

Appendix 4D

and

Financial Report

For the half year ended 29 December 2017

Godfreys Group Limited

ACN 602 722 985

This half year financial report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3.

Appendix 4D

Godfreys Group Limited ACN 602 722 985

Half Year Report

Results for announcement to the market for the half year ended 29 December 2017

Reporting Period:	Half year ended 29 December 2017			
Previous Reporting Period:	Half year ended 30 December 2016			
Results for announcement to the market	Half Year			
				\$'000
Revenue from ordinary activities	down	8.9%	to	84,166
Statutory Net Loss After Tax (i)	N/M	N/M	to	(58,636)
Underlying Net Profit After Tax (ii)	down	61.8%	to	897
Underlying EBITDA (ii)	down	43.3%	to	3,591

Dividend information

Dividend information

Dividends – ordinary shares	Amount per ordinary share (cents)	Franked amount per ordinary share (%)
Current Period: <ul style="list-style-type: none">2018 Interim dividend	-	-
Previous Period: <ul style="list-style-type: none">2017 Final dividend2017 Interim dividend	2.5 2.5	0% 0%
Record date for determining entitlements to the dividend	N/A	
2018 Interim dividend payment date	N/A	
The Company does not operate a dividend reinvestment plan		

Net tangible assets per security	29 Dec 2017	30 Dec 2016
Net tangible assets per security	\$0.14	(\$0.28)

Brief explanation of results for the period and Underlying Net Profit After Tax:

- (i) Statutory Net Profit / (Loss) After Tax is prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards.
- (ii) Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA) and Underlying Net Profit After Tax (Underlying NPAT) are reported to provide shareholders additional information to enhance their understanding of the performance of Godfreys Group Limited. Underlying EBITDA is disclosed as Segment EBITDA and reconciled to Statutory Profit / (Loss) Before Tax in Note 3 Segment Information in the Financial Report. Underlying NPAT adjusts the Statutory Net Profit / (Loss) After Tax for significant, one off items and changes in accounting policy, thereby facilitating a more representative comparison of financial performance between periods.

A reconciliation of Statutory Net Profit / (Loss) After Tax to Underlying NPAT is as follows:

\$'000	29 Dec 2017	30 Dec 2016
Statutory Net Profit / (Loss) After Tax	(58,636)	(21,704)
Impairment of intangibles and other assets	75,229	24,000
Business restructure	299	73
Tax on reconciling items	(15,995)	(22)
Underlying Net Profit after Tax	897	2,347

This report is based on the Half Year Financial Report for the half year ended 29 December 2017, which has been reviewed by Deloitte Touche Tohmatsu. Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report attached.

Godfreys Group Limited

ACN 602 722 985

Interim Financial Report

for the half year ended 29 December 2017

Financial report for the half year ended 29 December 2017

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Directors' report

The Directors of Godfreys Group Limited (the **Company**) submit herewith the financial report of Godfreys Group Limited and its subsidiaries (the **Group**) for the half year ended 29 December 2017 (**Half Year**). In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of the Directors of the Company during or since the end of the Half Year are:

Rod Walker	Non-executive Chairman, resigned 31 December 2017
Brendan Fleiter	Non-executive Director, appointed Chairman on 1 January 2018
Sue Morphet	Non-executive Director
John Hardy	Executive Director (resigned as Managing Director on 4 December 2017)
Jason Gowie	Chief Executive Officer and Executive Director, appointed 4 December 2017
Kathy Gramp	Non-executive Director, appointed 1 January 2018
Penny Burke	Non-executive Director, appointed 1 January 2018

Principal activities

Godfreys Group Limited is a specialty retailer of domestic and commercial floor care and associated cleaning products in Australia and New Zealand. The principal activities of the Group during the course of the financial period were the sale of cleaning products and services through Group owned stores and franchise outlets.

Review of operations

Statutory consolidated net loss after tax attributable to the members (**Statutory Loss**) for the half year ended 29 December 2017 was \$58.6 million (2016: \$21.7 million loss).

The Group's performance during the Half Year is summarised on an underlying basis, reflecting the ongoing consolidated operations for the Half Year. The Company believes that presenting underlying profit provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

These underlying results are presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

Further commentary on the operations and results of the consolidated entity is contained in the Company's Half Year Results announcement dated 20 February 2018, and lodged with ASX on that day.

