

## Appendix 4E

### Godfreys Group Limited ACN 602 722 985

#### Reporting Period

|                            |                         |
|----------------------------|-------------------------|
| Reporting Period:          | Year ended 1 July 2016  |
| Previous Reporting Period: | Year ended 26 June 2015 |

#### Results for announcement to the market

|                                      |      |       |    | \$'000  |
|--------------------------------------|------|-------|----|---------|
| Revenue from ordinary activities     | down | 0.9%  | to | 179,296 |
| Statutory Net Profit After Tax (i)   | down | 35.5% | to | 7,766   |
| Underlying Net Profit After Tax (ii) | down | 20.0% | to | 9,195   |
| Underlying EBITDA (ii)               | down | 23.3% | to | 17,519  |

#### Dividend information

| Dividends – ordinary shares   | Amount per ordinary share (cents) | Franked amount per ordinary share (%) |
|---|-----------------------------------|---------------------------------------|
| <b>Current Period:</b> <ul style="list-style-type: none"><li>2016 Final dividend</li><li>2016 Interim dividend</li></ul>  | 3.8<br>7.5                        | 40%<br>40%                            |
| <b>Previous Corresponding Period:</b> <ul style="list-style-type: none"><li>2015 Final dividend</li><li>2015 Special dividend</li><li>2015 Interim dividend</li></ul> | 12.8<br>2.6<br>-                  | 30%<br>0%<br>-                        |
| Record date for determining entitlements to the dividend  |                                   | 23 September 2016                     |
| The Company does not operate a dividend reinvestment plan   |                                   |                                       |

#### Net tangible assets per security

|                                  | 1 July 2016 | 26 June 2015 |
|----------------------------------|-------------|--------------|
| Net tangible assets per security | \$0.20      | \$0.34       |

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

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

A reconciliation of Statutory NPAT to Underlying NPAT is as follow:

| \$'000                                      | 1 July 2016  | 26 June 2015  |
|---|--------------|---------------|
| <b>Statutory NPAT</b>                       | <b>7,766</b> | <b>12,044</b> |
| 2014 IPO – Offer costs and Management bonus | 1,032        | 5,908         |
| Management restructure                      | 519          | -             |
| Relocation costs                            | 490          | 543           |
| Break fee on repayment of borrowings        | -            | 1,020         |
| Impact of first time adopt hedge accounting | -            | (427)         |
| Tax consolidation & adjustments             | (612)        | (7,598)       |
| <b>Underlying NPAT</b>                      | <b>9,195</b> | <b>11,490</b> |

Refer to the Operating and Financial Review in the attached Directors' Report for further discussion of results.

**Details of entity over which control has been gained during the period:**

Name of the entity: The Service Company Limited

Date gain of control: 29 February 2016

**Information on audit**

This report is based on accounts that have been audited.

Additional Appendix 4E disclosure requirements can be found in the notes to the financial statements and the Directors' Report.



ANNUAL REPORT

2016



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**Godfreys is an iconic Australian brand with a trading history spanning more than 80 years. The Company is one of the largest speciality retailers of domestic and commercial floorcare and associated cleaning products in Australia and New Zealand. This includes the sale of products to the domestic and commercial markets via retail, wholesale and online channels. Key product categories offered include vacuum cleaners, carpet shampoo machines, steam cleaners, general cleaning merchandise, accessories, repairs and services.**

**The Company offers an extensive range of Company-owned brands (including Sauber, Wertheim and Pullman), an exclusively licensed brand (Hoover) and third party brands (such as Vorwerk (exclusive), Shark, Bissell, Miele and Electrolux).**

**Godfreys currently has 222 stores (141 Company-owned and 81 franchised). The stores are located predominantly in shopping centres and retail shopping strips as well as stand-alone superstores.**

# A clear path

made with  
the best brands

## Company-owned brands



## Licensed brands



## Third party brands





Go the distance

**Dear fellow shareholders,**  
**On behalf of the Board of Godfreys ('Company' or 'Godfreys'), I am pleased to present the Company's Annual Report for the year ended 1 July 2016.**

**Review of Performance**

The 2016 financial year has been a challenging one in the short history of Godfreys as an Australian Securities Exchange listed company. Shareholders would be well aware that in January we announced a disappointing first-half profit result and revised our full-year outlook downwards.

As we outlined at the time, the result was caused by execution challenges at an operational level, and specifically our failure to capitalise on a significant market shift away from barrel vacuum cleaners to stick vacuum cleaners ('stickvacs'). Accordingly, we were late to market with our expanded stickvac product range and did not fully capitalise on this significant shift in the market.

The announcement was a major disappointment to our shareholders and the Board accepts we have work to do to win back the trust of our shareholders. We have acted decisively to begin the process of restoring Godfreys to an acceptable level of financial performance. While we were naturally disappointed in the departure of Kathy Cocovski after such a short period as Chief Executive Officer, the subsequent appointment of highly experienced retail executive John Hardy as Interim Managing Director in July 2016 puts the management of the business in highly experienced hands.

John has over 50 years' experience in the retail sector, having held senior roles at Barbeques Galore and Super Amart, and he was most recently CEO of Fusion Retail Brands (formerly Colorado) which owns footwear brands Diana Ferrari, Mathers, Williams and Colorado. His experience within the Godfreys business spans the Company's retail network, international manufacturing relationships, sales and marketing, our franchise network and wholesale business.

As a retail industry veteran John brings to Godfreys a deep knowledge of the Australian market and particularly the industry in which we operate and the Board has confidence in his ability to restore Godfreys' business, bringing recognised turnaround skills to the Company. His long history with Godfreys, including several decades in senior management positions, means that he has hit the ground running and is already bringing about much needed change.





# CHAIRMAN'S LETTER (CONT.)



## Underlying Financial Performance

- Sales \$179.3 million
- Operating Gross Profit \$97.1 million
- Underlying EBITDA \$17.5 million
- Underlying NPAT \$9.2 million
- Comp store growth -9.7%

During the year, we opened 15 new stores, closed 5 underperforming stores and launched 43 new products. This demonstrates the strength of Godfreys' product development capabilities, which will continue to be a foundation for the business. We have been pleased with the performance of our new 'We are Clean' concept stores, which pave an exciting future direction for the look and feel of our store portfolio.

We also see potential in the trend towards environmentally friendly products and in February announced the expansion of our commercial cleaning business with the acquisition of New Zealand based eco-friendly cleaning supplies business, The Service Company. We look forward to developing this side of the business in a growing market in Australia, which is estimated at \$500 million.

## Dividend

The Directors declared a final dividend of 3.8 cents per share, of which 1.5 cents is fully franked and 2.3 cents is unfranked. FY2016 dividend represents a 50% payout of the Company's underlying NPAT.

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.

## People

Our people are our greatest strength in this business. I would like to thank all of my colleagues for their dedication during the period and for their hard work as we continue to work to restore the performance of the business.

I also thank our suppliers and customers for their continued support and look forward to continuing our relationship in FY2017.

## Outlook

The fundamentals of the Godfreys business remain sound. We have an iconic brand built over more than 80 years' and the Company operates in a market that continues to demonstrate solid growth. We hold a sound position as one of the largest specialist retailers of domestic and commercial floorcare, with a suite of our own, licensed and third party brands. Our financial position remains solid, Godfreys continues to generate solid cash flows and our balance sheet is healthy with gearing levels consistent with previous years.

