

Our Ref: bmc:cc:180298

23 April 2018



The Manager
Australian Securities Exchange Ltd
Markets Announcements Office

Via ASX Online

Dear Sir/Madam

OFF-MARKET TAKEOVER BID BY ARCADE FINANCE PTY LTD FOR GODFREYS GROUP LIMITED (ASX:GFY)

We refer to the bidder's statement issued by Arcade Finance Pty Ltd ABN 66 149 252 719 (**Arcade**) dated 9 April 2018 in relation to its off-market takeover offer for all of the ordinary shares in Godfreys Group Limited ABN 35 602 722 985 (**Godfreys**) that Arcade does not presently own (**Original Bidder's Statement**). A supplementary bidder's statement dated 17 April 2018 was issued by Arcade (**Supplementary Bidder's Statement**).

We enclose, by way of service, pursuant to section 633A(2)(c) of the *Corporations Act 2001* (Cth) (**Act**) (as inserted by ASIC Class Order [CO 13/528]), a copy of a replacement bidder's statement (**Replacement Bidder's Statement**), which replaces the Original Bidder's Statement as amended by the Supplementary Bidder's Statement, marked to show all changes from the Original Bidder's Statement (**Amendments**).

We also enclose, by way of service, pursuant to section 633A(2)(c) of the Act (as inserted by ASIC Class Order [CO 13/528]) a clean copy of the Replacement Bidder's Statement incorporating all the Amendments (**Clean Version of the Replacement Bidder's Statement**).

Copies of the Replacement Bidder's Statement and Clean Version of the Replacement Bidder's Statement have provided to Godfreys and lodged with ASIC on the date of this letter.

Yours faithfully
COWELL CLARKE

Per: 

B M COWELL
Chairman of Partners
BCowell@cowellclarke.com.au

BIDDER'S STATEMENT

ACCEPT THE CASH OFFER

Arcade Finance Pty Ltd

ABN 66 149 252 719

is offering to purchase all of your shares in

Godfreys Group Limited

ABN 35 602 722 985

for

\$0.32

in cash for each Godfreys Share you hold.

This Offer is dated

24 April 2018

and will close at 7.00pm (Adelaide time) on **24 May 2018**, unless extended.

This is an important document and requires your immediate attention.
If you are in any doubt as to how to deal with this document, you should
consult your financial, legal or other professional adviser as soon as
possible.

 **Cowell Clarke**
COMMERCIAL LAWYERS

Important Information

This Bidder's Statement is [a replacement Bidder's Statement](#) given by Arcade Finance Pty Ltd ABN 66 149 252 719 (**Arcade**) to Godfreys Group Limited ABN 35 602 722 985 (**Godfreys**) under part 6.5 of the Corporations Act ([as modified by ASIC Class Order \[CO 13/528\]](#)) and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your Godfreys Shares.

~~This~~[The original](#) Bidder's Statement is dated 9 April 2018- [\(Original Bidder's Statement\)](#). [The Supplementary Bidder's Statement is dated 17 April 2018. This replacement Bidder's Statement replaces the Original Bidder's Statement as amended by the Supplementary Bidder's Statement \(Bidder's Statement\)](#). It includes an Offer dated [24 April 2018](#) on the Offer Terms set out in Schedule 1 and Schedule 2.

A copy of ~~this~~[the Original](#) Bidder's Statement was lodged with ASIC and ASX on 9 April 2018. [A copy of the Supplementary Bidder's Statement was lodged with ASIC and ASX on 17 April 2018.](#) None of ASIC, ASX nor any of their officers takes any responsibility for the content of this [replacement](#) Bidder's Statement.

Defined terms

A number of defined terms are used in this Bidder's Statement. These terms are explained in the definitions in section 9 of this document.

Investment decisions

This Bidder's Statement does not take into consideration your individual investment objectives, financial situation or particular needs. Before making any investment decision you should consider whether it is appropriate taking those factors into account. Therefore, you may wish to seek independent financial and taxation advice before deciding whether or not to accept the Offer.

Forward looking statements

This Bidder's Statement contains forward looking statements. These forward looking statements in this Bidder's Statement reflect views held at the date of this Bidder's Statement.

You should be aware that forward looking statements are not based on historical facts but are based on current expectations of future results or events. These forward looking statements involve inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and those deviations are both normal and to be expected.

None of Arcade, its officers or any person named in this Bidder's Statement with their consent, or involved in the preparation of this Bidder's Statement, makes any representation or warranty as to the accuracy or likelihood of fulfilment of any forward looking statement. Any forward looking statement contained in this document is qualified by this cautionary statement. You should not place undue reliance on those statements.

Information regarding Godfreys

The information contained in this Bidder's Statement on Godfreys and Godfreys Shares has been prepared by Arcade using publicly available information. None of that information has been independently verified by Arcade. Arcade does not make any representation or warranty, express or implied as to the accuracy or completeness of such information.

Privacy statement

Arcade has collected your information from the register of Shareholders of Godfreys. The Corporations Act permits that information to be made available to certain persons, including Arcade. Your information may also be disclosed on a confidential basis to Arcade's related bodies corporate and external service providers and may be required to be disclosed to regulators such as ASIC for the purposes relating to the Offer. If you would like to access or correct your personal information held by Arcade or its related

bodies corporate or external service providers or have any other queries concerning the handling of your personal information, please contact us.

How to accept the Offer

To be effective, acceptances for the Offer must be received by Arcade before the Offer closes

You should read section 1 for full details on how to accept the Offer. There are different ways to accept the Offer depending on how you hold your Godfreys Shares.

CHESS Holding

If your Godfreys Shares are held in a CHESS Holding, to accept the Offer you must either:

- (a) instruct your Controlling Participant (usually your stockbroker) to initiate acceptance of the Offer on your behalf; or
- (b) complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and return it to the following address so it is received in time for your Controlling Participant to accept the Offer before the Offer closes:

BY MAIL (a reply paid envelope is enclosed) to:

Advanced Share Registry Limited
[GPO Box Q1736, Queen Victoria Building](#)
[Sydney NSW 1230](#) [PO Box 1156](#)
[Nedlands WA 6909](#)

Issuer Sponsored Holding

If your Godfreys Shares are held in an Issuer Sponsored Holding, to accept the Offer you must complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and return it so it is received before the Offer closes:

BY MAIL (a reply paid envelope is enclosed) to:

Advanced Share Registry Limited
[GPO Box Q1736, Queen Victoria Building](#)
[Sydney NSW 1230](#) [PO Box 1156](#)
[Nedlands WA 6909](#)

Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer for your Godfreys Shares.

Offer Information [LineLines](#)

For information regarding your Godfreys Shares, ~~the Offer~~ or how to accept the Offer, please read this Bidder's Statement.

If you still need assistance please contact the Arcade Offer Information Line on:
For Australian callers: 08 6500 2114
For international callers: +618 6500 2114
from 9:00am and 5:00pm (AEST) Monday to Friday.

[For questions relating to the terms of the Offer, please read this Bidder's Statement.](#)

[If you still need assistance please contact the Arcade Offer Terms Information Line on:](#)
[For Australian callers: 1300 362 398](#)

[For international callers: +612 8355 1004](#)
[from 9:00am and 5:00pm \(AEST\) Monday to Friday.](#)

If you are in any doubt as to how to deal with this Bidder's Statement, you should consult your Broker or your legal, financial or other professional adviser.

Important Dates

Announcement Date for the Offer:	9 April 2018
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Original Bidder's Statement lodged with ASIC:	9 April 2018
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Supplementary Bidder's Statement lodged with ASIC	17 April 2018
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Replacement Bidder's Statement lodged with ASIC	23 April 2018
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Offer Date:	24 April 2018
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Offer scheduled to close (unless extended in accordance with the Corporations Act):	7:00pm (Adelaide time) on 24 May 2018
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ARCADE FINANCE PTY LTD

A.B.N. 66 149 252 719
as trustee for
Johnston Investment Trust
A.B.N. 42 298 843 649

Letter to Shareholders

9 April 2018

Dear Godfreys Shareholder

About Arcade and the Offer

I co-founded Godfreys with Godfrey Cohen in the 1930s. Since then I have been a strong supporter of Godfreys. I am a director of Arcade, which is the largest holder of Godfreys Shares.

I am pleased to provide you with this conditional all-cash off-market takeover bid to acquire all of your shares in Godfreys. Arcade is offering \$0.32 cash for each Godfreys Share you hold.

Godfreys Shareholders who accept the Offer will be paid within one month after the Offer becomes or is declared unconditional or within 21 days after the end of the Offer Period, whichever is earlier.

Key Benefits and Considerations

This offer is a highly attractive one and represents compelling value for Godfreys Shareholders. The Offer Price of \$0.32 cash for your Godfreys Share represents a significant premium of:

- 52.4% to the closing price of Godfreys Shares on 6 April 2018, being the last trading day before the Announcement Date;
- 15.5% to the VWAP of Godfreys Shares since 20 February 2018, being the date on which Godfreys released its 1H18 Results; and
- 25.5% to the 1-month VWAP of Godfreys Shares up to and including 6 April 2018.

I can't be certain about the future value of Godfreys Shares in the absence of this Offer or any other Superior Proposal. Importantly, this Offer provides you with certain cash value for your Godfreys Shares. This Offer is particularly attractive in the context of Godfreys' continued long-term share price decline, 1H18 Results, level of debt and where, on 20 February, 2018 the Godfreys Board announced that the interim dividend is not going to be paid.

As at the date of this letter, Arcade has an interest equivalent to 28.09% of Godfreys' issued share capital and is Godfreys' largest shareholder. Arcade intends to acquire all of Godfreys' issued share capital it doesn't presently own. Arcade's associate, 1918 Finance Pty Ltd is the lender of the \$30 million secured debt facility to Godfreys. Arcade believes that the restructuring required to restore Godfreys' value would be best carried out in an un-listed private company environment.

Therefore, Arcade proposes to remove Godfreys from the ASX official list upon acquisition to give Godfreys the best opportunity to restore its value and restore the confidence of its employees, franchises and suppliers with respect to its performance.

Recommended steps

The Bidder's Statement sets out details of the Offer and the benefits it provides to you, which you should read in its entirety.

Registered Office: 1st Floor, 187 Wakefield Street, Adelaide SA 5000

The Offer opens on 24 April 2018 and closes at 7pm (Adelaide time) on 24 May 2018 unless withdrawn or extended.

I encourage you to accept the Offer by completing the enclosed Acceptance Form.

If you have any questions in relation to the Offer, please contact the Arcade Offer Information Line on 08 6500 2114 (from within Australia) or +618 6500 2114 (from outside Australia). You can also visit the Arcade website at www.arcadegodfreysbid.com.au.

Yours faithfully

John Johnston
Director
Arcade Finance Pty Ltd



Table of contents

Important Information	i
How to accept the Offer	iii ⁱⁱⁱ
Important Dates	v ^{vii}
Table of contents	viii ^{viii}
Reasons why you should accept Arcade's Offer	1
Frequently asked questions	8 ⁸
1. How to accept the Offer	12 ¹²
2. Information about Arcade	13 ¹³
3. Information about Godfreys and Godfreys Shares	14 ¹⁴
4. Arcade's intentions	17 ¹⁷
5. Risks	20 ²⁰
6. Sources of Offer Price	21 ²¹
7. Tax considerations	23 ²³
8. Additional information	25 ²⁵
9. Glossary	27 ²⁷
10. Approval of Bidder's Statement	34 ³⁴
Schedule 1 – Terms of the Offer	35 ³⁵
Schedule 2 - Conditions of Offer	43 ⁴³
Corporate directory	45 ⁴⁵

Reasons why you should accept Arcade's Offer

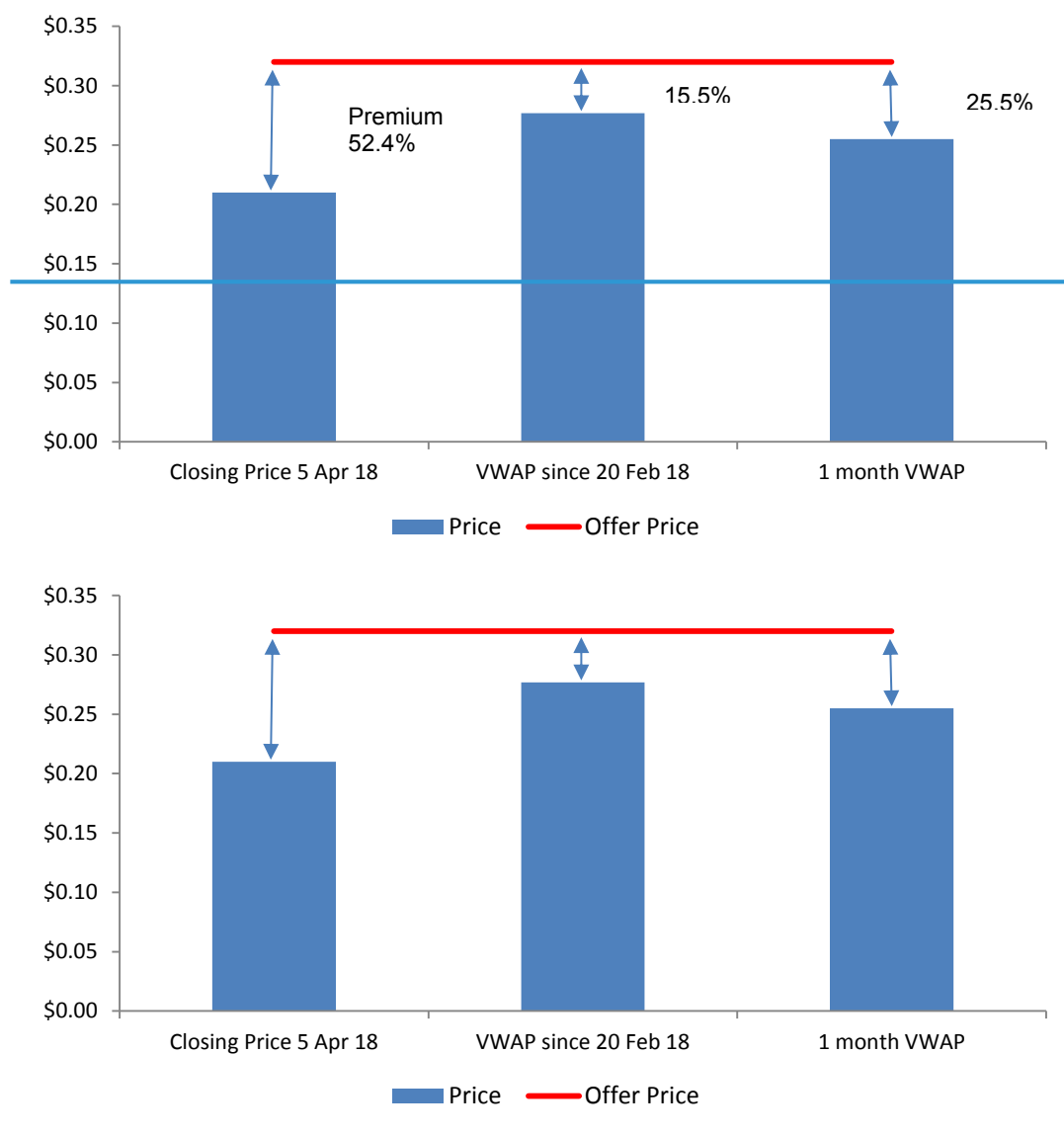
1. The Offer represents a significant premium on the Godfreys Share price
2. Godfreys' financial performance is deteriorating
3. Godfreys has postponed its dividend
4. Godfreys' share price has underperformed against the All Ordinaries
5. The Offer is an all cash offer with certain value
6. Accepting the Offer removes your exposure to the risks associated with a continued investment in Godfreys
7. There may be adverse consequences for Godfreys if the Offer is not supported

1. The Offer represents a significant premium on the Godfreys Share price

The Offer Price of \$0.32 cash for each Godfreys Share represents compelling value for Godfreys Shareholders and a significant premium to trading levels before the Announcement Date.

The Offer Price represents a premium of:

- 52.4% to the closing price of Godfreys Shares on 6 April 2018, being the last trading day before the Announcement Date;
- 15.5% to the VWAP of Godfreys Shares since 20 February 2018, being the date on which Godfreys released its 1H18 Results; and
- 25.5% to the one-month VWAP of Godfreys Shares up to and including 6 April 2018.



2. Godfreys' financial performance is deteriorating

On 20 February 2018 Godfreys released its financial results for the six months up to 31 December 2017 (**1H18 Results**).

Across a number of key financial indicators Godfreys' financial performance disclosed in the 1H18 Results and the 1H18 Investor Presentation were materially lower than the previous corresponding period (the six months up to 31 December 2016 (**1H17**)), including:

- Revenue of \$84,166,000 which is 8.9% below \$92,365,000 in 1H17
- EBITDA (excluding exceptional items) of \$3,591,000 being 43.3% below \$6,332,000 in 1H17
- EBIT (excluding exceptional items) of \$1,510,000 being 62.0% below \$3,971,000 in 1H17
- Net Profit After Tax (**NPAT**) (excluding exceptional items) of \$897,000 being 61.8% below \$2,347,000 in 1H17

Godfreys stated in its 1H18Results Announcement that Godfreys' financial performance was impacted by:

- An impairment charge (that is, reduced value) of \$75.2 million (\$59.3 million net of tax) pertaining to intangibles and other assets following a review of the recoverable amount of these assets conducting during the half year; and
- Costs incurred in relation to the franchise strategy to rebalance the store network portfolio and restructuring costs in the China office.

Since the release of the 1H18 Results, Godfreys Share price has declined by 34.4%¹.



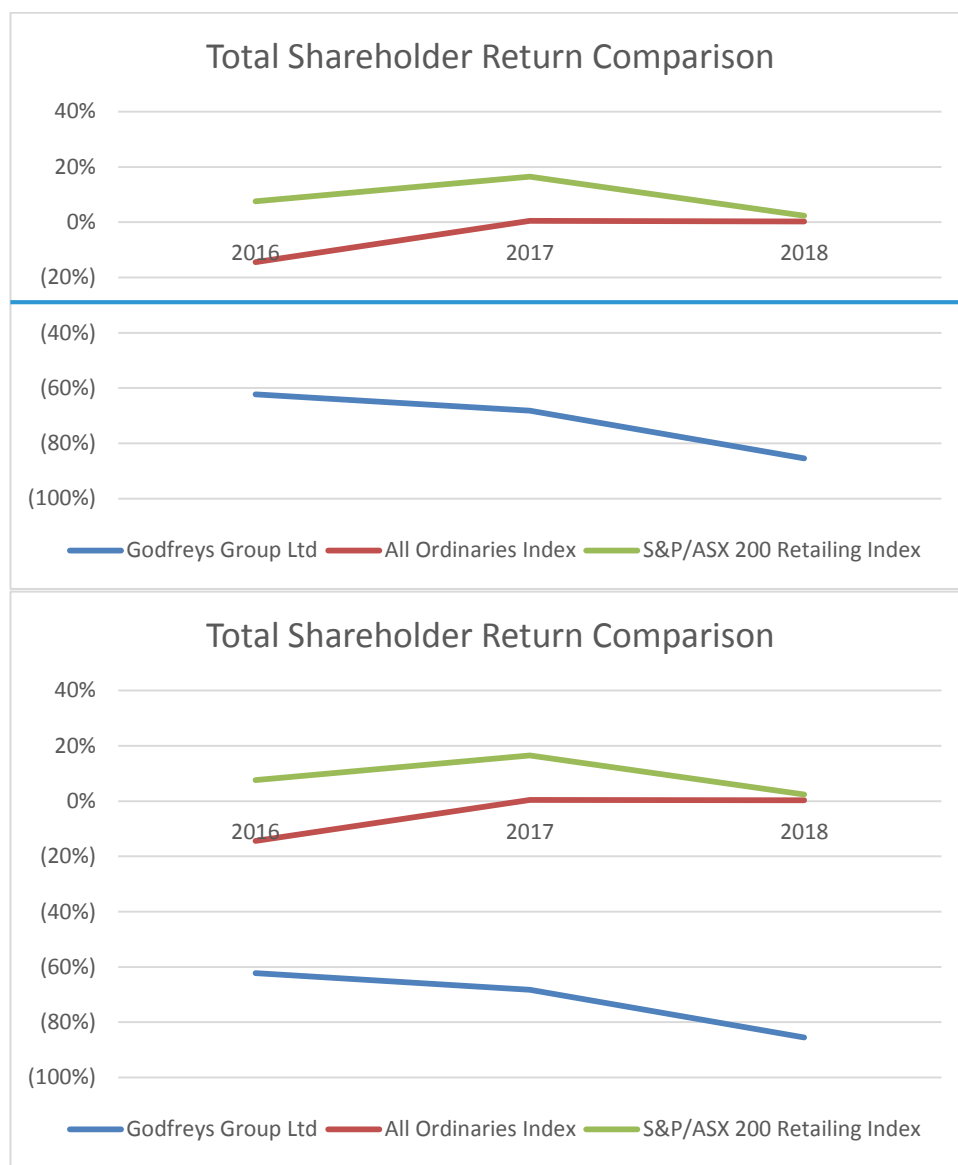
Godfreys' statutory NPAT has been trending downwards since its first Annual Report following listing in FY2015, with a loss of over \$18 million recorded for FY2017:

Financial Year	Statutory NPAT
2015	\$12.04m
2016	\$7.77m
2017	(\$18.44m)

Godfreys stated in its 1H18 Results announcement that Godfreys' financial performance was impacted by:

- The continuation of a negative like-for-like sales trend

- Cost associated with ongoing restructure of the business



Godfreys' total shareholder return since 6 April 2015 to 6 April 2018 has been -85.48%. Over the same period, the All Ordinaries Index has returned 0.29% and the S&P/ASX 200 Retailing Index has returned 2.39%.

3. Godfreys has postponed its dividend

Godfreys' dividend policy was outlined in its Prospectus in November 2014, and set a target to pay a dividend of between 70% and 80% of Godfreys' NPAT.

Dividends have been falling year-on-year since Godfreys listed and have only met the Prospectus target once, in the first year after listing.

On 20 February 2018, Godfreys confirmed in a media release accompanying the 1H18 Results that payment of dividends has been postponed.