	Underlying ⁽ⁱ⁾	
	29 Dec 2017	30 Dec 2016
	\$'000	\$'000
Revenue from ordinary activities	84,166	92,365
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,591	6,332
Net profit after tax (NPAT)	897	2,347

(i) Refer to the reconciliation of statutory to underlying results on page 4.

Commentary on the operations and results of the Group is contained in the Group Half Year Results announcement dated 20 February 2018.

The following table reconciles the statutory to underlying results for the half year ended 29 December 2017:

<i>Half year ended 29 December 2017</i> \$'000	Note	Sales	EBITDA	EBIT	NPAT
Statutory results		84,166	3,292	(74,018)	(58,636)
<i>Adjusted for non-recurring items:</i>					
- Impairment of intangibles and other assets	(i)	-	-	75,229	59,324
- Business restructure costs	(ii)	-	299	299	209
Underlying results		84,166	3,591	1,510	897

- (i) Included in the statutory results for the half year ended 29 December 2017 is an impairment charge of \$75.2m (\$59.3m net of tax), following a review of the recoverable amount of these assets during the current period.
- (ii) Costs incurred in relation to the franchise strategy to rebalance the store network portfolio and restructuring costs in the China office.

The following table reconciles the statutory to underlying results for the half year ended 30 December 2016:

<i>Half year ended 30 December 2016</i> \$'000	Note	Sales	EBITDA	EBIT	NPAT
Statutory results		92,365	6,259	(20,102)	(21,704)
<i>Adjusted for non-recurring items:</i>					
- Impairment of goodwill	(i)	-	-	24,000	24,000
- Business restructure costs	(ii)	-	73	73	51
Underlying results		92,365	6,332	3,971	2,347

- (i) Included in the statutory results for the half year ended 30 December 2016 is an impairment charge in respect of the carrying value of Godfreys' goodwill of \$24.0m following a review of the recoverable amount of these assets during the current period.
- (ii) Costs incurred in relation to the franchise strategy to rebalance the store network portfolio.

Earnings per share (EPS)

	Half year ended	
	29 Dec 2017	30 Dec 2016
Basic earnings per share (cents)	(143.28)	(53.22)
Diluted earnings per share (cents)	(142.43)	(52.87)
Underlying earnings per share (cents)	2.19	5.76

Basic and diluted earnings per share are calculated as set out in Note 14 to the financial statements. Underlying EPS has been calculated based on an underlying net profit after tax of \$0.9 million (2016: \$2.3 million) divided by the weighted average number of shares on issue during the period of 40,922,585 (2016: 40,779,391).

Auditor's independence declaration

The Auditors' independence declaration is included on page 20 of the financial report.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may affect the operations of the company, the results of those operations, or the state of affairs of the company in future periods.

Rounding of amounts

The Company is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of Directors

A handwritten signature in black ink, appearing to read 'B. Fleiter', with a stylized flourish at the end.

Mr B. Fleiter

Chairman

Melbourne, 20 February 2018

Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Half year ended	
		29 Dec 2017 \$'000	30 Dec 2016 \$'000
Revenue	2	84,166	92,365
Cost of sales		(41,979)	(45,390)
Gross profit		42,187	46,975
Other income	2	7,273	5,961
Employee benefit expenses	2	(19,115)	(20,183)
Marketing expenses		(7,035)	(7,099)
Selling and distribution expenses		(2,223)	(2,866)
Occupancy expenses	2	(13,677)	(13,276)
Other expenses		(6,199)	(5,614)
Impairment of intangibles and other assets		(75,229)	(24,000)
Net finance costs	2	(415)	(456)
Loss before tax		(74,433)	(20,558)
Income tax (expense) / benefit	4	15,797	(1,146)
Loss after tax		(58,636)	(21,704)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		398	(38)
Changes in the fair value of cash flow hedges, net of income tax		42	684
Other comprehensive income for the period, net of income tax		440	646
Total comprehensive loss for the period		(58,196)	(21,058)
Earnings per share			
Basic (cents per share)	14	(143.28)	(53.22)
Diluted (cents per share)	14	(142.43)	(52.87)

Notes to the condensed consolidated financial statements are included on pages 10 to 18.

