

# 2019 ANNUAL REPORT

YEAR ENDED 30 JUNE 2019





# Enhancing Lives

**Just Water**  
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## Chair and Chief Executive Officer's Review

We would like to take this opportunity to thank all shareholders for your continued support of our company during the last 12 months.

The directors present the audited financial results of the Just Life Group Ltd for the year ended 30 June 2019. This has been a challenging year of consolidation following the acquisition of Hometech which was a major step forward towards our diversification and growth strategy.

The financial result represents the first full year of trading with 100% ownership of Hometech Ltd and consolidation of its trading results. The previous year included equity earnings of the 51% of Hometech acquired on 3 January 2018 through to 29 June 2018 when the balance of 49% was acquired resulting in 100% ownership going forward.

Company debt levels have increased as a result of the Hometech and Unovent acquisitions. The directors are comfortable with the current debt : equity ratio and also intend to make further reduction in debt during the coming year. All bank covenants have been met during the year and are forecast to be met during the next year.

The Company changed its name from Just Water International Ltd to Just Life Group Ltd on the 1<sup>st</sup> March 2019 to reflect the change in its operations following the Hometech acquisition, and to coincide with the migration of the Company listing from the NZAX to the NZX Main Board.

Steve Bootten was appointed to the board on 1<sup>st</sup> January 2019 and was appointed as chair of the board on 2<sup>nd</sup> May 2019, following the resignation of Hilary Poole. On the 1<sup>st</sup> March 2019 Richard Carver was appointed to the board, having previously served on the board of Hometech Ltd. Both new directors were considered to be independent directors under the NZX Listing Rules.

Steve resigned effective 22<sup>nd</sup> August 2019 due to personal circumstances. Steve has been a high contributor to the board and all the directors wish to thank him for his tireless hard work and wish him all the best for the future. The board intends to appoint another independent director to take the position of chair and are planning to have that appointment in place in time for the Annual Meeting scheduled for the 6<sup>th</sup> December 2019.

The directors have also taken this opportunity to review the composition of the board. The IOD Future Directors' programme is about developing the next generation of directors, and with this programme in mind, the directors have much pleasure in announcing the appointment of Jing Jing Luo as a new independent director on the board of Just Life Group. Jing Jing has a conjoint BCom/LLB degree from the University of Auckland, with 6 years' post graduate work experience. Jing Jing's CV is detailed on our website ([www.justlifegroup.co.nz](http://www.justlifegroup.co.nz)).

In accordance with the NZX Listing Rules Richard Carver will stand for election at the annual meeting scheduled for 6<sup>th</sup> December 2019. Tony Falkenstein and Ian Malcolm both retire by rotation and each will also stand for re-election to the board.

We have several milestones during a busy year, some of which are not reflected in the annual result:

#### **Just Water New Zealand**

- We appointed Lynne Banks as General Manager of Just Water New Zealand to enable the CEO to focus on growth opportunities for the Group. Lynne brings a new perspective to Just Water, after a career in fast moving consumer goods. She has already instituted initiatives which will bring excellent cost savings in the 2020 year.
- We maintained our leadership in the water cooler industry. Our research tells us we are clearly the number one operator in the market and continue to earn the ongoing trust from a majority of the Top 100 New Zealand Companies for their bottled water and water cooler solutions, plus of course a massive number of SME businesses that trust having Just Water in their business workplaces.
- Our ownership of the Auckland property where the Just Water head office and bottling plant are located. This year we recognised an unrealised gain on the value of the land and buildings of Just Water New Zealand's Head Office in Penrose, Auckland of \$0.8 million within other comprehensive income. This was after receiving an independent registered valuation in June 2019. The directors have taken 95% of the registered valuation undertaken in June 2019, giving a valuation of this property in the balance sheet of \$5.13 million. The total gain since acquisition of the property in September 2015 is \$1.1 million.

#### **Homotech Ltd**

- We increased our ownership of Homotech Ltd to 100% in June 2018. Homotech continues our mission of “enhancing lives”, and we believe has excellent growth prospects.
- Homotech has held the distribution rights for the premium Solatube natural daylighting product for 27 years. Quite simply this is the leading product in the market, manufactured in California, USA with an ongoing research and product development pipeline second to none.
- Homotech installs the Solatube product range via a dedicated team of 16 Licensees across New Zealand. Customers cannot believe the difference it makes to internal areas such as kitchens, bathrooms and hallways.
- There is unlikely to be any town in New Zealand that doesn't have a “Homotech Home” in them. Our marketing team believes that 1 in 10 homes in New Zealand is a Homotech Home with either a Solatube or one of our ventilation products installed in them. Lots of potential in the market yet!
- We moved Homotech's head office and main warehouse from Wellington to Auckland in August 2019. The majority of business is in the Auckland region, so this is a short term cost we have recognised in full in 2019 with expected savings in freight and travel going forward.
- We also moved the Homotech Auckland office to one central office, to become neighbours with Just Water New Zealand. Like Just Water, all employees are on one floor, which offers a more conducive environment to work in.
- We acquired the business of Unovent in January 2019 and have integrated it into the Homotech umbrella
- The Unovent patented ductless ventilation product was invented in New Zealand with a focus on reducing “weeping windows” which is common in many New Zealand homes and does away with expensive ducting, and high running costs. It is less expensive than competing brands, and a householder can do just one room at a time if they wish.
- We are in the middle of an extensive Unovent advertising campaign across TV, radio and social media – we are sure you will have seen it! If not – please visit [www.unovent.com](http://www.unovent.com).

Free cash flow for the year was \$2.8 million. The directors are pleased to recommend that a fully-imputed dividend of 2.2 cents per share be declared for the current year. The record date for the dividend will be 22<sup>nd</sup> November 2019 and the payment date will be the 6<sup>th</sup> December 2019.

The company operates a dividend reinvestment plan. The Harvard Group, being the major shareholder in Just Life Group, has committed to partaking in this plan.

Looking to 2020 we are now positioned to benefit from the stable earnings and cash flow generated by our water business while we focus on the growth opportunities presented by the Hometech and Unovent acquisitions - we look forward to the challenges and opportunities that lie ahead.

Key highlights extracted from the Statement of Comprehensive Income:

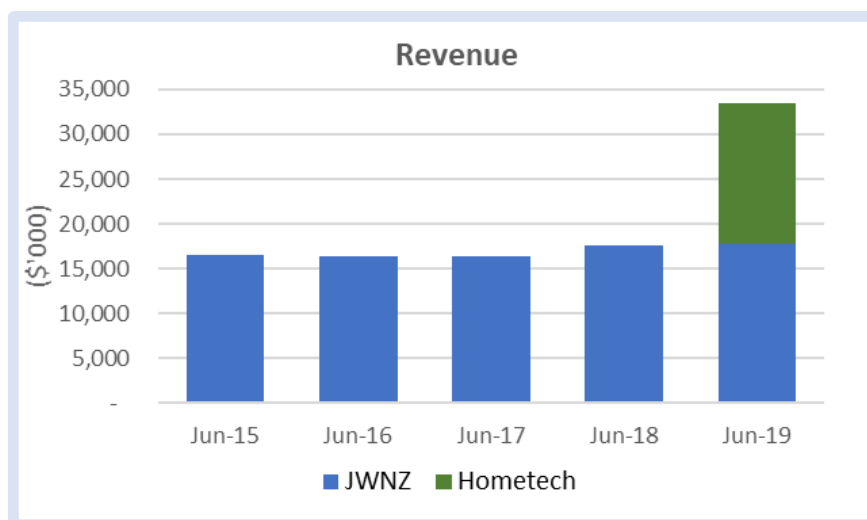
	Current year \$'000	Previous year \$'000	% change
Revenue	33,502	17,548	91%
Earnings before interest, tax, depreciation and amortisation	6,104	4,843	26%
Depreciation	(1,438)	(1,432)	0%
Amortisation of contract assets	(525)	(537)	2%
Amortisation of intangible assets	(958)	(106)	(804%)
Profit before interest and tax	3,183	2,768	15%
Interest	(548)	(177)	(210%)
Profit before income tax	2,635	2,812	(6%)
Profit for the year	1,912	2,070	(8%)

Group revenue has increased by 91% as a result of the Hometech acquisition.

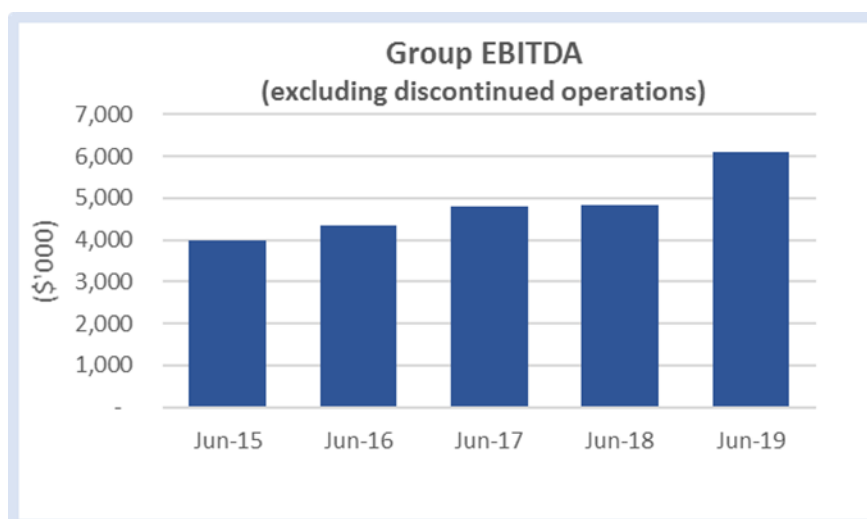
EBITDA has increased by 26%. The percentage increase in the EBITDA margin is less than the percentage increase in revenue, is because the operating margins of Hometech are lower than Just Water New Zealand.

Net profit after tax shows a decrease of 8% over the previous year, principally because of the increased interest cost associated with the Hometech acquisition, restructuring costs and the \$0.25 million accrual cost for the relocation of the Head Office from Wellington to Auckland. In addition, the 2019 amortisation of intangible assets expense includes a non-recurring customer contract amortisation charge of \$0.8 million for the year incurred through the Hometech acquisition in June 2018. This was a non-cash expense.

It is pleasing to note that 93% of the Just Water New Zealand revenue for the year was derived from existing customers – a real vote of confidence in our successful partnership with our customers. The ongoing loyalty of the Just Water base continues to be an ongoing strategic advantage in respect of future earnings for the Group and management will continue to ensure that focus on exceeding our customers' expectations remains a fundamental part of the culture of the Company.



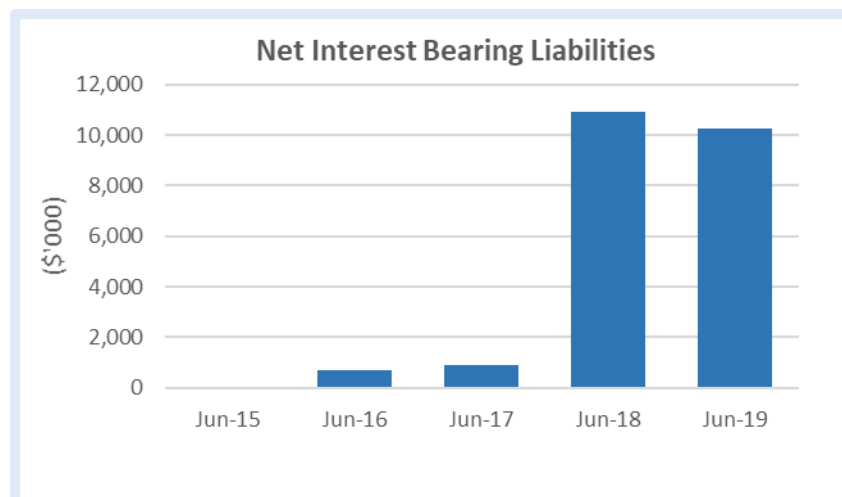
As a result of the acquisition of the remaining 49% of the shares in Homotech in June 2018 the revenue is now consolidated into the Group results. This has resulted in revenue increasing by 91% during 2019. Just Water New Zealand revenue continues to be consistent reflecting the more medium-term nature of revenue growth with a contracted customer base.