Financial Year	Value of Dividend	% of underlying NPAT
2015	15.4¢	80%
2016	11.3¢	50%

2017	5¢	35%
2018 interim (projected)	NIL	NIL

Godfreys has made the following statements about the falling dividend repayments:

“The dividend payment represents a reduced dividend payout ratio to the Company’s target dividend payout, reflects the careful consideration by the Board of the need to strike an appropriate balance between delivering returns to shareholders in the short term by way of dividend payments and ensuring the Company has adequate funds to pursue growth opportunities.” – **Godfreys’ 2016 Annual Report**

“The lower dividend payment and payout ratio in FY2017 reflects the careful consideration by the Board of the need to strike an appropriate balance between delivering returns to shareholders in the short term by way of dividend payments and ensuring the Company has adequate funds to pursue improvement opportunities within the business.” – **Godfreys’ 2017 Annual Report**

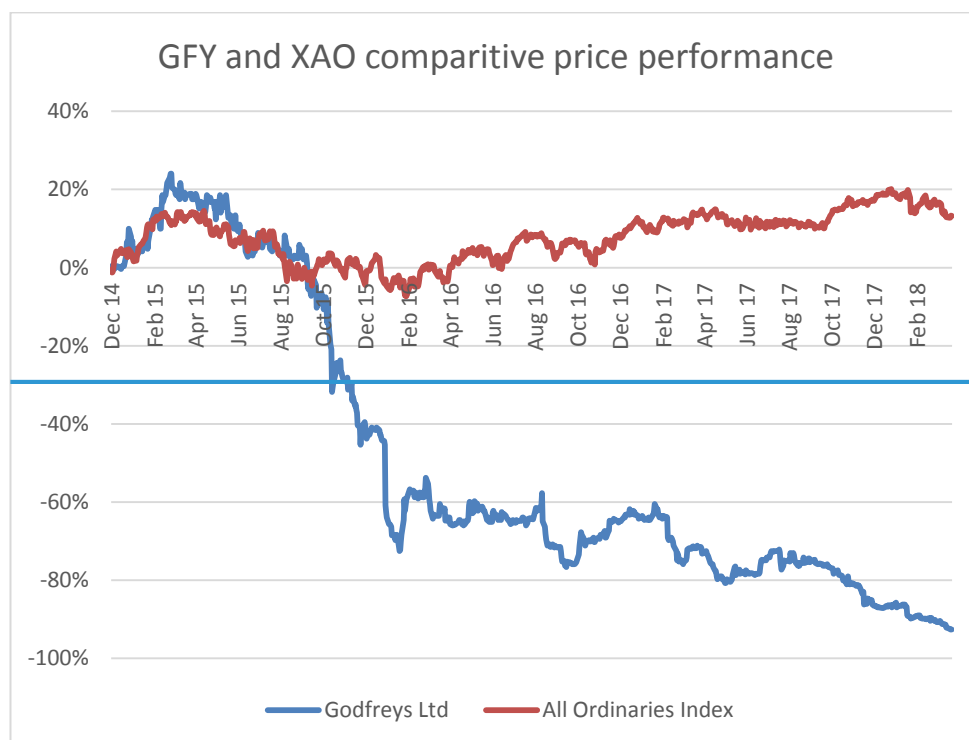
“Dividend postponed with funds to be reinvested into the turnaround strategy, or to reduce debt.” – **Godfreys’ 20 February 2018 ASX/Media Release – Half Year Results and CEO Update**

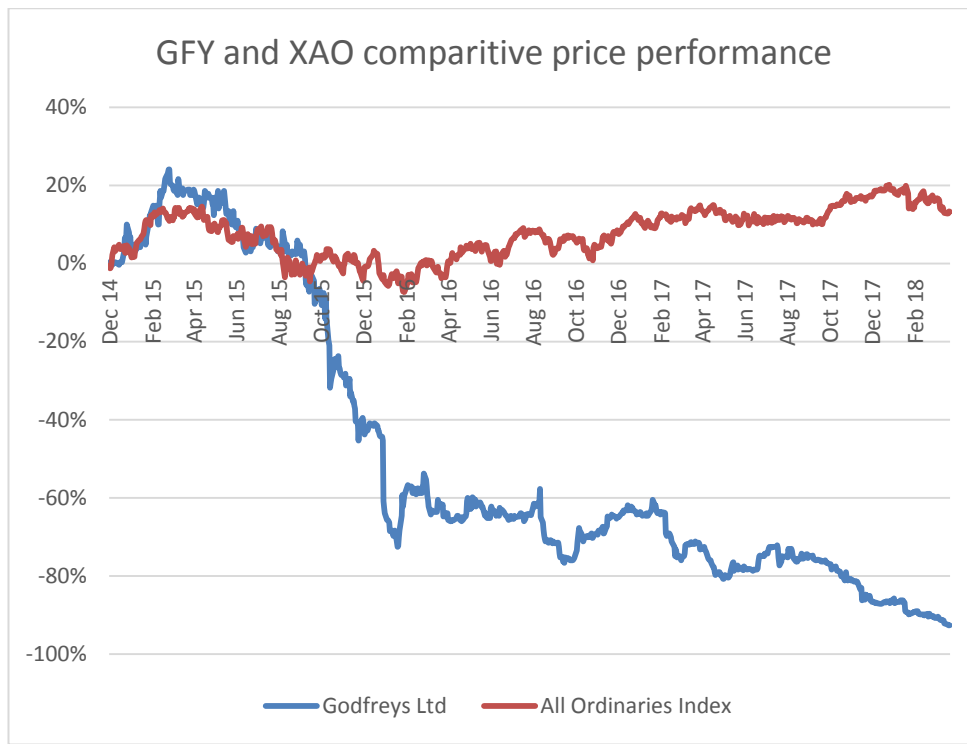
No 2018 interim dividend has been paid as at the date of this Bidder’s Statement.

4. **Godfreys share price has underperformed against the All Ordinaries**

Godfreys’ share price has fallen 92.78% from \$2.91 (the closing price on the 12 December 2014) to \$0.21, the closing price on 6 April 2018, being the last trading day before the Announcement Date.

By contrast, over the same period the ASX All Ordinaries Index has gained 13.3%.





5. The Offer is an all cash offer with a certain value

The Offer gives Godfreys Shareholders the opportunity to realise certain cash value for their Godfreys Shares, with no transaction costs.

If you accept the Offer and the Offer becomes unconditional, you will:

- be paid the cash Offer Price of \$0.32 for each of your Godfreys Shares;
- not incur any brokerage fees (however, if you hold your Godfreys Shares through a CHESS Holding, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer); and
- receive your cash consideration by the earlier of either 21 days after the end of the Offer; or within one month after the date the Offer becomes, or is declared unconditional.

Such opportunities have been limited to date given the low trading volumes in Godfreys Shares. The average daily trading volume for Godfreys Shares for the 12 months prior to the Announcement Date was only 75,861 Godfreys Shares per day representing just 0.19 per cent of the total Shares on issue.

The Offer is **not** subject to any finance conditions.

The Offer is **not** subject to any due diligence.

The Offer is **not** subject to approval by the Arcade Shareholders.

6. Accepting the Offer removes your exposure to the risks associated with continuing your investment in Godfreys

As a Godfreys Shareholder you are subject to a number of risks that may affect the value of your investment in Godfreys, such as:

- the uncertain future market price of Godfreys Shares in the absence of the Offer and/or any other Superior Proposal;

- continuing lack of liquidity in the market for Godfreys Shares;
- the possibility that Godfreys' turnaround strategy may take considerable time to achieve or may not be achieved at all; and
- potentially indefinite postponement of dividends.

Arcade believes that the Offer represents compelling value for your Godfreys Shares. Arcade does not consider it likely that Godfreys will be able to turn around its performance in a timeframe acceptable to Arcade. By accepting the Offer and assuming that the Offer becomes unconditional, you will be removing your exposure to these risks.

7. Godfreys Share price is likely to fall if the Offer is not supported

While many factors influence a share's market price, the Godfreys' Share price is likely to trade at a substantial discount to the Offer Price if the Offer is not supported by sufficient Godfreys' Shareholders, the Offer lapses and there is no Superior Proposal.

In the month before the Announcement Date, the VWAP of Godfreys Shares was \$0.255 per Godfreys Share. Since the announcement of Godfreys' 1H18 Results, the VWAP (up to the last trading day before the Announcement Date) was \$0.277 per Godfreys Share.

No other party has made a competing offer for your Godfreys Shares. Arcade's Relevant Interest in 28.09% of Godfreys is likely to act as a deterrent to other proposals emerging. Unless Arcade accepted another proposal, a competing bidder could not achieve a 90% shareholding in Godfreys and accordingly could not proceed to compulsory acquisition of any remaining Godfreys Shares. Further, Arcade would retain significant voting power in Godfreys and a successful competing bidder would not be able to pass special resolutions of Godfreys unless Arcade agreed.

Frequently asked questions

This section is designed to help you understand some of the issues relating to the Offer.

Question	Answer
1. What is the Offer?	<p>Arcade is making an offer to acquire all of your Godfreys Shares.</p> <p>Arcade intends to acquire all of the issued Godfreys Shares it does not own</p> <p>If you accept the Offer (subject to the conditions of the Offer being satisfied or waived) you will receive \$0.32 cash for each Godfreys Share you own.</p>
2. Who is making the Offer?	<p>Arcade is a private Australian company, owned by Mr John Johnston who was the co-founder of Godfreys and his family. Further details regarding Arcade are set out in section 2.</p>
3. What interest does Arcade have in Godfreys Shares?	<p>As at the date of this letter, Arcade has an interest equivalent to 28.09% of Godfreys' issued share capital and is Godfreys' largest shareholder.</p>
4. What is the Bidder's Statement?	<p>The Bidder's Statement sets out the terms of the Offer and information relating to the Offer including the consideration you will receive.</p>
5. What are the conditions of the Offer?	<p>The conditions of the Offer are set out in Schedule 2. They are called Defeating Conditions and can be summarised as follows:</p> <ul style="list-style-type: none">(a) 90% minimum acceptance condition;(b) no Prescribed Occurrences in respect of Godfreys occurring;(c) no Material Adverse Change occurring in respect of Godfreys;(d) all Regulatory Approvals being received and no material regulatory action occurring;(e) the S&P/ASX All Ordinaries Index not falling below 85% of the level of that index as at the close on 6 April 2018 for 3 consecutive trading days; and(f) any third party which could terminate a material contract with Godfreys as a result of the Offer, consenting to the Offer or stating an intention not to exercise its rights in that regard. <p>Arcade may choose to waive certain of the Defeating Conditions in accordance with the Offer Terms.</p> <p>If the Defeating Conditions are not satisfied or waived by Arcade (which it may do in its discretion) by the close of the Offer Period, the Offer will lapse and your Godfreys Shares will not be purchased by Arcade.</p>
6. What choices do I have?	<p>You have the following choices:</p> <ul style="list-style-type: none">(a) accept the Offer for all of your Godfreys Shares and receive cash consideration (see question 8 below);(b) sell your Godfreys Shares on-market; or(c) do nothing (see question 12 below).

Question	Answer
7. What should I do?	<p>To accept the Offer, you should:</p> <ul style="list-style-type: none"> (a) read this Bidder's Statement in full; (b) read Godfreys' Target's Statement in full (when issued); (c) consult your Broker, financial or other professional adviser if you are in any doubt as to what action to take or how to accept the Offer; and (d) accept the Offer in the manner described in section 1.
8. How do I accept the Offer?	<p>The Offer may only be accepted for all of your Godfreys Shares. You cannot accept the Offer for part only of your Godfreys Shares.</p> <p>The manner in which you accept the Offer depends on whether you hold your Godfreys Shares in a CHESS Holding, an Issuer Sponsored Holding, or you are a Broker or a CHESS Participant.</p> <p>Full details on how to accept the Offer are set out in section 1.</p> <p>For CHESS Holdings you should instruct your Controlling Participant (usually your stockbroker) to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period. Alternatively, you can return your Acceptance Form to the address on the form. Arcade's registry will pass your acceptance on as an instruction to your Controlling Participant to accept the Offer before the end of the Offer Period.</p> <p>For Issuer Sponsored Holdings you must complete, sign and return the Acceptance Form in accordance with the instructions on it. Return it to the address indicated on the form so that it is received before the end of the Offer Period.</p> <p>Mailing and delivery addresses</p> <p>If you reside in Australia, you can use the reply paid envelope enclosed with this Bidder's Statement. The mailing address is: Advanced Share Registry Limited GPO Box Q1736, Queen Victoria Building Sydney NSW 1230 PO Box 1156 Nedlands WA 6909</p>
9. If I accept the Offer, do I have to pay any fees?	<p>No brokerage, charges or stamp duty will be payable by you on acceptance of the Offer. However, if you hold your Godfreys Shares through a CHESS Holding, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.</p> <p>If you choose to sell your Godfreys Shares on-market instead of accepting the Offer, you may incur brokerage costs and GST on those costs.</p>
10. If I accept the Offer, when will I receive the Cash for my Godfreys Shares?	<p>Provided that the necessary transfer documents accompany your Acceptance Form, you will be paid the cash Offer Price within one month of the later of:</p> <ul style="list-style-type: none"> (a) the date you accept the Offer; and (b) the date the Offer becomes unconditional. <p>In any event, you will be paid within 21 days after the Offer closes (assuming all conditions of the Offer are satisfied or waived).</p>

Question	Answer
11. What happens if I accept the Offer?	<p>If you accept the Offer and it becomes or is declared unconditional, you will receive your cash consideration within the time specified above.</p> <p>Once you accept the Offer (even while it remains subject to Defeating Conditions) you will not be able to sell your Godfreys Shares on-market or otherwise deal with the Rights attaching to your Godfreys Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.</p>
12. What happens if I do not accept the Offer?	<p>If you do not accept the Offer, you will remain a Godfreys' Shareholder and will not receive any cash consideration.</p> <p>However, if Arcade becomes entitled to compulsorily acquire your Godfreys Shares, it intends to do so. If this occurs, you will still receive the Offer Price for your Godfreys Shares, but at a later date than you would have received it if you had accepted the Offer.</p> <p>Please see section 4.2. It is Arcade's intention after the successful close of the Offer to apply to ASX to de-list Godfreys from ASX. If you were still a Godfreys Shareholder after de-listing, there would be only a very restricted ability for you to sell your Shares.</p>
13. When does the Offer close?	<p>The Offer opens on 24 April 2018 and is scheduled to close at 7.00pm (Adelaide time) on 24 May 2018 (unless extended).</p>
14. What are the tax implications of accepting the Offer?	<p>A general description of the taxation treatment for certain Australian resident Godfreys Shareholders accepting the Offer is set out in section 7.</p> <p>You should not rely on the description set out in section 7 as advice for your own affairs. You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your Godfreys Shares.</p>
15. What are the significant risks of the Offer?	<p>A summary of the key risks is set out in section 5. Many of these risks are outside the control of Arcade and its Directors and cannot be mitigated. Once you accept the Offer, you will have only limited rights to withdraw your acceptance.</p>
16. What are my rights to withdraw my acceptance?	<p>You have limited rights to withdraw your acceptance of the Offer once you have accepted. If, following your acceptance, the Offer remains subject to conditions and is varied so as to postpone for more than one month the time when Arcade must meet its obligations under the Offer, you will be able to withdraw your acceptance.</p> <p>Otherwise, you will be unable to withdraw your acceptance of the Offer.</p>
17. What if I require further information?	<p>If you have any queries about this document, the Offer or how to accept the Offer, please visit the Arcade website at www.arcadegodfreysbid.com.au or</p> <p>if you have any further queries about this document or the Offer contact the Arcade Offer Terms Information Line on:</p> <p>For Australian callers: 1300 362 398 For international callers: +612 8355 1004 from 9:00am and 5:00pm (AEST) Monday to Friday</p> <p>or</p>

Question**Answer**

[if you have any queries about your Godfreys Shares or how to accept the Offer contact the Arcade Offer Information Line on:](#)

For Australian callers: 08 6500 2114

For international callers: +618 6500 2114

from 9:00am and 5:00pm (AEST) Monday to Friday⁻¹

1. How to accept the Offer

1.1 Issuer Sponsored Holdings

If you hold your Godfreys Shares in an Issuer Sponsored Holding, you will need to complete, sign and return the Acceptance Form accompanying this Bidder's Statement in accordance with the instructions on that form and send it by post so that it is received by Arcade's share registry before the end of the Offer Period. A reply paid envelope (for use within Australia only) is enclosed with the Bidder's Statement.

1.2 CHESS Holdings

If you hold your Godfreys Shares in a CHESS Holding, you will need to:

- instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
- complete, sign and send the Acceptance Form accompanying the Bidder's Statement directly to your Controlling Participant; or
- complete, sign and return the Acceptance Form in accordance with the instructions on it so that Arcade is authorised to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf,

in sufficient time for your instructions to be acted on before the end of the Offer Period.

A reply paid envelope (for use within Australia only) is enclosed for your convenience.

1.3 CHESS Participants

If you are a CHESS Participant, you will need to initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

The Offer is dated 24 April 2018 and will close at 7.00pm (Adelaide time) on 24 May 2018 unless extended.

2. Information about Arcade

2.1 Overview

Arcade is owned by Mr John Johnston and his family and is the trustee for the Johnston Investment Trust. Mr Johnston was a founder of the Australian vacuum cleaner retail market, having been involved with Godfreys since it was founded in the 1930's and has gained widespread respect and accolades from industry over the last 80 years.

Mr Johnston's extensive retail experience was built over 70 years of day-to-day management of Godfreys until its sale in 2006 to a consortium of private equity funds. Mr Johnston re-acquired Godfreys in 2011 with Nomura International Plc.

Having been actively involved in the success of Godfreys since its founding, Mr Johnston is eager to see Godfreys rejuvenated and living up to its full potential.

The Directors of Arcade are Ms Jane Ruth Allen, Mr John Couper Johnston and Mr Grant Desmond Hancock.

2.2 Further information

Further information about Arcade can be found on Arcade's website at www.arcadegodfreysbid.com.au.

3. Information about Godfreys and Godfreys Shares

3.1 Disclaimer

The following information on Godfreys has been prepared by Arcade using publicly available information and has not been independently verified. Accordingly, Arcade does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on Godfreys in this Bidder's Statement should not be considered comprehensive. The Corporations Act requires Godfreys to provide a Target's Statement to Godfreys Shareholders in response to this Bidder's Statement, setting out certain material information concerning Godfreys.

3.2 Overview of Godfreys

Godfreys was founded in the 1930s and was admitted to the Official List of the ASX in 2014.

Godfreys operates in Australia and New Zealand as a specialty retailer of domestic and commercial floor care and associated cleaning products. Godfreys has over 200 franchises and company-owned stores nationwide, employing over 400 people. The company also offers vacuum cleaner servicing and repairs. Vacuum cleaner brands sold by Godfreys include: Miele, Hoover, Electrolux, Wertheim, Pullman, Sauber, Vax, Bissell and Numatic.

Godfreys' head office is in Glen Waverley, Victoria.

3.3 Directors and senior management

The directors of Godfreys are set out below:

Brendan Fleiter, Chairman - Mr Fleiter was appointed to the Godfreys Board in November 2014 and became Chairman on 1 January 2018.

Sue Morphet - Ms Morphet was appointed to the Godfreys Board on 13 January 2015. She chairs Godfreys' remuneration and nomination committee.

John Hardy - Mr Hardy was appointed to the Godfreys Board on 24 March 2016. He previously held senior management roles in Godfreys.

Jason Gowie - Mr Gowie was appointed Godfreys' chief executive officer and executive director on 4 December 2017.

Kathy Gramp - Ms Gramp was appointed to the Godfreys Board on 1 January 2018. She chairs Godfreys' audit and risk management committee.

Penny Burke - Ms Burke was appointed to the Godfreys Board on 1 January 2018. She chairs the Godfreys' customer committee.

3.4 Financials

Godfreys' 2017 Annual Report was released on 11 September 2017 and its 1H18 Results were released on 20 February 2018. Copies of these documents are available on Godfreys' website at www.godfreys.com.au.

3.5 ASX announcements up to the Announcement Date

Between 31 December 2017 (being the end of the last financial period for which results were released) and the Announcement Date, Godfreys has made the following additional ASX announcements that Arcade considers may be material to the financial position of Godfreys:

- **Trading Update** – On 1 February 2018, Godfreys announced its trading updated based on unaudited financial results for the half year ended 29 December 2017. Godfreys reported that like-for-like (**LFL**) sales during October and November 2017 were volatile and weaker than expected reversing the trend in LFL sales through until the end of September 2017 quarter. In addition, trading during the Christmas period was also weaker than expected. The decrease in LFL sales and the planned reduction in franchise conversions resulted in an unaudited underlying EBITDA of \$3.6 million.
- **1HFY18** – On 20 February 2018, Godfreys released its financial results for the half year ended 29 December 2017.
- **Sale of the Service Company Business** – On 23 February 2018 it was announced that Godfreys' wholly owned subsidiary New Zealand Vacuum Cleaner Company Limited had entered into an agreement for the sale of its shares in The Service Company Limited (its new Zealand based cleaning supplies business) to TSC No.2 Limited (an unrelated entity incorporated in New Zealand). The sale price was announced as NZ\$1.3 million.

A copy of each of these announcements and other Godfreys announcements can be obtained from ASX and from Godfreys' website: www.godfreys.com.au.

3.6 Capital structure of Godfreys

At the date of this Bidder's Statement, according to publicly available information, there are 40,922,585 Godfreys Shares on issue.

In addition, Godfreys has granted a total of 984,622 performance rights to Mr Andrew Ford under Godfreys' Long-Term Incentive Plan (a copy of which can be obtained from ASX).

The ten largest holders of Godfreys Shares are as follows:

Shareholder	Shares	Percentage
ARCADE FINANCE PTY LTD ATF The Johnston Investment Trust	10,408,383	25.43%
J P MORGAN NOMINEES AUSTRALIA	3,792,650	9.27%
NGE CAPITAL LIMITED	3,734,447	9.13%
BNP PARIBAS NOMINEES PTY LTD IB AU NOMS RETAILCLIENT DRP	2,671,633	6.53%
AUST EXECUTOR TRUSTEES LTD Kentgrove Capital Fund	1,900,000	4.64%
J & P HARDY HOLDINGS PTY LTD ATF The Hardy Family Trust	1,086,212	2.65%
MDF SUPERANNUATION PTY LIMITED MDF Super Fund A/C	1,020,762	2.49%
SILCHESTER INVESTMENTS PTY LTD	1,000,000	2.44%
MR WINSTEDT ARIAM RASIAH	450,000	1.1%
TVL INVESTMENTS PTY LTD Ligeti Family S/F A/C	303,329	0.74%

Notes:

- (a) Figures obtained from Godfreys' shareholder register as at 20 March 2108.
- (b) According to publicly available information², Mr John Hardy is the practical controller of J & P Hardy Holdings Pty Ltd and a beneficiary of the Hardy Family Trust. Mr Hardy is a Godfreys Director and is an associate of Arcade. By virtue of section 608 of the Corporations Act, Arcade therefore holds a total Relevant Interest in 11,494,595 Godfreys Shares, which represents approximately 28.09% of Godfreys' issued share capital.
- (c) According to publicly available information³, Kentgrove Capital Pty Ltd has a relevant interest in NGE Capital Limited. By virtue of section 608 of the Corporations Act, Kentgrove Capital Pty Ltd therefore holds a total Relevant Interest in 5,634,447 Godfreys Shares, which represents approximately 13.77% of Godfreys' issued share capital.