Condensed consolidated statement of financial position

		Consolidated	
	Note	29 Dec 2017 \$'000	30 June 2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		13,736	13,395
Trade and other receivables	6	8,419	8,177
Current tax assets		225	-
Inventories	7	32,633	32,214
Total current assets		55,013	53,786
Non-current assets			
Other receivables	6	4,952	5,757
Property, plant and equipment		13,541	13,376
Intangible assets	8	18,313	93,140
Total non-current assets		36,806	112,273
Total assets		91,819	166,059
LIABILITIES			
Current liabilities			
Trade and other payables	9	23,069	21,862
Current tax liabilities		-	20
Other financial liabilities		129	432
Provisions		2,534	2,406
Employee benefits		3,679	3,726
Total current liabilities		29,411	28,446
Non-current liabilities			
Deferred tax liabilities		1,660	17,433
Interest bearing loans and borrowings	10	29,891	29,869
Provisions		5,560	5,805
Employee benefits		1,057	1,068
Total non-current liabilities		38,168	54,175
Total liabilities		67,579	82,621
Net assets		24,240	83,438
EQUITY			
Share capital	11	109,526	109,526
Reserves	12	(44,193)	(44,654)
Retained earnings		(41,093)	18,566
Total equity		24,240	83,438

Notes to the condensed consolidated financial statements are included on pages 10 to 18.

Condensed consolidated statement of changes in equity

	Share capital	Capital reconstruction reserve	Share option reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 2 July 2016	109,526	(43,613)	1,117	(438)	(809)	38,722	104,505
Loss for the period	-	-	-	-	-	(21,704)	(21,704)
Recognition of share based payments	-	-	(1,117)	-	-	859	(258)
Payment of dividend	-	-	-	-	-	(1,555)	(1,555)
Other comprehensive income for the period	-	-	-	684	(38)	-	646
Balance at 30 December 2016	109,526	(43,613)	-	246	(847)	16,322	81,634
Balance as at 1 July 2017	109,526	(43,613)	15	(132)	(924)	18,566	83,438
Loss for the period	-	-	-	-	-	(58,636)	(58,636)
Recognition of share based payments	-	-	21	-	-	-	21
Payment of dividend	-	-	-	-	-	(1,023)	(1,023)
Other comprehensive income for the period	-	-	-	-	398	-	398
Changes in the fair value of cash flow hedges, net of income tax	-	-	-	42	-	-	42
Balance at 29 December 2017	109,526	(43,613)	36	(90)	(526)	(41,093)	24,240

Notes to the condensed consolidated financial statements are included on pages 10 to 18.

Condensed consolidated statement of cash flows

	Note	Half year ended	
		29 Dec 2017 \$'000	30 Dec 2016 \$'000
Cash flows from operating activities			
Receipts from customers		90,589	91,697
Payments to suppliers and employees		(87,482)	(84,505)
Income tax paid		(239)	(218)
Net cash generated by operating activities	5	2,868	6,974
Cash flows from investing activities			
Payment for property, plant and equipment		(1,063)	(1,164)
Acquisition of intangible assets		(82)	(568)
Net cash used in investing activities		(1,145)	(1,732)
Cash flows from financing activities			
Payment of dividend		(1,023)	(1,555)
Payment for interest and other costs of finance (net)		(359)	(456)
Net cash used in financing activities		(1,382)	(2,011)
Net increase in cash and cash equivalents		341	3,231
Cash and cash equivalents at the beginning of the period		13,395	1,445
Cash and cash equivalents at the end of the period		13,736	4,676

Notes to the condensed consolidated financial statements are included on pages 10 to 18.

Notes to the condensed consolidated financial statements

1. Summary of significant accounting policies

a) Statement of compliance

The Half Year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The Half Year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report of Godfreys Group Limited and its subsidiaries ('the Group') for the financial year ended 30 June 2017.

It is also recommended that the Half Year financial report be considered together with any public announcements made by the Group during the Half Year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

b) Basis of preparation

The Half Year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The consolidated Group is an entity to which the ASIC Corporations Instrument 2016/191 applies.

The accounting policies and methods of computation adopted in the preparation of the Half Year financial report are consistent with those adopted and disclosed in the annual financial report of Godfreys Group Limited for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Standards and Interpretations

There has been no change in accounting standards impacting the financial statements in the current period.

At the date of authorisation of the financial report, the following Australian Accounting Standards and Interpretations relevant to the Group have recently been issued or amended but are not yet mandatory and have not been early adopted by the Group for the half year reporting period ended 29 December 2017:

Standard/Interpretation	Effective for the annual reporting period beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 16 'Leases' replace AASB 117 Leases	1 January 2019	30 June 2020

The adoption of AASB 9 and AASB 15 is expected to have minimal impact. The adoption of AASB 16 is being calculated and is expected to be material.