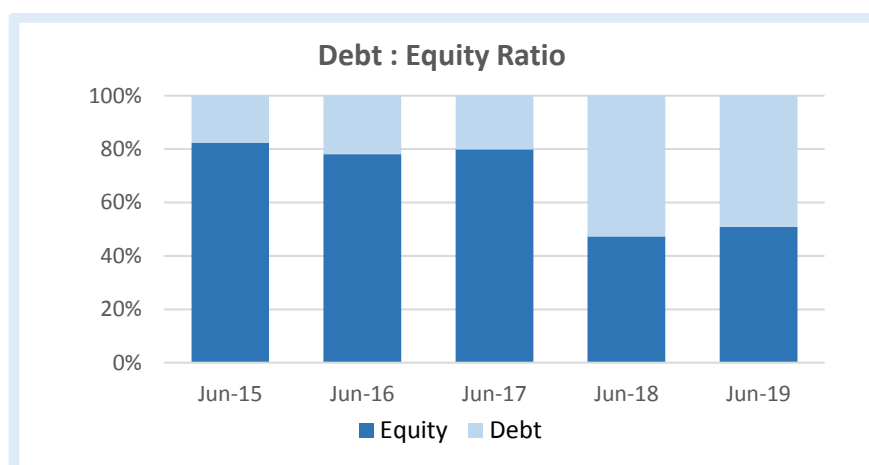
EBITDA continues to show a steady increase over the past 5 years, with the jump in 2019 being attributed to the acquisition of Homotech Ltd. EBITDA is a key measurement metric for management.

## Debt

Net interest-bearing liabilities include cash and cash equivalents. The graph below details the net interest-bearing liabilities for the Group over the past 5 years. Interest bearing debt increased during 2018 as a result of the acquisition of Hometech and Dolphin Water Products.



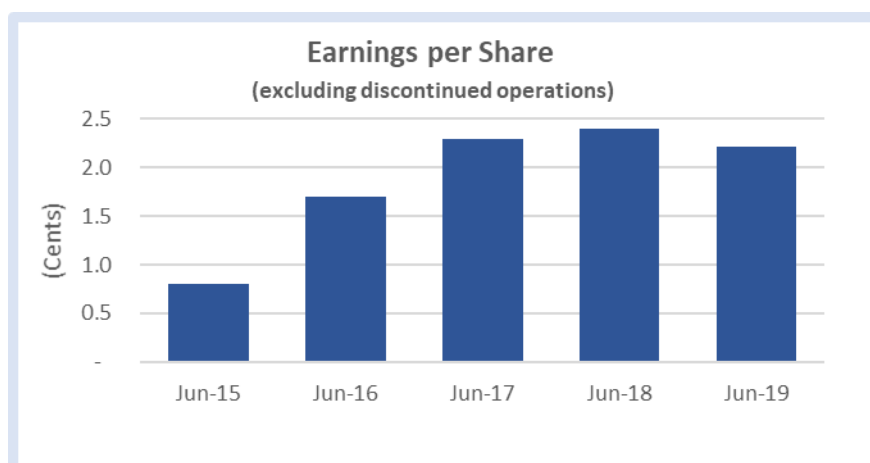
Interest-bearing liabilities decreased by \$0.7 million during the year despite the \$0.2 million paid as part of the acquisition price for Unovent.



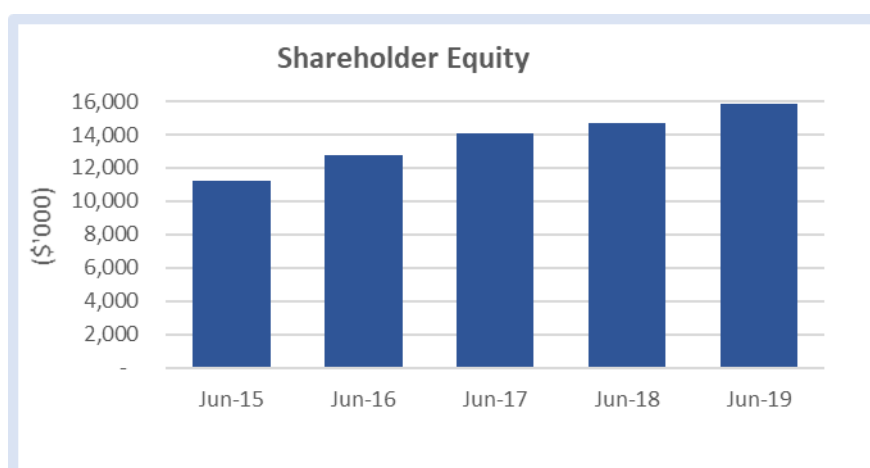
The debt to equity ratio was 50.9% : 49.1% as at 30 June 2019. The directors believe that the Group is appropriately geared relative to its scale of operations and is continuing a programme of debt repayment.



## Shareholder returns



Earnings per share decreased from 2.4 cents per share to 2.2 cents per share.



Shareholder equity has steadily increased from \$11.2 million to \$15.8 million over the last 5 years. This is a pleasing trend as during the past two years a dividend of 2.0 cents per share (2018) and 2.2 cents per share (2019) was paid to the shareholders.

## Management and Team

It is important to take this opportunity to acknowledge the commitment and loyalty of all our team members without whom we simply could not operate to the high standards for which we strive. The Company is all about “enhancing lives”, and the team works every day to achieve that vision.

Tony Falkenstein  
Chair and Chief Executive Officer

# Group Overview

**Just Life Group Ltd (JLG)** operates in New Zealand and is focused on supplying products and services that enhance the lives of New Zealanders.

The Company operates two key business operations:

1



**Just Water New Zealand** – focused on healthy living through the supply of water, water-coolers and filters to businesses and organisations nationwide. Virtually all water-coolers derive a recurring income either from monthly rental, water sales or service maintenance agreements.







**Hometech** – focused on healthy homes including the supply of customised Unovent ventilation systems, Solatube daylighting products and attic stairs to consumers.

## Outlook:

Just Life Group Ltd is an entrepreneurial company, which will continue to actively seek out further growth opportunities.

## Directory *as at 28 August 2019*

### Directors

Tony Falkenstein (Chair and Executive Director)  
Ian Malcolm (Non-executive Director)  
Richard Carver (Independent Director)  
Jing Jing Luo (Independent Director)

### Executive management

Tony Falkenstein  
Chief Executive Officer  
  
Eldon Roberts  
Chief Operating Officer and Chief Financial Officer  
  
Lynne Banks  
General Manager (Just Water New Zealand)

### Registered office and address for service

130 St Georges Bay Road  
Parnell  
Auckland 1010  
New Zealand

### Auditors

PricewaterhouseCoopers

### JLG on the web

[www.jwi.co.nz](http://www.jwi.co.nz)  
[www.justwater.co.nz](http://www.justwater.co.nz)  
[www.justwaterfilters.co.nz](http://www.justwaterfilters.co.nz)  
[www.aquacool.co.nz](http://www.aquacool.co.nz)  
[www.melambra.co.nz](http://www.melambra.co.nz)  
[www.dolphinwater.co.nz](http://www.dolphinwater.co.nz)  
[www.hometech.co.nz](http://www.hometech.co.nz)  
[www.solatube.co.nz](http://www.solatube.co.nz)  
[www.unovent.com](http://www.unovent.com)  
[www.justlifegroup.co.nz](http://www.justlifegroup.co.nz)

### Just Water New Zealand

103 Hugo Johnston Drive  
Penrose  
Auckland 1061  
New Zealand  
Tel + 64 9 630 1300

Just Water New Zealand is a division of Just Life Group Limited.

### Postal Address

Private Bag 92811  
Penrose  
Auckland 1642  
New Zealand

### Hometech Limited

81 Hugo Johnston Drive  
Penrose  
Auckland 1061  
New Zealand  
Tel + 0800 466 383

Hometech is a fully owned subsidiary of Just Life Group Limited.

### Bankers

Bank of New Zealand

### Solicitors

Harmos Horton Lusk  
Daniel Overton & Goulding  
Jackson Russell

### 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



## Directors' Report

The Board of Directors present the financial statements of the Group for the year ended 30 June 2019 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 2019 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 financial statements for issue on 28 August 2019.



**Tony Falkenstein**

Chair and Chief Executive

28 August 2019



# Consolidated statement of comprehensive income

For the year ended 30 June 2019

	NOTE	GROUP YEAR ENDED 30 JUNE 2019 \$'000	GROUP YEAR ENDED 30 JUNE 2018 \$'000 (Restated)
Revenue	2.1	33,481	17,546
Other income		21	2
<b>Revenue</b>		<b>33,502</b>	<b>17,548</b>
Employee costs	11.1	(9,339)	(6,830)
Changes in inventories of finished goods and consumables		(549)	(9)
Purchases of finished goods and consumables	4.2	(6,867)	(1,394)
Service contractors		(3,799)	(168)
Marketing costs		(1,326)	(363)
Other operating expenses		(5,263)	(3,803)
Relocation costs		(245)	-
Acquisition costs	11.1	(10)	(138)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>6,104</b>	<b>4,843</b>
Depreciation	4.3	(1,438)	(1,432)
Amortisation of contract assets	4.6	(525)	(537)
Amortisation of intangible assets	4.4	(958)	(106)
<b>Profit before interest and tax</b>		<b>3,183</b>	<b>2,768</b>
Interest expense		(548)	(177)
Equity income in associates (post tax)	8	-	221
<b>Profit before income tax</b>		<b>2,635</b>	<b>2,812</b>
Income tax expense	2.3	(723)	(742)
<b>Profit for the year</b>		<b>1,912</b>	<b>2,070</b>
<b>Other comprehensive income</b>			
Gain on revaluation of land and buildings	4.3	804	-
<b>Total comprehensive income</b>		<b>2,716</b>	<b>2,070</b>
<b>Earnings per share for profit attributable to the shareholders of the Parent</b>			
Basic earnings per share (cents)	6.2	2.2	2.4
Diluted earnings per share (cents)	6.2	2.2	2.4

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 (formerly Just Water International Limited).

# Consolidated balance sheet

As at 30 June 2019

	NOTE	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000 (Restated)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3.1	2	12
Trade and other receivables	4.1	3,640	4,253
Inventories and work in progress	4.2	2,587	2,038
<b>Total current assets</b>		<b>6,229</b>	<b>6,303</b>
<b>Non-current assets</b>			
Property, plant and equipment	4.3	10,805	9,869
Intangible assets	4.4	12,723	13,040
Deferred tax asset	4.5	791	442
Contract assets	4.6	548	524
<b>Total non-current assets</b>		<b>24,867</b>	<b>23,875</b>
<b>Total assets</b>		<b>31,096</b>	<b>30,178</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft	5.1	315	969
Interest bearing liabilities	5.1	112	464
Trade and other payables	5.2	4,720	4,219
Current tax payable		278	290
Contract liabilities	5.3	27	24
<b>Total current liabilities</b>		<b>5,452</b>	<b>5,966</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	5.1	9,825	9,509
<b>Total non-current liabilities</b>		<b>9,825</b>	<b>9,509</b>
<b>Total liabilities</b>		<b>15,277</b>	<b>15,475</b>
<b>Net assets</b>		<b>15,819</b>	<b>14,703</b>
<b>EQUITY</b>			
Share capital	6	21,853	21,540
Retained losses		(7,184)	(7,180)
Share option reserve	6.4	3	-
Asset revaluation reserve	4.3	1,147	343
<b>Total equity</b>		<b>15,819</b>	<b>14,703</b>

For and on behalf of the Board:



Tony Falkenstein  
Chair and Chief Executive Officer  
28 August 2019



Ian Malcolm  
Director  
28 August 2019

The accompanying notes to the consolidated financial statements are an integral part of, and should be read in conjunction with, the above consolidated balance sheet of Just Life Group Limited (formerly Just Water International Limited).