3.7 Publicly available information

Godfreys is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on Godfreys is publicly available and may be accessed by referring to Godfreys on www.asx.com.au.

Announcements made by Godfreys to ASX may be relevant to your assessment of the Offer. Copies of the announcements are available from ASX.

3.8 Recent price performance of Godfreys Shares

Godfreys Shares are quoted on ASX under the code GFY.

The closing price of Godfreys Shares on ASX on 6 April 2018 (before the Announcement Date) was \$0.21. The closing price of Godfreys Shares on ASX on ~~(date)~~ 17 April 2018, being the last trading day before this Bidder's Statement was typeset for printing, was ~~\$[price]~~ \$0.30.

The highest recorded closing price of Godfreys Shares on ASX in the 3 months before the Announcement Date was \$0.415 (16 January 2018). The lowest recorded closing price of Godfreys Share on ASX in the 3 months before the Announcement Date was \$0.20 (29 March 2018).

3.9 No forward looking financial statements

This Bidder's Statement does not contain revenue or profit projections for Godfreys or Arcade. Arcade does not consider that it has reasonable grounds to include those projections in this Bidder's Statement and that to do so could be unduly speculative and potentially misleading for Godfreys Shareholders.

² As per the Appendix 3Y released by Godfreys on ASX on 24 February 2017.

³ As per Form 604 released by Godfreys on ASX 15 June 2017.

4. Arcade's intentions

4.1 Introduction and important note

This section sets out Arcade's current intentions in relation to:

- the continuation of Godfreys' business;
- any major changes to be made to Godfreys' business, including any redeployment of the fixed assets of Godfreys; and
- the future employment of the present employees of Godfreys.

Arcade's current intentions for Godfreys referred to in this section [04](#) have been formed following a review of facts, information and circumstances about Godfreys, its business and the general business environment that is publicly available at the date of this Bidder's Statement. As at the date of this Bidder's Statement no due diligence has been conducted on Godfreys' non-public confidential information. Therefore Arcade does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax, regulatory and financial implications of its current intentions.

As such, statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change.

Following the close of the Offer, it is Arcade's intention to undertake a further detailed review of the operations, assets and structure of Godfreys. The objective of the detailed review will be to evaluate the performance, prospects and strategies of the Godfreys' business and its assets.

Except for the changes and intentions set out in this section [04](#), Arcade intends, based on the information presently known to it:

- to continue the business and operations of Godfreys;
- to continue the trading names of Godfreys;
- not to make any major changes to the business of Godfreys or the deployment of Godfreys' assets; and
- to continue the employment of the vast majority of Godfreys' employees.

4.2 Intentions upon acquisition of 90 per cent or more of Godfreys Shares

This section sets out Arcade's current intentions if it acquires 90 per cent or more of the Godfreys Shares and is entitled to proceed to compulsory acquisition of the outstanding Godfreys Shares.

4.2.1 *Compulsory acquisition*

If it becomes entitled to do so, Arcade intends to compulsorily acquire any outstanding Godfreys Shares in accordance with section 661B of the Corporations Act.

4.2.2 *Amend Godfreys' constitution*

Arcade intends to amend the constitution of Godfreys to reflect its status as a wholly-owned Subsidiary of Arcade.

4.2.3 *ASX de-listing*

Arcade intends to procure that Godfreys be removed from the official list of the ASX.

4.2.4 *Directors*

Arcade intends to review and restructure the constitution of the Godfreys Board.

4.2.5 *Operations*

Following the end of the Offer Period, it is intended that Arcade will:

- continue the operations of all Godfreys' franchises and seek to grow those businesses;
- build on and leverage the experience that Godfreys has in the Australian and New Zealand markets; and
- rationalise certain head office activities.

4.2.6 *Employees*

Arcade expects that the vast majority of Godfreys' employees will continue on terms no less favourable than their current terms of employment.

As a result of the implementation of the intentions above, it is possible that a small number of organisational functions, for example, those relating to Godfreys' listing on ASX, will become redundant.

If the detailed review by Arcade identifies employees who are surplus to the requirements of the business, then Arcade will consider redeployment or redundancies. The review of Godfreys' operations may also result in additional staff recruitment. If any employees are made redundant, they will receive their full entitlements at law.

4.3 **Intentions upon acquisition of between 50 per cent and 90 per cent of Godfreys' Shares**

This section sets out Arcade's current intentions if, by virtue of acceptance of the Offer, it was to gain effective control of Godfreys, but was not entitled to proceed to compulsory acquisition of the outstanding Godfreys' Shares and the 90 per cent minimum acceptance Defeating Condition was waived by Arcade.

4.3.1 *Compulsory acquisition*

If Arcade does not acquire a Relevant Interest in Godfreys Shares of at least 90 per cent under the Offer, and accordingly, does not become entitled to compulsorily acquire all of Godfreys Shares under section 661B of the Corporations Act, it may nevertheless become entitled to exercise the general compulsory acquisition power under Part 6A.2 of the Corporations Act if it reaches this 90 per cent threshold in the future. Arcade intends to exercise that power in respect of Godfreys Shares if it becomes entitled to do so.

4.3.2 *ASX de-listing*

Arcade intends to procure that Godfreys be removed from the official list of the ASX. Depending on the percentage of Godfreys Shares in which Arcade

has a Relevant Interest, it may be necessary for Arcade to seek approval of Godfreys Shareholders to the de-listing.

4.3.3 *Directors*

Depending on the level of ownership achieved, it is Arcade's intention to substitute some or all of the members of the Godfreys Board (and the board of any company on which Godfreys has nominee directors, if any), other than John Hardy, with Arcade nominee directors. The level of independent board representation on the Godfreys Board will depend on factors such as the level of ownership achieved by Arcade and whether Arcade is able to achieve its intention of de-listing Godfreys.

4.3.4 *Follow-on bids*

Arcade reserves the right to commence additional takeover bids under Chapter 6 of the Corporations Act in relation to any remaining Godfreys Shares that it does not acquire under this Offer.

4.3.5 *Intentions generally (including with respect to matters at section 4.2 above)*

If, following the close of the Offer, Godfreys becomes a controlled entity but not a wholly owned Subsidiary of Arcade, it is the present intention of Arcade to procure that the Godfreys Board implements the objectives and goals outlined in section 4.2 to the extent possible and appropriate.

4.3.6 *Limitations on intentions*

To the extent that Godfreys is not a wholly owned Subsidiary of Arcade and there are minority shareholders of Godfreys, Arcade intends to ensure that any Arcade nominees appointed to the Godfreys Board will act at all times in accordance with their fiduciary duties and that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined above.

The requirement to have regard to those fiduciary duties in the context of a partly owned company and the possible requirements of minority shareholder approval may prevent a particular objective being achieved.

4.4 **Intentions upon acquisition of less than 50 per cent of Godfreys Shares**

This section sets out Arcade's current intentions if, by virtue of acceptance of the Offer, it was to gain effective control of less than 50 per cent of Godfreys Shares and the 90 per cent minimum acceptance Defeating Condition was waived by Arcade.

Arcade will endeavour to implement its intentions as it has outlined in section 4.3 to the extent to which it is able to do so, subject to the limitations identified in section 4.3.

5. Risks

Before deciding whether to accept the Offer, you should read this entire Bidder's Statement carefully.

Godfreys Shareholders should be aware of the following risks that may be relevant in connection with the Offer. The risks referred to below are not an exhaustive list of possible risks.

5.1 Assumed financial information for Godfreys

There is a risk that the publicly available financial information provided by Godfreys and utilised by Arcade in formulating the Offer and preparing this Bidder's Statement is not materially correct.

5.2 Limited withdrawal rights

Godfreys Shareholders will have limited withdrawal rights with respect to the Offer, which means that a decision to accept the Offer may be irrevocable.

Once Godfreys Shareholders have accepted the Offer, they have the right to withdraw their acceptance of the Offer only in limited circumstances.

Under Australian law, if after they have accepted the Offer and while the Offer remains subject to conditions, the Offer is varied (such as by an extension of the Offer Period) so as to postpone for more than one month the time when the Bidder must meet its obligations under the Offer, Godfreys Shareholders will be able to withdraw their acceptance. Otherwise, they will be unable to withdraw their acceptance of the Offer even if the market value of Godfreys Shares varies significantly from their value on the date Godfreys Shareholders accepted the Offer.

5.3 Taxation risks

Arcade cannot give advice on the tax consequences of the Offer, which will depend upon the specific circumstances of each Godfreys Shareholder. See the general comments in section 7.

5.4 Reporting risks

Arcade has assumed that Godfreys has met all of its reporting obligations and that disclosures made by it are true in all material respects and are not misleading in any material respects.

6. Sources of Offer Price

6.1 Offer Price

Godfreys Shareholders who accept the Offer will receive consideration for their Godfreys Shares in the form of cash.

The Offer Price is \$0.32 cash per Godfreys Share.

The total amount of cash to be paid will depend on the number of Godfreys Shares that Arcade acquires under the Offer.

6.2 Amount of Cash

If all Godfreys Shareholders accept the Offer, the maximum cash consideration payable by Arcade would be approximately \$13 million.

6.3 Sources of cash consideration

All cash payable to Godfreys Shareholders under the Offer will be paid by Arcade as trustee of the Johnston Investment Trust, which has significant cash reserves available. [The availability of the funds has been certified by Le Cornu Lewis Hancock as qualified accountants on behalf of Arcade. A copy of the certificate follows.](#)

The Offer is **NOT** subject to financial conditions.



13 April 2018

Arcade Finance Pty Ltd
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ADELAIDE SA 5000

Le Cornu Lewis Hancock
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Website: www.lch.com.au

CERTIFICATE BY A QUALIFIED ACCOUNTANT

We are the accountants for Arcade Finance Pty Ltd, the details of which are set out above (the Company) and I am familiar with the Company's financial resources and arrangements.

I certify that the Company controls and has immediate access to unencumbered cash funds in excess of A\$13,000,000 presently held on behalf of the Company by an associated company within the Johnston group, such that the Company will be able to fully satisfy its financial commitments to shareholders of Godfreys Group Limited (GFY) that accept the Company's offer under its takeover bid for GFY as announced on 9 April 2018.

I am a fellow of Chartered Accountants Australia and New Zealand ("CAANZ") who is entitled to use the post-nominal "FCA", and am subject to and comply with the CAANZ's continuing professional education requirements.

Yours faithfully
LeCORNU LEWIS HANCOCK



GD Hancock
Partner

LeCORNU LEWIS HANCOCK is a company
registered under the Companies Act 1993
and is a member of the Chartered Accountants
Australia and New Zealand.

JOHJC630963

7. Tax considerations

7.1 Introduction

The following is a summary of the potential Australian income tax consequences generally applicable to a Godfreys Shareholder who disposes of Godfreys Shares under the Offer. This summary is based on the law and practice in effect as at the date of this Bidder's Statement.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every Godfreys Shareholder.

In particular, this summary is only applicable to Godfreys Shareholders who are Australian residents for income tax purposes and hold their Godfreys Shares on capital account for income tax purposes. This summary does not apply to Godfreys Shareholders who hold their Godfreys Shares in the course of carrying on a business of trading or dealing in securities (i.e. on revenue account).

All Godfreys Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident Godfreys Shareholders should seek their own advice on the Australian and foreign taxation consequences of any sale of their Godfreys Shares.

7.2 Tax consequences on the disposal of Godfreys Shares

7.2.1 *CGT consequences on the disposal of Godfreys Shares*

A Godfreys Shareholder who accepts the Offer and whose Godfreys Shares are subsequently transferred to Arcade, is taken to have disposed of their Godfreys Shares for Australian CGT purposes.

Shareholders would ordinarily make a capital gain equal to the amount (if any) by which the Offer consideration exceeds the cost base that the Godfreys Shareholder has for the Godfreys Shares. Subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain, this amount should be included in the Godfreys Shareholder's taxable income.

A Godfreys Shareholder would ordinarily make a capital loss equal to the amount (if any) that the capital proceeds received on the disposal of Godfreys Shares are less than the reduced cost base of the Shareholder's Godfreys Shares. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests applicable to companies and trusts.

7.2.2 *Cost base of Godfreys Shares generally*

The cost base of Godfreys Shares would generally be equal to the amount the relevant Godfreys Shareholder paid to acquire the Godfreys Shares, which includes certain incidental costs (such as brokerage) of the acquisition.

7.2.3 *Income tax implications*

No portion of the Offer Price paid by Arcade should be treated as a dividend for tax purposes.

The Offer Price should form the capital proceeds that Godfreys Shareholders receive for the disposal of their Godfreys Shares for CGT purposes.

7.2.4 *CGT discount*

Any Godfreys Shareholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain provided that:

- the Godfreys Shares were acquired at least 12 months before disposal to Arcade; and
- the Godfreys Shareholder did not choose to index the cost base of their Godfreys Shares (if indexation was available to the Shareholder).

If accessible, the CGT discount should allow a Godfreys Shareholder who is an individual or a trustee of a trust to discount (i.e. reduce) the capital gain made on the disposal of their Godfreys Shares by 50 per cent. The remaining 50 per cent should be included as taxable income of the individual or trust.

For Godfreys Shareholders that are complying superannuation entities, the CGT discount should allow the Shareholder to discount the capital gain by 33 $\frac{1}{3}$ per cent. The remaining 66 $\frac{2}{3}$ per cent of the capital gain should be included in the taxable income of that complying superannuation entity. This is subject to the capital gain not constituting exempt current pension income.

Please note that the CGT discount is applied to capital gains after the application of any available capital losses.

The CGT discount is not available to a Godfreys Shareholder that is a company.

7.3 **Important - obtain your own taxation advice**

It is important that you do not rely on the comments or the statements contained in this Bidder's Statement as advice about your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Bidder's Statement.

Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, Arcade does not accept any responsibility for tax implications for individual Godfreys Shareholders.

8. Additional information

8.1 Directors of Godfreys

Of the Godfreys Directors referred to in section 3.3, John Hardy is not independent of Arcade. Arcade considers that the other Godfreys Directors are independent of Arcade.

8.2 Inducing benefits given during previous four months

Except as set out in this Bidder's Statement, neither Arcade nor any of its Associates has, during the period of four months before the date of the Offer, or in the period commencing on the date of this Bidder's Statement and ending on the date of the Offer, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- accept an Offer; or
- dispose of Godfreys Shares,

which benefit was not offered to all Godfreys Shareholders under the Offer.

8.3 Securities coming into the bid class during the Offer Period

Under the provisions of section 617(2) of the Corporations Act (as modified by ASIC Class Order CO 13/521), this Offer extends to securities, namely Godfreys Shares, that come to be in the bid class during the period from the Register Date to the end of the Offer Period due to the conversion of or exercise of rights attached to other securities.

8.4 Miscellaneous matters

8.4.1 ASIC relief

8.4.1.1 ASIC has published various class order instruments providing for modifications and exemptions that apply generally to all persons, including Arcade, about the operation of Chapter 6 of the Corporations Act. Arcade may rely on this class order relief.

8.4.1.2 Arcade has relied on the modification to section 636(3) of the Corporations Act in paragraph 11 of ASIC Class Order 01/1543 'Takeover Bids' to include references to certain statements in documents lodged with ASIC and the ASX without obtaining the consent of the persons to whom those statements are attributed.

8.4.1.3 As required by Class Order 01/1543, Arcade will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to Godfreys Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts) Godfreys Shareholders should contact the Arcade Offer Information Line on:

For Australian callers: 08 6500 2114
For international callers: +618 6500 2114
from 9:00am and 5:00pm (AEST) Monday to Friday.

8.4.2 *Regulatory matters*

Arcade is not aware of any Regulatory Approval which is required for it to acquire control or ownership of Godfreys.

8.5 **Consents**

This Bidder's Statement includes statements which are made in, or based on statements which are made in, documents provided by Godfreys or announced on the company announcements platform of ASX by Godfreys. No person who has made any of these statements has consented to the statement being included in or accompanying this Bidder's Statement in the form and context in which it is included.

8.5.1 Cowell Clarke has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as legal adviser to Arcade in respect of the Offer in the form and context in which it is named.

8.5.2 Taylor Collison Limited has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as corporate adviser to Arcade in respect of the Offer in the form and context in which they are named.

8.5.3 Advanced Share Registry Limited has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as registry to Godfreys in respect of the Offer in the form and context in which it is named.

8.5.4 Le Cornu Lewis Hancock has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in the Bidder's Statement as qualified accountant providing a certificate on behalf of Arcade in respect of the Offer in the form and context in which it is named.

~~8.5.4~~ 8.5.5 Each of Cowell Clarke, Taylor Collison Limited ~~and~~, Advanced Share Registry Limited and Le Cornu Lewis Hancock:

- does not make or purport to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Bidder's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name and in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Bidder's Statement with the consent of that party.

8.6 **Fees to advisers**

Cowell Clarke has acted as legal adviser to Arcade in relation to the Offer and is entitled to receive professional fees charged on an hourly basis.

Taylor Collison Limited has acted as financial adviser to Arcade in relation to the Offer. Taylor Collison Limited is entitled to receive professional fees based on a success fee of \$200,000 with a 90% acceptance condition and a retainer of \$60,000 to be rebated against the success fee if paid.

9. Glossary

9.1 Definitions

The following defined terms are used throughout this Bidder's Statement unless the contrary intention appears or the context requires otherwise:

1H18 Results means Godfreys' financial results for the six months up to 31 December 2017 as disclosed on 20 February 2018.

Acceptance Form means the form of acceptance and transfer accompanying this Bidder's Statement.

Announcement Date means 9 April 2018, being the date of announcement of the Offer.

Arcade means the bidder, Arcade Finance Pty Ltd ACN 149 252 719.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term by section 12 of the Corporations Act as if section 12 of the Corporations Act included a reference to this document.

ASX means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

ASX Listing Rules means the Listing Rules of ASX and any other rules of ASX which are applicable while Godfreys is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

ASX Settlement Operating Rules means the settlement rules of ASX, a copy of which are available at www.asx.com.au.

Bidder's Statement means this document, being the statement of Arcade under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

Broker means a person who is a share broker and a participant in CHESS.

CGT means capital gains tax.

CHESS means the Clearing House Electronic Sub-register System, which provides for electronic share transfer in Australia.

CHESS Holder means a person who has a CHESS Holding.

CHESS Holding means a holding of Godfreys Shares on the CHESS sub-register of Godfreys.

Consolidated Group has the same meaning as in the *Income Tax Assessment Act 1997* (Cth).

Competing Proposal means a transaction which, if completed, would mean a person other than Arcade (and its Associates) would:

- 9.1.1 acquire a Relevant Interest in 20 per cent or more of the Godfreys' securities;

- 9.1.2 acquire control of Godfreys, within the meaning of section 50AA of the Corporations Act;
- 9.1.3 acquire all or a substantial part of the Godfreys' business, assets or undertaking;
- 9.1.4 otherwise acquire or merge with Godfreys; or
- 9.1.5 enter into any agreement, arrangement or understanding requiring Arcade to abandon, or otherwise fail to proceed with, the Offer, or otherwise having that effect.

Controlling Participant means the Broker or Participant who is designated as the controlling participant for shares in a CHESS Holding in accordance with the ASX Settlement Operating Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Defeating Condition means each of the conditions of the Offer set out in Schedule 2.

Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of money borrowed or raised or any financial accommodation including under or in respect of any:

- 9.1.6 bill, bond, debenture, note or similar instrument;
- 9.1.7 acceptance, endorsement or discounting arrangement;
- 9.1.8 guarantee;
- 9.1.9 finance or capital lease;
- 9.1.10 agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or
- 9.1.11 obligation to deliver goods or provide services paid for in advance by any financier.

Godfreys means the target company, Godfreys Group Limited ACN 602 722 985.

Godfreys Board means the board of directors of Godfreys.

Godfreys Directors means the current directors of Godfreys.

Godfreys Group means Godfreys and each of its Subsidiaries.

Godfreys Shareholder means a registered holder of Godfreys' Shares.

Godfreys Shares means fully paid ordinary shares in the capital of Godfreys.

Government Agency means:

- 9.1.12 a government or government department or other body;
- 9.1.13 a government, semi-governmental or judicial person; or
- 9.1.14 a person (whether autonomous or not) who is charged with the administration of a law.

GST has the meaning it has in the GST Act.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Issuer Sponsored Holding means a holding of Godfreys Shares on Godfreys' issuer sponsored sub-register.

Material Adverse Change means any matter, event or circumstance, other than a matter, event or circumstance arising in the ordinary course of trading, that, when taken as a whole or with other matters, events or circumstances is, or is likely to cause:

9.1.15 the value of the net assets of Godfreys or the Godfreys Group to be reduced by at least \$500,000 compared to what they would have been but for the matters, events or circumstances; and

9.1.16 the ongoing annual statutory net profit after tax, in any financial year after the one ending 30 June 2017, of Godfreys or the Godfreys Group to be reduced by at least \$500,000 compared to what it would have been but for the matters, events or circumstances,

but does not include any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Offer, or the transactions contemplated by them.

Offer or Offers means the offer by Arcade on the Offer Terms to acquire Godfreys Shares referred to in this Bidder's Statement.

Offer Period means the period commencing on **24 April 2018** and ending at 7.00pm (Adelaide time) on **24 May 2018**, or such later date to which the Offer is extended.

Offer Price means \$0.32 cash for each Godfreys Share.

Offer Terms means the terms and conditions of the Offer set out in Schedule 1 and Schedule 2 to this Bidder's Statement.

Participant means a participant under the ASX Settlement Operating Rules.