2. Loss before income tax

Loss before income tax includes the following items of income and expenses:

(a) Sales and other income

	Half year ended	
	29 Dec 2017 \$'000	30 Dec 2016 \$'000
Sales revenue		
Sale of goods	84,166	92,365
Other income		
Franchise fees	2,452	2,342
Recovery of occupancy costs from franchisees	4,425	3,315
Other income	396	304
Total other income	7,273	5,961
Total revenue	91,439	98,326

In the December 2016 Half Year financial report, the Group had recognised franchisee rental income as an offset against Occupancy expenses, rather than recognising it as Other income. The comparative Occupancy expense and Other income amounts in this financial report have been restated to align with the treatment applied in the current period. The restatement did not affect the comparative loss before tax or the Condensed consolidated statement of financial position. The impact of the restatement is an increase in Other Income of \$3.3 million, along with an increase in Occupancy expense of \$3.3 million in the comparative year of the Condensed consolidated statement of profit or loss and other comprehensive income and has also been reflected in Note 3 (Segment Information).

(b) Expenses

	Half year ended	
	29 Dec 2017 \$'000	30 Dec 2016 \$'000
Employee benefits expense:		
Short-term employee benefits	(17,621)	(18,603)
Other long-term employee benefits	(42)	(157)
Post-employment benefits	(1,307)	(1,373)
Termination benefits	(145)	(50)
Total employee benefits expense	(19,115)	(20,183)
Occupancy expense:		
Operating lease expenses	(8,177)	(9,050)
Other occupancy expenses	(1,075)	(911)
Occupancy costs recovered from franchisees	(4,425)	(3,315)
Total occupancy expense	(13,677)	(13,276)
Depreciation and amortisation:		
Depreciation	(1,640)	(1,924)
Amortisation	(441)	(437)
Total depreciation and amortisation	(2,081)	(2,361)
Net finance costs:		
Interest and finance charges paid to banks and other financial institutions	(701)	(548)
Amortisation of deferred borrowing costs	(22)	-
Interest revenue	308	92
Total net finance costs	(415)	(456)

3. Segment information

In accordance with Australian Accounting Standard AASB 8 'Operating Segments', the Group has determined that its reporting segments comprise Australia and New Zealand, consistent with the manner in which the business is managed.

These segments are those in which the Chief Operating Decision Maker ('CODM') receives information for the purpose of resource allocation and assessment of segment performance. The Group's primary reporting format is geographical segments as its risks and rates of return are predominantly affected by having operations in different countries.

Australia

The Australian segment includes revenues and profits generated by the Group's retail, wholesale and online revenue streams within Australia. These comprise of 191 retail sites as at 29 December 2017 (2016: 191).

New Zealand

The New Zealand segment includes revenues and profits generated by the Group's retail, wholesale and online revenue streams within New Zealand. These comprise of 32 retail sites as at 29 December 2017 (2016: 32).

The accounting policies used by the Group in reporting segments are the same as those contained in Note 1 to the financial statements and in the prior period. Information regarding the results of each reportable segment is included below.

Performance is measured based on segment profit before interest and tax as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance, as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The following is an analysis of the Group's revenue, EBITDA and results from operations by reportable segment.

	CONSOLIDATED			
Half year ended 29 December 2017	Australia	New Zealand	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Sale of goods	67,339	16,827	-	84,166
Other income	6,121	1,152	-	7,273
Total revenue	73,460	17,979	-	91,439
Segment EBITDA	3,514	659	(582)	3,591
Depreciation and amortisation	(1,867)	(214)	-	(2,081)
Segment EBIT	1,647	445	(582)	1,510
Adjusted for non-recurring items:				
- Impairment of intangibles and other assets	(69,090)	(6,139)	-	(75,229)
- Business restructure	(159)	-	(140)	(299)
Net financing costs	-	-	(415)	(415)
Loss before tax	(67,602)	(5,694)	(1,137)	(74,433)