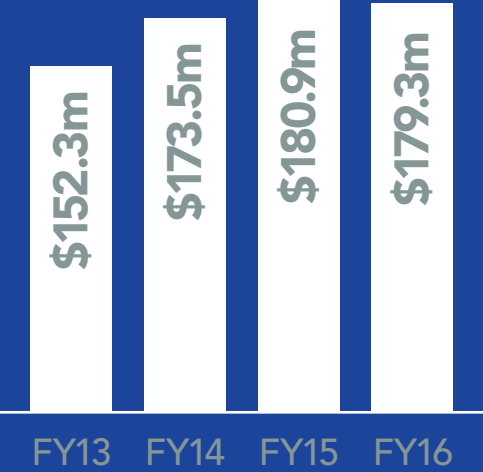
While we remain cautiously optimistic, the business continues to face numerous challenges and there is much work to be done. The Board is confident that the management team under the leadership of John Hardy is taking the steps necessary to place the Company on a solid footing for long-term growth.

Sincerely,

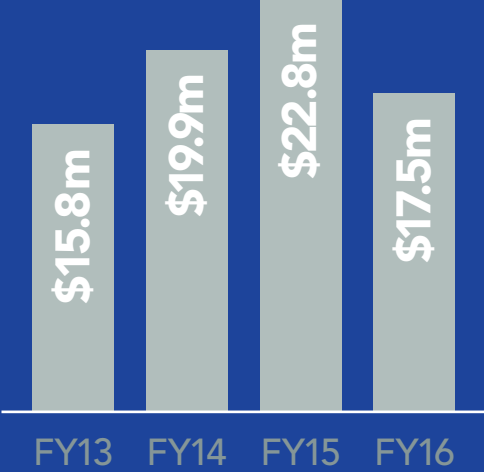
Rod Walker  
Chairman

UNDERLYING FINANCIAL HIGHLIGHTS

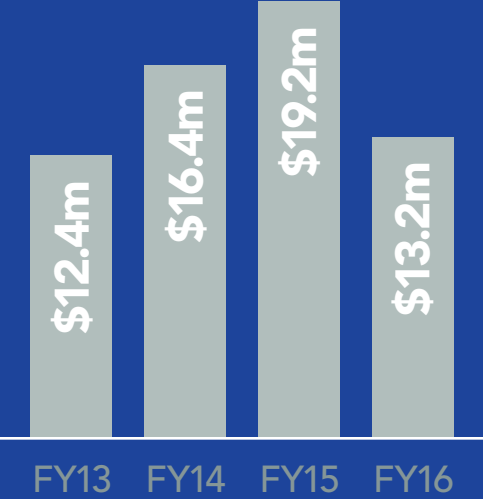
SALES



EBITDA



EBIT



NPAT



**Dust**  
meets its match  
with the Lithium Upright  
Cordless Boost Vacuum



# From 1931



# to 2016

## A PROUD HISTORY

# Godfreys is an iconic Australian brand, with a trading history spanning more than 80 years

The Company is one of the largest speciality retailers of domestic and commercial floorcare and associated cleaning products in Australia & New Zealand, with a long history in the region.

The Company was founded from humble beginnings by Godfrey Cohen in 1931 during the Great Depression. At the time vacuum cleaners were sold door-to-door and could not be purchased in stores in Australia, thus Godfrey began selling reconditioned vacuum cleaners through his father's furniture store in Bourke Street, Melbourne.

In 1936 Godfrey met his future business partner, 19 year old sales clerk John Johnston. Together with John, Godfrey opened his first store in Prahran, Melbourne; and continued to revolutionise the vacuum cleaner business in Australia. Over the years, the business grew from strength to strength and the Godfreys brand became synonymous with vacuum cleaners.

Godfreys has sold millions of vacuum cleaners and continues to lead the market through continuous product innovation, a clear strategy for product development and a strong sales culture focused on continuous training. Innovation is in the Company's DNA and is a key platform of its strategy.

In 2004, Godfrey passed away following a spectacular business career. Today John, now 98 years old, remains the main major shareholder of Godfreys. John is the longest-serving contributor to Australia's vacuum cleaning industry.

Godfreys successfully completed an IPO in 2014 to underpin the next phase of the Company's expansion drive, listing on the Australian Securities Exchange in December 2014.

In February 2016, Godfreys expanded its commercial cleaning business with the acquisition of eco-friendly cleaning supplies business, The Service Company. Based in New Zealand, The Service Company supplies a large range of high performance cleaning products to businesses and government with a specific emphasis on environmentally friendly products.

Godfreys now has a multichannel offering, selling its innovative range of products through 222 branded retail stores (141 company-owned; 81 franchised), as well as through wholesale channels via a range of retail outlets and an online platform.

Godfreys sees ongoing growth in its industry sector, with continued product innovation and new category growth, underpinned by a seismic shift in the market towards consumers' desire for overall personal health and wellness.

RETAIL STORE NETWORK

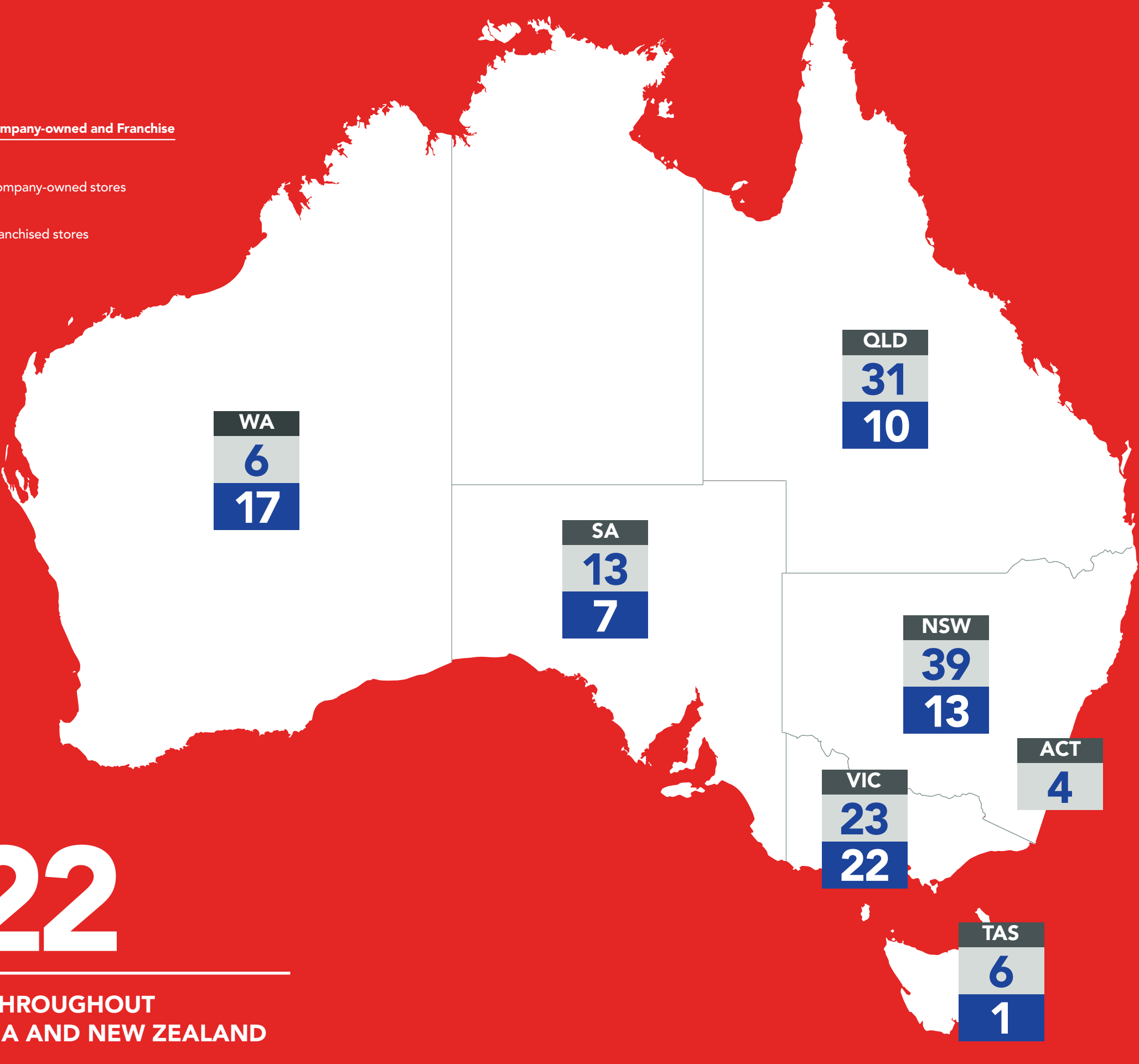
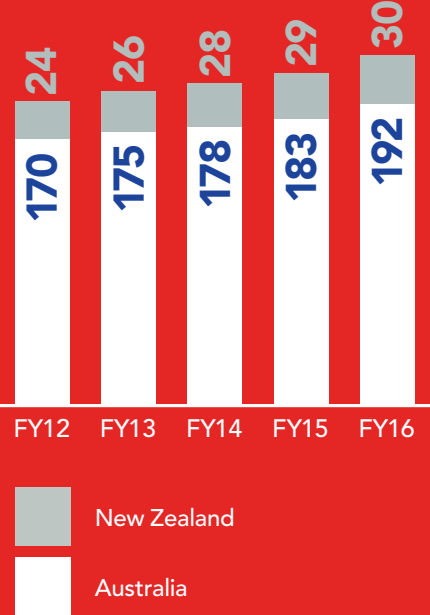
Store Format – Company-owned and Franchise