# Consolidated statement of changes in equity

For the year ended 30 June 2019

	NOTE	SHARE CAPITAL \$'000	SHARE OPTION RESERVE \$'000	ASSET REVALUATION RESERVE \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
<b>GROUP</b>						
Balance at 1 July 2017		21,485	-	343	(7,727)	14,101
Change in accounting policy	9	-	-	-	217	217
<b>Restated total equity at 1 July 2017</b>		<b>21,485</b>	<b>-</b>	<b>343</b>	<b>(7,510)</b>	<b>14,318</b>
Profit for the year (restated)	9.2	-	-	-	2,070	2,070
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,070</b>	<b>2,070</b>
<b>Transaction with owners as their capacity as owners</b>						
Shares cancelled	6.1	(3)	-	-	-	(3)
Issue of ordinary shares in relation to the Dividend Reinvestment Plan	6.1	58	-	-	-	58
Dividend paid	6.3	-	-	-	(1,740)	(1,740)
<b>Balance at 30 June 2018 (restated)</b>		<b>21,540</b>	<b>-</b>	<b>343</b>	<b>(7,180)</b>	<b>14,703</b>
Profit for the year		-	-	-	1,912	1,912
Other comprehensive income		-	-	804	-	804
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>804</b>	<b>1,912</b>	<b>2,716</b>
<b>Transaction with owners as their capacity as owners</b>						
Issue of ordinary shares in relation to the Dividend Reinvestment Plan	6.1	28	-	-	-	28
Dividend paid	6.3	-	-	-	(1,916)	(1,916)
Issue of ordinary shares in relation to acquisitions	6.1	285	-	-	-	285
Fair value of options issued	6.4	-	3	-	-	3
<b>Balance at 30 June 2019</b>		<b>21,853</b>	<b>3</b>	<b>1,147</b>	<b>(7,184)</b>	<b>15,819</b>

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 (formerly Just Water International Limited).



## Consolidated cash flow statement

For the year ended 30 June 2019

	NOTE	GROUP YEAR ENDED 30 JUNE 2019 \$'000	GROUP YEAR ENDED 30 JUNE 2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		34,099	16,793
Interest received		3	2
Payments to suppliers and employees		(27,643)	(12,574)
Interest paid		(548)	(177)
Income tax paid		(1,177)	(507)
<b>Net cash generated from operating activities</b>	3.2	<b>4,734</b>	<b>3,537</b>
<b>Cash flows from investing activities</b>			
Acquisition through business combination	8	(215)	(9,361)
Purchases of property, plant and equipment	4.3	(1,806)	(2,108)
Proceeds from sale of property, plant and equipment		-	7
Purchases of intangible assets	4.4	(143)	(133)
<b>Net cash outflow from investing activities</b>		<b>(2,164)</b>	<b>(11,595)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		944	10,130
Repayment of borrowings		(980)	(1,291)
Dividends paid to Company's shareholders	6.3	(1,890)	(1,682)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(1,926)</b>	<b>7,157</b>
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>		<b>644</b>	<b>(901)</b>
Cash and cash equivalents at the beginning of the financial year		(957)	(56)
<b>Cash and cash equivalents at the end of the financial year</b>	3.1	<b>(313)</b>	<b>(957)</b>

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

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019



### 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.

## 1. GENERAL INFORMATION

The following consolidated financial statements for Just Life Group Limited (the 'Company') (formerly Just Water International Limited) and its subsidiaries, (collectively the 'Group') are for the twelve months ended 30 June 2019 and represent the full year result for the Group. The Group's vision is to enhance lives through 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 judgments concerning the future. The resulting estimates may not equal related actual results. Estimates and judgments 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.

Section 4.3	Property, plant and equipment	Page 27	Land & buildings valuation
Section 4.4	Intangible assets	Page 27	Assumptions used in testing goodwill for impairment
Section 4.4	Intangible assets	Page 28	Assumptions used for intangibles other than goodwill
Section 4.5	Deferred tax	Page 30	Recognition of deferred tax asset
Section 8.1	Business combinations	Page 39	Assumptions used in the acquisition of Unovent
Section 8.2	Business combinations	Page 40	Assumptions used in the acquisition of Hometech
Section 9.2	Customer revenue	Page 43	Assumptions used in applying NZ IFRS 15

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). The shares of the Group migrated from the NZAX to NZX Main Board on 1 March 2019. On the same date, the Company changed its name from Just Water International Limited to Just Life Group Limited.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 August 2019.



## 2. 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. Effective from 1 July 2018, Just Life Group adopted NZ IFRS 15 *Revenue from Contracts with Customers*. The impact of the adoption is disclosed in note 9.2. 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.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### Schedule of Revenue by Source

	GROUP YEAR ENDED 30 JUNE 2019 \$'000	GROUP YEAR ENDED 30 JUNE 2018 \$'000
<b>Recognised over time</b>		
Water solutions revenue	11,285	10,340
Supply and installation of Hometech products	11,613	-
<b>Recognised at a point of time</b>		
Product revenue	9,886	6,528
Service revenue	697	678
<b>Revenue</b>	<b>33,481</b>	<b>17,546</b>

### 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 4.4.1.1.

# Just Life Group Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### Statement of Comprehensive Income by Operating Segment

		JUST WATER NEW ZEALAND	HOMETECH	JUST LIFE GROUP CORPORATE	TOTAL GROUP
30 JUNE 2019		\$'000	\$'000	\$'000	\$'000
	NOTE				
Over time		11,285	11,613	-	22,898
At a point in time		6,411	4,172	-	10,583
<b>Revenue</b>	<b>2.1</b>	<b>17,696</b>	<b>15,785</b>	<b>-</b>	<b>33,481</b>
Other income		9	12	-	21
Employee costs		(6,709)	(2,351)	(279)	(9,339)
Other trading expenses		(5,932)	(11,607)	(520)	(18,059)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>5,064</b>	<b>1,839</b>	<b>(799)</b>	<b>6,104</b>
Depreciation		(1,230)	(88)	(120)	(1,438)
Amortisation of contract assets		(525)	-	-	(525)
Amortisation of intangible assets		(113)	(845)	-	(958)
<b>Earnings before interest and tax and before intercompany charges</b>		<b>3,196</b>	<b>906</b>	<b>(919)</b>	<b>3,183</b>
Intercompany charges		-	(125)	125	-
<b>Earnings before interest and tax after intercompany charges</b>		<b>3,196</b>	<b>781</b>	<b>(794)</b>	<b>3,183</b>
Interest expense		(22)	(49)	(477)	(548)
<b>Profit/(loss) before income tax</b>		<b>3,174</b>	<b>732</b>	<b>(1,271)</b>	<b>2,635</b>
Income tax (expense)/benefit		(540)	(183)	-	(723)
<b>Profit/(loss) for the year</b>		<b>2,634</b>	<b>549</b>	<b>(1,271)</b>	<b>1,912</b>
Total assets		57,534	4,954	(31,392)	31,096
Total liabilities		2,392	307	12,578	15,277
Total additions to non-current assets excluding financial instruments and deferred tax assets		1,492	-	-	1,492

The Group has only one operating segment in the financial year 2018. Therefore, it has not been disclosed.



## Notes to the Consolidated Financial Statements for the year ended 30 June 2019



### 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.

	GROUP YEAR ENDED 30 JUNE 2019 \$'000	GROUP YEAR ENDED 30 JUNE 2018 \$'000
Current tax	1,072	441
Deferred tax (note 4.5)	(349)	301
<b>Income tax expense from continuing operations</b>	<b>723</b>	<b>742</b>
Income tax expense from discontinued operations	-	-
<b>Income tax expense</b>	<b>723</b>	<b>742</b>
The current income tax in New Zealand for the year was calculated using the rate of 28% (2018: 28%).		
Income tax expense is attributable to:		
Profit before income tax expense	2,635	2,812
Tax calculated at domestic tax rates applicable to profits in the respective countries	738	787
Equity income from associates	-	(62)
Expenses not deductible for tax purposes	43	6
Prior period adjustments	(58)	11
<b>Income tax expense</b>	<b>723</b>	<b>742</b>

#### Schedule of the Imputation Credit Account

##### Imputation credits

Imputation credits available for subsequent reporting periods	5,246	5,313
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The above amounts represent 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.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 3. CASH AND CASH EQUIVALENTS AND CASH FLOWS

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 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
Cash in hand	2	2
Short-term bank deposits	-	10
<b>Total cash and cash equivalents</b>	<b>2</b>	<b>12</b>

Cash and cash equivalents include the following for the purposes of the cash flow statement:

Cash and cash equivalents	2	12
Bank overdrafts (refer note 5.1)	(315)	(969)
<b>Total cash and cash equivalents</b>	<b>(313)</b>	<b>(957)</b>



## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 3.2 Reconciliation of Net Profit After Income Tax to Net Cash Inflow from Operating Activities

	NOTE	GROUP YEAR ENDED 30 JUNE 2019 \$'000	GROUP YEAR ENDED 30 JUNE 2018 \$'000 (Restated)
<b>Profit for the year</b>		<b>1,912</b>	<b>2,070</b>
Non-cash items:			
Depreciation	4.3	1,438	1,432
Amortisation of contract assets	4.6	525	537
Amortisation of intangible assets	4.4	958	106
Interest received (non-cash)		-	-
Loss on sale of property, plant and equipment		236	116
Provision for doubtful debts	4.1	128	(5)
Movement in provision for tax		(12)	151
Deferred tax	4.5	(349)	(97)
Share of equity accounted profits of associates		-	(221)
<b>Net non-cash items</b>		<b>2,924</b>	<b>2,019</b>
Movements in working capital:			
Increase in inventories		(549)	(9)
Decrease/(increase) in trade and other receivables		490	(366)
Increase in trade and other payables		501	359
Increase in contract assets		(547)	(505)
Increase/(decrease) in contract liabilities		3	(31)
<b>Net change in working capital</b>		<b>(102)</b>	<b>(552)</b>
<b>Net cash generated from operating activities</b>		<b>4,734</b>	<b>3,537</b>



### 4. ASSETS

#### 4.1 Assets: 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 uncollectible 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 expenses of the statement of comprehensive income. Details about the Groups application of NZ IFRS 9 *Financial Instruments* are provided in note 9.1 and 10.2 (c).

	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
Trade receivables	3,528	1,839
Trade receivables from acquisitions (note 8)	-	2,283
Provision for doubtful receivables	(362)	(230)
Provision for doubtful receivables from acquisitions (note 8)	-	(4)
<b>Net trade receivables</b>	<b>3,166</b>	<b>3,888</b>
Prepayments and other receivables	474	253
Prepayments and other receivables from acquisitions (note 8)	-	112
<b>Trade and other receivables</b>	<b>3,640</b>	<b>4,253</b>

	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
<b>Movement in the provisions for doubtful trade receivables is as follows:</b>		
Balance at the beginning of the year	234	248
Expected specific and ECL recognised	505	400
Receivables written off during the year as uncollectable	(377)	(418)
Provision for doubtful receivables from acquisitions	-	4
<b>Balance at end of the year</b>	<b>362</b>	<b>234</b>



## Notes to the Consolidated Financial Statements for the year ended 30 June 2019



### 4.2 Assets: 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.

	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
Finished goods	1,765	1,550
Consumables	259	299
Work in progress	563	189
<b>Total Inventories and work in progress</b>	<b>2,587</b>	<b>2,038</b>

The cost of inventories recognised as an expense in the Statement of Comprehensive Income is \$6,867,000 (2018: \$1,394,000) for the Group.

Write downs of inventories to net realisable value was recognised as an expense during 2019 of \$9,000 compared to an expense in 2018 of \$12,000. The net movement in provision has been included in 'changes in inventories of finished goods and consumables' in the Statement of Comprehensive Income.



### 4.3 Assets: Property, plant and equipment

#### 4.3.1 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.

#### 4.3.2 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.

#### 4.3.3 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.

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	4-7 years
Buildings	50 years

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

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.