3. Segment information (cont'd)

CONSOLIDATED				
Half year ended 30 December 2016	Australia \$'000	New Zealand \$'000	Unallocated \$'000	Total \$'000
Sale of goods	74,608	17,757	-	92,365
Other income	5,085	885	(9)	5,961
Total revenue	79,693	18,642	(9)	98,326
Segment EBITDA	5,329	990	13	6,332
Depreciation and amortisation	(2,109)	(252)	-	(2,361)
Segment EBIT	3,220	738	13	3,971
Adjusted for non-recurring items:				
- Impairment of goodwill	(24,000)	-	-	(24,000)
- Business restructure	(73)	-	-	(73)
Net financing costs	-	-	(456)	(456)
Loss before tax	(20,853)	738	(443)	(20,558)

Segment revenue reported above represents revenue generated from external customers. Inter-segment sales are immaterial. Segment asset and liability information is not used by the CODM for the purpose of resource allocation and assessment of segment performance.

Product information

The Group is a speciality retailer of domestic and commercial floor care and associated cleaning products.

Major customers

No single customer contributed 10% or more to the Group's revenue for the Half Year ended 29 December 2017 or the Half Year ended 30 December 2016.

4. Income taxes

	Half year ended	
	29 Dec 2017 \$'000	30 Dec 2016 \$'000
The income tax expense for the year can be reconciled to the accounting loss as follows:		
Loss before tax from continuing operations	(74,433)	(20,558)
Income tax (benefit) / expense calculated at 30%	(22,330)	(6,167)
Effect of expenses that are not deductible in determining taxable profit		
- Impairment of goodwill and trademark	6,649	7,200
- Other	3	4
Effect of deductible temporary differences now recognised as deferred tax assets	(137)	(137)
Effect of tax rate differential	19	(8)
Adjustments recognised in the current year in relation to the current tax of prior years	(1)	254
Income tax (benefit) / expense recognised in profit or loss	(15,797)	1,146

5. Cash and cash equivalents

(a) Reconciliation of loss for the period to net cash flows from operating activities

	Half year ended	
	29 Dec 2017 \$'000	30 Dec 2016 \$'000
Cash flows from operating activities		
Loss for the period	(58,636)	(21,704)
Depreciation and amortisation	2,081	2,361
Net finance costs	415	456
Share based payment expense / (write back)	21	(258)
Impairment of intangibles and other assets	75,229	24,000
Decrease / (increase) in assets:		
Trade and other receivables	(2,450)	(3,224)
Inventory	857	(404)
Increase / (decrease) in liabilities:		
Trade and other payables	1,370	4,338
Deferred tax liabilities	(15,811)	928
Current provisions	103	(618)
Non-current provisions	(311)	1,099
Net cash generated by operating activities	2,868	6,974

6. Trade and other receivables

	Consolidated	
	29 Dec 2017 \$'000	30 Jun 2017 \$'000
Current trade and other receivables		
Trade receivables	6,045	4,772
Allowance for doubtful debts	(118)	(89)
Other receivables	2,492	3,494
Current trade and other receivables	8,419	8,177
Non-current other receivables		
Other receivables	4,952	5,757
Total trade and other receivables	13,371	13,934

7. Inventories

	Consolidated	
	29 Dec 2017 \$'000	30 Jun 2017 \$'000
At lower of cost and net realisable value:		
Stock in transit	3,003	3,049
Finished goods	31,243	31,157
Provision for obsolescence	(1,613)	(1,992)
Total inventories	32,633	32,214

8. Intangible assets

	Consolidated	
	29 Dec 2017	30 Jun 2017
	\$'000	\$'000
Brand names	6,725	30,945
Franchise system	8,712	37,330
Goodwill	-	20,751
Trademarks	238	1,212
Software	2,638	2,902
Total intangible assets	18,313	93,140

	Brand names	Franchise system	Goodwill	Trademarks	Software	Total
Cost	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2016	30,945	37,330	44,491	3,265	5,184	121,215
Additions	-	-	260	-	139	399
Balance at 30 June 2017	30,945	37,330	44,751	3,265	5,323	121,614
Additions	-	-	533	-	82	615
Other	(1)	-	-	(2)	2	(1)
Balance at 29 December 2017	30,944	37,330	45,284	3,263	5,407	122,228
Accumulated amortisation						
Balance at 31 December 2016	-	-	(24,000)	(1,957)	(2,083)	(28,040)
Amortisation expense	-	-	-	(96)	(338)	(434)
Balance at 30 June 2017	-	-	(24,000)	(2,053)	(2,421)	(28,474)
Amortisation expense	-	-	-	(93)	(348)	(441)
Impairment losses recognised in the period	(24,219)	(28,618)	(21,284)	(879)	-	(75,000)
Balance at 29 December 2017	(24,219)	(28,618)	(45,284)	(3,025)	(2,769)	(103,915)
Net book value 30 June 2017	30,945	37,330	20,751	1,212	2,902	93,140
Net book value 29 December 2017	6,725	8,712	-	238	2,638	18,313