222

STORES THROUGHOUT AUSTRALIA AND NEW ZEALAND

Stores by Country







Rod Walker

Non-Executive Chairman



Member of the Audit & Risk Management Committee

Member of the Nomination and Remuneration Committee

Rod Walker was appointed Chairman of Godfreys Group Limited (then known as International Cleaning Solutions Group 'ICSG') in December 2009.

Rod has over 30 years' retail experience working in Australia, the USA and Canada. Rod currently serves as Chairman on the Boards of The PAS Group Limited, Carpet Court Australia, Bendalls Group and Angus Knight Pty Ltd., as well as being a Group Chairman within the CEO Circle.

Former appointments over the past 10 years include Chairman and Non-Executive Director roles on the Boards of Bras N Things, Rebel Sport, Immune System Therapeutics, Witchery Fashions, RED Group Retail, Steinhoff International Holdings, Amber Group and Endless Rewards. His last fulltime Executive role was as Managing Director of the Freedom Group.

John Hardy

Interim Managing Director & Executive Director



John Hardy was appointed to the Godfreys Group Limited Board on 24 March 2016 as Non-Executive Director. John was appointed Interim Managing Director on 6 July 2016.

John has over 50 years' experience in the Australian retail sector, having held senior roles at Barbeques Galore and Super Amart. He was most recently CEO of Fusion Retail Brands (formerly Colorado), which owns footwear brands Diana Ferrari, Mathers, Williams and Colorado. John has also previously held senior management roles within the Company, bringing a working knowledge of the Godfreys business.

Tom Krulis

Non-Executive Director



Tom Krulis was appointed Managing Director of Godfreys Group Limited (then known as ICSG) in December 2011. Tom was appointed Executive Director on 27 January 2016 after his resignation as Managing Director.

He became Non-Executive Director of the Company on 5 August 2016.

Tom joined Godfreys as a salesperson in 1985 and his outstanding performance and passion for the business saw him progress to Joint General Manager in 1989. In 1993, Tom was appointed Managing Director of AVCC (a subsidiary of the Company), whilst developing the Godfreys superstore concept. Prior to joining Godfreys, Tom was a corporate lawyer at Freehills and had corporate advisory role at the Australian Bank (now Australia and New Zealand Banking Group Limited).

Brendan Fleiter

Non-Executive Director



Chairman of the Audit & Risk Management Committee

Member of the Nomination and Remuneration Committee

Brendan Fleiter was appointed to the Godfreys Group Limited Board in November 2014.

Brendan has over 25 years' business experience including as Chairman, and Non-Executive Director over the past 15 years on the Boards of ASX listed public companies, large private and unlisted public companies, large Government Business Enterprises and not-for-profit and philanthropic organisations in sport, public health and education.

Brendan has also held senior management roles in national retail and telecommunications companies in Australia. Prior to his management roles, Brendan spent 15 years in the legal profession practising in commercial law.

Brendan is also the Deputy Chairman of Australia Post, Chairman of Kennards Hire, Chairman of Walnut Melbourne, Deputy Chair of Methodist Ladies' College and a member of its Foundation. He is a Non-Executive Director of Interactive, Volleyball Victoria, Our Neighbourhood Foundation and Australian Food Allergy Foundation.

Sue Morphet

Non-Executive Director



Chairman of the Nomination and Remuneration Committee

Member of the Audit & Risk Management Committee

Sue Morphet was appointed to the Godfreys Group Limited Board on 13 January 2015.

Sue has over 25 years' of brand management and retail experience across Australia and New Zealand. Sue was previously CEO of Pacific Brands Limited from December 2007 to September 2012, having worked in that organisation for 17 years, most notably as Group General Manager of Bonds. She has also held senior sales and marketing roles at Sheridan and Herbert Adams.

Sue is currently a Non-Executive Director of Asaleo Care Limited, Fisher & Paykel Appliances Holdings Limited, Noni B and is the Chairman of National Tiles. Previously, Sue was Chairman of Manufacturing Australia (2013-2015).



# Breathe easy

**The Vorwerk  
Kobold VK150**  
Included in the National  
Asthma Council's elite  
Sensitive Choice program

## DIRECTORS' REPORT

The Directors of Godfreys Group Limited ('Company') submit the annual report of Godfreys Group Limited and its subsidiaries ('Group') for the financial year ended 1 July 2016.

### Information about the Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

#### Rod Walker

##### Non-Executive Chairman

Rod Walker was appointed Chairman of Godfreys Group Limited (then known as International Cleaning Solutions Group 'ICSG') in December 2009.

Rod has over 30 years' retail experience working in Australia, the USA and Canada. Rod currently serves as Chairman on the Boards of The PAS Group Limited, Carpet Court Australia, Bendalls Group and Angus Knight Pty Ltd., as well as being a Group Chairman within the CEO Circle.

Rod is a member of the Audit & Risk Management Committee and the Remuneration and Nomination Committee.

##### Other current Directorships of other listed companies:

The PAS Group Limited.

#### Kathy Cocovski

##### Chief Executive Officer & Executive Director

Kathy Cocovski was appointed Chief Executive Officer ('CEO') of Godfreys Group Limited in January 2016 and resigned as CEO and Executive Director on 6 July 2016.