### Schedule of Property, Plant and Equipment

	Leasehold Improvements	Water Solutions Equipment	Motor Vehicles	Plant and Office Equipment	Land	Buildings	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>GROUP</b>							
<b>As at 30 June 2017</b>							
Cost	1,091	8,159	1,878	3,228	1,890	1,796	18,042
Accumulated depreciation	(115)	(5,656)	(1,413)	(1,818)	-	(64)	(9,066)
<b>Net book amount</b>	<b>976</b>	<b>2,503</b>	<b>465</b>	<b>1,410</b>	<b>1,890</b>	<b>1,732</b>	<b>8,976</b>
<b>Year ended 30 June 2018</b>							
Opening net book amount	976	2,503	465	1,410	1,890	1,732	8,976
Additions	3	1,577	401	120	-	-	2,101
Acquisitions of subsidiary (refer note 8)	86	-	162	92	-	-	340
Disposals	-	(114)	(1)	(1)	-	-	(116)
Depreciation charge	(90)	(759)	(346)	(201)	-	(36)	(1,432)
<b>Closing net book amount</b>	<b>975</b>	<b>3,207</b>	<b>681</b>	<b>1,420</b>	<b>1,890</b>	<b>1,696</b>	<b>9,869</b>
<b>As at 30 June 2018</b>							
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)
<b>Net book amount</b>	<b>975</b>	<b>3,207</b>	<b>681</b>	<b>1,420</b>	<b>1,890</b>	<b>1,696</b>	<b>9,869</b>
<b>Year ended 30 June 2019</b>							
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)
Gain on revaluation of land and buildings	-	-	-	-	95	709	804
Depreciation charge	(103)	(820)	(228)	(252)	-	(35)	(1,438)
<b>Closing net book amount</b>	<b>982</b>	<b>3,663</b>	<b>501</b>	<b>1,304</b>	<b>1,985</b>	<b>2,370</b>	<b>10,805</b>
<b>As at 30 June 2019</b>							
Cost and revaluation	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)
<b>Net book amount</b>	<b>982</b>	<b>3,663</b>	<b>501</b>	<b>1,304</b>	<b>1,985</b>	<b>2,370</b>	<b>10,805</b>

### Land and buildings valuation:



The external independent valuation of land and buildings was conducted by Seagar & Partners on 10 June 2019. Seagar & Partners valued the land and building at \$5,130,000 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 95% 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.

Finance leases: Motor vehicles for the Group include items capitalised under finance leases with a cost of \$1,028,000 (2018: \$1,028,000), together with accumulated depreciation of \$1,028,000 (2018: \$946,000).



### 4.4 Assets: Intangible Assets

#### 4.4.1 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). Hometech is treated as a separate CGU since it is a separate business entity. Management has projected the cash flows for each CGU over a five-year period based on approved budgets for the first year. 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 2019	30 JUNE 2018
<b>Goodwill</b>	<b>\$'000</b>	<b>\$'000</b>
Just Water New Zealand	5,374	5,374
Hometech Limited	6,450	6,450
<b>Net book amount</b>	<b>11,824</b>	<b>11,824</b>

The Just Water New Zealand cash-generating unit (CGU) includes \$203,000 of goodwill related to the acquisition of Dolphin Water Products Limited.



#### 4.4.1.1 Assets: 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.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

The recoverable amount of the CGU has been determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

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

Other factors considered when testing goodwill for impairment include:

- actual financial performance against budgeted financial performance;
- any material unfavourable operational and regulatory factors; and
- any material unfavourable economic outlook and market competition.

The key assumptions used for value-in-use calculations are as follows:

	JUST WATER NEW ZEALAND 2019	HOMETECH 2019
Terminal growth rate	1%	1%
Discount rate - pre-tax	15.5%	15.5%
5-year EBIT average growth rate	1.0%	4.2%

	JUST WATER NEW ZEALAND 2018	HOMETECH 2018
Terminal growth rate	1%	1%
Discount rate - pre-tax	10.7%	10.7%
5-year EBIT average growth rate	3.3%	3.3%

At balance date, the Directors do not expect that a reasonably likely change in key assumptions would result in value-in-use falling below the carrying value of goodwill.



### 4.4.2 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 on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

Software assets, licenses and capitalised costs of developing systems 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.

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:

	2019	2018
Software	3 - 4 years	3 - 4 years
Patents and trademarks	20 years	10 years
Customer contracts	1 - 8 years	1 - 8 years

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### Schedule of Intangible Assets

	SOFTWARE \$'000	GOODWILL \$'000	PATENTS AND TRADEMARKS \$'000	CUSTOMER CONTRACTS \$'000	TOTAL \$'000
<b>GROUP</b>					
<b>As at 30 June 2017</b>					
Cost	2,118	5,171	79	-	7,368
Accumulated amortisation	(2,034)	-	(64)	-	(2,098)
<b>Net book amount</b>	<b>84</b>	<b>5,171</b>	<b>15</b>	<b>-</b>	<b>5,270</b>
<b>Year ended 30 June 2018</b>					
Opening net book amount	84	5,171	15	-	5,270
Additions	133	-	-	-	133
Acquisition of business	35	6,653	-	1,055	7,743
Amortisation charge	(105)	-	(1)	-	(106)
<b>Closing net book amount</b>	<b>147</b>	<b>11,824</b>	<b>14</b>	<b>1,055</b>	<b>13,040</b>
<b>As at 30 June 2018</b>					
Cost	2,705	11,824	79	1,055	15,663
Accumulated amortisation	(2,558)	-	(65)	-	(2,623)
<b>Net book amount</b>	<b>147</b>	<b>11,824</b>	<b>14</b>	<b>1,055</b>	<b>13,040</b>
<b>Year ended 30 June 2019</b>					
Opening net book amount	147	11,824	14	1,055	13,040
Additions	135	-	8	-	143
Acquisition of Unovent (refer note 8)	-	-	500	-	500
Disposals	(2)	-	-	-	(2)
Amortisation charge	(119)	-	(6)	(833)	(958)
<b>Closing net book amount</b>	<b>161</b>	<b>11,824</b>	<b>516</b>	<b>222</b>	<b>12,723</b>
<b>As at 30 June 2019</b>					
Cost	2,789	11,824	587	1,055	16,255
Accumulated amortisation	(2,628)	-	(71)	(833)	(3,532)
<b>Net book amount</b>	<b>161</b>	<b>11,824</b>	<b>516</b>	<b>222</b>	<b>12,723</b>

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019



### 4.5 Assets and Liabilities: 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:

	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
Deferred tax assets:		
Beginning of the year	442	743
Statement of comprehensive income charge (note 2.3)	349	(97)
Acquisition of subsidiary	-	(204)
End of the year	791	442

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:

	NOTE	CUSTOMER CONTRACTS \$'000	ACCRUALS \$'000	PROPERTY, PLANT & EQUIPMENT \$'000	TOTAL \$'000
Deferred tax assets:					
GROUP					
At 30 June 2017		-	360	383	743
Acquisition of subsidiary	8	(295)	91	-	(204)
Profit or loss	2.3	-	(109)	12	(97)
At 30 June 2018		(295)	342	395	442
Profit or loss	2.3	233	193	(77)	349
At 30 June 2019		(62)	535	318	791



## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 4.6 Assets: Contract Assets



#### 4.6.1 Assets: 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

	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
<b>Opening</b>		
Cost	1,118	1,157
Accumulated amortisation	(615)	(622)
<b>Net book amount</b>	<b>503</b>	<b>535</b>
<b>Year ended 30 June</b>		
Opening net book amount	503	535
Additions	547	505
Amortisation charge	(525)	(537)
<b>Closing net book amount</b>	<b>525</b>	<b>503</b>
<b>As at 30 June</b>		
Cost	1,126	1,118
Accumulated amortisation	(601)	(615)
<b>Net book amount</b>	<b>525</b>	<b>503</b>

#### 4.6.2 Assets: Contract assets – 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 \$23,000 (2018: \$21,000). The balance from the financial year 2018 has been invoiced therefore released from contract assets during the year.

## 5. LIABILITIES

### 5.1 Liabilities: Interest bearing liabilities

	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
<b>Non-current</b>		
Bank loans	9,825	9,430
Bank loans from acquisition of subsidiary (note 8)	-	79
<b>Total non-current interest-bearing liabilities</b>	<b>9,825</b>	<b>9,509</b>

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
<b>Current</b>		
Bank overdraft	315	129
Bank overdraft from acquisition of subsidiary (note 8)	-	840
Bank loans from acquisition of subsidiary (note 8)	-	201
Short term borrowing	112	-
Finance leases	-	249
Finance leases from acquisition of subsidiary (note 8)	-	14
<b>Total current interest-bearing liabilities</b>	<b>427</b>	<b>1,433</b>

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

	GROUP AS AT 30 JUNE 2019	GROUP AS AT 30 JUNE 2018
Balance as beginning of year	9,973	1,134
Proceeds from borrowings	944	10,130
Repayment of borrowings	(980)	(1,291)
<b>Total liabilities from financing activities</b>	<b>9,937</b>	<b>9,973</b>

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.

New bank facilities taken out during the year were as follows:

	Date Taken Out	Maturity date	\$'000
Hometech facility - loan and overdraft	Aug 18	Dec 20	1,200
Hometech facility - letter of credit	Aug 18	Dec 20	156
Just Life Group facility - loan	Nov 18	Dec 21	500
			<b>1,856</b>

The net bank facility drawn as at year end was \$10,140,000 (2018: \$10,679,000), the undrawn banking facility at year end was \$2,216,000 (2018: \$1,476,000).

### Assets pledged as security

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:

	GROUP AS AT 30 JUNE 2019	GROUP AS AT 30 JUNE 2018
Bank overdraft	6.13%	6.33 - 7.23%
Bank loans	4.67 - 4.79%	4.69 - 5.83%
Finance leases	-	5.85 - 8.43%
Short-term borrowing	3.96%	-

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019



### 5.2 Liabilities: Trade and other payables

#### 5.2.1 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.

	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
Trade payables	3,310	1,574
Trade payable (acquisition of subsidiary - note 8)	-	1,668
Related-party payables	14	17
Accrued expenses	1,396	648
Accrued expenses (acquisition of subsidiary - refer note 8)	-	312
<b>Total trade and other payables</b>	<b>4,720</b>	<b>4,219</b>

#### 5.2.2 Related Parties transaction included in Trade and other payables.

The Group's ultimate parent is The Harvard Group Limited, which owns or has voting entitlements for 80.0% of the Company's shares. The remaining 20.0% is widely held. The Group's ultimate controlling parties are Ian Malcolm and Tony Falkenstein.

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 \$11,550 (2018: \$12,600). As at balance date the Group had a trade payable balance of \$1,208 (2018: \$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 \$7,680 (2018: \$27,758). As at balance date the Group had a trade payable balance of \$0 (2018: \$0).

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 \$220,000 (2018: \$240,000). As at balance date the Group had a trade payable balance of \$0 (2018: \$0).

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 \$1,975 (2018: \$0). As at balance date the Group had a trade payable balance of \$0 (2018: \$0).

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 \$71,000 (2018: \$148,000). As at balance date the Group had a trade payable balance of \$0 (2018: \$0).

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 \$119,000 (2018: \$122,000). As at balance date the Group had a trade payable balance of \$12,755 (2018: \$16,335).

BRANZ, a company of which Richard Carver is a director provided certification services to the Group during the financial year to the value of \$4,000 (2018: \$15,000). As at balance date the Group had a trade payable balance of \$0 (2018: \$0).

### 5.3 Liabilities: 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 \$27,000 (2018: \$24,000). The balance from the financial year 2018 has been recognised as revenue during the year when the performance obligation had been fulfilled.

### 5.4 Liabilities: Employee benefit payables and accruals



#### 5.4.1 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.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 5.4.2 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.

### 5.5 Liabilities: Key management personnel 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 him. Senior management personnel include 4 key senior management in 2019 (2018: 6 key senior management).

Key management personnel compensation is as follows:

	GROUP YEAR ENDED 30 JUNE 2019 \$'000	GROUP YEAR ENDED 30 JUNE 2018 \$'000
Short-term benefits	654	685
Directors fees	149	66
Long term benefits (refer note 6.4)	3	-
<b>Total key management compensation</b>	<b>806</b>	<b>751</b>

Outstanding balance of senior management personnel entitlements as at 30 June 2019 is \$54,000 (2018: \$113,000). Balances are settled in cash. The reduction in 2019 from 2018 is a result of the appointment of a General Manager, Just Water New Zealand, which has reduced the number of direct reports to the CEO.