Impairment testing

In accordance with the Group's accounting policies, the Group performs its impairment testing at least annually for intangible assets with indefinite useful lives. More frequent reviews are performed for indications of impairment of all of the Group's assets including operating assets. Where an indication of impairment was identified, a formal impairment assessment was performed.

The Group identified indicators of impairment at 29 December 2017 in respect of all CGU's in light of current trading conditions and a change in strategic direction. As a result, the Group assessed the recoverable amount of each of the CGU's. In accordance with the Group's accounting policies, the Group has evaluated whether the recoverable amount of a CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell or its value-in-use.

Value-in-use

In calculating value-in-use, the cash flows include projections of cash inflows and outflows from continuing use of the Group of assets making up the CGUs. The cash flows are estimated for the assets of the CGUs in their current condition and discounted to their present value using a post-tax discount rate that reflects the current market assessments of the risks specific to the CGU. The Group uses a 5 year discounted cash flow model with a terminal growth rate for years beyond the 5 year forecast period.

Key assumptions

The recoverable amounts of the Australian and New Zealand group CGUs are determined based on value in use calculations, which use cash flow projections from a five year financial forecast.

In determining the value-in-use, the following key assumptions were used:

- Comparative sales growth over the 5 year period of +0.8% (compound annual growth rate);
- Overhead costs based on inflationary impacts offset by ongoing cost efficiencies;
- Terminal growth rate of 2.0%;
- Post-tax discount rate of 12.0% for the Australian and New Zealand group of CGU's (2016: 12.0%).

The key assumptions used in the value-in-use calculations include sales growth, cost efficiencies and the discount rate. The assumptions are based on the Group's forecast operating and financial performance for each group of CGUs. The discount rate is derived from the Group's weighted average cost of capital, adjusted for varying risk profiles.

Impairment of intangibles

Following a review of the recoverable amount, in light of current trading conditions and a change in strategic direction, the carrying value of the Group's intangibles was impaired by \$75.0 million. The impairment related to both the Australian (\$69.1million) and New Zealand (\$5.9million) cash-generating units.

9. Trade and other payables

	Consolidated	
	29 Dec 2017	30 Jun 2017
	\$'000	\$'000
Trade payables	19,746	18,251
Accruals	1,732	2,270
Goods and services tax payable	1,313	1,053
Deferred income	278	288
Total trade and other payables	23,069	21,862

10. Interest bearing loans and borrowings

Non-Current borrowings:

Secured – at amortised cost

Loans
Deferred borrowing costs
Total non-current borrowings

Consolidated	
29 Dec 2017	30 Jun 2017
\$'000	\$'000
30,000	30,000
(109)	(131)
29,891	29,869

Secured senior finance facility

The Group entered into a \$30 million secured debt facility agreement on 29 May 2017. The facility has an initial three year term until May 2020 and is fully drawn. The lender, 1918 Finance Pty Ltd, has security over the assets of the Group. The lender is an entity associated with Arcade Finance Pty Ltd, a substantial shareholder of the Company.

11. Issued capital

	Consolidated	
	29 Dec 2017	30 Jun 2017
	\$'000	\$'000
Total issued capital	109,526	109,526
Total number of shares	40,922,585	40,922,585

12. Reserves

	Consolidated	
	29 Dec 2017	30 Jun 2017
	\$'000	\$'000
Capital reconstruction reserve	(43,613)	(43,613)
Share options reserve	36	15
Cash flow hedge reserve	(90)	(132)
Foreign currency translation reserve	(526)	(924)
	(44,193)	(44,654)

Capital reconstruction reserve

Under corporate reorganisation principles, share capital is recognised as the number of shares at IPO Listing price less applicable transaction costs. A capital reconstruction reserve is recognised to record the difference between the amount paid to acquire International Cleaning Solutions Group Pty Ltd and the share capital of International Cleaning Solutions Group Pty Ltd.

Share options reserve

The reserve is used to recognise the value of equity benefits provided to senior employees as part of their remuneration.