Prescribed Occurrences means:

9.1.17 **(conversion)** Godfreys converts all or any of its shares into a larger or smaller number of shares;

9.1.18 **(reduction of share capital)** Godfreys resolves to reduce its share capital in any way;

9.1.19 **(buy-back)** Godfreys:

9.1.19.1 enters into a buy-back agreement; or

9.1.19.2 resolves to approve the terms of a buy-back agreement under the Corporations Act;

9.1.20 **(issuing shares or options)** a member of the Godfreys Group:

9.1.20.1 issues shares;

9.1.20.2 grants an option over its shares; or

9.1.20.3 agrees to make an issue of shares or grant an option over its shares,

in each case to a person outside the Godfreys Group;

9.1.21 **(convertible notes)** a member of the Godfreys Group issues, or agrees to issue, convertible notes;

- 9.1.22 **(disposals)** a member of the Godfreys Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;
- 9.1.23 **(charges)** a member of the Godfreys Group charges, or agrees to charge, the whole or a substantial part of its business or property;
- 9.1.24 **(winding up)** a member of the Godfreys Group resolves to be wound up;
- 9.1.25 **(insolvency matters)** one of the following happens:
 - 9.1.25.1 a liquidator or provisional liquidator of a member of the Godfreys is appointed;
 - 9.1.25.2 a court makes an order for the winding up of a member of the Godfreys Group;
 - 9.1.25.3 a member of the Godfreys Group executes a deed of company arrangement;
 - 9.1.25.4 a receiver, or receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of a member of the Godfreys Group;
- 9.1.26 **(distribution)** Godfreys makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie);
- 9.1.27 **(securities or other instruments)** a member of the Godfreys Group:
 - 9.1.27.1 issues securities or other instruments convertible into shares or debt securities; or
 - 9.1.27.2 agrees to issue securities or other instruments convertible into shares or debt securities,
 - 9.1.27.3 in each case to a person outside the Godfreys Group;
- 9.1.28 **(constitution)** a member of the Godfreys Group adopts a new constitution or modifies or repeals its constitution or a provision of it;
- 9.1.29 **(acquisitions, disposals or tenders)** a member of the Godfreys Group:
 - 9.1.29.1 acquires or disposes of;
 - 9.1.29.2 agrees to acquire or dispose of; or
 - 9.1.29.3 offers, proposes, announces a bid or tenders for,
 - 9.1.29.4 any material business, asset, interest in a joint venture, entity or undertaking;
- 9.1.30 **(encumbrances)** a member of the Godfreys Group creates any encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- 9.1.31 **(board)** any person is appointed to the Godfreys Board, other than those nominated by Arcade;
- 9.1.32 **(employment arrangements)** a member of the Godfreys Group:

- 9.1.32.1 materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or
 - 9.1.32.2 accelerates the rights of any of its directors or employees to compensation or benefits of any kind,

other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;
 - 9.1.33 **(termination or retention payment)** a member of the Godfreys Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to Arcade);
 - 9.1.34 **(commitments and settlements)** a member of the Godfreys Group:
 - 9.1.34.1 enters into any contract or commitment involving revenue or expenditure by the Godfreys Group of more than \$1 million over the term of the contract or commitment;
 - 9.1.34.2 terminates or amends in a material manner any contract material to the conduct of the Godfreys Group's business or which involves revenue or expenditure of more than \$1 million over the term of the contract;
 - 9.1.34.3 waives any material third party default where the financial impact on the Godfreys Group will be in excess of \$500,000; or
 - 9.1.34.4 accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$500,000) less than the full compensation due to Godfreys or a Subsidiary of Godfreys;
 - 9.1.35 **(capital expenditure)** a member of the Godfreys Group undertakes or agrees to undertake capital expenditure in excess of \$1 million in aggregate;
 - 9.1.36 **(financial indebtedness)** a member of the Godfreys Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$1 million;
 - 9.1.37 **(accounting policy)** a member of the Godfreys Group changes any accounting policy applied by them to report their financial position except as required by any law or Regulatory Authority;
 - 9.1.38 **(tax liability)** Godfreys or any other member of the Godfreys Group does anything that results in a taxable gain for the Godfreys Group by either causing a Subsidiary to cease being a member of the Godfreys Group or causing the Godfreys Group to cease being a Consolidated Group;
- but a Prescribed Occurrence does not include:
- 9.1.38.1 any matter required to be done or brought about by Godfreys which is contemplated by the Offer; or
 - 9.1.38.2 any other matter, the undertaking of which Arcade has been notified before the Announcement Date, which was disclosed to ASX before the Announcement Date, which has been approved by Arcade in writing, or which is done by Godfreys or a member of the Godfreys Group in the ordinary course of business.

Register Date means the date set by Arcade under section 633(2) of the Corporations Act, being [911](#) April 2018.

Regulatory Approvals means all approvals or consents of a Regulatory Authority that are required by law, regulation or regulatory policy, as are necessary to permit:

9.1.39 the Offer to be lawfully made to and accepted by Godfreys Shareholders; and

9.1.40 the acquisition of the Godfreys Shares by Arcade.

Regulatory Authority includes:

9.1.41 ASX, ASIC, and the Australian Taxation Office;

9.1.42 a Government Agency;

9.1.43 a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and

9.1.44 any regulatory organisation established under statute.

Relevant Interest has the meaning given to that term by section 9 of the Corporations Act.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from Godfreys Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or made by Godfreys or any of its Subsidiaries.

Subsidiaries has the meaning given to that term by section 9 of the Corporations Act.

Superior Proposal means a publicly announced Competing Proposal that, taking into account all aspects of the Competing Proposal, is:

9.1.45 reasonably capable of being completed; and

9.1.46 more favourable to Godfreys Shareholders than the Offer.

Target's Statement means the target's statement, to be prepared by Godfreys in response to this Bidder's Statement.

VWAP means the volume weighted average price of a security.

9.2 General Interpretation

In this Bidder's Statement, unless the context otherwise requires:

9.2.1 headings are for convenience and do not affect the interpretation;

9.2.2 words or phrases defined in the Corporations Act have the same meaning in this Bidder's Statement;

9.2.3 a reference to a section is a reference to a section of this Bidder's Statement;

9.2.4 a singular word includes the plural and vice versa;

9.2.5 if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

- 9.2.6 a reference to a person includes a corporation, trust, partnership, incorporated or unincorporated body, government and local authority or agency or other entity whether or not it comprises a separate legal entity;
- 9.2.7 a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it; and
- 9.2.8 a reference to '\$' or 'dollar' is to Australian currency.

10. Approval of Bidder's Statement

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Directors of Arcade on [917](#) April 2018.

Signed by Grant Hancock, Director of Arcade, in accordance with section 351 of the Corporations Act.



Director
Arcade Finance Pty Ltd

Schedule 1 – Terms of the Offer

1. Offer

- 1.1 Arcade offers, to each other holder of Godfreys Shares on the Register Date, to acquire all of your Godfreys Shares together with all the Rights attaching to them on the terms set out in this Schedule. This Offer extends to any person who is able during the Offer Period to give good title to Godfreys Shares and has not already accepted an Offer for those Godfreys Shares. This Offer extends to all Godfreys Shares that exist at the Register Date.
- 1.2 By accepting this Offer, you undertake to transfer to Arcade not only the Godfreys Shares to which the Offer relates but also all the Rights attached to the Godfreys Shares.
- 1.3 This Offer is dated **24 April 2018**.

2. Offer Price

The Offer Price is \$0.32 cash for each Godfreys Share you own.

3. Offer Period

The Offer will remain open for acceptance during the period commencing on **24 April 2018** and ending at **7.00 pm** Adelaide time on **24 May 2018** unless it is withdrawn or extended in accordance with the Corporations Act.

4. How to accept this Offer

All of your holding

This Offer is for all of your Godfreys Shares. You cannot accept the Offer for part only of your Godfreys Shares.

Acceptance procedure for Godfreys' Shareholders

The acceptance procedure will depend on whether your Godfreys Shares are in a CHESS Holding or an Issuer Sponsored Holding.

If you hold your Godfreys Shares in a CHESS Holding

- 4.1 You must comply with the ASX Settlement Operating Rules.
- 4.2 If you are a sponsored CHESS Holder of Godfreys Shares, to accept the Offer you must:
 - 4.2.1 instruct your Controlling Participant to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
 - 4.2.2 complete, sign and send the accompanying Acceptance Form directly to your stockbroker or Controlling Participant; or
 - 4.2.3 complete and sign the Acceptance Form and mail or deliver it to the address below and authorise Arcade to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf;

so that your acceptance is processed before the end of the Offer Period.

If you hold your Godfreys Shares in an Issuer Sponsored Holding

If your Godfreys Shares are in an Issuer Sponsored Holding, then to accept this Offer you must complete, sign and return the accompanying Acceptance Form in accordance with the instructions on it and send it by post so that it is received by Arcade's share registry before the end of the Offer Period.

If you are a CHESS Participant

If you are a CHESS Participant, initiate acceptance in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

Mailing and delivery addresses

The mailing address for completed Acceptance Forms is:

Advanced Share Registry Limited
~~GPO Box Q1736, Queen Victoria Building~~
~~Sydney NSW 1230~~ PO Box 1156
~~Nedlands WA 6909~~

A reply paid envelope (not able to be used by Godfreys Shareholders outside Australia) is enclosed for your convenience.

Acceptance Form

The Acceptance Form which accompanies this Offer forms part of it. The requirements on the Acceptance Form must be observed in accepting this Offer for your Godfreys Shares.

Power of attorney, deceased estate

When accepting this Offer, you should also forward for inspection:

- o if the Acceptance Form is executed by an attorney, the power of attorney; and
- o if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased Godfreys Shareholder, the relevant grant of probate or letters of administration.

When acceptance is complete

- 4.3 Acceptance of this Offer will not be complete until the completed Acceptance Form has been received at the address set out above and the requirements of this clause have been met, provided that:
- 4.3.1 Arcade may in its sole discretion waive any or all of those requirements at any time; and
 - 4.3.2 where those requirements have been complied with for some but not all of your Godfreys Shares, Arcade may, in its sole discretion, deem your acceptance of this Offer complete in respect of all of your Godfreys Shares.
- 4.4 If your Acceptance Form is returned by post it will be taken as received before the end of the Offer Period if the envelope in which it is sent is postmarked before the end of the Offer Period.

5. Payment of consideration

When consideration is paid

- 5.1 Subject to clause 5.3 of this Schedule 1, you will be paid the consideration you are entitled to within one month of the later of:

- 5.1.1 the date you accept the Offer; and
- 5.1.2 the date the Offer becomes unconditional.
- 5.2 In any event, you will be paid within 21 days after the end of the Offer Period (assuming all Defeating Conditions of the Offer are satisfied or waived).

Where additional documents are required

- 5.3 Where the Acceptance Form requires additional documents to be given with your acceptance (such as a power of attorney):
 - 5.3.1 if the documents are given with your acceptance, Arcade will provide the consideration in accordance with clause 5.1 of this Schedule 1;
 - 5.3.2 if the documents are given after acceptance and before the end of the Offer Period and the Offer is subject to a Defeating Condition at the time that Arcade is given the documents, Arcade will provide the consideration by the end of whichever period ends earlier:
 - 5.3.2.1 within one month after the contract resulting from your acceptance of the Offer becomes unconditional; and
 - 5.3.2.2 21 days after the end of the Offer Period;
 - 5.3.3 if the documents are given after acceptance and before the end of the Offer Period and the Offer is unconditional at the time that Arcade is given the documents, Arcade will provide the consideration by the end of whichever period ends earlier:
 - 5.3.3.1 one month after Arcade is given the document; and
 - 5.3.3.2 21 days after the end of the Offer Period; or
 - 5.3.4 if the documents are given after the end of the Offer Period, Arcade will provide the consideration within 21 days after the documents are given, but if at the time Arcade is given the documents, the contract resulting from your acceptance of the Offer is still subject to one or more of the Defeating Conditions, Arcade will provide the consideration within 21 days after that contract becomes unconditional.
- 5.4 If you do not give Arcade the required additional documents within one month after the end of the Offer Period, Arcade may, in its sole discretion, rescind the contract resulting from your acceptance of the Offer.

Where Arcade is entitled to any Rights

If Arcade becomes entitled to any Rights on acceptance of this Offer, you must give Arcade all documents that Arcade needs to give Arcade title to those Rights. If you do not give those documents to Arcade, or if you have received the benefit of those Rights, Arcade will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Arcade) of those Rights.

Payment to be mailed by cheque

Payment of the cash amount to which you are entitled will be mailed by cheque (or otherwise as agreed by Arcade) in Australian currency. Cheques will be sent to the address on the register copy that is supplied to Arcade by Godfreys from time to time by pre-paid ordinary mail or, if you have an overseas address, by pre-paid airmail.

6. Conditions of the Offer

Conditions

- 6.1 This Offer and the contract that results from acceptance of this Offer are subject to fulfilment of the Defeating Conditions.

Nature of conditions

- 6.2 Each of the Defeating Conditions set out in each paragraph and subparagraph of Schedule 2:
- 6.2.1 constitutes and will be construed as a separate, several and distinct condition;
 - 6.2.2 is a condition subsequent; and
 - 6.2.3 until the expiration of the Offer Period will be for the benefit of Arcade alone and may be relied upon only by Arcade.

Conditions apply to multiple events

- 6.3 Where an event occurs that would mean at the time the event occurs a Defeating Condition would not be satisfied, each Defeating Condition affected by that event becomes two separate conditions on identical terms except that:

- 6.3.1 one of them relates solely to that event; and
- 6.3.2 the other specifically excludes that event.

Arcade may declare the Offer free under clause 6.5 of this Schedule 1 from either of those conditions without declaring it free from the other and may do so at different times. This clause may apply any number of times to a Defeating Condition (including a condition arising from a previous operation of this clause).

Effect of breach or non-fulfilment

- 6.4 The breach or non-fulfilment of any of the Defeating Conditions does not prevent a contract arising to acquire your Godfreys Shares resulting from your acceptance of this Offer. If at the end of the Offer Period, in respect of any Defeating Condition:

- 6.4.1 Arcade has not declared the Offer (and it has not become) free from that Defeating Condition; or
- 6.4.2 that Defeating Condition has not been satisfied,

all contracts resulting from the acceptance of the Offer and all acceptances that have not resulted in binding contracts are void.

In that case, Arcade will return the Acceptance Form together with all documents to the address shown in the Acceptance Form.

Arcade may decide the Offer is free from all or any of the Defeating Conditions

- 6.5 Arcade may at any time at its sole discretion but in compliance with section 650F and section 630(1) of the Corporations Act, declare the Offer free from all or any of the Defeating Conditions by written notice to Godfreys not later than seven days before the end of the Offer Period.

Date for giving notice on status of Defeating Conditions

- 6.6 The date for giving a notice on the status of the Defeating Conditions as required by section 630(1) of the Corporations Act is the date seven days before the end of the Offer Period, subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

Effect of acceptance

- 6.7 Once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, unless:

6.7.1 by the end of the Offer Period, the Defeating Conditions have not all been satisfied or waived in which case, this Offer will automatically terminate; and

6.7.2 the circumstances set out in section 650E of the Corporations Act apply.

- 6.8 By signing and returning the Acceptance Form, you will be deemed to have:

6.8.1 irrevocably accepted this Offer (and each variation of this Offer) in respect of all your Godfreys Shares despite any difference between that number and the number of Godfreys Shares shown in the Acceptance Form;

6.8.2 irrevocably authorised Arcade to alter the Acceptance Form on your behalf by:

6.8.2.1 inserting correct details of your Godfreys Shares;

6.8.2.2 filling in any blanks remaining on the Acceptance Form; and

6.8.2.3 rectifying any errors in, and omissions from, the Acceptance Form,

as may be necessary to make the Acceptance Form a valid acceptance of this Offer and to enable registration of the transfer of your Godfreys Shares to Arcade;

6.8.3 represented and warranted to Arcade, as a condition of the contract resulting from your acceptance of the Offer, that at the time of acceptance and at the time of transfer to Arcade:

6.8.3.1 you have paid to Godfreys all amounts which are due for payment for your Godfreys Shares;

6.8.3.2 all of your Godfreys Shares are fully paid and free from all mortgages, charges, liens and other encumbrances of any nature; and

6.8.3.3 you have full power and capacity to sell and transfer those Godfreys Shares;

6.8.4 granted to Arcade and each of its Directors power of attorney to execute any document or do any thing on your behalf necessary to cause Godfreys (if relevant) to issue a replacement share certificate for those Godfreys Shares;

6.8.5 agreed to:

6.8.5.1 do anything necessary to ratify any act taken or purported to be taken by Arcade or any of its Directors in accordance with the power of attorney granted by clause 6.8.4 of this Schedule 1; and

- 6.8.5.2 indemnify Arcade and each of its Directors in respect of that act;
- 6.8.6 from the time of acceptance until the Offer has become unconditional, until the earlier of the withdrawal of your acceptance under section 650E of the Corporations Act or the end of the Offer Period, irrevocably appointed Arcade or any nominee of Arcade as your attorney to exercise all your powers and rights attaching to your Godfreys Shares including (without limitation) to requisition, convene, attend and vote at all general meetings of Godfreys or appoint a proxy or proxies to attend and vote on your behalf at any such meeting, where the passing or defeat of any resolution before the meeting might adversely affect the likelihood of the Offer being successful and to do so in that way which would prevent that effect arising;
- 6.8.7 on this Offer or any takeover contract becoming unconditional, irrevocably appointed Arcade or any nominee of Arcade as your attorney to exercise all your powers and rights attaching to your Godfreys Shares including (without limitation):
 - 6.8.7.1 to requisition, convene, attend and vote at all general meetings of Godfreys or appoint a proxy or proxies to attend and vote on your behalf at any such meeting; and
 - 6.8.7.2 sign all documents and resolutions relating to your Godfreys Shares and generally to exercise all powers and rights which you may have as a Godfreys Shareholder and perform such actions as may be appropriate in order to vest good title in your Godfreys Shares in Arcade;
- 6.8.8 agreed that in exercising the powers conferred by the power of attorney in clause 6.8.6 of this Schedule 1, Arcade is entitled to act in the interests of Arcade;
- 6.8.9 agreed not to attend or vote in person at any general meeting of Godfreys or to exercise or purport to exercise any of the powers conferred on Arcade or its nominee in clause 6.8.6 of this Schedule 1; and
- 6.8.10 if your Godfreys Shares are in a CHESS Holding and you sign and return the Acceptance Form, irrevocably authorised Arcade:
 - 6.8.10.1 to instruct your Controlling Participant to initiate acceptance of this Offer for your Godfreys Shares in accordance with the ASX Settlement Operating Rules; and
 - 6.8.10.2 to give any other instructions in relation to your Godfreys Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant.

Withdrawal

- 6.9 Arcade may withdraw unaccepted Offers at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

Variation

- 6.10 Arcade may vary this Offer in accordance with the Corporations Act.

7. **Acceptances by transferees and nominees**

Who may accept the Offer

7.1 During the Offer Period:

- 7.1.1 any person who is able to give good title to a parcel of Godfreys Shares may accept (if they have not already accepted an offer in the form of this Offer) as if an offer on terms identical with this Offer has been made to that person; and
- 7.1.2 any person who holds one or more distinct parcels of Godfreys Shares as trustee, nominee, or otherwise on account of another person, may accept as if a separate and distinct offer had been made in relation to:
 - 7.1.2.1 each of those distinct parcels; and
 - 7.1.2.2 any parcel they hold in their own right.

Holding shares

- 7.2 A person is taken to hold Godfreys Shares if the person is, or is entitled to be registered as, the holder of those Godfreys Shares.

Holding shares on trust or as a nominee

- 7.3 A person is taken to hold Godfreys Shares on trust for, as nominee for, or on account of, another person if that person:
 - 7.3.1 is entitled to be registered as the holder of Godfreys Shares; and
 - 7.3.2 holds the interest in the Godfreys Shares on trust for, as nominee for, or on account of, that other person.

Effective acceptance

- 7.4 An acceptance of an Offer under clause 7.1.2 of this Schedule 1 is ineffective unless:
 - 7.4.1 the person who holds on account of another person, gives that other person written notice stating that the Godfreys Shares consist of a separate parcel; and
 - 7.4.2 the acceptance specifies the number of Godfreys Shares in that parcel.

Notice of acceptance

- 7.5 A notice under clause 7.4.1 of this Schedule 1 must be made in writing.
- 7.6 A person may, at the one time, accept for two or more parcels under this clause as if there had been a single offer for a separate parcel consisting of those parcels.

8. **Other matters**

Notices and other communications

- 8.1 Subject to the Corporations Act, a notice or other communication given by Arcade to you in connection with this Offer will be deemed to be duly given if it is in writing and:
 - 8.1.1 is delivered at your address as recorded on the register of members of Godfreys or the address shown in the Acceptance Form; and

- 8.1.2 is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

Return of documents

8.2 If:

- 8.2.1 this Offer is withdrawn after your Acceptance Form has been sent to Arcade, but before it has been received; or

- 8.2.2 for any other reason Arcade does not acquire the Godfreys Shares to which your Acceptance Form relates

Arcade will, at its election, either

- 8.2.3 despatch at your risk your Acceptance Form together with all other documents forwarded by you; or

- 8.2.4 destroy those documents.

9. Costs and expenses

All costs and expenses of the preparation, despatch and circulation of the Offers and all stamp duty payable for a transfer of Godfreys Shares for which Offers are accepted, will be paid by Arcade.

Schedule 2 - Conditions of Offer

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions (**Defeating Conditions**):

1. **(Minimum acceptance)** Before the end of the Offer Period, Arcade has a Relevant Interest in at least 90 per cent (by number) of the Godfreys Shares.
2. **(all Regulatory Approvals and no regulatory action)** Before the end of the Offer Period:
 - 2.1 the Regulatory Approvals are:
 - 2.1.1 granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;
 - 2.1.2 remain in full force and effect; and
 - 2.1.3 do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them; and
 - 2.1.4 no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
 - 2.1.5 no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
 - 2.1.6 no application is made to any Regulatory Authority (other than by Arcade or any associate of Arcade),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of the Godfreys Shares by Arcade, the rights of Arcade in respect of Godfreys and the Godfreys Shares or the continued operation of the businesses of Godfreys or its Subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).⁴
3. **(No Prescribed Occurrences)** Between the Announcement Date and the end of the Offer Period, no Prescribed Occurrence occurs.
4. **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period, there has not occurred, been announced, or become known to Godfreys, any Material Adverse Change.
5. **(General market fall)** The S&P/ASX All Ordinaries Index is, for a period of three consecutive trading days on ASX between the Announcement Date and the end of the Offer Period, not lower than 85 per cent of the level of that index as at the close of normal trading on ASX on the Announcement Date.
6. **(Third party consents)** If a member of the Godfreys Group is a party to, is bound by, or is subject to, an agreement, arrangement or understanding [pertaining to the occupancy of premises by a member of the Godfreys Group or to the supply by a third party of products or services to a member of the Godfreys Group](#) which as a result of the acquisition of the Godfreys Shares by Arcade under the Offer, or a change of control of Godfreys as a result of the Offer, entitled another person (**Third Party**) to exercise any rights (including termination rights or pre-emptive rights), and the exercise of those rights would have a material adverse effect on the assets, liabilities, financial position or performance or the prospects of the Godfreys Group (taken as a whole), then before the end of the Offer Period, the Third Party:

⁴ [Arcade intends to waive this condition number 2 within 7 days after the Offer Date.](#)

- 6.1 does not exercise, propose to exercise, or state an intention or claim a right to exercise, those rights; and
- 6.2 gives its consent or waiver to the relevant event.