## 6. 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.

	GROUP 30 JUNE 2019 SHARES	GROUP 30 JUNE 2018 SHARES
Ordinary shares, issued and fully-paid	86,757,366	86,059,101

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.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 6.1 Equity: Contributed equity

Movements in ordinary share capital:

	NUMBER OF SHARES	SHARE CAPITAL \$'000
Ordinary shares on issue as at 1 July 2017	85,939,786	21,485
Shares cancelled	(9,192)	(3)
Shares issued under Dividend Reinvestment Plan	128,507	58
<b>Ordinary shares on issue as at 30 June 2018</b>	<b>86,059,101</b>	<b>21,540</b>
Shares cancelled	-	-
Shares issued for acquisitions (refer to note 8)	635,451	285
Shares issued under the Dividend Reinvestment Plan	62,814	28
<b>Ordinary shares on issue as at 30 June 2019</b>	<b>86,757,366</b>	<b>21,853</b>

### 6.2 Equity: 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.

	GROUP YEAR ENDED 30 JUNE 2019 \$'000	GROUP YEAR ENDED 30 JUNE 2018 \$'000
Profit from operations attributable to the ordinary equity holders of the Company	1,912	2,070
<b>Total</b>	<b>1,912</b>	<b>2,070</b>

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

	GROUP YEAR ENDED 30 JUNE 2019	GROUP YEAR ENDED 30 JUNE 2018
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic and diluted earnings per share	86,419	86,016
	GROUP YEAR ENDED 30 JUNE 2019 CENTS	GROUP YEAR ENDED 30 JUNE 2018 CENTS
Basic and dilutive earnings per share	2.2	2.4

There is no difference between the weighted average number of ordinary shares between basic and diluted earnings per share as the options issued in the year are non-dilutive.





## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 6.3 Equity: 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 paid during the year ended 30 June 2019 of \$1,916,000 (2018: \$1,740,000). The dividend was 2.2 cents per share (2018: 2.0 cents per share). The cash portion of the dividend paid was \$1,890,000 (2018: \$1,682,000). The portion reinvested was linked to the Dividend Reinvestment Plan was \$26,000 (2018: \$58,000).

### 6.4 Equity: 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.

The exercise price of options is set at 49.3 cents per share. This can be amended at the discretion of the directors.

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 \$0.493 per share.

Set out below are summaries of options granted under the plan:

	GROUP 2019		GROUP 2018	
	AVERAGE EXERCISE PRICE IN \$ PER SHARE	OPTIONS (000'S)	AVERAGE EXERCISE PRICE IN \$ PER SHARE	OPTIONS (000'S)
Outstanding at 1 July 2018	-	-	-	-
Granted	0.493	500	-	-
<b>Outstanding at 30 June 2019</b>	-	<b>500</b>	-	-

No options expired during the periods covered by the above tables.

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE IN \$ PER SHARE	SHARE OPTIONS 30 JUNE 2019	SHARE OPTIONS 30 JUNE 2018
12 March 2019	11 March 2024	0.493	500,000	-
<b>Outstanding at 30 June 2019</b>			<b>500,000</b>	-

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 \$.003m of employee expenses during the year ended 30 June 2019 (2018: \$0) related to one active member 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 less the present value of the dividends forecast to be paid prior to each vesting 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.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 7. BASIS OF PREPARATION/ACCOUNTING POLICIES

This section outlines the legislation and accounting standards which have been followed in the preparation of these financial statements along with explaining how the information has been aggregated.

#### 7.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand. The consolidated financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards. The Group has designated itself as a for-profit entity for the purposes of complying with NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

#### 7.2 Basis of preparation

##### 7.2.1 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.

##### 7.2.2 Historical cost convention

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

##### 7.2.3 Going concern

The consolidated financial statements have been prepared on a going concern basis. The directors assess the financial performance of the Group including forecast cash flows and are satisfied that the going concern assumption remains appropriate. The Group has a working capital balance of \$0.67m (2018: \$0.02m positive).

#### 7.3 Basis of consolidation

##### 7.3.1 Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Just Life Group Limited ('Group') as at 30 June 2019 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.

##### 7.3.2 Associates

Associates are all entities which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

##### 7.3.3 Equity method

Under the equity method of accounting, the investments are initially recognised at costs and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Groups share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction of the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies of the Group.

#### 7.4 Foreign currency

##### 7.4.1 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.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 7.4.2 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.

## 8. BUSINESS COMBINATIONS

During the year the Group acquired the business operations of Unovent Limited. During 2018 the Group acquired the shares in Homotech Limited and the business operations of Dolphin Water Products Limited. The business combination of Dolphin Water Products Limited was disclosed in the annual report 2018.

Management recalculated the fair value of all assets and liabilities acquired as part of the respective acquisitions, including the assessment of the value of intangible assets and useful life that can be distinguished from the goodwill premium paid as part of the acquisition price.

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired are recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income as a bargain purchase.

### 8.1 Acquisition of the business of Unovent



On 3 January 2019, the Group acquired the intellectual property of the home ventilation companies, Unovent Limited and Unovent Holdings Limited. Total consideration was \$0.500 million for the asset purchase with \$0.215 million being paid in cash and the balance through the issues of shares of Just Life Group Limited. The product is sold through Homotech Limited.

The investment is strategically important to the Homotech Limited ventilation business and provides the opportunity to expand the product offerings in that market. The Unovent product is designed for the home ventilation market, and uses patented technology so that expensive ducting is not required. Consistent with the Group strategy mission to Enhance Lives by providing New Zealand with ready access to healthy products and services and the directors stated strategy to diversify its investments whilst also developing synergies in the customer base across the New Zealand market.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

Details of the purchase consideration, the net assets acquired and goodwill are as follows: assets and liabilities recognised because of the acquisition are as follows:

	GROUP 30 JUNE 2019 \$'000
<b>Purchase consideration:</b>	
- Cash paid	215
- Shares: Just Life Group Limited (635,451 shares at 44.9 cents each)	285
<b>Total purchase consideration</b>	<b>500</b>
	<b>Fair value \$'000</b>
Intangible assets; Patents	500
<b>Fair Value of Net assets acquired</b>	<b>500</b>

### 8.2 Acquisition of the shares in Homotech Limited

#### Initial Investment



Just Life Group Ltd acquired a 51% of the shares in Homotech Limited on the 3rd January 2018. Homotech Limited was recognised as an associate of the Group, until the remaining 49% of the shares were acquired on 29 June 2018. This meant that the Group obtained control over Homotech Limited which was subsequently consolidated as a subsidiary of the Group. The fair value of the assets and liabilities acquired were reported as provisional in the 2018 Annual Report.

These have now been finalised and the details of the purchase consideration, the net assets acquired and goodwill are as follows:

	GROUP 30 JUNE 2019 \$'000
<b>Purchase consideration:</b>	
- Cash paid	8,136
<b>Total purchase consideration</b>	<b>8,136</b>

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

The fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	-
Receivables	2,279
Prepayments	112
Inventories	1,654
Deferred tax asset	91
Property, plant and equipment	340
Intangible assets; software	35
Intangible assets; customer contracts	801
<b>Total assets acquired</b>	<b>5,312</b>
	Fair value \$'000
Trade and other payables	1,980
Bank overdraft	840
Term liabilities	294
Deferred tax liabilities	224
Provision for taxation	67
<b>Total liabilities acquired</b>	<b>3,405</b>
<b>Fair value of net assets acquired</b>	<b>1,907</b>
Goodwill at acquisition	6,450
Share of equity accounted profits	(221)
<b>Total purchase consideration</b>	<b>8,136</b>

For further details of previous acquisitions made by the Group refer to 2018 Annual Report.

Reconciliation of Goodwill as reported previously.

	\$'000
Goodwill at acquisition (per 2018 accounts)	
Acquisition adjustment	6,538
- Provision for doubtful debts	(115)
- Work in progress	27
Goodwill at acquisition	<b>6,450</b>



### 9. ADOPTION OF NEW ACCOUNTING STANDARDS

#### 9.1 NZ IFRS 9: *Financial Instruments*



This note explains the impact of the adoption of NZ IFRS 9 *Financial Instruments*.

This standard replaces NZ IAS 39 and addresses the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. NZ IFRS 9 replaces the 'incurred loss' model in NZ IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Group in relation to financial assets classified at amortised cost, being the Group's trade receivables and contract assets. The Group adopted NZ IFRS 9 from 1 July 2018 and has applied the standard and has restated the comparative information. As a result, the comparative information provided is accounted for in accordance with the Group's new accounting policies.

NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

The foreign exchange rate swaps in place as at 30 June 2018 qualified as cash flow hedges under NZ IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of NZ IFRS 9 and these relationships are, therefore, treated as continuing hedges. Accordingly, there was no impact.

##### 9.1.1 Measurement and impairment of financial asset

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets carried at fair value are expensed in the statement of comprehensive income.

From 1 July 2018, the Group assessed, and will continue to assess, on a forward-looking basis, the expected credit losses associated with its trade and other receivables and contract assets which are carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applied the standard's simplified approach and has calculated ECLs to be recognised from initial recognition of the receivables. To measure the expected credit loss, trade receivables have been grouped into customer types with the expected loss rates being based on the historical credit loss experienced. Where appropriate, the historical loss rates are adjusted for forward looking factors specific to these balances and the economic environment.

##### 9.1.2 Impact on adoption

Adoption of NZ IFRS 9 has resulted in the reclassification of cash and cash equivalents and trade receivables from loans and receivables under NZ IAS 39 to being classified as measured at amortised cost under NZ IFRS 9. Management has assessed there is no change in the fair value of the financial assets as a result of the reclassification.

The expected credit loss provision changed the provision for impairment of receivables as recognised under NZ IAS 39. Previously, the collectability of trade receivables was reviewed on an ongoing basis and a provision was made based upon the aging of the invoices past due date. The doubtful debt provision at 30 June 2017 was \$354,000. Under NZ IFRS 9 a calculation is made for expected credit losses based upon the probability that a credit loss would occur. The ECL at 30 June 2017 was calculated as \$248,000 based on the accounting policy detailed above. To reflect this change, the Group has made an adjustment at 30 June 2017, to increase to retained earnings by \$76,000 and reduce the doubtful debt provision by \$106,000. The subsequent accounting periods have been restated as a result.

The foreign currency exchange contracts place as at 30 June 2019 qualified as cash flow hedges under NZ IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of NZ IFRS 9 and these relationships are, therefore, treated as continuing hedges. Accordingly, there was no impact upon adoption. The fair value at year end is immaterial.

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

Contract assets exposed to credit losses arise from the recognition of service performance obligations under NZ IFRS 15 which occur at the beginning of the respective contract terms, these substantially share the same risk characteristics as the trade receivables for rental and service contract services. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such indicators including failure by debtor to engage in a repayment plan or failure to make contractual payments for more than 120 days past due.



### 9.2 NZ IFRS 15: Revenue from Contracts with Customers

The standard addresses recognition of revenue. It replaces the current revenue recognition guidance in NZ IAS 18 *Revenue* and NZ IAS 11: *Construction Contracts*. The new standard is based on the principle that revenue is recognised when control of a good and service transfers to a customer.

The Group adopted NZ IFRS 15 from 1 July 2018, on a full retrospective basis, which resulted in changes to revenue recognition and to the relevant accounting policies. As a result, the comparative information has been restated and is accounted for in accordance with the Group's new accounting policies. The Group has applied the practical expedient in paragraphs C5(a) and (d) of NZ IFRS 15 when applying the new standard relating to completed contracts and reporting periods presented before the date of the initial application.

To assess the impact of NZ IFRS 15 on the Group, contracts within the business were aggregated to create portfolios of contracts. An individual contract from each portfolio was selected as being representative of each unique contract type. For each contract type, the five-step method was applied to assess the impact on revenue recognition. The five-step method for recognising revenue from contracts with customers involves consideration of the following:

1. Identifying the contract with the customer
2. Identifying performance obligations
3. Determining the transaction price
4. Allocating the transaction price to distinct performance obligations
5. Recognising revenue



Certain key judgements have been made in the determination of revenue recognition under NZ IFRS 15, specifically in relation to contracts within water solutions revenue. Consideration was given to whether these contracts would fall under the scope of NZ IFRS 15 or NZ IAS 17 *Leases*, given the customer uses one of the Group's water coolers for the duration of the contract. It was determined that the simplicity of a water cooler was such that the customer, could not direct the use of this asset and therefore, was not a lease under the scope of NZ IAS 17. The revenue recognition for these contracts was assessed against the requirements of NZ IFRS 15 and no change in the recognition of revenue was identified, other than the reclassification of home delivery contracts noted below.



