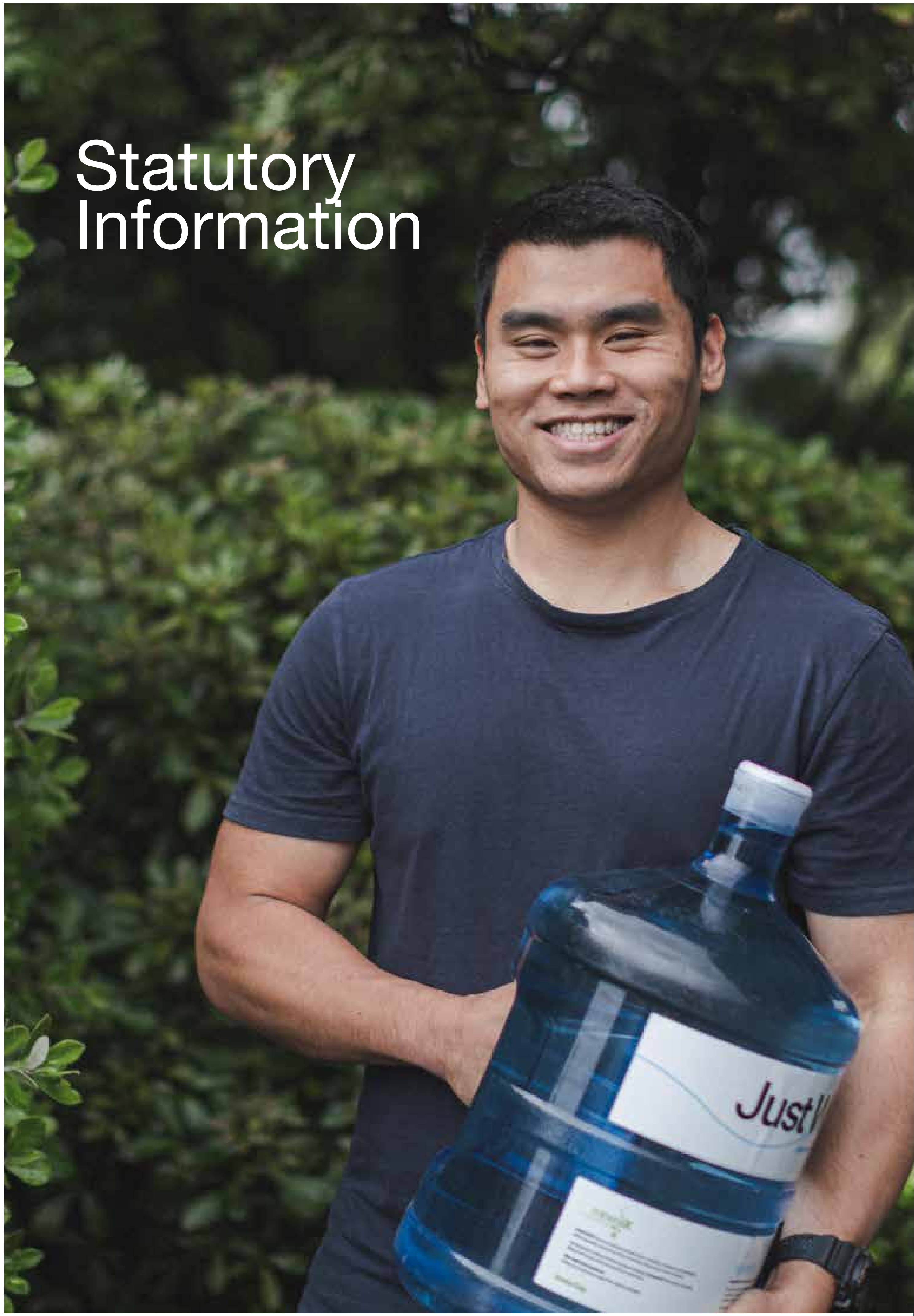
The Company undertook no equity capital raisings in the financial year ended 30 June 2020.

Recommendation 8.5 – The Board should ensure that the notices of annual or special meetings of quoted equity security holders are posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.

Once the date of the Annual Shareholders' Meeting is confirmed, the Company notifies the market by providing disclosure to the NZX.

This notification is available on the Company's website. The Company provides notice of the Annual Shareholders' Meeting to shareholders in accordance with the requirements of the Companies Act 1993 and the NZX Listing Rules. The notice is sent to shareholders, notified to the market by providing disclosure to the NZX and made available on the Company's website at least 20 working days prior to the date of the meeting.

Statutory Information



Statutory Information

Business activities

The Group's business activities are focused on enhancing lives. Just Water New Zealand provides filtered water solutions to both business and residential customers. Hometech provides natural light and ventilation systems to enhance living spaces.