Corporate directory

Company

Arcade Finance Pty Ltd
C/- Le Cornu Lewis Hancock
First Floor, 187 Wakefield Street
Adelaide SA 5000

Legal Advisers

Cowell Clarke
Level 5
63 Pirie Street
Adelaide SA 5000
www.cowellclarke.com.au
+61 8 8228 1111

Share Registry

Advanced Share Registry Limited
[GPO Box Q1736](#)
[Queen Victoria Building](#)
[Sydney NSW 1230](#) [110 Stirling Highway](#)
[Nedlands WA 6009](#)
www.advancedshare.com.au
+61 2 8096 3502

Financial Adviser

Taylor Collison Limited
16/211 Victoria Square
Adelaide SA 5000
www.taylorcollison.com.au
+61 8 8217 3900



BIDDER'S STATEMENT

ACCEPT THE CASH OFFER

This is an important document and requires your immediate attention. If you are in any doubt as to how to deal with this document, you should consult your financial, legal or other professional adviser as soon as possible.

Arcade Finance Pty Ltd

ABN 66 149 252 719

is offering to purchase all of your shares in

Godfreys Group Limited

ABN 35 602 722 985

for **\$0.32** in cash for each Godfreys Share you hold.

This Offer is dated **24 April 2018**

and will close at 7.00pm (Adelaide time) on 24 May 2018, unless extended.

 **Cowell Clarke**
Commercial Lawyers



TAYLOR COLLISON

IMPORTANT INFORMATION

This Bidder's Statement is a replacement Bidder's Statement given by Arcade Finance Pty Ltd ABN 66 149 252 719 (**Arcade**) to Godfreys Group Limited ABN 35 602 722 985 (**Godfreys**) under part 6.5 of the Corporations Act (as modified by ASIC Class Order [CO 13/528]) and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your Godfreys Shares.

The original Bidder's Statement is dated 9 April 2018 (**Original Bidder's Statement**).

The Supplementary Bidder's Statement is dated 17 April 2018. This replacement Bidder's Statement replaces the Original Bidder's Statement as amended by the Supplementary Bidder's Statement (**Bidder's Statement**). It includes an Offer dated 24 April 2018 on the Offer Terms set out in Schedule 1 and Schedule 2.

A copy of the Original Bidder's Statement was lodged with ASIC and ASX on 9 April 2018.

A copy of the Supplementary Bidder's Statement was lodged with ASIC and ASX on 17 April 2018. None of ASIC, ASX nor any of their officers takes any responsibility for the content of this replacement Bidder's Statement.

Defined terms

A number of defined terms are used in this Bidder's Statement. These terms are explained in the definitions in section 9 of this document.

Investment decisions

This Bidder's Statement does not take into consideration your individual investment objectives, financial situation or particular needs. Before making any investment decision you should consider whether it is appropriate taking those factors into account. Therefore, you may wish to seek independent financial and taxation advice before deciding whether or not to accept the Offer.

Forward looking statements

This Bidder's Statement contains forward looking statements. These forward looking statements in this Bidder's Statement reflect views held at the date of this Bidder's Statement.

You should be aware that forward looking statements are not based on historical facts but are based on current expectations of future results or events. These forward looking statements involve inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and those deviations are both normal and to be expected.

None of Arcade, its officers or any person named in this Bidder's Statement with their consent, or involved in the preparation of this Bidder's Statement, makes any representation or warranty as to the accuracy or likelihood of fulfilment of any forward looking statement. Any forward looking statement contained in this document is qualified by this cautionary statement. You should not place undue reliance on those statements.

Information regarding Godfreys

The information contained in this Bidder's Statement on Godfreys and Godfreys Shares has been prepared by Arcade using publicly available information. None of that information has been independently verified by Arcade. Arcade does not make any representation or warranty, express or implied as to the accuracy or completeness of such information.

Privacy statement

Arcade has collected your information from the register of Shareholders of Godfreys. The Corporations Act permits that information to be made available to certain persons, including Arcade. Your information may also be disclosed on a confidential basis to Arcade's related bodies corporate and external service providers and may be required to be disclosed to regulators such as ASIC for the purposes relating to the Offer. If you would like to access or correct your personal information held by Arcade or its related bodies corporate or external service providers or have any other queries concerning the handling of your personal information, please contact us.

HOW TO ACCEPT THE OFFER

To be effective, acceptances for the Offer must be received by Arcade before the Offer closes

You should read section 1 for full details on how to accept the Offer. There are different ways to accept the Offer depending on how you hold your Godfreys Shares.

CHESS Holding

If your Godfreys Shares are held in a CHESS Holding, to accept the Offer you must either:

- (a) instruct your Controlling Participant (usually your stockbroker) to initiate acceptance of the Offer on your behalf; or
- (b) complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and return it to the following address so it is received in time for your Controlling Participant to accept the Offer before the Offer closes:

BY MAIL (a reply paid envelope is enclosed) to:

Advanced Share Registry Limited
PO Box 1156
Nedlands WA 6909

Issuer Sponsored Holding

If your Godfreys Shares are held in an Issuer Sponsored Holding, to accept the Offer you must complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and return it so it is received before the Offer closes:

BY MAIL (a reply paid envelope is enclosed) to:

Advanced Share Registry Limited
PO Box 1156
Nedlands WA 6909

Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer for your Godfreys Shares.

Offer Information Lines

For information regarding your Godfreys Shares or how to accept the Offer, please read this Bidder's Statement.

If you still need assistance please contact the Arcade Offer Information Line on:

For Australian callers: 08 6500 2114

For international callers: +618 6500 2114

from 9:00am and 5:00pm (AEST) Monday to Friday.

For questions relating to the terms of the Offer, please read this Bidder's Statement.

If you still need assistance please contact the Arcade Offer Terms Information Line on:

For Australian callers: 1300 362 398

For international callers: +612 8355 1004

from 9:00am and 5:00pm (AEST) Monday to Friday.

If you are in any doubt as to how to deal with this Bidder's Statement, you should consult your Broker or your legal, financial or other professional adviser.

IMPORTANT DATES

Announcement Date for the Offer:	9 April 2018
Original Bidder's Statement lodged with ASIC:	9 April 2018
Supplementary Bidder's Statement lodged with ASIC:	17 April 2018
Replacement Bidder's Statement lodged with ASIC	23 April 2018
Offer Date:	24 April 2018
Offer scheduled to close (unless extended in accordance with the Corporations Act):	7:00pm (Adelaide time) on 24 May 2018

LETTER TO SHAREHOLDERS

Arcade Finance Pty Ltd

ABN 66 149 252 719

as trustee for

Johnston Investment Trust

ABN 42 298 843 649

9 April 2018

Dear Godfreys Shareholder

About Arcade and the Offer

I co-founded Godfreys with Godfrey Cohen in the 1930s. Since then I have been a strong supporter of Godfreys. I am a director of Arcade, which is the largest holder of Godfreys Shares.

I am pleased to provide you with this conditional all-cash off-market takeover bid to acquire all of your shares in Godfreys. Arcade is offering \$0.32 cash for each Godfreys Share you hold.

Godfreys Shareholders who accept the Offer will be paid within one month after the Offer becomes or is declared unconditional or within 21 days after the end of the Offer Period, whichever is earlier.

Key Benefits and Considerations

This offer is a highly attractive one and represents compelling value for Godfreys Shareholders. The Offer Price of \$0.32 cash for your Godfreys Share represents a significant premium of:

- 52.4% to the closing price of Godfreys Shares on 6 April 2018, being the last trading day before the Announcement Date;
- 15.5% to the VWAP of Godfreys Shares since 20 February 2018, being the date on which Godfreys released its 1H18 Results; and
- 25.5% to the 1-month VWAP of Godfreys Shares up to and including 6 April 2018.

I can't be certain about the future value of Godfreys Shares in the absence of this Offer or any other Superior Proposal. Importantly, this Offer provides you with certain cash value for your Godfreys Shares. This Offer is particularly attractive in the context of Godfreys' continued long-term share price decline, 1H18 Results, level of debt and where, on 20 February, 2018 the Godfreys Board announced that the interim dividend is not going to be paid.

As at the date of this letter, Arcade has an interest equivalent to 28.09% of Godfreys' issued share capital and is Godfreys' largest shareholder. Arcade intends to acquire all of Godfreys's issued share capital it doesn't presently own. Arcade's associate, 1918 Finance Pty Ltd is the lender of the \$30 million secured debt facility to Godfreys. Arcade believes that the restructuring required to restore Godfreys' value would be best carried out in an un-listed private company environment.

Therefore, Arcade proposes to remove Godfreys from the ASX official list upon acquisition to give Godfreys the best opportunity to restore its value and restore the confidence of its employees, franchises and suppliers with respect to its performance.

Recommended steps

The Bidder's Statement sets out details of the Offer and the benefits it provides to you, which you should read in its entirety.

Registered Office: 1st Floor, 187 Wakefield Street, Adelaide SA 5000

LETTER TO SHAREHOLDERS

The Offer opens on 24 April 2018 and closes at 7pm (Adelaide time) on 24 May 2018 unless withdrawn or extended.

I encourage you to accept the Offer by completing the enclosed Acceptance Form.

If you have any questions in relation to the Offer, please contact the Arcade Offer Information Line on 08 6500 2114 (from within Australia) or +618 6500 2114 (from outside Australia). You can also visit the Arcade website at www.arcadegodfreysbid.com.au.

Yours faithfully

John Johnston
Director
Arcade Finance Pty Ltd



TABLE OF CONTENTS

Important Information	i
How to accept the Offer	ii
Important Dates	iii
Table of Contents	vi
Reasons why you should accept Arcade's Offer	1
Frequently asked questions	7
1. How to accept the Offer	11
2. Information about Arcade	11
3. Information about Godfreys and Godfreys Shares	12
4. Arcade's intentions	15
5. Risks	18
6. Sources of Offer Price	18
7. Tax considerations	20
8. Additional Information	22
9. Glossary	24
10. Approval of Bidder's Statement	30
Schedule 1 - Terms of the Offer	31
Schedule 2 - Conditions of Offer	39
Corporate Directory	40

REASONS WHY YOU SHOULD ACCEPT ARCADE'S OFFER

1. The Offer represents a significant premium on the Godfreys Share price

2. Godfreys' financial performance is deteriorating

3. Godfreys has postponed its dividend

4. Godfreys' share price has underperformed against the All Ordinaries

5. The Offer is an all cash offer with certain value

6. Accepting the Offer removes your exposure to the risks associated with a continued investment in Godfreys

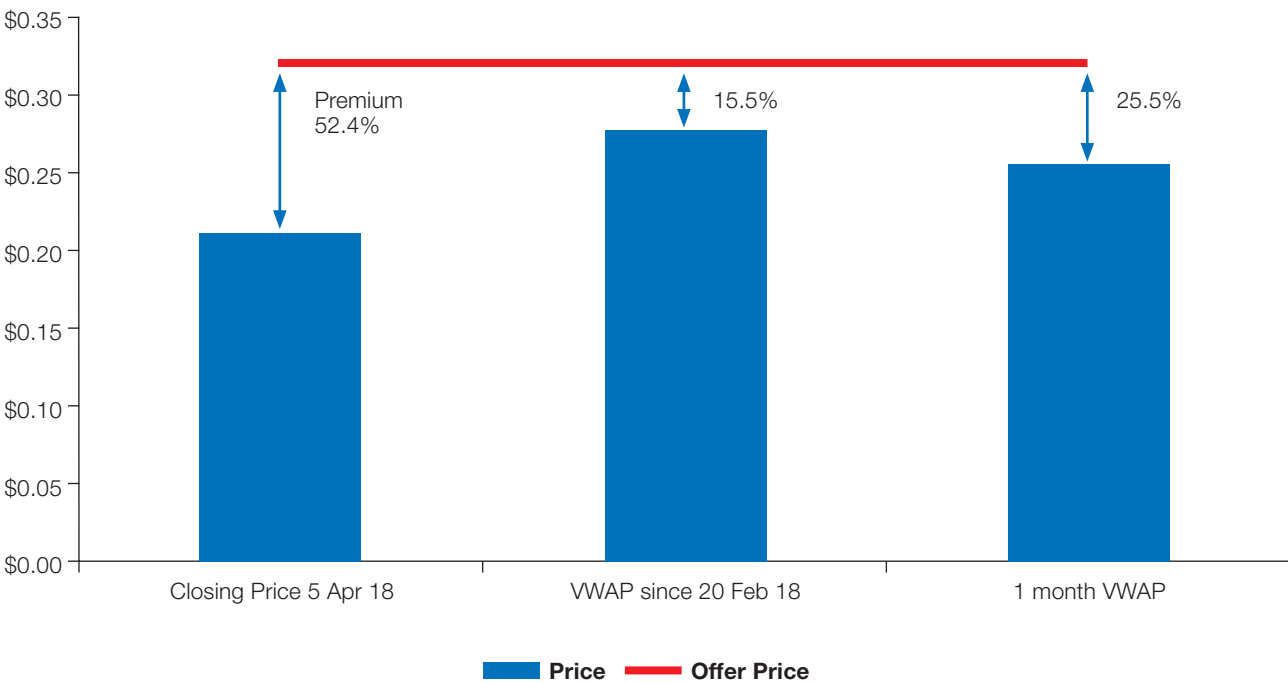
7. There may be adverse consequences for Godfreys if the Offer is not supported

1. The Offer represents a significant premium on the Godfreys Share price

The Offer Price of \$0.32 cash for each Godfreys Share represents compelling value for Godfreys Shareholders and a significant premium to trading levels before the Announcement Date.

The Offer Price represents a premium of:

- 52.4% to the closing price of Godfreys Shares on 6 April 2018, being the last trading day before the Announcement Date;
- 15.5% to the VWAP of Godfreys Shares since 20 February 2018, being the date on which Godfreys released its 1H18 Results; and
- 25.5% to the one-month VWAP of Godfreys Shares up to and including 6 April 2018.



REASONS WHY YOU SHOULD ACCEPT ARCADE'S OFFER

2. Godfreys' financial performance is deteriorating

On 20 February 2018 Godfreys released its financial results for the six months up to 31 December 2017 (**1H18 Results**).

Across a number of key financial indicators Godfreys' financial performance disclosed in the 1H18 Results and the 1H18 Investor Presentation were materially lower than the previous corresponding period (the six months up to 31 December 2016 (**1H17**)), including:

- Revenue of \$84,166,000 which is 8.9% below \$92,365,000 in 1H17
- EBITDA (excluding exceptional items) of \$3,591,000 being 43.3% below \$6,332,000 in 1H17
- EBIT (excluding exceptional items) of \$1,510,000 being 62.0% below \$3,971,000 in 1H17
- Net Profit After Tax (**NPAT**) (excluding exceptional items) of \$897,000 being 61.8% below \$2,347,000 in 1H17

Godfreys stated in its 1H18 Results Announcement that Godfreys' financial performance was impacted by:

- An impairment charge (that is, reduced value) of \$75.2 million (\$59.3 million net of tax) pertaining to intangibles and other assets following a review of the recoverable amount of these assets conducting during the half year; and
- Costs incurred in relation to the franchise strategy to rebalance the store network portfolio and restructuring costs in the China office.

Since the release of the 1H18 Results, Godfreys Share price has declined by 34.4%¹.



¹Based on Godfreys share price from 20 February 2018 until close of trading on 6 April 2018.

REASONS WHY YOU SHOULD ACCEPT ARCADE'S OFFER

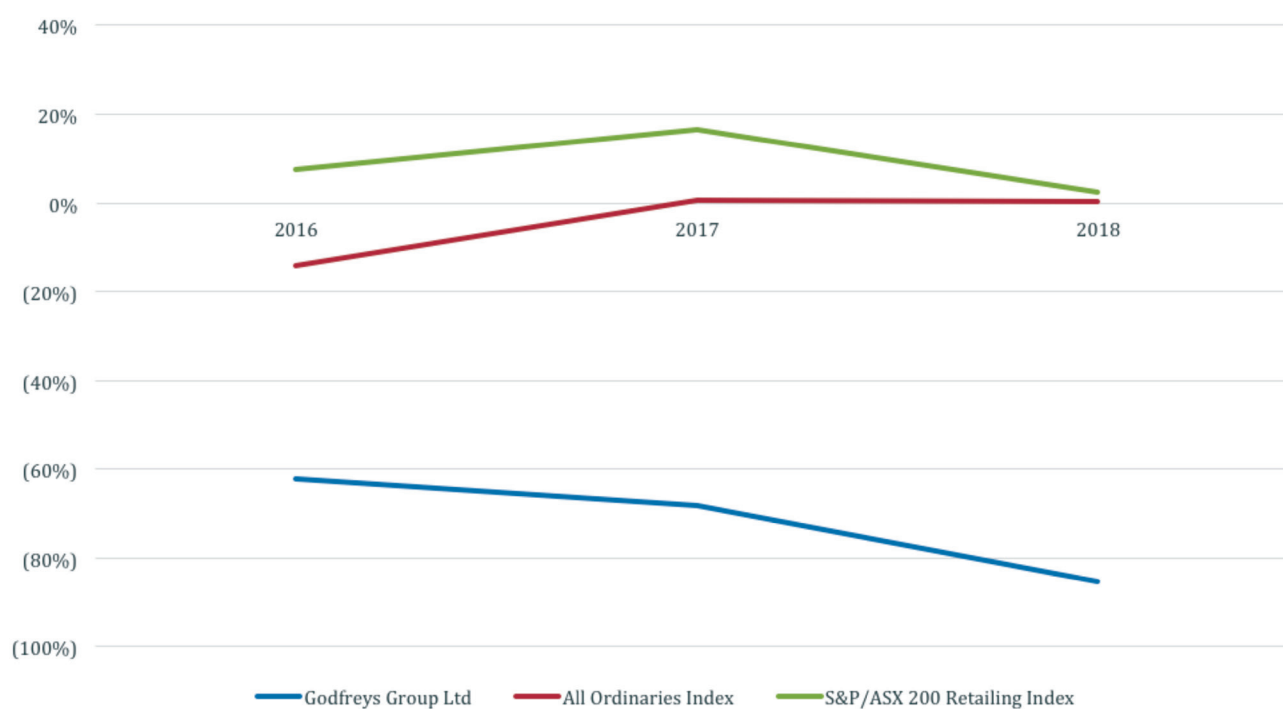
Godfreys' statutory NPAT has been trending downwards since its first Annual Report following listing in FY2015, with a loss of over \$18 million recorded for FY2017:

Financial Year	Statutory NPAT
2015	\$12.04m
2016	\$7.77m
2017	(\$18.44m)

Godfreys stated in its 1H18 Results announcement that Godfreys' financial performance was impacted by:

- The continuation of a negative like-for-like sales trend
- Cost associated with ongoing restructure of the business

Total Shareholder Return Comparison



Godfreys' total shareholder return since 6 April 2015 to 6 April 2018 has been -85.48%. Over the same period, the All Ordinaries Index has returned 0.29% and the S&P/ASX 200 Retailing Index has returned 2.39%.

REASONS WHY YOU SHOULD ACCEPT ARCADE'S OFFER

3. Godfreys has postponed its dividend

Godfreys' dividend policy was outlined in its Prospectus in November 2014, and set a target to pay a dividend of between 70% and 80% of Godfreys' NPAT.

Dividends have been falling year-on-year since Godfreys listed and have only met the Prospectus target once, in the first year after listing.

On 20 February 2018, Godfreys confirmed in a media release accompanying the 1H18 Results that payment of dividends has been postponed.

Financial Year	Value of Dividend	% of underlying NPAT
2015	15.4¢	80%
2016	11.3¢	50%
2017	5¢	35%
2018 interim (projected)	NIL	NIL

Godfreys has made the following statements about the falling dividend repayments:

"The dividend payment represents a reduced dividend payout ratio to the Company's target dividend payout, reflects the careful consideration by the Board of the need to strike an appropriate balance between delivering returns to shareholders in the short term by way of dividend payments and ensuring the Company has adequate funds to pursue growth opportunities." – **Godfreys' 2016 Annual Report**

"The lower dividend payment and payout ratio in FY2017 reflects the careful consideration by the Board of the need to strike an appropriate balance between delivering returns to shareholders in the short term by way of dividend payments and ensuring the Company has adequate funds to pursue improvement opportunities within the business." – **Godfreys' 2017 Annual Report**

"Dividend postponed with funds to be reinvested into the turnaround strategy, or to reduce debt." – **Godfreys' 20 February 2018 ASX/Media Release – Half Year Results and CEO Update**

No 2018 interim dividend has been paid as at the date of this Bidder's Statement.