##### Other current Directorships of other listed companies: None

#### Tom Krulis

##### Non-Executive Director

Tom Krulis was appointed Managing Director of ICSG in December 2011, appointed Managing Director of Godfreys Group Limited on 6 November 2014. Tom was appointed Executive Director on 27 January 2016 after his resignation as Managing Director. He became a Non-Executive Director of the Company on 5 August 2016.

##### Other current Directorships of other listed companies: None

#### Jon Brett

##### Non-Executive Director

Jon Brett was appointed to the Godfreys Group Limited Board on 6 November 2014, prior to which he had been a member of the ICSG Board since September 2013. Jon resigned from the Board on 29 July 2016.

Jon was Chairman of the Audit & Risk Management Committee from 6 November 2014 until his resignation on 29 July 2016.

##### Other current Directorships of other listed companies:

Vocus Communications Limited, The PAS Group Limited.

#### Sue Morphet

##### Non-Executive Director

Sue Morphet was appointed to the Godfreys Group Limited Board on 13 January 2015.

Sue is Chairman of the Remuneration and Nomination Committee since 29 July 2016 and is a member of the Audit and Risk Management Committee on the same date.

Sue was a member of the Remuneration and Nomination Committee from 13 January 2015, became Chairman of Remuneration and Nomination Committee.

##### Other current Directorships of other listed companies:

Noni B Limited, Asaleo Care Limited.

#### Brendan Fleiter

##### Non-Executive Director

Brendan Fleiter was appointed to the Godfreys Group Limited Board on 6 November 2014.

Brendan is Chairman of the Audit and Risk Management Committee since 29 July 2016 and is a member of the Remuneration and Nomination Committee.

Brendan was Chairman of the Remuneration and Nomination Committee from 6 November 2014 to 29 July 2016.

##### Current Directorships of other listed companies: None

#### John Hardy

##### Non-Executive Director

John Hardy was appointed to the Godfreys Group Limited Board on 24 March 2016 as Non-Executive Director, appointed Interim Managing Director of the Company on 6 July 2016.

##### Other current Directorships of other listed companies: None





Company Secretary

Sophie Karzis was appointed Company Secretary of the Group on 2 February 2015. Sophie Karzis is a practising lawyer with over 15 years’ experience as a corporate and commercial lawyer, and company secretary and general counsel for a number of public companies.

Chief Financial Officer

Bernie Bicknell joined Godfreys in February 2010 after holding management roles for the past 40 years in the retail industry. Prior to joining Godfreys, Bernie was CEO of Mitre 10 for four years, prior to which he was the CFO for five years. Bernie has also held positions as National Commercial Manager for Boral Window Systems and CFO for ICI Paints in New Zealand and North America. Bernie is a Certified Practising Accountant (CPA) and a member of the Graduates of the Australian Institute of Company Directors (GAICD).

Principal activities

The Group is a speciality retailer and wholesaler of domestic and commercial floorcare and associated cleaning products in Australia and New Zealand, where sales were made through Group owned stores, franchise outlets and other large retailers.

Operating and financial review

Analysis of results

Statutory consolidated net profit after tax attributable to the owners of the Company (‘Statutory Profit’) for the year ended 1 July 2016 was a profit of \$7.8 million.

The Group’s performance is summarised on an underlying basis below, reflecting the ongoing consolidated operations for the year ended 1 July 2016 and 26 June 2015:

Table with 3 columns: Item, FY 2016 \$'000 (i), FY2015 \$'000 (i). Rows include Sales, Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA'), Earnings before Interest and Tax ('EBIT'), and Net profit after tax ('NPAT').

(i) Refer to the section 'Reconciliation of statutory results to underlying results'.

Sales for the year were \$179.3 million, which represents a 0.9% reduction from FY2015. The key drivers of the decrease in sales were due to the Company’s failure to adequately capitalise on the significant market shift from barrel vacuum cleaners to stickvac product range.

Table with 3 columns: Earnings per share ('EPS'), Year ended 1 July 2016, Year ended 26 June 2015. Rows include Basic earnings per share (cents per share), Diluted earnings per share (cents per share), and Underlying earnings per share (cents per share).

Basic and diluted EPS are calculated as set out in Note 5 to the financial statements.
Basic EPS is calculated based on 40,466,847 weighted average ordinary shares in FY2016 (FY2015: 34,708,031).
Diluted EPS is calculated based on 40,753,797 weighted average ordinary shares in FY2016 (FY2015: 35,594,336).
Underlying EPS is calculated based on an underlying net profit after tax of \$9.2 million divided by the number of shares on issue (40,610,319). Prior year underlying EPS was based on 40,298,056 shares at IPO.

Non-IFRS measures

The Group uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as ‘non-IFRS financial measures’. Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and are not a substitute for those measures.
Because non-IFRS financial measures are not defined by the AASB, they do not have a prescribed meaning and the way that the Group calculates them may be different to the way that other companies calculate similarly titled measures. The principal non-IFRS financial measures that are referred to in this document are as follows:

- EBITDA is earnings before interest, tax, depreciation and amortisation expenses. Because it eliminates the non-cash charges for depreciation and amortisation, EBITDA is useful to help understand the operating cash-generation potential of the business. However, it should not be considered as an alternative to cash flow from operations because it does not reflect actual cash movements, movements in working capital balances or investment in capital expenditure. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and tax charges which are impacted by the capital structure and historical tax position of the Group.
- EBIT is earnings before interest and tax. EBIT eliminates the impact of the Group’s capital structure and historical tax position when assessing profitability, thus making it easier to perform comparable companies’ analysis with respect to profitability.

These non-IFRS financial measures have not been subject to review or audit.

Reconciliation of statutory results to underlying results

The underlying results represent the statutory profit adjusted for items that are material items of revenue or expense that are unrelated to the underlying performance of the business (‘significant items’). The Group believes that presenting underlying profit provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.
The underlying results are presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 ‘Disclosing non-IFRS financial information’.
The underlying results exclude the significant items shown in the table on page 20. These adjustments were predominantly driven by the listing of the Company on the ASX in 2014.

Reconciliation of statutory results to underlying results for FY2016 and FY2015

| Financial year ended   | Note | Sales          |                | EBITDA         |                | EBIT           |                | NPAT           |                |
|--|------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  |      | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Statutory results</b>   |      | <b>179,296</b> | <b>180,933</b> | <b>15,478</b>  | <b>16,824</b>  | <b>11,134</b>  | <b>13,159</b>  | <b>7,766</b>   | <b>12,044</b>  |
| Adjusted for non-recurring items:  |      |                |                |                |                |                |                |                |                |
| – Management restructure   | 1    | –              | –              | 519            | –              | 519            | –              | 519            | –              |
| – Relocation costs   | 2    | –              | –              | 490            | 543            | 490            | 543            | 490            | 543            |
| – IPO retention bonuses paid to Key Management Personnel by share issued                     | 3    | –              | –              | 1,032          | 765            | 1,032          | 765            | 1,032          | 765            |
| – IPO retention bonuses paid to Key Management Personnel management                          | 4    | –              | –              | –              | 1,717          | –              | 1,717          | –              | 1,717          |
| – IPO costs  | 5    | –              | –              | –              | 3,426          | –              | 3,426          | –              | 3,426          |
| – Impact of the first time adoption of hedge accounting policy                               | 6    | –              | –              | –              | (427)          | –              | (427)          | –              | (427)          |
| – Refinancing charge & write off borrowing costs on repayment of borrowings via IPO proceeds | 7    | –              | –              | –              | –              | –              | –              | –              | 1,020          |
| – Tax adjustment   | 8    | –              | –              | –              | –              | –              | –              | (612)          | (7,598)        |
| <b>Underlying results</b>  |      | <b>179,296</b> | <b>180,933</b> | <b>17,519</b>  | <b>22,848</b>  | <b>13,175</b>  | <b>19,183</b>  | <b>9,195</b>   | <b>11,490</b>  |