Dividend

The total dividend for the year ended 30 June 2020 was 2.2 cents per share (2019: 2.2 cents per share).

Donations

During the year ended 30 June 2020 the Just Life Group made donations totalling $390 supporting Breast Cancer Research Trust to increase breast care awareness in communities across New Zealand (2019: $ $1,041) and $2,000 (2019: nil) supporting MATES in Construction to improve mental health and reduce suicide rates in the construction industry.

Stock exchange listing

The shares of Just Life Group Limited are listed on the NZX Main Board. The ticker code is JLG.

Directors

The persons holding office as Directors of the Company as at 30 June 2020 were as follows:

Steve Bootten ACA, FCIM, MInstD (appointed January 2019 and resigned August 2019)
Ian Malcolm CA, MInstD
Tony Falkenstein ONZM
Richard Carver CMInstD
Jing Jing Luo CA (appointed August 2019)

Remuneration of Directors

Executive Directors do not receive directors' fees.

Directors' remuneration paid during the year as follows:

		2020 $'000	2019 $'000
Board of Directors	A. E. Falkenstein (Chair)	-	-
	I. D. Malcolm	43	45
	R. Carver	47	31
	J Luo (appointed August 2019)	16	-
	S. R. Bootten (resigned August 2019)	20	25
Audit and Risk Committee	R. Carver [Chair]	See above	See above
	I. D. Malcolm	See above	See above
	J Luo	See above	See above
	S. R. Bootten [Resigned August 2019]	See above	See above
People and Culture Committee	I D Malcolm (Chair)	See above	See above
	R. Carver	See above	See above
	J Luo	See above	See above
	S. R. Bootten [Resigned August 2019]	See above	See above

Other remuneration of directors

	2020 $'000	2019 $'000
A.E. Falkenstein (CEO Remuneration)	234	220
I. D. Malcolm (Accountancy Fees)	-	8

Remuneration of employees

The number of employees (not including Directors) whose remuneration exceeded $100,000 was as follows:

	GROUP	
$'000	2020	2019
100-110	4	3
111-120	2	2
121-130	3	2
131-140	-	2
141-150	2	-
151-160	-	-
161-170	1	-
201-210	1	-
221-230	1	1
230-240	-	1
261-270	-	1

Auditors remuneration

In accordance with Section 211(1) of the Companies Act 1993, the auditors, PricewaterhouseCoopers, continue in office. Their audit remuneration and fees paid for other services are detailed in note 8.1of the notes to the consolidated financial statements.

Interests register

The following are transactions recorded in the interests register for the year.

During the year ended 30 June 2019 the Group transacted with organisations in which a director has an interest. These transactions have been carried out on a commercial arms-length basis and are as follows:

Pure SEO Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, provided internet search engine optimisation services to the Group during the financial year to the value of $10,500 (2019: $11,550).

Greenlion Limited, a company of which Ian Malcolm is a director and a shareholder, provided accounting compliance and accounting services to the Group during the financial year to the value of Nil (2019: $7,680).

The Harvard Group Limited, a company of which Tony Falkenstein and Ian Malcolm are directors and indirect shareholders, charged management fees for Tony Falkenstein to the Group during the financial year to the value of Nil (2019: $220,000).

Advisory Works Limited, a company of which Ian Malcolm is a director and shareholder, provided consulting services to the Group during the financial year to the value of $12,000 (2019: $1,975).

The Group provided services to the Jennian & Milestone Group's of companies of which Richard Carver is a director and shareholder during the year to the value of $71,812 (2019: $71,000).

Construction Marketing Services Limited, a company of which Richard Carver is a director and shareholder provided specification marketing services to the Group during the financial year to the value of $68,889 (2019: $119,000).

Oji Fibre Solutions (NZ) Limited, a company of which Jing Jing Luo is an employee provided services to the Group during the financial year to the value of $268 (2019:Nil)

Carver Management Limited, a company of which Richard Carver is a director provided services to the Group during the financial year to the value of $1,477(2019: Nil).

Dialhog Limited, a company of which Ian Malcolm is a shareholder provided services to the Group during the financial year to the value of $57,298 (2019 $74,206).

Share dealings of Directors

There were no share dealings of Directors for the year ended 30 June 2020.

Directors' loans

There were no loans by the Group to any Directors during the year or at balance date.

Directors' insurance

The Group has arranged policies for directors' liability insurance which, with a Deed of Indemnity, ensures that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded; for example, the incurring of penalties and fines that might be imposed in respect of breaches of the law.

Waivers

The Group did not apply for, or did it have granted, nor did it rely on any waivers from the NZX during the 2020 financial year.

Subsidiary company Directors

The following people held office as directors of subsidiary Companies as at 30 June 2020:

Anthony Edwin Falkenstein: Hometech Limited, MBO Direct Limited, Just Water Limited, Just Water New Zealand Limited, MBO Partners Limited, Just Water International Limited, Just MBO Limited, HJD Properties Limited, Unovent Limited, Solatube New Zealand Limited.