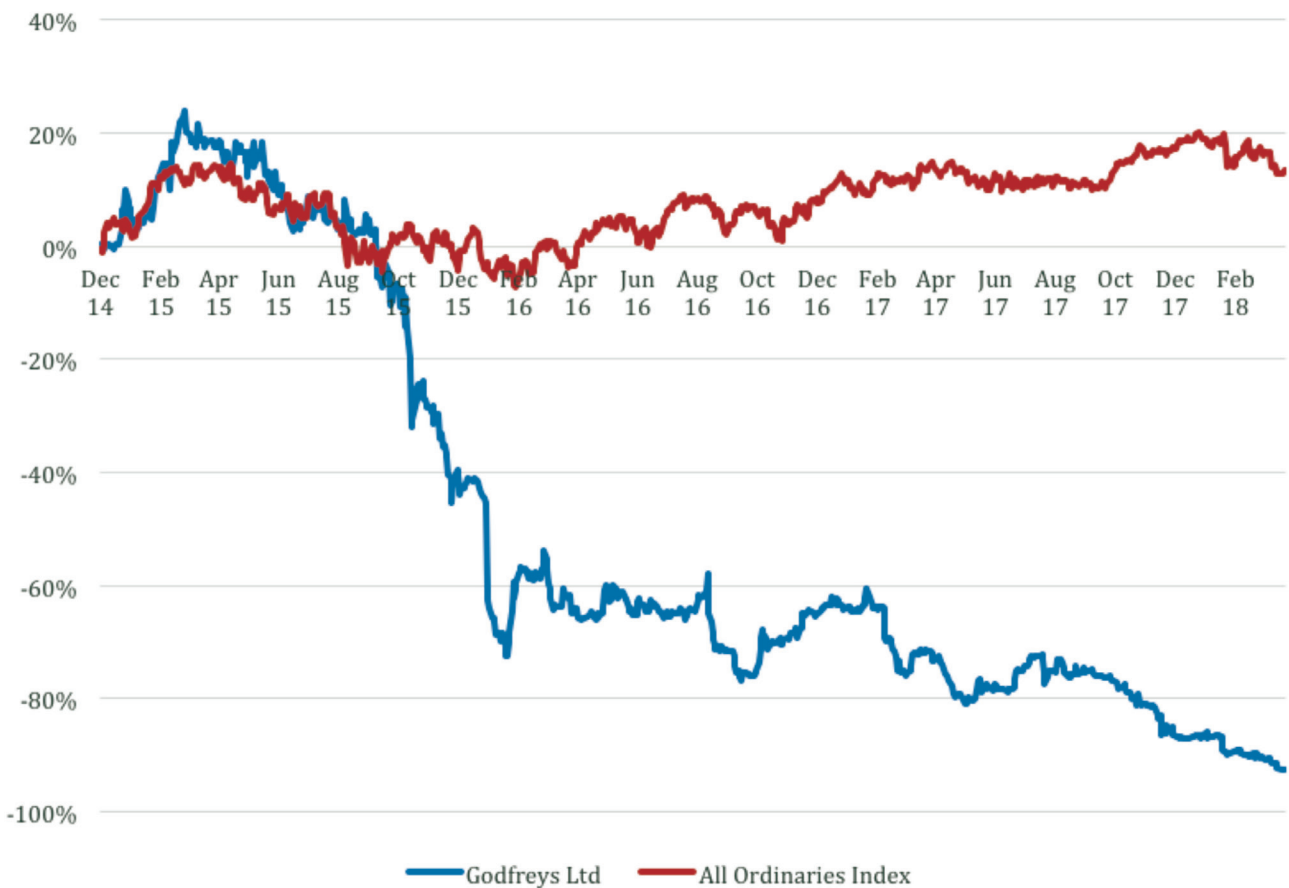
REASONS WHY YOU SHOULD ACCEPT ARCADE'S OFFER

4. Godfreys share price has underperformed against the All Ordinaries

Godfreys' share price has fallen 92.78% from \$2.91 (the closing price on 12 December 2014) to \$0.21, the closing price on 6 April 2018, being the last trading day before the Announcement Date.

By contrast, over the same period the ASX All Ordinaries Index has gained 13.3%.

GFY and XAO comparative price performance



REASONS WHY YOU SHOULD ACCEPT ARCADE'S OFFER

5. The Offer is an all cash offer with a certain value

The Offer gives Godfreys Shareholders the opportunity to realise certain cash value for their Godfreys Shares, with no transaction costs.

If you accept the Offer and the Offer becomes unconditional, you will:

- be paid the cash Offer Price of \$0.32 for each of your Godfreys Shares;
- not incur any brokerage fees (however, if you hold your Godfreys Shares through a CHESS Holding, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer); and
- receive your cash consideration by the earlier of either 21 days after the end of the Offer; or within one month after the date the Offer becomes, or is declared unconditional.

Such opportunities have been limited to date given the low trading volumes in Godfreys Shares. The average daily trading volume for Godfreys Shares for the 12 months prior to the Announcement Date was only 75,861 Godfreys Shares per day representing just 0.19 per cent of the total Shares on issue.

The Offer is **not** subject to any finance conditions.

The Offer is **not** subject to any due diligence.

The Offer is **not** subject to approval by the Arcade Shareholders.

6. Accepting the Offer removes your exposure to the risks associated with continuing your investment in Godfreys

As a Godfreys Shareholder you are subject to a number of risks that may affect the value of your investment in Godfreys, such as:

- the uncertain future market price of Godfreys Shares in the absence of the Offer and/or any other Superior Proposal;
- continuing lack of liquidity in the market for Godfreys Shares;
- the possibility that Godfreys' turnaround strategy may take considerable time to achieve or may not be achieved at all; and
- potentially indefinite postponement of dividends.

Arcade believes that the Offer represents compelling value for your Godfreys Shares. Arcade does not consider it likely that Godfreys will be able to turn around its performance in a timeframe acceptable to Arcade. By accepting the Offer and assuming that the Offer becomes unconditional, you will be removing your exposure to these risks.

7. Godfreys Share price is likely to fall if the Offer is not supported

While many factors influence a share's market price, the Godfreys' Share price is likely to trade at a substantial discount to the Offer Price if the Offer is not supported by sufficient Godfreys' Shareholders, the Offer lapses and there is no Superior Proposal.

In the month before the Announcement Date, the VWAP of Godfreys Shares was \$0.255 per Godfreys Share. Since the announcement of Godfreys' 1H18 Results, the VWAP (up to the last trading day before the Announcement Date) was \$0.277 per Godfreys Share.

No other party has made a competing offer for your Godfreys Shares. Arcade's Relevant Interest in 28.09% of Godfreys is likely to act as a deterrent to other proposals emerging. Unless Arcade accepted another proposal, a competing bidder could not achieve a 90% shareholding in Godfreys and accordingly could not proceed to compulsory acquisition of any remaining Godfreys Shares. Further, Arcade would retain significant voting power in Godfreys and a successful competing bidder would not be able to pass special resolutions of Godfreys unless Arcade agreed.

FREQUENTLY ASKED QUESTIONS

This section is designed to help you understand some of the issues relating to the Offer.

Question	Answer
1. What is the Offer?	<p>Arcade is making an offer to acquire all of your Godfreys Shares.</p> <p>Arcade intends to acquire all of the issued Godfreys Shares it does not own.</p> <p>If you accept the Offer (subject to the conditions of the Offer being satisfied or waived) you will receive \$0.32 cash for each Godfreys Share you own.</p>
2. Who is making the Offer?	<p>Arcade is a private Australian company, owned by Mr John Johnston who was the co-founder of Godfreys and his family. Further details regarding Arcade are set out in section 2.</p>
3. What interest does Arcade have in Godfreys Shares?	<p>As at the date of this letter, Arcade has an interest equivalent to 28.09% of Godfreys' issued share capital and is Godfreys' largest shareholder.</p>
4. What is the Bidder's Statement?	<p>The Bidder's Statement sets out the terms of the Offer and information relating to the Offer including the consideration you will receive.</p>
5. What are the conditions of the Offer?	<p>The conditions of the Offer are set out in Schedule 2. They are called Defeating Conditions and can be summarised as follows:</p> <ul style="list-style-type: none">(a) 90% minimum acceptance condition;(b) no Prescribed Occurrences in respect of Godfreys occurring;(c) no Material Adverse Change occurring in respect of Godfreys;(d) all Regulatory Approvals being received and no material regulatory action occurring;(e) the S&P/ASX All Ordinaries Index not falling below 85% of the level of that index as at the close on 6 April 2018 for 3 consecutive trading days; and(f) any third party which could terminate a material contract with Godfreys as a result of the Offer, consenting to the Offer or stating an intention not to exercise its rights in that regard. <p>Arcade may choose to waive certain of the Defeating Conditions in accordance with the Offer Terms.</p> <p>If the Defeating Conditions are not satisfied or waived by Arcade (which it may do in its discretion) by the close of the Offer Period, the Offer will lapse and your Godfreys Shares will not be purchased by Arcade.</p>
6. What choices do I have?	<p>You have the following choices:</p> <ul style="list-style-type: none">(a) accept the Offer for all of your Godfreys Shares and receive cash consideration (see question 8 below);(b) sell your Godfreys Shares on-market; or(c) do nothing (see question 12 below).

FREQUENTLY ASKED QUESTIONS

Question	Answer
7. What should I do?	<p>To accept the Offer, you should:</p> <ul style="list-style-type: none"> (a) read this Bidder's Statement in full; (b) read Godfreys' Target's Statement in full (when issued); (c) consult your Broker, financial or other professional adviser if you are in any doubt as to what action to take or how to accept the Offer; and (d) accept the Offer in the manner described in section 1.
8. How do I accept the Offer?	<p>The Offer may only be accepted for all of your Godfreys Shares. You cannot accept the Offer for part only of your Godfreys Shares.</p> <p>The manner in which you accept the Offer depends on whether you hold your Godfreys Shares in a CHESS Holding, an Issuer Sponsored Holding, or you are a Broker or a CHESS Participant. Full details on how to accept the Offer are set out in section 1.</p> <p>For CHESS Holdings you should instruct your Controlling Participant (usually your stockbroker) to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period. Alternatively, you can return your Acceptance Form to the address on the form. Arcade's registry will pass your acceptance on as an instruction to your Controlling Participant to accept the Offer before the end of the Offer Period.</p> <p>For Issuer Sponsored Holdings you must complete, sign and return the Acceptance Form in accordance with the instructions on it. Return it to the address indicated on the form so that it is received before the end of the Offer Period.</p> <p>Mailing and delivery addresses</p> <p>If you reside in Australia, you can use the reply paid envelope enclosed with this Bidder's Statement. The mailing address is:</p> <p>Advanced Share Registry Limited PO Box 1156 Nedlands WA 6909</p>
9. If I accept the Offer, do I have to pay any fees?	<p>No brokerage, charges or stamp duty will be payable by you on acceptance of the Offer. However, if you hold your Godfreys Shares through a CHESS Holding, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.</p> <p>If you choose to sell your Godfreys Shares on-market instead of accepting the Offer, you may incur brokerage costs and GST on those costs.</p>
10. If I accept the Offer, when will I receive the Cash for my Godfreys Shares?	<p>Provided that the necessary transfer documents accompany your Acceptance Form, you will be paid the cash Offer Price within one month of the later of:</p> <ul style="list-style-type: none"> (a) the date you accept the Offer; and (b) the date the Offer becomes unconditional. <p>In any event, you will be paid within 21 days after the Offer closes (assuming all conditions of the Offer are satisfied or waived).</p>

FREQUENTLY ASKED QUESTIONS

Question	Answer
11. What happens if I accept the Offer?	<p>If you accept the Offer and it becomes or is declared unconditional, you will receive your cash consideration within the time specified above.</p> <p>Once you accept the Offer (even while it remains subject to Defeating Conditions) you will not be able to sell your Godfreys Shares on-market or otherwise deal with the Rights attaching to your Godfreys Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.</p>
12. What happens if I do not accept the Offer?	<p>If you do not accept the Offer, you will remain a Godfreys' Shareholder and will not receive any cash consideration.</p> <p>However, if Arcade becomes entitled to compulsorily acquire your Godfreys Shares, it intends to do so. If this occurs, you will still receive the Offer Price for your Godfreys Shares, but at a later date than you would have received it if you had accepted the Offer.</p> <p>Please see section 4.2. It is Arcade's intention after the successful close of the Offer to apply to ASX to de-list Godfreys from ASX. If you were still a Godfreys Shareholder after de-listing, there would be only a very restricted ability for you to sell your Shares.</p>
13. When does the Offer close?	<p>The Offer opens on 24 April 2018 and is scheduled to close at 7.00pm (Adelaide time) on 24 May 2018 (unless extended).</p>
14. What are the tax implications of accepting the Offer?	<p>A general description of the taxation treatment for certain Australian resident Godfreys Shareholders accepting the Offer is set out in section 7.</p> <p>You should not rely on the description set out in section 7 as advice for your own affairs. You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your Godfreys Shares.</p>
15. What are the significant risks of the Offer?	<p>A summary of the key risks is set out in section 5. Many of these risks are outside the control of Arcade and its Directors and cannot be mitigated. Once you accept the Offer, you will have only limited rights to withdraw your acceptance.</p>
16. What are my rights to withdraw my acceptance?	<p>You have limited rights to withdraw your acceptance of the Offer once you have accepted. If, following your acceptance, the Offer remains subject to conditions and is varied so as to postpone for more than one month the time when Arcade must meet its obligations under the Offer, you will be able to withdraw your acceptance.</p> <p>Otherwise, you will be unable to withdraw your acceptance of the Offer.</p>

FREQUENTLY ASKED QUESTIONS

Question	Answer
17. What if I require further information?	<p>If you have any queries about this document, the Offer or how to accept the Offer, please visit the Arcade website at www.arcadegodfreysbid.com.au or</p> <p>if you have any further queries about this document or the Offer contact the Arcade Offer Terms Information Line on:</p> <p>For Australian callers: 1300 362 398 For international callers: +612 8355 1004 from 9:00am and 5:00pm (AEST) Monday to Friday</p> <p>or</p> <p>if you have any queries about your Godfreys Shares or how to accept the Offer contact the Arcade Offer Information Line on:</p> <p>For Australian callers: 08 6500 2114 For international callers: +618 6500 2114 from 9:00am and 5:00pm (AEST) Monday to Friday</p>

1. HOW TO ACCEPT THE OFFER

1.1 Issuer Sponsored Holdings

If you hold your Godfreys Shares in an Issuer Sponsored Holding, you will need to complete, sign and return the Acceptance Form accompanying this Bidder's Statement in accordance with the instructions on that form and send it by post so that it is received by Arcade's share registry before the end of the Offer Period. A reply paid envelope (for use within Australia only) is enclosed with the Bidder's Statement.

1.2 CHESS Holdings

If you hold your Godfreys Shares in a CHESS Holding, you will need to:

- instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
- complete, sign and send the Acceptance Form accompanying the Bidder's Statement directly to your Controlling Participant; or
- complete, sign and return the Acceptance Form in accordance with the instructions on it so that Arcade is authorised to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf,

in sufficient time for your instructions to be acted on before the end of the Offer Period.

A reply paid envelope (for use within Australia only) is enclosed for your convenience.

1.3 CHESS Participants

If you are a CHESS Participant, you will need to initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

The Offer is dated 24 April 2018 and will close at 7.00pm (Adelaide time) on 24 May 2018, unless extended.

2. INFORMATION ABOUT ARCADE

2.1 Overview

Arcade is owned by Mr John Johnston and his family and is the trustee for the Johnston Investment Trust. Mr Johnston was a founder of the Australian vacuum cleaner retail market, having been involved with Godfreys since it was founded in the 1930's and has gained widespread respect and accolades from industry over the last 80 years.

Mr Johnston's extensive retail experience was built over 70 years of day-to-day management of Godfreys until its sale in 2006 to a consortium of private equity funds. Mr Johnston re-acquired Godfreys in 2011 with Nomura International Plc.

Having been actively involved in the success of Godfreys since its founding, Mr Johnston is eager to see Godfreys rejuvenated and living up to its full potential.

The Directors of Arcade are Ms Jane Ruth Allen, Mr John Couper Johnston and Mr Grant Desmond Hancock.

2.2 Further information

Further information about Arcade can be found on Arcade's website at www.arcadegodfreysbid.com.au.

3. INFORMATION ABOUT GODFREYS AND GODFREYS SHARES

3.1 Disclaimer

The following information on Godfreys has been prepared by Arcade using publicly available information and has not been independently verified. Accordingly, Arcade does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on Godfreys in this Bidder's Statement should not be considered comprehensive. The Corporations Act requires Godfreys to provide a Target's Statement to Godfreys Shareholders in response to this Bidder's Statement, setting out certain material information concerning Godfreys.

3.2 Overview of Godfreys

Godfreys was founded in the 1930s and was admitted to the Official List of the ASX in 2014.

Godfreys operates in Australia and New Zealand as a specialty retailer of domestic and commercial floor care and associated cleaning products. Godfreys has over 200 franchises and company-owned stores nationwide, employing over 400 people. The company also offers vacuum cleaner servicing and repairs. Vacuum cleaner brands sold by Godfreys include: Miele, Hoover, Electrolux, Wertheim, Pullman, Sauber, Vax, Bissell and Numatic.

Godfreys' head office is in Glen Waverley, Victoria.

3.3 Directors and senior management

The directors of Godfreys are set out below:

Brendan Fleiter, Chairman - Mr Fleiter was appointed to the Godfreys Board in November 2014 and became Chairman on 1 January 2018.

Sue Morphet - Ms Morphet was appointed to the Godfreys Board on 13 January 2015. She chairs Godfreys' remuneration and nomination committee.

John Hardy - Mr Hardy was appointed to the Godfreys Board on 24 March 2016. He previously held senior management roles in Godfreys.

Jason Gowie - Mr Gowie was appointed Godfreys' chief executive officer and executive director on 4 December 2017.

Kathy Gramp - Ms Gramp was appointed to the Godfreys Board on 1 January 2018. She chairs Godfreys' audit and risk management committee.

Penny Burke - Ms Burke was appointed to the Godfreys Board on 1 January 2018. She chairs the Godfreys' customer committee.

3.4 Financials

Godfreys' 2017 Annual Report was released on 11 September 2017 and its 1H18 Results were released on 20 February 2018. Copies of these documents are available on Godfreys' website at www.godfreys.com.au.

3. INFORMATION ABOUT GODFREYS AND GODFREYS SHARES

3.5 ASX announcements up to the Announcement Date

Between 31 December 2017 (being the end of the last financial period for which results were released) and the Announcement Date, Godfreys has made the following additional ASX announcements that Arcade considers may be material to the financial position of Godfreys:

- **Trading Update** – On 1 February 2018, Godfreys announced its trading updated based on unaudited financial results for the half year ended 29 December 2017. Godfreys reported that like-for-like (LFL) sales during October and November 2017 were volatile and weaker than expected reversing the trend in LFL sales through until the end of September 2017 quarter. In addition, trading during the Christmas period was also weaker than expected. The decrease in LFL sales and the planned reduction in franchise conversions resulted in an unaudited underlying EBITDA of \$3.6 million.
- **1H FY18** – On 20 February 2018, Godfreys released its financial results for the half year ended 29 December 2017.
- **Sale of the Service Company Business** – On 23 February 2018 it was announced that Godfreys' wholly owned subsidiary New Zealand Vacuum Cleaner Company Limited had entered into an agreement for the sale of its shares in The Service Company Limited (its new Zealand based cleaning supplies business) to TSC No.2 Limited (an unrelated entity incorporated in New Zealand). The sale price was announced as NZ\$1.3 million.

A copy of each of these announcements and other Godfreys announcements can be obtained from ASX and from Godfreys' website: www.godfreys.com.au.

3.6 Capital structure of Godfreys

At the date of this Bidder's Statement, according to publicly available information, there are 40,922,585 Godfreys Shares on issue.

In addition, Godfreys has granted a total of 984,622 performance rights to Mr Andrew Ford under Godfreys' Long-Term Incentive Plan (a copy of which can be obtained from ASX).

The ten largest holders of Godfreys Shares at the Announcement Date were:

Shareholder	Shares	Percentage
ARCADE FINANCE PTY LTD		
ATF The Johnston Investment Trust	10,408,383	25.43%
J P MORGAN NOMINEES AUSTRALIA	3,792,650	9.27%
NGE CAPITAL LIMITED	3,734,447	9.13%
BNP PARIBAS NOMINEES PTY LTD		
IB AU NOMS RETAILCLIENT DRP	2,671,633	6.53%
AUST EXECUTOR TRUSTEES LTD		
Kentgrove Capital Fund	1,900,000	4.64%
J & P HARDY HOLDINGS PTY LTD		
ATF The Hardy Family Trust	1,086,212	2.65%
MDF SUPERANNUATION PTY LIMITED		
MDF Super Fund A/C	1,020,762	2.49%
SILCHESTER INVESTMENTS PTY LTD	1,000,000	2.44%
MR WINSTEDT ARIAM RASIAH	450,000	1.1%
TVL INVESTMENTS PTY LTD		
Ligeti Family S/F A/C	303,329	0.74%

3. INFORMATION ABOUT GODFREYS AND GODFREYS SHARES

Notes:

- (a) Figures obtained from Godfreys' shareholder register as at 20 March 2108.
- (b) According to publicly available information², Mr John Hardy is the practical controller of J & P Hardy Holdings Pty Ltd and a beneficiary of the Hardy Family Trust. Mr Hardy is a Godfreys Director and is an associate of Arcade. By virtue of section 608 of the Corporations Act, Arcade therefore holds a total Relevant Interest in 11,494,595 Godfreys Shares, which represents approximately 28.09% of Godfreys' issued share capital.
- (c) According to publicly available information³, Kentgrove Capital Pty Ltd has a relevant interest in NGE Capital Limited. By virtue of section 608 of the Corporations Act, Kentgrove Capital Pty Ltd therefore holds a total Relevant Interest in 5,634,447 Godfreys Shares, which represents approximately 13.77% of Godfreys' issued share capital.

3.7 Publicly available information

Godfreys is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on Godfreys is publicly available and may be accessed by referring to Godfreys on www.asx.com.au.

Announcements made by Godfreys to ASX may be relevant to your assessment of the Offer. Copies of the announcements are available from ASX.

3.8 Recent price performance of Godfreys Shares

Godfreys Shares are quoted on ASX under the code GFY.

The closing price of Godfreys Shares on ASX on 6 April 2018 (before the Announcement Date) was \$0.21. The closing price of Godfreys Shares on ASX on 17 April 2018, being the last trading day before this Bidder's Statement was typeset for printing, was \$0.30.

The highest recorded closing price of Godfreys Shares on ASX in the 3 months before the Announcement Date was \$0.415 (16 January 2018). The lowest recorded closing price of Godfreys Share on ASX in the 3 months before the Announcement Date was \$0.20 (29 March 2018).

3.9 No forward looking financial statements

This Bidder's Statement does not contain revenue or profit projections for Godfreys or Arcade. Arcade does not consider that it has reasonable grounds to include those projections in this Bidder's Statement and that to do so could be unduly speculative and potentially misleading for Godfreys Shareholders.

²As per the Appendix 3Y released by Godfreys on ASX on 24 February 2017.

³As per Form 604 released by Godfreys on ASX 15 June 2017.