1. Restructuring costs for the new leadership team.
2. Relocation costs of Head Office, Service and Distribution Centre to Altona. Costs incurred in FY2016 relate to Service and Support Office. FY2015 costs related to Distribution Centre relocation from Port Melbourne to Altona.
3. Share Option expense for Rights issued to Key Management Personnel related to 2014 IPO.
4. Cash bonus paid to Key Management Personnel relate to 2014 IPO per the Prospectus.
5. IPO costs recognised as an expense.
6. Impact of the change in accounting policy to apply hedge accounting from 28 June 2014.
7. Refinancing charge and write-off of borrowing costs in connection with the repayment of fixed-interest borrowings following the IPO.
8. Tax impact of entries for above notes 1 to 7. FY2015 included \$7.1 million of Tax benefit recognised on formation of an Australian tax consolidation group upon IPO that is assessed as recoverable in accordance with AASB 112 'Income Taxes' for inventory valuation.

The following review of performance focuses on underlying EBITDA ('underlying EBITDA') defined as EBITDA before significant items and underlying EBIT ('underlying EBIT') defined as EBIT before significant items.

**Financial performance highlights**

|                                 | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
|---------------------------------|-------------------------------------|--------------------------------------|
| <b>Underlying results</b>       |                                     |                                      |
| Total sales                     | 179,296                             | 180,933                              |
| Operating gross profit          | 97,078                              | 98,817                               |
| Other income                    | 5,461                               | 4,774                                |
| Cost of doing business ('CODB') | (85,020)                            | (80,743)                             |
| Underlying EBITDA (i)           | 17,519                              | 22,848                               |
| Depreciation and amortisation   | (4,344)                             | (3,665)                              |
| Underlying EBIT (i)             | 13,175                              | 19,183                               |

(i) Refer to the section 'Reconciliation of statutory results to underlying results for FY2016 and FY2015'.

Underlying EBITDA for the year ended 1 July 2016 was \$17.5 million compared with \$22.8 million for the prior corresponding period.

The statutory and underlying EBITDA and underlying EBIT by segment is presented in the following table:

|                               | EBITDA / EBIT<br>(Statutory)        |                                      | EBITDA / EBIT<br>(Underlying)       |                                      |
|-------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|
|                               | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
| Australia                     | 13,929                              | 14,877                               | 15,970                              | 20,901                               |
| New Zealand                   | 1,528                               | 1,995                                | 1,528                               | 1,995                                |
| Unallocated                   | 21                                  | (48)                                 | 21                                  | (48)                                 |
| <b>EBITDA</b>                 | <b>15,478</b>                       | <b>16,824</b>                        | <b>17,519</b>                       | <b>22,848</b>                        |
| Depreciation and amortisation | (4,344)                             | (3,665)                              | (4,344)                             | (3,665)                              |
| <b>EBIT</b>                   | <b>11,134</b>                       | <b>13,159</b>                        | <b>13,175</b>                       | <b>19,183</b>                        |

**Net finance costs**

Net finance costs of \$0.9 million were incurred in FY2016. This represents a decrease of \$3.2 million on the prior year, as a result of the change in debt structure following the IPO.

|   | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
|---|-------------------------------------|--------------------------------------|
| <b>Income tax expense</b>                 |                                     |                                      |
| Statutory income tax (expense)/benefit    | (2,492)                             | 2,973                                |
| Income tax benefit from significant items | (612)                               | (7,598)                              |
| Underlying tax expense                    | (3,104)                             | (4,625)                              |
| Statutory effective tax rate              | 24.3%                               | (32.8%)                              |
| Underlying effective tax rate             | 25.2%                               | 28.7%                                |

The statutory effective tax rate for FY2016 of 24.3% is lower than the statutory corporate tax rate of 30% due to favourable movement of deferred tax benefit recognised in FY2016.



Financial position highlights

Property, plant and equipment of \$16.5 million (FY2015: \$14.5 million) reflects \$2.0 million in additions as part of the rollout of 13 new Company-owned stores during the year.

Intangible assets of \$96.5 million (FY2015: \$91.9 million), represents an increase of \$4.6 million. This increase is a result of investment in new ERP software and recognition of goodwill on the acquisition of The Service Company Limited on 29 February 2016.

The Group raised an additional \$3.0 million of bank debt in February 2016 in order to acquire The Service Company in New Zealand. Total bank debt is \$23 million as at 1 July 2016 (FY2015: \$20 million). In addition, the Group has access to a working capital facility of \$10.5 million of which \$1.6 million was utilised to provide letters of credit and guarantees, \$0.5 million for a credit card facility and the remaining amount of the facility of \$8.4 million is undrawn as at 1 July 2016.

The Group has access to \$42.1 million (FY2015: \$44.0 million) of cash and assets readily convertible to cash as at 1 July 2016, made up of:

- Cash and cash equivalents of \$1.5 million (FY2015: \$13.8 million)
- Inventory of \$35.0 million (FY2015: \$25.0 million)
- Trade and other receivables of \$5.6 million (FY 2015: \$5.2 million).

During FY2016, the Group used cash and assets readily convertible to cash consistent with the Group’s objectives.

**Outlook**

The Board believes the Company is well placed to deliver moderate growth in FY2017, resulting from the following key growth drivers:

- Sales are expected to benefit from:
  - significant improvement in LFL growth over FY2016 on the existing store network;
  - the full year impact of the net new 10 stores which were opened in 2016;
  - plans to open at least 5 new stores;
  - continued growth in online sales.
- Expanded ranges especially in the key areas of backpack and stickvacs.
- Continued roll out of the premium range of Vorwerk products.
- The expansion of the ‘Click and Collect’ offer, which will enable customers to pay online and collect, at their convenience, from any Godfreys’ store.
- Integration of NZ commercial products acquisition with Australian commercial product offer.

Future developments

Certain likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to the period ended 1 July 2016 are referred to in the preceding Operating and Financial Review. No additional information is included on the likely developments in the operations of the Group and the expected results of those operations as the Directors reasonably believe that the disclosure of such information would likely result in unreasonable prejudice to the Group if included in this report and it has therefore been excluded in accordance with section 299(3) of the Corporations Act 2001.

**Material business risks**

There are a number of factors, both internal and external, which may impact the Group’s operating and financial performance in future periods. The Group’s performance is sensitive to changes in economic and retail conditions as well the cyclical patterns of consumer spending in Australia and New Zealand. Macro-economic factors which may impact the operating and financial performance of the Group include inflation rates, interest rates, government policies and exchange rate.

Specific material business risks facing the Company have been considered below:

**Retail environment and discretionary consumer spending**

Godfreys’ financial performance is sensitive to changes in economic and retail conditions in Australia and New Zealand and the cyclical trends of consumer spending.