Cash flow hedge reserve

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of New Zealand branch operation to Australian dollars.

13. Dividends

Dividends paid or declared in the Half Year ended December were:

	Half year ended 29 December 2017		Half year ended 30 December 2016	
	Cents per share	Total \$'000	Cents per share	Total \$'000
2017 Final dividend - Ordinary	2.5	1,023	-	-
2016 Final dividend – Ordinary	-	-	3.8	1,555
Total dividends paid	2.5	1,023	3.8	1,555
Interim dividend declared	-	-	2.5	1,023

No interim dividend was declared in the half year ended 29 December 2017.

The 2017 Final dividend paid of 2.5 cents per share was unfranked.

14. Earnings per share

	Half year ended	
	29 Dec 2017	30 Dec 2016
Basic earnings per share (cents)	(143.28)	(53.22)
Diluted earnings per share (cents)	(142.43)	(52.87)
Net Loss after tax (\$'000)	(58,636)	(21,704)
Weighted average number of shares used in the calculation of:		
• Basic earnings per share	40,922,585	40,779,391
• Diluted earnings per share	41,169,207	41,053,875

15. Subsidiaries

Details of the Group's subsidiaries at Half Year end are as follows:

Name of subsidiary	Note	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			29 Dec 2017	30 Dec 2016
<u>Parent entity</u>				
Godfreys Group Limited	(a)	Australia	100%	100%
<u>Subsidiaries</u>				
Electrical Home-Aids Pty Ltd	(a)(b)	Australia	100%	100%
Godfreys Franchise System Pty Ltd	(a)	Australia	100%	100%
Hoover Floorcare Asia Pacific Pty Ltd	(a)	Australia	100%	100%
International Cleaning Solutions Pty Ltd	(a)(b)	Australia	100%	100%
International Cleaning Solutions Group Pty Ltd	(a)(b)	Australia	100%	100%
Australian Vacuum Cleaner Co. Pty Ltd	(a)(b)	Australia	100%	100%
Godfreys Finance Company Pty Ltd	(a)(b)	Australia	100%	100%
Electrical Home-Aids (Suzhou) Ltd		China	100%	100%
New Zealand Vacuum Cleaner Co Ltd		New Zealand	100%	100%
The Service Company Limited		New Zealand	100%	100%

(a) These subsidiaries are members of the tax consolidated group, with Godfreys Group Limited being the head entity within the tax consolidated group.

(b) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Godfreys Group Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

Directors' declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the Directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Mr B. Fleiter
Chairman
Melbourne, 20 February 2018

Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

20 February 2018

Dear Board Members


Godfreys Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Godfreys Group Limited.

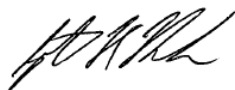
As lead audit partner for the review of the financial statements of Godfreys Group Limited for the half year ended 29 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the Corporations Act 2001 in relation to the review
- (ii) Any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Roche
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of Godfreys Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Godfreys Group Limited, which comprises the condensed consolidated statement of financial position as at 29 December 2017, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 19.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Godfreys Group Limited's financial position as at 29 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Godfreys Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

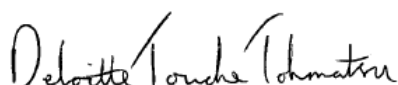
Auditor's Independence Declaration

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


Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 29 December 2017 and its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Roche

Partner

Chartered Accountants

Melbourne, 20 February 2018

Corporate directory

Registered office and principal place of business

Building 3, Ground Floor
530 Springvale Road
Glen Waverley VIC 3150
Tel (03) 8542 2110

Directors

Mr. B. Fleiter
Ms. S. Morphet
Ms. K. Gramp
Ms. P. Burke
Mr. J. Hardy
Mr. J. Gowie

Company secretary

Ms. S. Karzis

Chief Executive Officer

Mr. J. Gowie

Chief Financial Officer

Mr. A. Ford

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street, Melbourne VIC 3000
Tel: (03) 9671 7000

Bankers

Commonwealth Bank of Australia
Level 20, Tower 1 Collins Street,
727 Collins Street, Melbourne VIC 3000

Share registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Tel: (02) 8280 7100

Australian Legal Advisor

Clayton Utz
Level 18, 333 Collins Street
Melbourne VIC 3000
Tel: (03) 9286 6000

Godfreys Group Limited is listed on the Australian Securities Exchange ('ASX') under ASX code 'GFY'.