4. ARCADE'S INTENTIONS

4.1 Introduction and important note

This section sets out Arcade's current intentions in relation to:

- the continuation of Godfreys' business;
- any major changes to be made to Godfreys' business, including any redeployment of the fixed assets of Godfreys; and
- the future employment of the present employees of Godfreys.

Arcade's current intentions for Godfreys referred to in this section 4 have been formed following a review of facts, information and circumstances about Godfreys, its business and the general business environment that is publicly available at the date of this Bidder's Statement. As at the date of this Bidder's Statement no due diligence has been conducted on Godfreys' non-public confidential information. Therefore Arcade does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax, regulatory and financial implications of its current intentions.

As such, statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change.

Following the close of the Offer, it is Arcade's intention to undertake a further detailed review of the operations, assets and structure of Godfreys. The objective of the detailed review will be to evaluate the performance, prospects and strategies of the Godfreys' business and its assets.

Except for the changes and intentions set out in this section 4, Arcade intends, based on the information presently known to it:

- to continue the business and operations of Godfreys;
- to continue the trading names of Godfreys;
- not to make any major changes to the business of Godfreys or the deployment of Godfreys' assets; and
- to continue the employment of the vast majority of Godfreys' employees.

4.2 Intentions upon acquisition of 90 per cent or more of Godfreys Shares

This section sets out Arcade's current intentions if it acquires 90 per cent or more of the Godfreys Shares and is entitled to proceed to compulsory acquisition of the outstanding Godfreys Shares.

4.2.1 Compulsory acquisition

If it becomes entitled to do so, Arcade intends to compulsorily acquire any outstanding Godfreys Shares in accordance with section 661B of the Corporations Act.

4.2.2 Amend Godfreys' constitution

Arcade intends to amend the constitution of Godfreys to reflect its status as a wholly-owned Subsidiary of Arcade.

4.2.3 ASX de-listing

Arcade intends to procure that Godfreys be removed from the official list of the ASX.

4.2.4 Directors

Arcade intends to review and restructure the constitution of the Godfreys Board.

4. ARCADE'S INTENTIONS

4.2.5 Operations

Following the end of the Offer Period, it is intended that Arcade will:

- continue the operations of all Godfreys' franchises and seek to grow those businesses;
- build on and leverage the experience that Godfreys has in the Australian and New Zealand markets; and
- rationalise certain head office activities.

4.2.6 Employees

Arcade expects that the vast majority of Godfreys' employees will continue on terms no less favourable than their current terms of employment.

As a result of the implementation of the intentions above, it is possible that a small number of organisational functions, for example, those relating to Godfreys' listing on ASX, will become redundant.

If the detailed review by Arcade identifies employees who are surplus to the requirements of the business, then Arcade will consider redeployment or redundancies. The review of Godfreys' operations may also result in additional staff recruitment. If any employees are made redundant, they will receive their full entitlements at law.

4.3 Intentions upon acquisition of between 50 per cent and 90 per cent of Godfreys' Shares

This section sets out Arcade's current intentions if, by virtue of acceptance of the Offer, it was to gain effective control of Godfreys, but was not entitled to proceed to compulsory acquisition of the outstanding Godfreys' Shares and the 90 per cent minimum acceptance Defeating Condition was waived by Arcade.

4.3.1 Compulsory acquisition

If Arcade does not acquire a Relevant Interest in Godfreys Shares of at least 90 per cent under the Offer, and accordingly, does not become entitled to compulsorily acquire all of Godfreys Shares under section 661B of the Corporations Act, it may nevertheless become entitled to exercise the general compulsory acquisition power under Part 6A.2 of the Corporations Act if it reaches this 90 per cent threshold in the future. Arcade intends to exercise that power in respect of Godfreys Shares if it becomes entitled to do so.

4.3.2 ASX de-listing

Arcade intends to procure that Godfreys be removed from the official list of the ASX. Depending on the percentage of Godfreys Shares in which Arcade has a Relevant Interest, it may be necessary for Arcade to seek approval of Godfreys Shareholders to the de-listing.

4.3.3 Directors

Depending on the level of ownership achieved, it is Arcade's intention to substitute some or all of the members of the Godfreys Board (and the board of any company on which Godfreys has nominee directors, if any), other than John Hardy, with Arcade nominee directors. The level of independent board representation on the Godfreys Board will depend on factors such as the level of ownership achieved by Arcade and whether Arcade is able to achieve its intention of de-listing Godfreys.

4.3.4 Follow-on bids

Arcade reserves the right to commence additional takeover bids under Chapter 6 of the Corporations Act in relation to any remaining Godfreys Shares that it does not acquire under this Offer.

4. ARCADE'S INTENTIONS

4.3.5 Intentions generally (including with respect to matters at section 4.2 above)

If, following the close of the Offer, Godfreys becomes a controlled entity but not a wholly owned Subsidiary of Arcade, it is the present intention of Arcade to procure that the Godfreys Board implements the objectives and goals outlined in section 4.2 to the extent possible and appropriate.

4.3.6 Limitations on intentions

To the extent that Godfreys is not a wholly owned Subsidiary of Arcade and there are minority shareholders of Godfreys, Arcade intends to ensure that any Arcade nominees appointed to the Godfreys Board will act at all times in accordance with their fiduciary duties and that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined above.

The requirement to have regard to those fiduciary duties in the context of a partly owned company and the possible requirements of minority shareholder approval may prevent a particular objective being achieved.

4.4 Intentions upon acquisition of less than 50 per cent of Godfreys Shares

This section sets out Arcade's current intentions if, by virtue of acceptance of the Offer, it was to gain effective control of less than 50 per cent of Godfreys Shares and the 90 per cent minimum acceptance Defeating Condition was waived by Arcade.

Arcade will endeavour to implement its intentions as it has outlined in section 4.3 to the extent to which it is able to do so, subject to the limitations identified in section 4.3.

5. RISKS

Before deciding whether to accept the Offer, you should read this entire Bidder's Statement carefully.

Godfreys Shareholders should be aware of the following risks that may be relevant in connection with the Offer. The risks referred to below are not an exhaustive list of possible risks.

5.1 Assumed financial information for Godfreys

There is a risk that the publicly available financial information provided by Godfreys and utilised by Arcade in formulating the Offer and preparing this Bidder's Statement is not materially correct.

5.2 Limited withdrawal rights

Godfreys Shareholders will have limited withdrawal rights with respect to the Offer, which means that a decision to accept the Offer may be irrevocable.

Once Godfreys Shareholders have accepted the Offer, they have the right to withdraw their acceptance of the Offer only in limited circumstances.

Under Australian law, if after they have accepted the Offer and while the Offer remains subject to conditions, the Offer is varied (such as by an extension of the Offer Period) so as to postpone for more than one month the time when the Bidder must meet its obligations under the Offer, Godfreys Shareholders will be able to withdraw their acceptance. Otherwise, they will be unable to withdraw their acceptance of the Offer even if the market value of Godfreys Shares varies significantly from their value on the date Godfreys Shareholders accepted the Offer.

5.3 Taxation risks

Arcade cannot give advice on the tax consequences of the Offer, which will depend upon the specific circumstances of each Godfreys Shareholder. See the general comments in section 7.

5.4 Reporting risks

Arcade has assumed that Godfreys has met all of its reporting obligations and that disclosures made by it are true in all material respects and are not misleading in any material respects.

6. SOURCES OF OFFER PRICE

6.1 Offer Price

Godfreys Shareholders who accept the Offer will receive consideration for their Godfreys Shares in the form of cash.

The Offer Price is \$0.32 cash per Godfreys Share.

The total amount of cash to be paid will depend on the number of Godfreys Shares that Arcade acquires under the Offer.

6.2 Amount of Cash

If all Godfreys Shareholders accept the Offer, the maximum cash consideration payable by Arcade would be approximately \$13 million.

6.3 Sources of cash consideration

All cash payable to Godfreys Shareholders under the Offer will be paid by Arcade as trustee of the Johnston Investment Trust, which has significant cash reserves available. The availability of the funds has been certified by Le Cornu Lewis Hancock as qualified accountants on behalf of Arcade. A copy of the certificate follows.

The Offer is **NOT** subject to financial conditions.

6. SOURCES OF OFFER PRICE



13 April 2018

Arcade Finance Pty Ltd
ABN 66 149 252 719
Level 1, 187 Wakefield Street
ADELAIDE SA 5000

Le Cornu Lewis Hancock
ABN 26 172 712 985

First Floor, 187 Wakefield Street
Adelaide, South Australia 5000

GPO BOX 446, Adelaide
South Australia 5001

Telephone: (08) 8232 1133
Facsimile: (08) 8232 0088

Email: contact@llh.com.au
Website: www.llh.com.au

CERTIFICATE BY A QUALIFIED ACCOUNTANT

We are the accountants for Arcade Finance Pty Ltd, the details of which are set out above (the Company) and I am familiar with the Company's financial resources and arrangements.

I certify that the Company controls and has immediate access to unencumbered cash funds in excess of A\$13,000,000 presently held on behalf of the Company by an associated company within the Johnston group, such that the Company will be able to fully satisfy its financial commitments to shareholders of Godfreys Group Limited (GFY) that accept the Company's offer under its takeover bid for GFY as announced on 9 April 2018.

I am a fellow of Chartered Accountants Australia and New Zealand ("CAANZ") who is entitled to use the post-nominal "FCA", and am subject to and comply with the CAANZ's continuing professional education requirements.

Yours faithfully

LeCORNU LEWIS HANCOCK

GD Hancock
Partner

Liability limited by a scheme
approved under Professional
Standards Legislation

JOHJC630963

7. TAX CONSIDERATIONS

7.1 Introduction

The following is a summary of the potential Australian income tax consequences generally applicable to a Godfreys Shareholder who disposes of Godfreys Shares under the Offer. This summary is based on the law and practice in effect as at the date of this Bidder's Statement.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every Godfreys Shareholder.

In particular, this summary is only applicable to Godfreys Shareholders who are Australian residents for income tax purposes and hold their Godfreys Shares on capital account for income tax purposes. This summary does not apply to Godfreys Shareholders who hold their Godfreys Shares in the course of carrying on a business of trading or dealing in securities (i.e. on revenue account).

All Godfreys Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident Godfreys Shareholders should seek their own advice on the Australian and foreign taxation consequences of any sale of their Godfreys Shares.

7.2 Tax consequences on the disposal of Godfreys Shares

7.2.1 CGT consequences on the disposal of Godfreys Shares

A Godfreys Shareholder who accepts the Offer and whose Godfreys Shares are subsequently transferred to Arcade, is taken to have disposed of their Godfreys Shares for Australian CGT purposes.

Shareholders would ordinarily make a capital gain equal to the amount (if any) by which the Offer consideration exceeds the cost base that the Godfreys Shareholder has for the Godfreys Shares. Subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain, this amount should be included in the Godfreys Shareholder's taxable income.

A Godfreys Shareholder would ordinarily make a capital loss equal to the amount (if any) that the capital proceeds received on the disposal of Godfreys Shares are less than the reduced cost base of the Shareholder's Godfreys Shares. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests applicable to companies and trusts.

7.2.2 Cost base of Godfreys Shares generally

The cost base of Godfreys Shares would generally be equal to the amount the relevant Godfreys Shareholder paid to acquire the Godfreys Shares, which includes certain incidental costs (such as brokerage) of the acquisition.

7.2.3 Income tax implications

No portion of the Offer Price paid by Arcade should be treated as a dividend for tax purposes.

The Offer Price should form the capital proceeds that Godfreys Shareholders receive for the disposal of their Godfreys Shares for CGT purposes.

7. TAX CONSIDERATIONS

7.2.4 CGT discount

Any Godfreys Shareholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain provided that:

- the Godfreys Shares were acquired at least 12 months before disposal to Arcade; and
- the Godfreys Shareholder did not choose to index the cost base of their Godfreys Shares (if indexation was available to the Shareholder).

If accessible, the CGT discount should allow a Godfreys Shareholder who is an individual or a trustee of a trust to discount (i.e. reduce) the capital gain made on the disposal of their Godfreys Shares by 50 per cent. The remaining 50 per cent should be included as taxable income of the individual or trust.

For Godfreys Shareholders that are complying superannuation entities, the CGT discount should allow the Shareholder to discount the capital gain by 33⅓ per cent. The remaining 66⅔ per cent of the capital gain should be included in the taxable income of that complying superannuation entity. This is subject to the capital gain not constituting exempt current pension income.

Please note that the CGT discount is applied to capital gains after the application of any available capital losses.

The CGT discount is not available to a Godfreys Shareholder that is a company.

7.3 Important - obtain your own taxation advice

It is important that you do not rely on the comments or the statements contained in this Bidder's Statement as advice about your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Bidder's Statement.

Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, Arcade does not accept any responsibility for tax implications for individual Godfreys Shareholders.

8. ADDITIONAL INFORMATION

8.1 Directors of Godfreys

Of the Godfreys Directors referred to in section 3.3, John Hardy is not independent of Arcade. Arcade considers that the other Godfreys Directors are independent of Arcade.

8.2 Inducing benefits given during previous four months

Except as set out in this Bidder's Statement, neither Arcade nor any of its Associates has, during the period of four months before the date of the Offer, or in the period commencing on the date of this Bidder's Statement and ending on the date of the Offer, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- accept an Offer; or
- dispose of Godfreys Shares,

which benefit was not offered to all Godfreys Shareholders under the Offer.

8.3 Securities coming into the bid class during the Offer Period

Under the provisions of section 617(2) of the Corporations Act (as modified by ASIC Class Order CO 13/521), this Offer extends to securities, namely Godfreys Shares, that come to be in the bid class during the period from the Register Date to the end of the Offer Period due to the conversion of or exercise of rights attached to other securities.

8.4 Miscellaneous matters

8.4.1 ASIC relief

8.4.1.1 ASIC has published various class order instruments providing for modifications and exemptions that apply generally to all persons, including Arcade, about the operation of Chapter 6 of the Corporations Act. Arcade may rely on this class order relief.

8.4.1.2 Arcade has relied on the modification to section 636(3) of the Corporations Act in paragraph 11 of ASIC Class Order 01/1543 'Takeover Bids' to include references to certain statements in documents lodged with ASIC and the ASX without obtaining the consent of the persons to whom those statements are attributed.

8.4.1.3 As required by Class Order 01/1543, Arcade will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to Godfreys Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts) Godfreys Shareholders should contact the Arcade Offer Information Line on:

For Australian callers: 08 6500 2114

For international callers: +618 6500 2114

from 9:00am and 5:00pm (AEST) Monday to Friday.

8.4.2 Regulatory matters

Arcade is not aware of any Regulatory Approval which is required for it to acquire control or ownership of Godfreys.

8. ADDITIONAL INFORMATION

8.5 Consents

This Bidder's Statement includes statements which are made in, or based on statements which are made in, documents provided by Godfreys or announced on the company announcements platform of ASX by Godfreys. No person who has made any of these statements has consented to the statement being included in or accompanying this Bidder's Statement in the form and context in which it is included.

- 8.5.1** Cowell Clarke has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as legal adviser to Arcade in respect of the Offer in the form and context in which it is named.
- 8.5.2** Taylor Collison Limited has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as corporate adviser to Arcade in respect of the Offer in the form and context in which they are named.
- 8.5.3** Advanced Share Registry Limited has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as registry to Godfreys in respect of the Offer in the form and context in which it is named.
- 8.5.4** Le Cornu Lewis Hancock has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in the Bidder's Statement as qualified accountant providing a certificate on behalf of Arcade in respect of the Offer in the form and context in which it is named.
- 8.5.5** Each of Cowell Clarke, Taylor Collison Limited, Advanced Share Registry Limited and Le Cornu Lewis Hancock:
- does not make or purport to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Bidder's Statement with the consent of that person; and
 - to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name and in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Bidder's Statement with the consent of that party.

8.6 Fees to advisers

Cowell Clarke has acted as legal adviser to Arcade in relation to the Offer and is entitled to receive professional fees charged on an hourly basis.

Taylor Collison Limited has acted as financial adviser to Arcade in relation to the Offer. Taylor Collison Limited is entitled to receive professional fees based on a success fee of \$200,000 with a 90% acceptance condition and a retainer of \$60,000 to be rebated against the success fee if paid.

Le Cornu Lewis Hancock is not charging any fee for the certificate appearing in clause 6.

9. GLOSSARY

9.1 Definitions

The following defined terms are used throughout this Bidder's Statement unless the contrary intention appears or the context requires otherwise:

1H18 Results means Godfreys' financial results for the six months up to 31 December 2017 as disclosed on 20 February 2018.

Acceptance Form means the form of acceptance and transfer accompanying this Bidder's Statement.

Announcement Date means 9 April 2018, being the date of announcement of the Offer.

Arcade means the bidder, Arcade Finance Pty Ltd ACN 149 252 719.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term by section 12 of the Corporations Act as if section 12 of the Corporations Act included a reference to this document.

ASX means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

ASX Listing Rules means the Listing Rules of ASX and any other rules of ASX which are applicable while Godfreys is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

ASX Settlement Operating Rules means the settlement rules of ASX, a copy of which are available at www.asx.com.au.

Bidder's Statement means this document, being the statement of Arcade under Part 6.5 Division 2 of the Corporations Act relating to the Offer.

Broker means a person who is a share broker and a participant in CHESS.

CGT means capital gains tax.

CHESS means the Clearing House Electronic Sub-register System, which provides for electronic share transfer in Australia.

CHESS Holder means a person who has a CHESS Holding.

CHESS Holding means a holding of Godfreys Shares on the CHESS sub-register of Godfreys.

Consolidated Group has the same meaning as in the Income Tax Assessment Act 1997 (Cth).

Competing Proposal means a transaction which, if completed, would mean a person other than Arcade (and its Associates) would:

- 9.1.1 acquire a Relevant Interest in 20 per cent or more of the Godfreys' securities;
- 9.1.2 acquire control of Godfreys, within the meaning of section 50AA of the Corporations Act;
- 9.1.3 acquire all or a substantial part of the Godfreys' business, assets or undertaking;
- 9.1.4 otherwise acquire or merge with Godfreys; or
- 9.1.5 enter into any agreement, arrangement or understanding requiring Arcade to abandon, or otherwise fail to proceed with, the Offer, or otherwise having that effect.

Controlling Participant means the Broker or Participant who is designated as the controlling participant for shares in a CHESS Holding in accordance with the ASX Settlement Operating Rules.

Corporations Act means the Corporations Act 2001 (Cth).

Defeating Condition means each of the conditions of the Offer set out in Schedule 2.

9. GLOSSARY

Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of money borrowed or raised or any financial accommodation including under or in respect of any:

- 9.1.6 bill, bond, debenture, note or similar instrument;
- 9.1.7 acceptance, endorsement or discounting arrangement;
- 9.1.8 guarantee;
- 9.1.9 finance or capital lease;
- 9.1.10 agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or
- 9.1.11 obligation to deliver goods or provide services paid for in advance by any financier.

Godfreys means the target company, Godfreys Group Limited ACN 602 722 985.

Godfreys Board means the board of directors of Godfreys.

Godfreys Directors means the current directors of Godfreys.

Godfreys Group means Godfreys and each of its Subsidiaries.

Godfreys Shareholder means a registered holder of Godfreys' Shares.

Godfreys Shares means fully paid ordinary shares in the capital of Godfreys.

Government Agency means:

- 9.1.12 a government or government department or other body;
- 9.1.13 a government, semi-governmental or judicial person; or
- 9.1.14 a person (whether autonomous or not) who is charged with the administration of a law.

GST has the meaning it has in the GST Act.

GST Act means the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Issuer Sponsored Holding means a holding of Godfreys Shares on Godfreys' issuer sponsored sub-register.

Material Adverse Change means any matter, event or circumstance, other than a matter, event or circumstance arising in the ordinary course of trading, that, when taken as a whole or with other matters, events or circumstances is, or is likely to cause:

- 9.1.15 the value of the net assets of Godfreys or the Godfreys Group to be reduced by at least \$500,000 compared to what they would have been but for the matters, events or circumstances; and
- 9.1.16 the ongoing annual statutory net profit after tax, in any financial year after the one ending 30 June 2017, of Godfreys or the Godfreys Group to be reduced by at least \$500,000 compared to what it would have been but for the matters, events or circumstances,
but does not include any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Offer, or the transactions contemplated by them.

Offer or Offers means the offer by Arcade on the Offer Terms to acquire Godfreys Shares referred to in this Bidder's Statement.

Offer Period means the period commencing on 24 April 2018 and ending at 7.00pm (Adelaide time) on 24 May 2018, or such later date to which the Offer is extended.

Offer Price means \$0.32 cash for each Godfreys Share.

Offer Terms means the terms and conditions of the Offer set out in Schedule 1 and Schedule 2 to this Bidder's Statement.

Participant means a participant under the ASX Settlement Operating Rules.