The table below provides further information on the application of NZ IFRS 15 across the Group's revenue streams.

	Revenue type	Description	Key Judgements	Outcome	Timing of Recognition
Just Water New Zealand	Water solutions revenue (previously rental income)	Contract for providing filtered water solutions over a contracted period of time,	The Company has a single performance obligation to provide a filtered water solution to the customer for the majority of the contracts. In certain home delivery contracts, an additional performance obligation was identified for the provision of bottled water. This has been recognised separately as product revenue.	Revenue allocated based on a standalone selling price per customer contract terms.	Over time: Revenue is recognised over the period of each performance obligation is satisfied.
	Product revenue (previously sales income)	Sale of products to the customer.	No major judgement.	There is one performance obligation being the sale of the product.	Point in time: Revenue is earned at point of sale when the product is delivered.
	Service revenue	Contract for providing maintenance services on customer owned water coolers at a point of time.	Determining timing of maintenance obligation being performed.	Revenue allocated on stand-alone selling price per the customer contract.	Point in time: Revenue is recognised at the point the service is performed.
Homotech	Supply and Installation of Homotech products	Contract to supply and install completed product solutions to the customer.	Determining the timing of the completion of the performance obligation.	Revenue is allocated by reference to the stage of completion of the transaction at the balance date.	Over time: Revenue is recognised over the period of the performance obligation being performed.
	Product revenue	Sale of products to the customer.	No major judgement.	There is one performance obligation being the sale of the product.	Point in time: Revenue is earned at point of sale when the product is delivered.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 9.2.1 Impact of adoption

The adoption of NZ IFRS 15 has resulted in a change in the timing of revenue recognition for maintenance contracts and a change in classification for home delivery contracts. The impact of this is to recognise revenue earlier than under NZ IAS 18 with the previously deferred revenue being recognised in an earlier period.

Service contracts are for maintenance services provided in relation to customer owned water coolers. Under NZ IFRS 15, the revenue is recognised when the maintenance service is performed, with the accrual of this revenue being recognised as a contract asset until the point that the customer is invoiced. The contract asset at 30 June 2017 has been assessed as \$23,000. To reflect this change in policy, the Group has made an adjustment at 30 June 2017 to increase retained earnings by \$140,000, reduce deferred income by \$171,000 and increase contract assets by \$23,000. The subsequent accounting periods have been restated as a result. Contract assets are included in Other Assets on the consolidated balance sheet.

Home delivery contracts are part of water solutions revenue where a filtered water solution is provided over a contracted period. The NZ IFRS 15 assessment identified that these contracts included two performance obligations. The provision of a filtered water solution and the provision of bottled water. Previously, the allocation of the sales price between these performance obligations between the water solutions revenue and product revenue was not consistent between the contracts. As a result, a reclassification between revenue streams has been recognised on the adoption of NZ IFRS 15.

### 9.2.2 Reconciliation of adjustments to previously reported financial statements

There are 3 adjustments that have been made in the previously reported financial statements on the adoption of NZ IFRS 9 and NZ IFRS 15. These are as follows:

- i The reclassification of home delivery contracts between water solutions revenue and product revenue streams
- ii The change in timing of the recognition of revenue in relation to service contracts
- iii The recognition of an expected credit loss provision

The impact of these changes on the balance sheet at initial adoption being 30 June 2017 and the subsequent reporting periods are shown in the tables below. Note that the previous period column shows the cumulative adjustments from the previous reporting periods.

30 June 2017

	Previously Reported	Adjustments			Restated
		Timing (ii)	ECL Provision (iii)	Rounding	
<b>Balance Sheet</b>					
Contract asset	-	23	-		23
Trade and other receivables	1,753	-	106		1,859
Deferred income	(200)	171	-		(29)
Deferred tax asset	743	(54)	(30)		659
Accumulated losses	7,727	(140)	(76)	(1)	7,511

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

30 June 2018

	Previously Reported	Adjustments					Restated
		Reclassification (i)	Previous Period	Timing (ii)	ECL Provision (iii)	Rounding	
<b>Product revenue</b>	7,191	(662)	-	-	-	(1)	6,528
<b>Service revenue</b>	707	-	-	(29)	-	-	678
<b>Water solutions revenue</b>	9,680	662	-	-	-	(2)	10,340
<b>Total operating revenue</b>	<b>17,578</b>	-	-	<b>(29)</b>	-	<b>(3)</b>	<b>17,546</b>
Other operating expenses	(3,782)	-	-	-	(21)	-	(3,803)
Income tax expense	(755)	-	-	8	6	(1)	(742)
<b>Comprehensive income</b>	<b>2,106</b>	-	-	<b>(21)</b>	<b>(15)</b>	-	<b>2,070</b>
<b>Balance Sheet</b>							
Contract assets	-	-	21	(1)	-	1	21
Trade and other receivables	4,052	-	106	-	94	1	4,253
Deferred income	(169)	-	136	9	-	-	(24)
Deferred tax asset	512	-	(79)	8	6	(5)	442
Accumulated losses	7,361	-	(216)	21	15	(1)	7,180
Goodwill (note 8)	11,912	-	-	-	(88)	-	11,824
Work in progress (note 8)	2,065	-	-	-	(27)	-	2,038

### 9.3 Impact of Standards issued but not yet adopted by Just Life Group

#### 9.3.1 NZ IFRS 16 Leases

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. The implementation of NZ IFRS 16 has no cash impact to the Group as changes are limited to financial reporting requirements only.

The Group will apply the standard from its mandatory adoption date of 1 July 2019. Upon adoption, the Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at the reporting date, the Group has non-cancellable operating lease commitments of \$1,886,000, refer note 11.2. Of these commitments, approximately \$30,000 relate to low value leases which will be recognised on a straight-line basis as expense in profit or loss.



## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately \$1,589,000 on 1 July 2019, lease liabilities of \$1,583,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019). Overall net assets will be approximately \$6,000 higher, and net current liabilities will be \$548,000 higher due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately \$39,000 for 2020 as a result of adopting the new standards. Adjusted EBITDA used to measure segment results is expected to increase by approximately \$605,000, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately \$494,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

### 10. FINANCIAL RISK MANAGEMENT

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.

#### 10.1 (a) 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 immaterial therefore not disclosed in the balance sheet.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### (i) Classification of 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.

### 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.

However, the fair value of the cash flow hedge is immaterial at year end therefore not been disclosed on the consolidated balance sheet and consolidated statement of other comprehensive income.

### (ii) Fair value measurement

Fair value of the derivatives at year end was immaterial therefore not disclosed in the balance sheet.

### Hedge ineffectiveness

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.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 10.2 (b) Market risk

#### (i) Foreign exchange risk

##### Exposure

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

	30 June 2019			30 June 2018		
	USD \$'000	AUD \$'000	EUR €'000	USD \$'000	AUD \$'000	EUR €'000
Trade receivables	-	-	-	1	-	-
Pre-Payments	20	-	27	-	-	-
Trade Payables	272	206	14	168	283	20
Foreign currency forward contracts:						
- buy foreign currency (cash flow hedges)	771	606	50	100	200	20

#### Instruments used by the Group

The Group operates internationally and is exposed to foreign exchange risk, primarily the US\$ 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 2019, 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 2019	GROUP AS AT 30 JUNE 2018
Change in value of hedged item used to determine hedge effectiveness		
Weighted average hedged rate for the year (including forward points)		
USD	0.6761	0.7235
AUD	0.9417	0.9364
EUR	0.5870	0.5945

#### Sensitivity

The majority of the Group's forward currency hedges are domiciled in USD. This constituted 61% of all foreign currency hedges as at 30 June 2019.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

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

	Impact on post tax profit		Impact on other components of equity	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
USD/NZD exchange rate - cross rate decreases by 10%	4	34	-	-
USD/NZD exchange rate - cross rate increases by 10%	(3)	(28)	-	-

### (ii) 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 2 years (2018: 5.05%-5.63% for 3 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 (2018:2.01%). The bank overdrafts are exposed to a floating interest rate.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 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 post tax profit		Impact on other components of equity	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Interest rates - increase by 100 basis points	10	11	-	-
Interest rates - decrease by 100 basis points	(10)	(11)	-	-

### 10.2 (c) 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.

#### (i) 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.

#### (ii) Security

For some trade receivable's 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.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### (iii) 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.

#### 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 2019 and 1 July 2018 (being date of adoption of NZ IFRS 9) 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.

On that basis, the loss allowance as at 30 June 2019 and 30 June 2018 was determined as follows for both trade receivables and work in progress:

#### 30 June 2019

Expected loss rate
Gross carrying amount - trade receivables
Loss allowance
Specific provision
<b>Provision for loss receivables</b>

Just Water New Zealand	Homotech	Total
1.2%	0.4%	0.8%
1,854	1,674	3,528
23	6	29
208	125	333
<b>231</b>	<b>131</b>	<b>362</b>

#### 30 June 2018

Expected loss rate
Gross carrying amount - trade receivables
Loss allowance
Specific provision
<b>Provision for loss receivables</b>

Just Water New Zealand	Homotech	Total
1.5%	0.1%	0.75%
1,837	2,283	4,122
28	3	31
202	1	203
<b>230</b>	<b>4</b>	<b>234</b>



## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

The closing loss allowances for trade receivables as at 30 June 2018 reconciled to the loss allowances as calculated under IAS 39 and reported previously.

	Trade receivables	
	2018	2017
	\$'000	\$'000
<b>30 June 2018 - calculated under IAS 39</b>	435	354
Amounts restated through opening retained earnings on 1 July 2017	(106)	(106)
Opening loss allowance as at 1 July 2017 - calculated under NZ IFRS 9	329	248
Net increase in loss allowance recognised in profit or loss during the year	21	-
Hometech acquisition adjustment	(115)	-
30 June 2018 recalculated under NZ IFRS 9	234	248

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.

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.

### Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

### (iv) Significant estimates and judgements

#### 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. Details of the key assumptions and inputs used are disclosed in the tables above.

### (v) 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:

	2019	2018
	\$'000	\$'000
Impairment losses		
Opening impaired receivables	234	332
Movement allowance for trade receivables recognised through profit or loss	128	(98)
Closing impaired receivables	362	234

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

Of the above impairment losses, \$362,000 (2018: \$234,000) relate to receivables arising from contracts with customers (refer note 4.1).

### 10.2 (d) 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.

#### (i) Financing arrangements

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

	2019 \$'000	2018 \$'000
Expiring beyond one year (bank loans)	1,746	1,070

#### (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.

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

#### Contractual maturities of financial liabilities as at: 30 June 2019

	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total contractual cash flows \$'000
<b>Non-derivatives</b>					
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
<b>Total non-derivatives</b>	<b>4,022</b>	<b>271</b>	<b>717</b>	<b>10,731</b>	<b>15,741</b>
<b>Derivatives</b>					
Gross settled (foreign currency forward contracts - cash flow hedges)					
- Outflow	830	1,039	-	-	1,869
	<b>830</b>	<b>1,039</b>	<b>-</b>	<b>-</b>	<b>1,869</b>

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### Contractual maturities of financial liabilities as at: 30 June 2018

	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total contractual cash flows \$'000
<b>Non-derivatives</b>					
Trade payables	3,242	-	-	-	3,242
Borrowings (excluding short term borrowings)	1,207	238	86	11,048	12,579
Short term borrowings	14	-	-	-	14
Related parties	17	-	-	-	17
<b>Total non-derivatives</b>	<b>4,480</b>	<b>238</b>	<b>86</b>	<b>11,048</b>	<b>15,852</b>

### Derivatives

Gross settled (foreign currency forward contracts - cash flow hedges)

- Outflow	385	-	-	-	385
	<b>385</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>385</b>



## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 11. OTHER INFORMATION

#### 11.1 Expenses

	GROUP YEAR ENDED 30 JUNE 2019 \$'000	GROUP YEAR ENDED 30 JUNE 2018 \$'000
<b>Total expenses</b>	<b>27,398</b>	<b>12,705</b>
<b>Included in other expenses</b>		
Directors' fees	149	66
Donations	1	1
Loss on disposal of property, plant and equipment and intangibles	236	116
Operating lease payments	788	267
<b>Total employee costs</b>	<b>9,339</b>	<b>6,830</b>
<b>Acquisition costs</b>		
Acquisition costs in respect of the purchase of shares in Hometech Limited	-	135
Acquisition costs in respect of the purchase of the business of Dolphin Water Products Limited	-	3
Acquisition costs in respect of the purchase of the business of Unovent Limited	10	-
<b>Total acquisition costs</b>	<b>10</b>	<b>138</b>
<b>Auditor's fees</b>		
During the year the following fees were paid or payable for services provided by the Group's auditor, PricewaterhouseCoopers		
Assurance services		
Audit of the consolidated financial statements	235	179
<b>Total assurance services</b>	<b>235</b>	<b>179</b>
Other services		
Half-year agreed upon procedures	11	11
Tax compliance services	18	5
<b>Total other services</b>	<b>29</b>	<b>16</b>
<b>Total remuneration to PricewaterhouseCoopers</b>	<b>264</b>	<b>195</b>

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 11.2 Operating leases

#### 11.2.1 Leased Assets

##### The Group is the lessee

Leases of property, plant and equipment (PPE) where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the profit or loss component of the statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss component of the statements of comprehensive income on a straight-line basis over the period of the lease.