Ian Donald Malcolm: Hometech Limited, MBO Direct Limited, Just Water Limited, Just Water New Zealand Limited, MBO Partners Limited, Just Water International Limited, Just MBO Limited, HJD Properties Limited, Unovent Limited, Solatube New Zealand Limited.

Richard Carver: Hometech Limited.

Use of company information by directors

Pursuant to Section 145 of the Companies Act 1993, there were no recorded notices from directors requesting to use Company information received in their capacity as directors that would not otherwise have been available to them.

Annual Meeting

The Company's Annual General Meeting will be held in Auckland on 20 November 2020 at 11.00am. A notice of Annual Meeting and Proxy Form will be circulated to shareholders at least 20 working days before the meeting.

Exercise of NZX disciplinary powers

NZX did not exercise any of its powers under NZX Listing Rule 9.9.3 in relation to the Company during the 2020 financial year.

Credit rating

The Company has no credit rating.

Director equity securities holdings as at 30 June 2020

In accordance with NZX Listing Rule 3.7.1(d) the following table identifies the equity securities in which each Director has a relevant interest as at 30 June 2020.

Director	Beneficial interests	Non-beneficial interests	Total of shares in which relevant
A.E. Falkenstein	65,881,938	6,000,000	71,881,938
I. D. Malcolm	-	71,881,938	71,881,938

Statutory disclosures in relation to shareholders

Top 20 largest holdings list as at 17 July 2020

RANK	SHAREHOLDER NAME	NUMBER OF SHARES	%
1	The Harvard Group Limited	62,407,100	69.85%
2	Springfresh Marketing Pty Limited	5,412,389	6.06%
3	Anthony Edwin Falkenstein & Ian Donald Malcolm	3,268,000	3.66%
4	Anthony Edwin Falkenstein & Christopher Roy Saunders	2,000,000	2.24%
5	Anthony Edwin Falkenstein & Jayne Maree Godfrey	2,000,000	2.24%
6	Eldon David Roberts & Sheena Meryl Roberts	2,000,000	2.24%
7	Heather Jeanette Falkenstein & Ian Donald Malcolm	1,268,000	1.42%
8	Custodial Services Limited	1,131,885	1.27%
9	Ace Finance Limited	1,067,863	1.20%
10	Anthony Edwin Falkenstein	796,310	0.89%
11	Clyde Christopher Cooper	621,614	0.70%
12	Clyde Christopher Cooper & Farida Clyde Cooper	500,000	0.56%
13	Brian Arthur Kelly & Roxanne Elizabeth Marie Kelly & Jason Morice Kelly	416,530	0.47%
14	Maurice William O`Reilly & Anne Therese O`Reilly	376,210	0.42%
15	Frederick Bryson Richards	306,668	0.34%
16	Daniel Walter Keller	303,690	0.34%
17	New Zealand Depository Nominee	297,216	0.33%
18	JBWERE (NZ) Nominees Limited	285,639	0.32%
19	Brian Kelly Limited	283,474	0.32%
20	Jeffrey Horn & Bernadette McCarthy	252,557	0.28%
	Total	84,995,145	95.13%