In addition, competition in the floorcare and associated cleaning products market is based on a variety of factors including product offering range, price, advertising, new stores, store location, store appearance, product presentation and customer service. Godfreys’ competitive position may be impacted by actions of the existing competitors and the entry of new competitors.

The Directors believe that the Company is a well-established business model with clear strategies which will ensure it remain highly competitive and appealing to consumers.

**Exchange rates**

Godfreys is exposed to the exchange rate movements, in particular movements in the A\$/US\$ rate and A\$/EUR rate. Given a large proportion of Godfreys payments for inventory is made in foreign currency, primarily US dollars and the Euro, movement in exchange rates impact on the amounts paid for purchases. Godfreys mitigates against movements in exchange rates by hedging a significant proportion of its inventory purchases made in foreign currencies through forward exchange contracts.

Government and regulatory factors

Government or regulatory policies may change, which could have an impact on the economic environment, general market conditions or the retail industry. Depending on the nature of any such changes, it may adversely impact the operations or financial performance of Godfreys.

**Dividend**

The Directors declared a final dividend of 3.8 cents per share, of which 1.5 cents is fully franked and 2.3 cents is unfranked.

FY2016 full year dividends represent approximately 50% payout of the Company’s underlying net profit after tax. The final dividend is to be paid on 13 October 2016. The record date is 23 September 2016.

Changes in state of affairs

There have been no significant changes in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

**Subsequent events**

On 6 July 2016, Kathy Cocovski resigned as Chief Executive Officer and John Hardy was appointed as Interim Managing Director.

On 29 July 2016, Jon Brett resigned as Non-Executive Director.

Directors’ meetings

The following table sets out the number of Directors’ meetings (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director (while they were a Director or committee member).

| Directors       | Board of Directors |          | Remuneration and Nomination Committee |          | Audit and Risk Management Committee |          |
|-----------------|--------------------|----------|---------------------------------------|----------|-------------------------------------|----------|
|                 | Held               | Attended | Held                                  | Attended | Held                                | Attended |
| Rod Walker      | 12                 | 12       | 2                                     | 2        | 2                                   | 2        |
| Kathy Cocovski  | 7                  | 7        | –                                     | –        | –                                   | –        |
| Tom Krulis      | 12                 | 11       | –                                     | –        | –                                   | –        |
| Jon Brett       | 12                 | 12       | –                                     | –        | 2                                   | 2        |
| Sue Morphet     | 12                 | 12       | 2                                     | 2        | –                                   | –        |
| John Hardy      | 4                  | 4        | –                                     | –        | –                                   | –        |
| Brendan Fleiter | 12                 | 12       | 2                                     | 2        | 2                                   | 2        |

Directors’ interests

The following table sets out each Director’s relevant direct and indirect interest in shares and rights or options in shares of the Company as at the date of this report:

| Directors       | Godfreys Group Limited               |                              |
|-----------------|--------------------------------------|------------------------------|
|                 | Fully paid ordinary shares<br>Number | Performance rights<br>Number |
| Rod Walker      | 36,364                               | –                            |
| Tom Krulis      | 3,080,000                            | 141,818                      |
| Brendan Fleiter | 36,364                               | –                            |
| Sue Morphet     | 7,272                                | –                            |
| John Hardy      | –                                    | –                            |

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the Remuneration Report section of this Directors' Report. The term 'key management personnel' refers to those persons having authority and responsibility for the overall planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

Environmental regulations

The Group's operations are not subject to any significant environmental obligations or regulations.

Indemnification of officers and auditors

During the financial period, the Group paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all Executive Officers of the Company and of any related body corporate against a liability incurred by such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such by an officer or auditor.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 28 to the financial statements. The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Management Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included at page 36.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report outlines the remuneration arrangements for the Directors and Executives of the Company and its controlled entities ('Group') in accordance with the Corporations Act 2001 and its Regulations ('Remuneration Report').

Share-based payments have been recognised and disclosed in accordance with AASB 2 'Share-Based Payments'.

The Remuneration Report has been audited by the Group's external auditors, Deloitte Touche Tohmatsu.

The details of the remuneration scheme in place in FY2016 are set out below.

Key Management Personnel

The Board has defined the Key Management Personnel ('KMP') as the Directors and Executives of the Group, with the term 'Executive' defined to mean the following:

| Name               | Position  |
|--------------------|---|
| Ms Kathy Cocovski  | Chief Executive Officer ('CEO'), resigned 6 July 2016   |
| Mr Tom Krulis      | Managing Director ('MD'), resigned 27 January 2016<br>Executive Director, appointed 27 January 2016 |
| Mr Bernie Bicknell | Chief Operating Officer ('COO') and Chief Financial Officer ('CFO')                                 |
| Ms Barbara O'Brien | General Manager – New Product Development   |
| Mr Simon Greig     | General Manager – Retail  |
| Mr Nigel Rostovsky | General Manager – Franchise   |

The CFO/COO and General Managers ('GMs') report directly to the CEO/MD, who reports to the Board. The Executives are responsible for the implementation of the Group's strategies and risk management systems, as well as the day-to-day management of the business.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee ('Committee') is responsible for determining and reviewing compensation arrangements for Directors and Executives. The Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Executives on a periodic basis by reference to relevant market conditions, as well as whether performance targets have been met, with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality board and executives.

Use of Remuneration Consultants

To ensure the Committee is fully informed when making remuneration decisions, it seeks external remuneration advice when considered necessary. Remuneration consultants are engaged by and report directly to the Committee. In selecting remuneration consultants, the Committee considers potential conflicts of interest and requires independence from the Group's KMP as part of their terms of engagement.

The Committee engaged 3 Degrees Consulting in FY2015 to provide recommendations regarding:

- Insights on remuneration trends, regulatory developments and shareholder views;
- Market, industry and role data in relation to key management personnel; and
- Executive incentive schemes.

The fees paid to 3 Degrees Consulting for the remuneration advisory services amounted to \$16,500 in FY2015. While no specific remuneration recommendations were made, the Committee was satisfied the advice received from 3 Degrees Consulting is free from undue influence from KMP to whom the advice related, as the consultants were engaged by and reported directly to the Chairman.

No remuneration consultants were engaged in FY2016 as the Committee did not consider that external advice was warranted during FY2016.





A. Remuneration Strategy

The performance of the Group depends upon the quality of its Directors and Executives. To be successful, the Group must attract, motivate and retain highly skilled Directors and Executives. To this end, the Group adopts the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre Executives;
- Link Executive rewards to the performance of the Group and the creation of shareholder value;
- Establish appropriate and demanding performance hurdles for variable Executive remuneration;
- Meet the Group’s commitment to a diverse and inclusive workplace;
- Promote the Group as an employer of choice; and
- Comply with relevant legislation and corporate governance principles.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

B. Director Remuneration

Non-Executive Director Remuneration

Objective

The Board aims to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

- Aggregate remuneration is determined from time to time by a general meeting in accordance with the Group’s Constitution and the ASX Listing Rules.
- An amount, not exceeding the amount determined, is divided between the Directors on a basis that is reviewed annually.
- When undertaking the annual review process the Board considers advice from the Committee and external consultants as well as fees paid to Non-Executive Directors of comparable companies.
- Superannuation contributions are made by the Group on behalf of Non-Executive Directors in line with statutory requirements and are included in the remuneration package amount allocated to individual Directors.