9. GLOSSARY

Prescribed Occurrences means:

- 9.1.17 (conversion)** Godfreys converts all or any of its shares into a larger or smaller number of shares;
- 9.1.18 (reduction of share capital)** Godfreys resolves to reduce its share capital in any way;
- 9.1.19 (buy-back)** Godfreys:
 - 9.1.19.1** enters into a buy-back agreement; or
 - 9.1.19.2** resolves to approve the terms of a buy-back agreement under the Corporations Act;
- 9.1.20 (issuing shares or options)** a member of the Godfreys Group:
 - 9.1.20.1** issues shares;
 - 9.1.20.2** grants an option over its shares; or
 - 9.1.20.3** agrees to make an issue of shares or grant an option over its shares, in each case to a person outside the Godfreys Group;
- 9.1.21 (convertible notes)** a member of the Godfreys Group issues, or agrees to issue, convertible notes;
- 9.1.22 (disposals)** a member of the Godfreys Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;
- 9.1.23 (charges)** a member of the Godfreys Group charges, or agrees to charge, the whole or a substantial part of its business or property;
- 9.1.24 (winding up)** a member of the Godfreys Group resolves to be wound up;
- 9.1.25 (insolvency matters)** one of the following happens:
 - 9.1.25.1** a liquidator or provisional liquidator of a member of the Godfreys is appointed;
 - 9.1.25.2** a court makes an order for the winding up of a member of the Godfreys Group;
 - 9.1.25.3** a member of the Godfreys Group executes a deed of company arrangement;
 - 9.1.25.4** a receiver, or receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of a member of the Godfreys Group;
- 9.1.26 (distribution)** Godfreys makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie);
- 9.1.27 (securities or other instruments)** a member of the Godfreys Group:
 - 9.1.27.1** issues securities or other instruments convertible into shares or debt securities; or
 - 9.1.27.2** agrees to issue securities or other instruments convertible into shares or debt securities,
 - 9.1.27.3** in each case to a person outside the Godfreys Group;
- 9.1.28 (constitution)** a member of the Godfreys Group adopts a new constitution or modifies or repeals its constitution or a provision of it;
- 9.1.29 (acquisitions, disposals or tenders)** a member of the Godfreys Group:
 - 9.1.29.1** acquires or disposes of;
 - 9.1.29.2** agrees to acquire or dispose of; or
 - 9.1.29.3** offers, proposes, announces a bid or tenders for,
 - 9.1.29.4** any material business, asset, interest in a joint venture, entity or undertaking;

9. GLOSSARY

- 9.1.30 (encumbrances)** a member of the Godfreys Group creates any encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- 9.1.31 (board)** any person is appointed to the Godfreys Board, other than those nominated by Arcade;
- 9.1.32 (employment arrangements)** a member of the Godfreys Group:
- 9.1.32.1** materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or
- 9.1.32.2** accelerates the rights of any of its directors or employees to compensation or benefits of any kind,
- other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;
- 9.1.33 (termination or retention payment)** a member of the Godfreys Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to Arcade);
- 9.1.34 (commitments and settlements)** a member of the Godfreys Group:
- 9.1.34.1** enters into any contract or commitment involving revenue or expenditure by the Godfreys Group of more than \$1 million over the term of the contract or commitment;
- 9.1.34.2** terminates or amends in a material manner any contract material to the conduct of the Godfreys Group's business or which involves revenue or expenditure of more than \$1 million over the term of the contract;
- 9.1.34.3** waives any material third party default where the financial impact on the Godfreys Group will be in excess of \$500,000; or
- 9.1.34.4** accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$500,000) less than the full compensation due to Godfreys or a Subsidiary of Godfreys;
- 9.1.35 (capital expenditure)** a member of the Godfreys Group undertakes or agrees to undertake capital expenditure in excess of \$1 million in aggregate;
- 9.1.36 (financial indebtedness)** a member of the Godfreys Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$1 million;
- 9.1.37 (accounting policy)** a member of the Godfreys Group changes any accounting policy applied by them to report their financial position except as required by any law or Regulatory Authority;
- 9.1.38 (tax liability)** Godfreys or any other member of the Godfreys Group does anything that results in a taxable gain for the Godfreys Group by either causing a Subsidiary to cease being a member of the Godfreys Group or causing the Godfreys Group to cease being a Consolidated Group;
- but a Prescribed Occurrence does not include:
- 9.1.38.1** any matter required to be done or brought about by Godfreys which is contemplated by the Offer; or
- 9.1.38.2** any other matter, the undertaking of which Arcade has been notified before the Announcement Date, which was disclosed to ASX before the Announcement Date, which has been approved by Arcade in writing, or which is done by Godfreys or a member of the Godfreys Group in the ordinary course of business.

9. GLOSSARY

Register Date means the date set by Arcade under section 633(2) of the Corporations Act, being 11 April 2018.

Regulatory Approvals means all approvals or consents of a Regulatory Authority that are required by law, regulation or regulatory policy, as are necessary to permit:

9.1.39 the Offer to be lawfully made to and accepted by Godfreys Shareholders; and

9.1.40 the acquisition of the Godfreys Shares by Arcade.

Regulatory Authority includes:

9.1.41 ASX, ASIC, and the Australian Taxation Office;

9.1.42 a Government Agency;

9.1.43 a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and

9.1.44 any regulatory organisation established under statute.

Relevant Interest has the meaning given to that term by section 9 of the Corporations Act.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from Godfreys Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or made by Godfreys or any of its Subsidiaries.

Subsidiaries has the meaning given to that term by section 9 of the Corporations Act.

Superior Proposal means a publicly announced Competing Proposal that, taking into account all aspects of the Competing Proposal, is:

9.1.45 reasonably capable of being completed; and

9.1.46 more favourable to Godfreys Shareholders than the Offer.

Target's Statement means the target's statement, to be prepared by Godfreys in response to this Bidder's Statement.

VWAP means the volume weighted average price of a security.

9. GLOSSARY

9.2 General Interpretation

In this Bidder's Statement, unless the context otherwise requires:

- 9.2.1** headings are for convenience and do not affect the interpretation;
- 9.2.2** words or phrases defined in the Corporations Act have the same meaning in this Bidder's Statement;
- 9.2.3** a reference to a section is a reference to a section of this Bidder's Statement;
- 9.2.4** a singular word includes the plural and vice versa;
- 9.2.5** if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- 9.2.6** a reference to a person includes a corporation, trust, partnership, incorporated or unincorporated body, government and local authority or agency or other entity whether or not it comprises a separate legal entity;
- 9.2.7** a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it; and
- 9.2.8** a reference to '\$' or 'dollar' is to Australian currency.

10. APPROVAL OF BIDDER'S STATEMENT

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Directors of Arcade on 17 April 2018.

Signed by Grant Hancock, Director of Arcade, in accordance with section 351 of the Corporations Act.



Director
Arcade Finance Pty Ltd

SCHEDULE 1 – TERMS OF THE OFFER

1. Offer

- 1.1** Arcade offers, to each other holder of Godfreys Shares on the Register Date, to acquire all of your Godfreys Shares together with all the Rights attaching to them on the terms set out in this Schedule. This Offer extends to any person who is able during the Offer Period to give good title to Godfreys Shares and has not already accepted an Offer for those Godfreys Shares. This Offer extends to all Godfreys Shares that exist at the Register Date.
- 1.2** By accepting this Offer, you undertake to transfer to Arcade not only the Godfreys Shares to which the Offer relates but also all the Rights attached to the Godfreys Shares.
- 1.3** This Offer is dated **24 April 2018**.

2. Offer Price

The Offer Price is \$0.32 cash for each Godfreys Share you own.

3. Offer Period

The Offer will remain open for acceptance during the period commencing on **24 April 2018**, and ending at **7.00 pm** Adelaide time on **24 May 2018**, unless it is withdrawn or extended in accordance with the Corporations Act.

4. How to accept this Offer

All of your holding

This Offer is for all of your Godfreys Shares. You cannot accept the Offer for part only of your Godfreys Shares.

Acceptance procedure for Godfreys' Shareholders

The acceptance procedure will depend on whether your Godfreys Shares are in a CHESS Holding or an Issuer Sponsored Holding.

If you hold your Godfreys Shares in a CHESS Holding

- 4.1** You must comply with the ASX Settlement Operating Rules.
- 4.2** If you are a sponsored CHESS Holder of Godfreys Shares, to accept the Offer you must:
 - 4.2.1** instruct your Controlling Participant to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
 - 4.2.2** complete, sign and send the accompanying Acceptance Form directly to your stockbroker or Controlling Participant; or
 - 4.2.3** complete and sign the Acceptance Form and mail or deliver it to the address below and authorise Arcade to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf;so that your acceptance is processed before the end of the Offer Period.

SCHEDULE 1 – TERMS OF THE OFFER

If you hold your Godfreys Shares in an Issuer Sponsored Holding

If your Godfreys Shares are in an Issuer Sponsored Holding, then to accept this Offer you must complete, sign and return the accompanying Acceptance Form in accordance with the instructions on it and send it by post so that it is received by Arcade's share registry before the end of the Offer Period.

If you are a CHESS Participant

If you are a CHESS Participant, initiate acceptance in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

Mailing and delivery addresses

The mailing address for completed Acceptance Forms is:

Advanced Share Registry Limited
PO Box 1156
Nedlands WA 6909

A reply paid envelope (not able to be used by Godfreys Shareholders outside Australia) is enclosed for your convenience.

Acceptance Form

The Acceptance Form which accompanies this Offer forms part of it. The requirements on the Acceptance Form must be observed in accepting this Offer for your Godfreys Shares.

Power of attorney, deceased estate

When accepting this Offer, you should also forward for inspection:

- if the Acceptance Form is executed by an attorney, the power of attorney; and
- if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased Godfreys Shareholder, the relevant grant of probate or letters of administration.

When acceptance is complete

- 4.3** Acceptance of this Offer will not be complete until the completed Acceptance Form has been received at the address set out above and the requirements of this clause have been met, provided that:
- 4.3.1** Arcade may in its sole discretion waive any or all of those requirements at any time; and
- 4.3.2** where those requirements have been complied with for some but not all of your Godfreys Shares, Arcade may, in its sole discretion, deem your acceptance of this Offer complete in respect of all of your Godfreys Shares.
- 4.4** If your Acceptance Form is returned by post it will be taken as received before the end of the Offer Period if the envelope in which it is sent is postmarked before the end of the Offer Period.

SCHEDULE 1 – TERMS OF THE OFFER

5. Payment of consideration

When consideration is paid

- 5.1** Subject to clause 5.3 of this Schedule 1, you will be paid the consideration you are entitled to within one month of the later of:
- 5.1.1** the date you accept the Offer; and
 - 5.1.2** the date the Offer becomes unconditional.
- 5.2** In any event, you will be paid within 21 days after the end of the Offer Period (assuming all Defeating Conditions of the Offer are satisfied or waived).

Where additional documents are required

- 5.3** Where the Acceptance Form requires additional documents to be given with your acceptance (such as a power of attorney):
- 5.3.1** if the documents are given with your acceptance, Arcade will provide the consideration in accordance with clause 5.1 of this Schedule 1;
 - 5.3.2** if the documents are given after acceptance and before the end of the Offer Period and the Offer is subject to a Defeating Condition at the time that Arcade is given the documents, Arcade will provide the consideration by the end of whichever period ends earlier:
 - 5.3.2.1** within one month after the contract resulting from your acceptance of the Offer becomes unconditional; and
 - 5.3.2.2** 21 days after the end of the Offer Period;
 - 5.3.3** if the documents are given after acceptance and before the end of the Offer Period and the Offer is unconditional at the time that Arcade is given the documents, Arcade will provide the consideration by the end of whichever period ends earlier:
 - 5.3.3.1** one month after Arcade is given the document; and
 - 5.3.3.2** 21 days after the end of the Offer Period; or
 - 5.3.4** if the documents are given after the end of the Offer Period, Arcade will provide the consideration within 21 days after the documents are given, but if at the time Arcade is given the documents, the contract resulting from your acceptance of the Offer is still subject to one or more of the Defeating Conditions, Arcade will provide the consideration within 21 days after that contract becomes unconditional.
- 5.4** If you do not give Arcade the required additional documents within one month after the end of the Offer Period, Arcade may, in its sole discretion, rescind the contract resulting from your acceptance of the Offer.

Where Arcade is entitled to any Rights

If Arcade becomes entitled to any Rights on acceptance of this Offer, you must give Arcade all documents that Arcade needs to give Arcade title to those Rights. If you do not give those documents to Arcade, or if you have received the benefit of those Rights, Arcade will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Arcade) of those Rights.

Payment to be mailed by cheque

Payment of the cash amount to which you are entitled will be mailed by cheque (or otherwise as agreed by Arcade) in Australian currency. Cheques will be sent to the address on the register copy that is supplied to Arcade by Godfreys from time to time by pre-paid ordinary mail or, if you have an overseas address, by pre-paid airmail.

SCHEDULE 1 – TERMS OF THE OFFER

6. Conditions of the Offer

Conditions

- 6.1** This Offer and the contract that results from acceptance of this Offer are subject to fulfilment of the Defeating Conditions.

Nature of conditions

- 6.2** Each of the Defeating Conditions set out in each paragraph and subparagraph of Schedule 2:
- 6.2.1** constitutes and will be construed as a separate, several and distinct condition;
 - 6.2.2** is a condition subsequent; and
 - 6.2.3** until the expiration of the Offer Period will be for the benefit of Arcade alone and may be relied upon only by Arcade.

Conditions apply to multiple events

- 6.3** Where an event occurs that would mean at the time the event occurs a Defeating Condition would not be satisfied, each Defeating Condition affected by that event becomes two separate conditions on identical terms except that:
- 6.3.1** one of them relates solely to that event; and
 - 6.3.2** the other specifically excludes that event.

Arcade may declare the Offer free under clause 6.5 of this Schedule 1 from either of those conditions without declaring it free from the other and may do so at different times. This clause may apply any number of times to a Defeating Condition (including a condition arising from a previous operation of this clause).

Effect of breach or non-fulfilment

- 6.4** The breach or non-fulfilment of any of the Defeating Conditions does not prevent a contract arising to acquire your Godfreys Shares resulting from your acceptance of this Offer. If at the end of the Offer Period, in respect of any Defeating Condition:
- 6.4.1** Arcade has not declared the Offer (and it has not become) free from that Defeating Condition; or
 - 6.4.2** that Defeating Condition has not been satisfied,

all contracts resulting from the acceptance of the Offer and all acceptances that have not resulted in binding contracts are void.

In that case, Arcade will return the Acceptance Form together with all documents to the address shown in the Acceptance Form.

Arcade may decide the Offer is free from all or any of the Defeating Conditions

- 6.5** Arcade may at any time at its sole discretion but in compliance with section 650F and section 630(1) of the Corporations Act, declare the Offer free from all or any of the Defeating Conditions by written notice to Godfreys not later than seven days before the end of the Offer Period.

SCHEDULE 1 – TERMS OF THE OFFER

Date for giving notice on status of Defeating Conditions

- 6.6** The date for giving a notice on the status of the Defeating Conditions as required by section 630(1) of the Corporations Act is the date seven days before the end of the Offer Period, subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

Effect of acceptance

- 6.7** Once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, unless:
- 6.7.1** by the end of the Offer Period, the Defeating Conditions have not all been satisfied or waived in which case, this Offer will automatically terminate; and
 - 6.7.2** the circumstances set out in section 650E of the Corporations Act apply.
- 6.8** By signing and returning the Acceptance Form, you will be deemed to have:
- 6.8.1** irrevocably accepted this Offer (and each variation of this Offer) in respect of all your Godfreys Shares despite any difference between that number and the number of Godfreys Shares shown in the Acceptance Form;
 - 6.8.2** irrevocably authorised Arcade to alter the Acceptance Form on your behalf by:
 - 6.8.2.1** inserting correct details of your Godfreys Shares;
 - 6.8.2.2** filling in any blanks remaining on the Acceptance Form; and
 - 6.8.2.3** rectifying any errors in, and omissions from, the Acceptance Form, as may be necessary to make the Acceptance Form a valid acceptance of this Offer and to enable registration of the transfer of your Godfreys Shares to Arcade;
 - 6.8.3** represented and warranted to Arcade, as a condition of the contract resulting from your acceptance of the Offer, that at the time of acceptance and at the time of transfer to Arcade:
 - 6.8.3.1** you have paid to Godfreys all amounts which are due for payment for your Godfreys Shares;
 - 6.8.3.2** all of your Godfreys Shares are fully paid and free from all mortgages, charges, liens and other encumbrances of any nature; and
 - 6.8.3.3** you have full power and capacity to sell and transfer those Godfreys Shares;
 - 6.8.4** granted to Arcade and each of its Directors power of attorney to execute any document or do any thing on your behalf necessary to cause Godfreys (if relevant) to issue a replacement share certificate for those Godfreys Shares;
 - 6.8.5** agreed to:
 - 6.8.5.1** do anything necessary to ratify any act taken or purported to be taken by Arcade or any of its Directors in accordance with the power of attorney granted by clause 6.8.4 of this Schedule 1; and
 - 6.8.5.2** indemnify Arcade and each of its Directors in respect of that act;

SCHEDULE 1 – TERMS OF THE OFFER

- 6.8.6** from the time of acceptance until the Offer has become unconditional, until the earlier of the withdrawal of your acceptance under section 650E of the Corporations Act or the end of the Offer Period, irrevocably appointed Arcade or any nominee of Arcade as your attorney to exercise all your powers and rights attaching to your Godfreys Shares including (without limitation) to requisition, convene, attend and vote at all general meetings of Godfreys or appoint a proxy or proxies to attend and vote on your behalf at any such meeting, where the passing or defeat of any resolution before the meeting might adversely affect the likelihood of the Offer being successful and to do so in that way which would prevent that effect arising;
- 6.8.7** on this Offer or any takeover contract becoming unconditional, irrevocably appointed Arcade or any nominee of Arcade as your attorney to exercise all your powers and rights attaching to your Godfreys Shares including (without limitation):
- 6.8.7.1** to requisition, convene, attend and vote at all general meetings of Godfreys or appoint a proxy or proxies to attend and vote on your behalf at any such meeting; and
- 6.8.7.2** sign all documents and resolutions relating to your Godfreys Shares and generally to exercise all powers and rights which you may have as a Godfreys Shareholder and perform such actions as may be appropriate in order to vest good title in your Godfreys Shares in Arcade;
- 6.8.8** agreed that in exercising the powers conferred by the power of attorney in clause 6.8.6 of this Schedule 1, Arcade is entitled to act in the interests of Arcade;
- 6.8.9** agreed not to attend or vote in person at any general meeting of Godfreys or to exercise or purport to exercise any of the powers conferred on Arcade or its nominee in clause 6.8.6 of this Schedule 1; and
- 6.8.10** if your Godfreys Shares are in a CHESS Holding and you sign and return the Acceptance Form, irrevocably authorised Arcade:
- 6.8.10.1** to instruct your Controlling Participant to initiate acceptance of this Offer for your Godfreys Shares in accordance with the ASX Settlement Operating Rules; and
- 6.8.10.2** to give any other instructions in relation to your Godfreys Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant.

Withdrawal

- 6.9** Arcade may withdraw unaccepted Offers at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

Variation

- 6.10** Arcade may vary this Offer in accordance with the Corporations Act.

SCHEDULE 1 – TERMS OF THE OFFER

7. Acceptances by transferees and nominees

Who may accept the Offer

7.1 During the Offer Period:

- 7.1.1** any person who is able to give good title to a parcel of Godfreys Shares may accept (if they have not already accepted an offer in the form of this Offer) as if an offer on terms identical with this Offer has been made to that person; and
- 7.1.2** any person who holds one or more distinct parcels of Godfreys Shares as trustee, nominee, or otherwise on account of another person, may accept as if a separate and distinct offer had been made in relation to:
 - 7.1.2.1** each of those distinct parcels; and
 - 7.1.2.2** any parcel they hold in their own right.

Holding shares

7.2 A person is taken to hold Godfreys Shares if the person is, or is entitled to be registered as, the holder of those Godfreys Shares.

Holding shares on trust or as a nominee

- 7.3** A person is taken to hold Godfreys Shares on trust for, as nominee for, or on account of, another person if that person:
- 7.3.1** is entitled to be registered as the holder of Godfreys Shares; and
 - 7.3.2** holds the interest in the Godfreys Shares on trust for, as nominee for, or on account of, that other person.

Effective acceptance

- 7.4** An acceptance of an Offer under clause 7.1.2 of this Schedule 1 is ineffective unless:
- 7.4.1** the person who holds on account of another person, gives that other person written notice stating that the Godfreys Shares consist of a separate parcel; and
 - 7.4.2** the acceptance specifies the number of Godfreys Shares in that parcel.

Notice of acceptance

- 7.5** A notice under clause 7.4.1 of this Schedule 1 must be made in writing.
- 7.6** A person may, at the one time, accept for two or more parcels under this clause as if there had been a single offer for a separate parcel consisting of those parcels.

SCHEDULE 1 – TERMS OF THE OFFER

8. Other matters

Notices and other communications

- 8.1** Subject to the Corporations Act, a notice or other communication given by Arcade to you in connection with this Offer will be deemed to be duly given if it is in writing and:
- 8.1.1** is delivered at your address as recorded on the register of members of Godfreys or the address shown in the Acceptance Form; and
 - 8.1.2** is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

Return of documents

- 8.2** If:
- 8.2.1** this Offer is withdrawn after your Acceptance Form has been sent to Arcade, but before it has been received; or
 - 8.2.2** for any other reason Arcade does not acquire the Godfreys Shares to which your Acceptance Form relates
- Arcade will, at its election, either
- 8.2.3** despatch at your risk your Acceptance Form together with all other documents forwarded by you; or
 - 8.2.4** destroy those documents.

9. Costs and expenses

All costs and expenses of the preparation, despatch and circulation of the Offers and all stamp duty payable for a transfer of Godfreys Shares for which Offers are accepted, will be paid by Arcade.

SCHEDULE 2 - CONDITIONS OF OFFER

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions (Defeating Conditions):

1. **(Minimum acceptance)** Before the end of the Offer Period, Arcade has a Relevant Interest in at least 90 per cent (by number) of the Godfreys Shares.
2. **(all Regulatory Approvals and no regulatory action)** Before the end of the Offer Period:
 - 2.1 the Regulatory Approvals are:
 - 2.1.1 granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;
 - 2.1.2 remain in full force and effect; and
 - 2.1.3 do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them; and
 - 2.1.4 no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
 - 2.1.5 no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
 - 2.1.6 no application is made to any Regulatory Authority (other than by Arcade or any associate of Arcade),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of the Godfreys Shares by Arcade, the rights of Arcade in respect of Godfreys and the Godfreys Shares or the continued operation of the businesses of Godfreys or its Subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).⁴
3. **(No Prescribed Occurrences)** Between the Announcement Date and the end of the Offer Period, no Prescribed Occurrence occurs.
4. **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period, there has not occurred, been announced, or become known to Godfreys, any Material Adverse Change.
5. **(General market fall)** The S&P/ASX All Ordinaries Index is, for a period of three consecutive trading days on ASX between the Announcement Date and the end of the Offer Period, not lower than 85 per cent of the level of that index as at the close of normal trading on ASX on the Announcement Date.
6. **(Third party consents)** If a member of the Godfreys Group is a party to, is bound by, or is subject to, an agreement, arrangement or understanding pertaining to the occupancy of premises by a member of the Godfreys Group or to the supply by a third party of products or services to a member of the Godfreys Group which as a result of the acquisition of the Godfreys Shares by Arcade under the Offer, or a change of control of Godfreys as a result of the Offer, entitled another person (**Third Party**) to exercise any rights (including termination rights or pre-emptive rights), and the exercise of those rights would have a material adverse effect on the assets, liabilities, financial position or performance or the prospects of the Godfreys Group (taken as a whole), then before the end of the Offer Period, the Third Party:
 - 6.1 does not exercise, propose to exercise, or state an intention or claim a right to exercise, those rights; and
 - 6.2 gives its consent or waiver to the relevant event.

⁴Arcade intends to waive this condition number 2 within 7 days after the Offer Date.

CORPORATE DIRECTORY

Company

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