##### Lease commitments: Group as lessee

##### Operating leases

The Group leases various offices and warehouses under non-cancellable operating leases. The leases have varying terms and renewal rights and escalation clauses based on the CPI index. On renewal, the terms of the leases are renegotiated.

A summary of the terms of the major lease agreements in place for the Group are as follows:

	CURRENT LEASE TERM	REMAINING RIGHTS OF RENEWAL
Auckland offices/warehouse	July 2019	Nil
Auckland offices/warehouse	May 2022	Nil
Auckland offices/warehouse	March 2027	Two of five years each
Hamilton offices/warehouse	February 2020	Nil
Wellington offices/warehouse	December 2021	Nil
Wellington offices/warehouse	March 2021	Nil
Christchurch offices/warehouse	December 2020	Nil
Manila office	June 2021	Nil

The Group also leases various plant and machinery under cancellable operating leases. The Group is required to give six months' notice for termination of these leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	GROUP AS AT 30 JUNE 2019 \$'000	GROUP AS AT 30 JUNE 2018 \$'000
Within one year	615	452
Later than one year but not later than five years	966	1,019
Later than five years	305	404
<b>Commitments not recognised in the consolidated financial statements</b>	<b>1,886</b>	<b>1,875</b>

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### Finance leases

As at 30 June 2019 the Group had no finance leases. In previous years the Group had various motor vehicles under non-cancellable finance leases. The finance lease rentals are payable as follows:

	GROUP AS AT 30 JUNE 2019	GROUP AS AT 30 JUNE 2018
	\$'000	\$'000
Within one year	-	263
<b>Minimum lease payments</b>	<b>-</b>	<b>263</b>

### 11.3 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.

#### 11.3.1 Financial assets at amortised costs

Financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Financial assets include cash and cash equivalents and receivables in the balance sheet.

Financial assets are carried at amortised cost using the effective interest method.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

	GROUP AS AT 30 JUNE 2019	GROUP AS AT 30 JUNE 2018
	\$'000	\$'000
<b>Financial assets measured at amortised cost</b>		
Cash and cash equivalent	2	12
Trade receivables and other receivables	3,166	3,888
<b>Total financial assets measured at amortised cost</b>	<b>3,168</b>	<b>3,900</b>

Prepayments and GST receivables do not meet the definition of a financial asset and have been excluded from the above table.



## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

	GROUP AS AT 30 JUNE 2019	GROUP AS AT 30 JUNE 2018
<b>Financial liabilities measured at amortised cost</b>	<b>\$'000</b>	<b>\$'000</b>
Trade and other payables	4,060	3,987
Bank overdraft	315	969
Bank borrowings	9,825	9,710
Other loans	112	263
<b>Total financial liabilities measured at amortised cost</b>	<b>14,312</b>	<b>14,929</b>

Trade and other payables as per the above table is derived by taking trade and other payables as per the balance sheet less goods and services tax (GST) and employee entitlements.

### 11.4 Other Disclosures

#### 11.4.1 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.

#### 11.4.2 Contingent Liabilities

There were no contingent liabilities for Just Life Group at 30 June 2019 (2018: \$Nil).

#### 11.4.3 Capital Commitments

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

	GROUP AS AT 30 JUNE 2019	GROUP AS AT 30 JUNE 2018
	<b>\$'000</b>	<b>\$'000</b>
Water Coolers	87	88
<b>Total capital commitments</b>	<b>87</b>	<b>88</b>

All capital commitments are payable within one year.

#### 11.4.4 Events after Balance Date

Subsequent to year end, the Board of Directors resolved to pay a fully imputed dividend for the year ended 30 June 2019 of 2.2 cents per share payable to the shareholders recorded on the share register on the 22 November 2019. The dividend will be paid on 6 December 2019. The directors of The Harvard Group Limited have elected for full participation in the dividend reinvestment plan.

## Notes to the Consolidated Financial Statements for the year ended 30 June 2019

### 11.4.5 Subsidiaries

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDINGS	
			2019	2018
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.

HJD Properties Limited owns the building in Auckland from which JLG and Just Water New Zealand operate.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDINGS	
			% 2019	2018
Non-Trading				
Drinksafe International Limited	New Zealand	Ordinary	100	100
Just Water Limited	New Zealand	Ordinary	100	100
Just Water New Zealand Limited	New Zealand	Ordinary	100	100
Vitablast Limited	New Zealand	Ordinary	100	100
Just Water International Limited	New Zealand	Ordinary	100	100
Melambra Gold Limited	New Zealand	Ordinary	100	100
Sola-tube New Zealand Limited	New Zealand	Ordinary	100	100
Unovent Limited	New Zealand	Ordinary	100	

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



## Independent auditor's report

To the shareholders of Just Life Group Limited (formerly Just Water International Limited)

We have audited the consolidated financial statements which comprise:

- the consolidated balance sheet as at 30 June 2019;
- 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 cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

### 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 2019, 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 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional 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 agreed upon procedures on the half year report and tax compliance services. The provision of these other services has not impaired our independence as auditor of the Group.

## Our audit approach

### Overview



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

Overall Group materiality: \$138,000, which represents approximately 5% of profit before income tax.

We chose profit before income 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.

We have determined that there is one key audit matter:

- Adoption of NZ IFRS 15 Revenue from contracts with customers

### 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.

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.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were 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 these matters.

## Key audit matter

### *Adoption of NZ IFRS 15 Revenue from contracts with customers*

As disclosed in Notes 2.1 and 9.2 the Group adopted NZ IFRS 15 *Revenue from contracts with customers* effective from 1 July 2017 on a full retrospective basis.

Management undertook an assessment of the Group's revenue streams against the five-step revenue recognition method detailed in NZ IFRS 15.

The key judgement in management's assessment was determining whether the Group's water solutions' contracts contain a lease for a water cooler.

Management concluded that these contracts do not meet the definition of a lease under NZ IAS 17 *Leases*. These customer contracts are not deemed to represent a lease of the water cooler because the customers do not have the right to direct the use of the asset due to the simplicity of a water cooler, and therefore, do not have the right to control the use of the water cooler.

Therefore, water solutions revenue of \$11.3m (2018: \$11.0m) recognised in the year is accounted for as a service contract under NZ IFRS 15 on an over time basis.

## How our audit addressed the key audit matter

Our audit procedures in relation to the adoption of NZ IFRS 15 included the following:

- Obtained management's assessment of revenue streams grouped by portfolios of contract type;
- Selected a sample of representative contracts for each contract type and assessed the contract terms against the IFRS 15 recognition requirements; and
- Performed our own assessment of whether the water solutions' contracts meet the definition of a lease under NZ IAS 17.

We have no matters to report as a result of our procedures.

### *Information other than the 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 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:



Chartered Accountants  
28 August 2019

Auckland



## Statutory report of the directors

The Directors present to shareholders the fourteenth annual report and audited Group Consolidated Financial Statements of Just Life Group Limited for the year ended 30 June 2019.

### 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.

### Consolidated financial results

The Just Life Group net earnings before income tax, from operations, was \$2.6 million compared with \$2.8 million in 2018. This was achieved on a turnover of \$33.5 million (2018: \$17.6 million).

Shareholders' equity at 30 June 2019 totalled \$15.8 million (2018: \$14.7 million), an increase of 7.5 percent. Total assets were \$31.1 million (2018: \$30.2 million). Total interest-bearing liabilities decreased from \$10.3 million to \$10.9 million.

### Dividend

A dividend was paid to shareholders on 16 November 2018 of 2.2 cents per share (2018: 2.0 cents).

### Donations

During the year ended 30 June 2019 the Just Life Group made donations totalling \$1,041 supporting Breast Cancer Research Trust to increase breast care awareness in communities across New Zealand (2018: \$1,050) and Ronald McDonald House \$3,500 (2018: nil).

### Stock exchange listing

The shares of Just Life Group Limited are listed on the NZX Main Board. The ticker code is JLG. The company migrated from the NZX Alternative Exchange on 1 March 2019. It was previously named Just Water International Limited (ticker code JWI).

### Directors

The persons holding office as Directors of the Company as at 30 June 2019 were as follows:

Steve Bootten ACA, FCIM, MInstD (appointed January 2019 and resigned 22 August 2019)

Ian Malcolm CA, MInstD

Tony Falkenstein ONZM

Richard Carver CMInstD

Directors who ceased to hold office during the year are as follows:

Hilary Poole resigned as a Director on 24 April 2019.

### Remuneration of directors

Directors' remuneration paid during the year as follows:

		GROUP	
		2019 \$'000	2018 \$'000
Board of Directors	S. R. Bootten [Chair] (appointed January 2019 and resigned 22 August 2019)	25	-
	A. E. Falkenstein	-	-
	I. D. Malcolm	45	40
	R. Carver (appointed March 2019)	31	-
	H. Poole (resigned 24 April 2019)	58	10
Audit and Risk Committee	R. Carver [Chair]	See above	See above
	I. D. Malcolm	See above	See above
	S. R. Bootten	See above	See above
People and Culture Committee	S. R. Bootten [Chair]	See above	See above
	R. Carver	See above	See above
	I D Malcolm	See above	See above

Executive Directors do not receive director's fees.

## Statutory report of the directors

### Other remuneration of directors

	2019 \$'000	2018 \$'000
A.E. Falkenstein (CEO Remuneration)	220	240
I. D. Malcolm (Accountancy Fees)	8	27

Some of the above are paid to companies on behalf of the named Directors, further details of these are disclosed in note 5.2.2.

### Remuneration of employees

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

	GROUP	
\$'000	2019	2018
100-110	3	2
111-120	2	5
121-130	2	1
131-140	2	1
141-150	-	2
200-260	2	1
261-270	1	-
341-350	-	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 11.1 of 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 shareholders, provided internet search engine optimisation services to the Group during the financial year to the value of \$11,550 (2018: \$12,600).
- 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 \$7,680 (2018: \$27,758).
- The Harvard Group Ltd, 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 \$220,000 (2018: \$240,000).
- Advisory Works, 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 \$1,975 (2018: nil).
- 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 \$71,000 (2018: \$148,000).
- 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 \$119,000 (2018: \$122,000).
- BRANZ, a company of which Richard Carver is a director provided certification services to the Group during the financial year to the value of \$4,000 (2018: \$15,000).

## Statutory report of the directors

### Directors' remuneration

Details of the directors' remuneration are provided in the "Remuneration of directors" section on page 65.

### 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.

### Share dealings of Directors

On 10 May 2019 The Harvard Group (a party associated with A. E. Falkenstein) acquired 508,500 shares in the Group as a result of an off-market transfer of shares from A.E. Falkenstein and parties associated with A.E. Falkenstein. These shares had been acquired by the transferring parties as a result of on-market transactions with independent parties between the dates of 21 March 2019 and 3 April 2019.

### 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 2019 financial year.

### Subsidiary company Directors

The following people held office as directors of subsidiary Companies as at 30 June 2019:

**Stephen Ross Bootten:** Homotech Limited

**Anthony Edwin Falkenstein:** Homotech Limited, Drinksafe International Limited, Just Water Limited, Just Water New Zealand Limited, Vitablast Limited, Just Water International Limited, Melambra Gold Limited, HJD Properties Limited, Unovent Limited, Sola-tube New Zealand Limited.