Non-Executive Directors’ fees and payments are reviewed annually by the Board. Non-Executive Directors’ fees are determined within an aggregate limit (including superannuation contributions) set in accordance with the Group’s Constitution. The Non-Executive aggregate remuneration limit for the year ended 1 July 2016 is \$950,000, unchanged since the IPO listing (‘Listing’).

The rates of fees for Non-Executive Directors, set at the Listing of the Group in FY2015, unchanged during FY2016.

Executive Director Remuneration

Executive Directors are paid for their services as part of their employment contracts. Each Executive Director appointment to the Board is conditional on them being employed by the Group.

C. Executive Remuneration

Objective

The Board aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group. This involves:

- Rewarding Executives for the Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Aligning the interest of Executives with those of shareholders;
- Linking reward with the strategic goals and performance of the Group; and
- Ensuring total remuneration is competitive by market standards.

Structure

There are two main elements to Executive remuneration:

- Fixed remuneration; and
- Variable remuneration comprising the Short Term Incentive Plan (‘STIP’) and the Long Term Incentive Plan (‘LTIP’).

The Committee considers current market conventions when it establishes the proportion of fixed remuneration and variable remuneration elements. The Committee reviews remuneration annually. This review includes a review of the Group and individual performance, relevant comparative remuneration in the market and internal and external advice on policies and practices where necessary.

Fixed Remuneration

Fixed remuneration consists of the base salary plus any superannuation contributions paid to a complying superannuation on the Executive’s behalf, and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments.

Variable Remuneration (linking performance to remuneration)

Variable remuneration in the form of a STIP and a LTIP are linked to performance to retain high calibre Executives by motivating them to achieve performance goals which are aligned to the Group’s interest.

Executive Short Term Incentive Plan (‘STIP’) STIP for FY2016

The objective of the STIP is to link Executive remuneration to the achievement of the Group’s annual operational and financial targets. For FY2016 the STIP for all Executive members of the KMP, other than Kathy Cocovski was 75% based on the Group’s targeted earnings before interest, taxes, depreciation and amortisation (‘Target EBITDA’) and 25% based on the individual Executive’s achievement of personal KPIs.

STIP entitlements were expressed as a percentage of a participant’s total fixed remuneration and are based on a scale of predetermined targets. STIP entitlements are activated only when minimum performance thresholds are satisfied.

The STIP entitlements as a percentage of Total Fixed Remuneration (‘TFR’) have been revised to those shown in the below tables:

| STIP Assessment Framework                   |  |  |                   |                 |
|---|--|--|-------------------|-----------------|
| Performance Gateway                         |  | Scorecard – percentage weighting of KPI components |                   |                 |
|   |  | Financial KPI                                      | Non-financial KPI |                 |
|   |  | Target EBITDA                                      | Individual KPI    |                 |
|   |  | Executive  | EBITDA            | Project success |
| Achievement of Group EBITDA Target          |  | MD   | 75%               | 25%             |
|   |  | COO / CFO  | 75%               | 25%             |
| Individual Executive 'meeting expectations' |  | GMs  | 75%               | 25%             |
|   |  |  |                   |                 |
| KPI (i)                                     |  | Target   | Maximum           |                 |
| Target EBITDA                               |  | 100%   | 110%              |                 |
| Individual KPI                              |  | 100%   | 100%              |                 |
|   |  |  |                   |                 |
| % TFR (ii)                                  |  | Target   | Maximum           |                 |
| MD  |  | 40%  | 80%               |                 |
| COO / CFO                                   |  | 30%  | 60%               |                 |
| GMs   |  | 20%  | 40%               |                 |

(i) Entitlements are activated only when the threshold on both KPIs are satisfied.  
(ii) STI vests on a pro rata, straight line basis for performance between Threshold and Maximum.



Executive Long Term Incentive Plan (‘LTIP’)

The objective of the LTIP is to reward Executives through aligning this element of remuneration with accreditation in long term shareholder wealth. It also aims to support the retention of Executives through the issuance of unlisted rights over ordinary shares in the Group at an exercise price equal to the then market value of the shares (‘Performance Rights’).

The LTIP was approved by the Board and implemented on 10 December 2014. Effective 31 December 2014 the LTIP has operated as set out below.

Awards under the LTIP are issued annually at the discretion of the Board based on a 3-year performance period (‘Performance Period’) and subject to satisfaction of:

- Relative Total Shareholder Return (‘TSR’) and
- Continued Service with the Group for duration of the Performance Period.

Participants must be employed on the last day of the Performance Period for an entitlement to vest.

Total shareholder return (‘TSR’)

LTIP awards are based on a TSR performance hurdle relative to the S&P/ASX 200 Consumer Discretionary Index over the 3-year performance period (‘TSR Performance Rights’). TSR is used as the sole LTIP measures by around 50% of ASX100-200 companies, and is the measure most strongly supported by shareholders and proxy advisors. The use of TSR provides strong alignment between LTIP participants and shareholders, generally seen as a key objective of LTI Plans. At the end of each Performance Period, the growth in the Group’s TSR over the Performance Period will be compared with the growth in TSR over the same period of the comparator group of entities and the Group relative ranking will be determined. The comparator group companies are listed Australian retail companies within the ASX200 selected by the Board. The Group’s Board will review this comparator group annually.

Unless the Board determines otherwise, the share prices used to calculate the TSR of the Group for a Performance Period will be measured as follows:

- The opening share price will be the volume weighted average price on the ASX in respect of the Group for the 10 trading days ending on the first day of the Performance Period; and
- The closing share price will be the volume weighted average price on the ASX in respect of the Group for the 10 trading days ending on the last day of the Performance Period.

The TSR performance targets and corresponding percentage of the maximum number of TSR Performance Rights that would vest under the LTIP are as follows:

| Group’s TSR percentile ranking relative to S&P/ASX 200 Consumer Discretionary Index over performance period | Percentage of TSR performance rights vesting |
|---|--|
| Below median of comparator group  | Nil  |
| Median of comparator group  | 50%  |
| Between the median and 75th percentile  | Pro rata straight line between 50% and 100%  |
| 75th percentile or above  | 100%   |

The 3-year performance period under the LTIP is from 10 December 2014 to 30 June 2017. Prior to this time, there was no LTIP in place.

Rights vest over a 3-year period based on the achievement of total shareholder return provided that the recipient is eligible. Other terms and conditions of Performance Rights arrangements affecting remuneration of KMP in the current financial year or future financial years:

| Rights Series | Grant Date  | Grant Date Fair Value | Exercise Price | First Exercise Date | Expiry Date (last exercisable date) |
|---------------|-------------|-----------------------|----------------|---------------------|-------------------------------------|
| Total         | 10 Dec 2014 | 1.41                  | nil            | 30 Jun 2017         | 30 Jun 2017                         |

There has been no alteration of the terms and conditions of the above Performance Rights arrangements since the grant date.