Holding range as at 17 July 2020

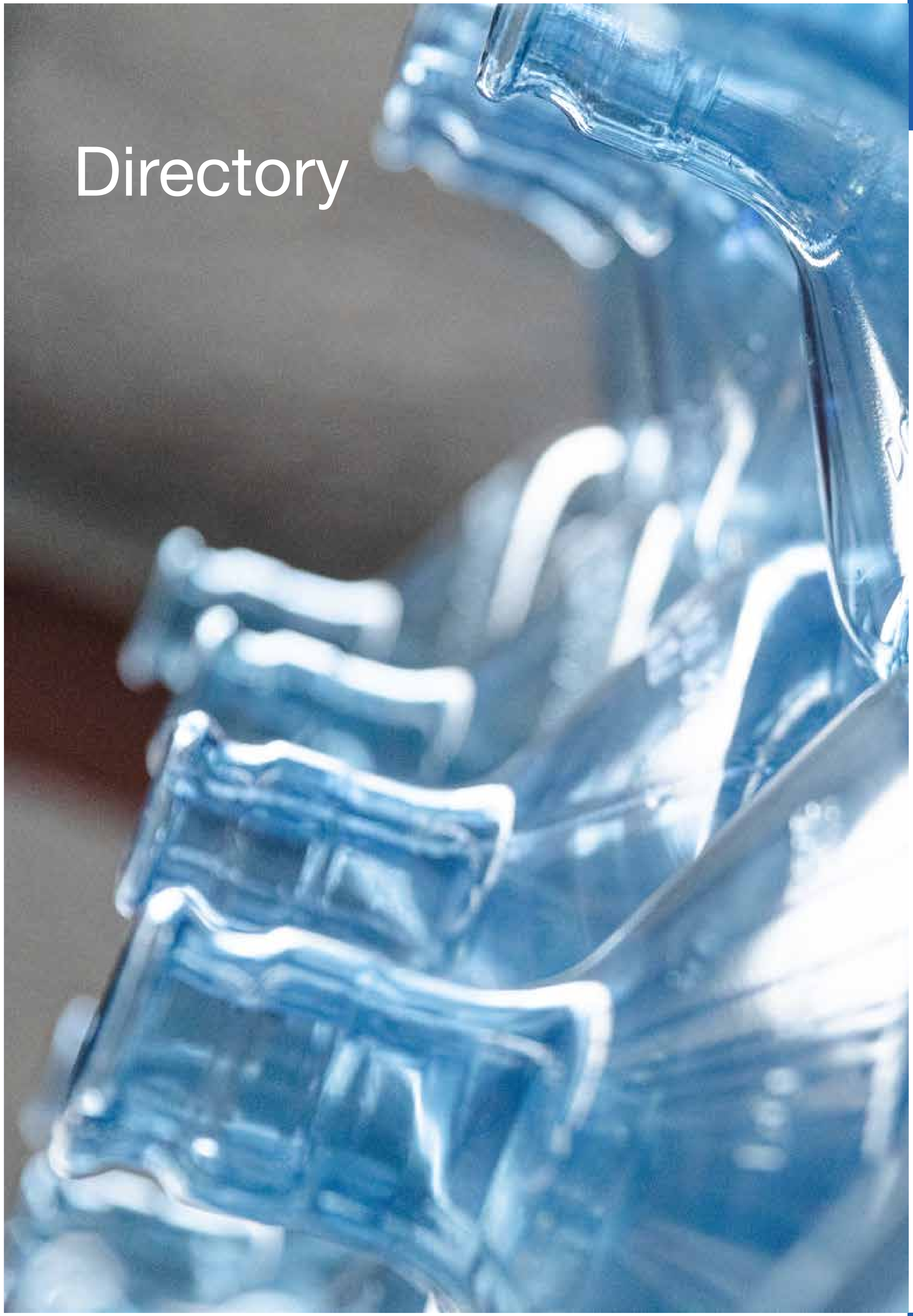
RANGE OF EQUITY HOLDINGS	NUMBER OF HOLDERS	ISSUED CAPITAL	%
1-1,000	227	45,335	0.05%
1,001-5,000	104	285,638	0.32%
5,001-10,000	50	382,358	0.43%
10,001-50,000	52	1,083,423	1.21%
50,001-100,000	12	962,599	1.08%
Greater than 100,000	30	86,588,918	96.91%
Total	475	89,348,271	100.00%

Substantial product holders

Section 293 of the Financial Markets Conduct Act 2013 requires disclosure of the substantial product holders in Just Life Group Limited. As at 30 June 2020, the substantial product holders of the Company and their relevant interests in the Company shares were as follows:

SUBSTANTIAL PRODUCT HOLDERS	NUMBER OF SHARES HELD	%
Anthony Edwin Falkenstein	71,881,938	80.45%
Ian Donald Malcolm	66,943,100	74.92%
The Harvard Group Limited	62,407,100	69.85%
Springfresh Marketing Pty Limited	5,412,389	6.06%

Directory



Directory

Directors

Tony Falkenstein

Chair and Executive Director

Ian Malcolm

Non-executive Director

Richard Carver

Independent Director

Jing Jing Luo

Independent Director

Phil Norman

Independent Director

Executive management

Tony Falkenstein

Chief Executive Officer

Eldon Roberts

Chief Operating Officer and
Chief Financial Officer

Lynne Jacobs

Group General Manager

Registered office and address for service

130 St Georges Bay Road
Parnell
Auckland 1010
New Zealand

Share registry

Link Market Services
Level 11, Deloitte Centre
80 Queen Street
Auckland
New Zealand

PO Box 91976
Auckland 1142
New Zealand

Tel +64 9 375 5998

Fax +64 9 375 5990

Just Life Group on the web

www.justlifegroup.co.nz

www.justwater.co.nz

www.justwaterfilters.co.nz

www.dolphinwater.co.nz

www.hometech.co.nz

www.solatube.co.nz

www.unovent.com

Auditors

PricewaterhouseCoopers

Bankers

Bank of New Zealand

Solicitors

Harmos Horton Lusk

Jackson Russell

Just Life Group Limited

103 Hugo Johnston Drive
Penrose
Auckland 1061
New Zealand

Tel + 64 9 630 1300

Postal address

Private Bag 92811
Penrose
Auckland 1642
New Zealand

Just Life Group

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