**Ian Donald Malcolm:** Homotech Limited, Drinksafe International Limited, Just Water Limited, Just Water New Zealand Limited, Vitablast Limited, Just Water International Limited, Melambra Gold Limited, HJD Properties Limited, Unovent Limited, Sola-tube New Zealand Limited.

**Richard Carver:** Homotech Limited

### Annual Meeting

The Company's Annual General Meeting will be held in Auckland on 6 December 2019 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 2019 financial year.

### Credit Rating

The Company has no credit rating.

## Statutory report of the directors

### Statutory disclosures in relation to shareholders

#### Top 20 Largest Holdings List as at 14 August 2019

RANK	SHAREHOLDER NAME	NUMBER OF SHARES	%
1	The Harvard Group Limited	59,880,494	69.0%
2	Springfresh Marketing Pty Limited	5,648,620	6.5%
3	Anthony Edwin Falkenstein & Ian Donald Malcolm	3,268,000	3.8%
4	Anthony Edwin Falkenstein & Christopher Roy Saunders	2,000,000	2.3%
5	Anthony Edwin Falkenstein & Jayne Maree Godfrey	2,000,000	2.3%
6	Eldon David Roberts & Sheena Meryl Roberts	2,000,000	2.3%
7	Heather Jeanette Falkenstein & Ian Donald Malcolm	1,268,000	1.5%
8	Ace Finance Limited	1,067,863	1.2%
9	Custodial Services Limited	1,000,000	1.2%
10	Anthony Edwin Falkenstein	796,310	0.9%
11	Michael Anthony Kandziora	515,306	0.6%
12	Clyde Christopher Cooper & Farida Clyde Cooper	500,000	0.6%
13	Brian Arthur Kelly & Roxanne Elizabeth Marie Kelly & Jason Morice Kelly	400,000	0.5%
14	Maurice William O'Reilly & Anne Therese O'Reilly	356,744	0.4%
15	Frederick Bryson Richards	306,668	0.4%
16	JBWERE (NZ) Nominees Limited	288,109	0.3%
17	Daniel Walter Keller	278,707	0.3%
18	Brian Kelly Limited	272,224	0.3%
19	Jeffrey Horn & Bernadette McCarthy	252,557	0.3%
20	Paul Nielsen & Janet Nielsen & Bruce McCullough	221,283	0.3%
		<b>82,320,885</b>	<b>95.0%</b>

#### Holding Range as at 14 August 2019

RANGE OF EQUITY HOLDINGS	NUMBER OF HOLDERS	ISSUED CAPITAL	ISSUED CAPITAL %
1-1,000	221	41,511	0.05%
1,001-5,000	98	261,747	0.30%
5,001-10,000	49	370,582	0.43%
10,001-50,000	49	982,557	1.13%
50,001-100,000	12	890,651	1.03%
Greater than 100,000	32	84,210,318	97.06%
	<b>461</b>	<b>86,757,366</b>	<b>100.0%</b>

## Statutory report of the directors

### 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 2019, the substantial product holders of the Company and their relevant interests in the Company shares were as follows:

SUBSTANTIAL PRODUCT HOLDERS	DATE OF NOTICE	NUMBER OF SHARES	%
The Harvard Group Limited	29 August 2017	59,880,494	69.0%
Anthony Edwin Falkenstein and Jayne Maree Godfrey as trustees of the Falkenstein University of Auckland Business School Charitable Trust	29 August 2017	2,000,000	2.3%
Anthony Edwin Falkenstein and Christopher Roy Saunders as trustees of the Falkenstein Onehunga Business School Charitable Trust	29 August 2017	2,000,000	2.3%
Anthony Edwin Falkenstein and Leon Fourie as trustees of the Falkenstein Unitec Business School Charitable Trust	29 August 2017	2,000,000	2.3%
Anthony Edwin Falkenstein and Ian Donald Malcolm as trustees of the Edwin Trust	29 August 2017	1,268,000	1.5%
Heather Jeanette Falkenstein and Ian Donald Malcolm as trustees of the Jeanette Trust	29 August 2017	1,268,000	1.5%
Anthony Edwin Falkenstein	29 August 2017	796,310	0.9%
Anthony Edwin Falkenstein and Ian Donald Malcolm as trustees of the Edwin Trust as bare trustee for the The Harvard Group Limited	29 August 2017	117,528	0.1%
Anthony Edwin Falkenstein as trustee of The Renate Share Trust	29 August 2017	50,000	0.1%
Anthony Edwin Falkenstein Heather Jeanette Falkenstein and Mairangi 2008 Limited as trustees of the Mairangi Trust	29 August 2017	25,000	0.0%
Springfresh Marketing Pty Limited	28 September 2010	5,648,620	6.5%

### Director Equity Securities Holdings as at 30 June 2019

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 2019.

DIRECTOR	BENEFICIAL INTERESTS	NON-BENEFICIAL INTERESTS	TOTAL NUMBER OF SHARES IN WHICH RELEVANT INTERESTS HELD
Anthony Edwin Falkenstein	63,405,322	6,000,000	69,405,322
Ian Donald Malcolm		69,405,322	69,405,322

For and on behalf of the Board:

Tony Falkenstein  
Chief Executive Officer

## CORPORATE GOVERNANCE





## CORPORATE GOVERNANCE STATEMENT

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

- **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**
- **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 migrated from the NZAX to the NZX Main Board on 1 March 2019 and is required to comply with the NZX Main Board Listing Rules (NZX Listing Rules) as updated in January 2019.

This Corporate Governance Statement is current as at, and records the Company's compliance with the NZX Corporate Governance Code Recommendations for the year ended, 30 June 2019.

For the year ended 30 June 2019, the Company has complied with all the NZX Corporate Governance Code Recommendations except for Recommendations 2.8, 3.6 and 4.3.

## Corporate Governance Statement

### PRINCIPLE 1 – 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:

- acts honestly and with personal integrity in all actions;
- declares conflicts of interest and proactively advises of any potential conflicts;
- undertakes proper receipt and use of corporate information, assets and property;
- in the case of directors, gives proper attention to the matters before them;
- acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law;
- 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);
- 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
- 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 is maintained by all the Company’s staff.

Director responsibilities and expectations with regards 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 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, as 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 Interests

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.



## Corporate Governance Statement

### PRINCIPLE 2 – 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;
- 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.

## Corporate Governance Statement

### 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 2018 to 30 June 2019 the Board met formally six 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

The Company has 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 2019, with material matters raised in these meetings reported to the Company's Board, as appropriate.

### 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 2019 was:

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

## Corporate Governance Statement

**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.

### Composition of the Board

As at 30 June 2019, the Board comprised of the following four Directors:

- Steve Bootten – Independent Director and Chair
- Tony Falkenstein – Executive Director
- Richard Carver – Independent Director
- Ian Malcolm – Non-Executive Director

### Retirement and re-election

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

- Richard Carver was appointed to the Board in March 2019 and will stand for election at the next Annual Shareholders' Meeting in December 2019.
- Tony Falkenstein retires by rotation and will stand for re-election to the Board at the next Annual Shareholders' Meeting in December 2019.
- Ian Malcolm retires by rotation and will stand for re-election to the Board at the next Annual Shareholders' Meeting in December 2019.

## Corporate Governance Statement

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.

**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 2019, the Board considers that Steve Bootten and Richard Carver are Independent Directors. As at 30 June 2019, 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 Just Life Group Limited, with both being Directors of The Harvard Group Ltd.

### Length of Service of Directors

DIRECTOR	APPOINTED	CUMULATIVE LENGTH OF SERVICE TO 30 JUNE 2019
Tony Falkenstein	5 February 1990	29 years, 5 months
Ian Malcolm	15 December 2014*	16 years, 7 months
Steve Bootten	1 January 2019	7 months
Richard Carver	1 March 2019	4 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 15 December 2014.



## Corporate Governance Statement

### Attendance at Board Meetings

In the year ended 30 June 2019 there were a total of six Board meetings. The number of meetings attended by the Board members are as follows:

DIRECTOR	NUMBER OF MEETINGS ATTENDED
A E Falkenstein	4
I D Malcolm	4
H Poole (resigned April 2019)	3
S Bootten (appointed January 2019)	2
R Carver (appointed March 2019)	2

### Attendance at Committee Meetings

The Audit and Risk Committee met three times during the year. The auditors, PricewaterhouseCoopers, 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 two formal meetings during the year ended 30 June 2019 with other matters, particularly the approval of options under the long-term incentive plan for senior management dealt with by the full Board in this period. The meetings were 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 69.

**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.

## Corporate Governance Statement

### Gender Diversity Statistics

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

As at 30 June 2018	Male		Female		Total
	No.	%	No.	%	
Board	2	67%	1	33%	3
Senior Executive*	5	83%	1	17%	6
Total Group	7	78%	2	22%	9

\*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' line.

**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.

## Corporate Governance Statement

### 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 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.

**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.

The Company complied with this recommendation during the past financial year except for the period from 24 April 2019 to 30 June 2019. As discussed in Recommendation 2.4 of this statement, two of the four Directors 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.

The Board intends to consider appointment of an additional independent Director during the 2020 financial year.

**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.

The Chair of the Board is elected by the Directors. The Board supports the separation of the role of Chair (Steve Bootten) and the CEO (Tony Falkenstein) in accordance with the requirements of the NZX Recommendations. The Chair of the Board's role is set out in the Board Charter and includes:

- to manage the Board effectively;
- to provide leadership to the Board; and
- to facilitate the Board's interface with the CEO.

The Chair of the Board (Steve Bootten) is an Independent Director in accordance with the NZX Recommendations.

## Corporate Governance Statement

### PRINCIPLE 3 – 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 are Steve Bootten and Ian Malcom.

**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.

## Corporate Governance Statement

**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.

### Composition of the People and Culture Committee

The current members of the People and Culture Committee are Steve Bootten (Chair), Richard Carver 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 are contained on page 76 in relation to Recommendation 2.2. The composition of the People and Culture Committee is described above in relation to Recommendation 3.3.

## Corporate Governance Statement

**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 and engage expert legal and financial advisors to provide advice on procedure and the terms of the offer. Given the Company's recent migration to the NZX Main Board and the composition of its share register (which means that any takeover of JLG shares would require the support of Harvard Group Limited, which holds 60.0% of the shares on issue), the Company has not yet established appropriate protocols to be applied in the event of a takeover offer.

The Company does intend to consider the adoption of such protocols in the future.



## Corporate Governance Statement

### PRINCIPLE 4 — 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.

**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 ([www.justlifegroup.co.nz](http://www.justlifegroup.co.nz)) 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](#)



## Corporate Governance Statement

**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 financial reports and associated investor presentations which are balanced and provide an objective view on the performance of the Company.

Given the Company's size and recent transition from the NZAX to the NZX Main Board, the Company has not yet adopted a formal ESG (Environmental, Social and Governance) framework at this time. 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



## Corporate Governance Statement

### PRINCIPLE 5 – 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 \$159,000.

Full disclosure of Directors’ remuneration is set out at pages 65 and 66.

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.

Following the adoption of a long-term incentive plan (LTI Plan) in 2019, 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.

#### 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

During the current year, the Company established a 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.

## Corporate Governance Statement

**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 at page 66.

The CEO is also a substantial product holder of Just Life Group Limited 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.

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

	2019	2018
<b>Remuneration</b>		
Salary	220,000	240,000
Taxable benefits		
Subtotal	220,000	240,000
<b>Pay for performance</b>		
Short term incentives		
Long term incentives		
Subtotal	-	-
Total remuneration	220,000	240,000



## Corporate Governance Statement

### PRINCIPLE 6 – 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 Framework*

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 in 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.

## Corporate Governance Statement

### PRINCIPLE 7 — 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.

**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 is currently in the process of appointing 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.

## Corporate Governance Statement

### PRINCIPLE 8 – 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, [www.justlifegroup.co.nz](http://www.justlifegroup.co.nz), 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 in 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.

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 email and mobile contact numbers 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 will also comply 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 2019.

## Corporate Governance Statement

**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.