Performance Rights on issue under Executive Long Term Incentive Plan (‘LTIP’)

The following table summarises the performance rights that were granted and exercised during the financial year.

|                 | Bal at 27 June 2015 No. | Number granted as compensation No. | Number Exercised No. | Net other changes No. | Bal at 1 July 2016 No. |
|-----------------|-------------------------|------------------------------------|----------------------|-----------------------|------------------------|
| KMP             |                         |                                    |                      |                       |                        |
| Kathy Cocovski  | –                       | –                                  | –                    | –                     | –                      |
| Tom Krulis      | 141,818                 | –                                  | –                    | –                     | 141,818                |
| Bernie Bicknell | 60,363                  | –                                  | –                    | –                     | 60,363                 |
| Barbara O’Brien | 32,727                  | –                                  | –                    | –                     | 32,727                 |
| Simon Greig     | 32,727                  | –                                  | –                    | –                     | 32,727                 |
| Nigel Rostovsky | 32,727                  | –                                  | –                    | –                     | 32,727                 |
| Total           | 300,362                 | –                                  | –                    | –                     | 300,362                |

Performance Rights issue as part of One-off Retention Bonus

Following the Listing on 10 December 2014, Bernie Bicknell, Barbara O’Brien, Simon Greig and Nigel Rostovsky were entitled to a one-off retention bonus valued at \$3,434,909 in aggregate.

The Group paid one half of that retention bonus as a cash payment shortly after Listing (being an amount aggregate of \$1,717,455 and the balance is issued in Performance Rights of equivalent value under the LTIP (being 624,532)).

Performance Rights issued as part of the one-off retention bonus will vest in two tranches, with one tranche vesting on the first anniversary of the Listing and the second tranche vesting on the date of disclosure to ASX by the Group of its consolidated audited financial reports for the financial year ending 1 July 2016, in each case provided that the relevant Executive has remained on continuous employment with the Group from the date of the grant until the date of vesting. These Performance Rights are not subject to any other vesting conditions.

| Rights Series  | Grant Date  | Grant Date Fair Value | Exercise Price | First Exercise Date | Expiry Date (last exercisable date) |
|----------------|-------------|-----------------------|----------------|---------------------|-------------------------------------|
| 2015 Tranche 1 | 10 Dec 2014 | 2.75                  | nil            | 10 Dec 2015         | 30 Oct 2016                         |
| 2015 Tranche 2 | 10 Dec 2014 | 2.75                  | nil            | 26 Aug 2016         | 30 Oct 2016                         |

There has been no alteration of the terms and conditions of the above Performance Rights arrangements since the grant date.

The following table summarises the performance rights that were granted and exercised during the financial year.

| KMP             | Tranche  | Bal at<br>27 June 2015<br>No. | Number<br>granted as<br>compensation<br>No. | Number<br>vested and<br>Exercised<br>No. | Net other<br>changes<br>No. | Bal at<br>1 July 2016<br>No. |
|-----------------|----------|-------------------------------|---|--|-----------------------------|------------------------------|
| Kathy Cocovski  | 2015 – 1 | –                             | –   | –  | –                           | –                            |
|                 | 2015 – 2 | –                             | –   | –  | –                           | –                            |
|                 | 2015 – 3 | –                             | –   | –  | –                           | –                            |
| Tom Krulis      | 2015 – 1 | –                             | –   | –  | –                           | –                            |
|                 | 2015 – 2 | –                             | –   | –  | –                           | –                            |
|                 | 2015 – 3 | 141,818                       | –   | –  | –                           | 141,818                      |
| Bernie Bicknell | 2015 – 1 | 89,218                        | –   | (89,218)                                 | –                           | –                            |
|                 | 2015 – 2 | 89,220                        | –   | –  | –                           | 89,220                       |
|                 | 2015 – 3 | 60,363                        | –   | –  | –                           | 60,363                       |
| Barbara O'Brien | 2015 – 1 | 89,218                        | –   | (89,218)                                 | –                           | –                            |
|                 | 2015 – 2 | 89,220                        | –   | –  | –                           | 89,220                       |
|                 | 2015 – 3 | 32,727                        | –   | –  | –                           | 32,727                       |
| Simon Greig     | 2015 – 1 | 44,609                        | –   | (44,609)                                 | –                           | –                            |
|                 | 2015 – 2 | 44,609                        | –   | –  | –                           | 44,609                       |
|                 | 2015 – 3 | 32,727                        | –   | –  | –                           | 32,727                       |
| Nigel Rostovsky | 2015 – 1 | 89,218                        | –   | (89,218)                                 | –                           | –                            |
|                 | 2015 – 2 | 89,220                        | –   | –  | –                           | 89,220                       |
|                 | 2015 – 3 | 32,727                        | –   | –  | –                           | 32,727                       |
| <b>Total</b>    |          | <b>924,894</b>                | <b>–</b>                                    | <b>312,263</b>                           | <b>–</b>                    | <b>612,631</b>               |

## Board policy with regards to Executives limiting their exposure to risk in relation to Performance Rights

The Group's Securities Trading Policy prohibits Executives from altering the economic benefit or risk derived by the Executives in relation to their unvested Performance Rights.

## Employment Arrangements

*Chief Executive Officer and Executive Director*  
Tom Krulis resigned as Chief Executive Officer and Managing Director of the Group on 27 January 2016. He was appointed as an Executive Director that day for a fixed term until 5 August 2016 at which time he became and remains Non-Executive Director.

Kathy Cocovski was appointed Chief Executive Officer on 27 January 2016. She resigned as Chief Executive Officer of the Group on 6 July 2016. Her contract was terminated that day.

On 6 July 2016 John Hardy was appointed Interim Managing Director. John Hardy was appointed under a standard employment contract with no defined length of tenure. Under the term of his employment contract:

- He may resign from his position by providing the Company with one month's written notice;
- The Company may terminate his appointment by providing one month's written notice;
- John Hardy is a participant in the STIP.

## Executives

All other Executives are employed on standard employment contracts. The terms of employment are:

- The Executive may resign from his/her position by providing the Company with six month's written notice depending on their specific contract;
- The Group may terminate the employment of the Executive by providing six month's written notice or payment in lieu of the notice period, based on the fixed component of the Executive's remuneration;
- The Company may terminate at any time without notice if serious misconduct has occurred;
- The Executives are participants in both the STIP and LTIP.

## Group Performance

The relation of rewards to performance of Executives is discussed above. The Group's profit before tax and EPS for the last two financial years is presented in the table below:

|                                  | Year<br>ended<br>1 July<br>2016<br>\$'000 | Year<br>ended<br>26 June<br>2015<br>\$'000 |
|----------------------------------|---|--|
| Revenue                          | 179,296                                   | 180,933                                    |
| Underlying EBITDA                | 17,519                                    | 22,848                                     |
| Underlying NPAT                  | 9,195                                     | 11,490                                     |
| Share price at end of year       | 1.075                                     | 3.030                                      |
| Interim dividend (i)             | 7.5 cents                                 | –  |
| Final dividend (ii)              | 3.8 cents                                 | 12.8 cents                                 |
| Special dividend (ii)            | –   | 2.6 cents                                  |
| Basic earnings per share (iii)   | 19.19                                     | 34.70                                      |
| Diluted earnings per share (iii) | 19.06                                     | 33.84                                      |

(i) Franked to 40% at 30% corporate income tax rate. Paid to the holders of fully paid ordinary shares on 18 March 2016.

(ii) FY2016 final dividend franked to 40% at 30% corporate income tax rate. FY2015 final dividend franked to 30% at 30% corporate rate. The special dividend of 2.6 cents per share was paid in relation to the profit earned from IPO to 26 December 2014. The special dividend was unfranked.

(iii) Refer to the Underlying earnings per share in the Operating and Financial Review section.

**Remuneration of key management personnel**

The Remuneration Table below displays remuneration as determined in accordance with Australian Accounting Standards and the Corporations Act.

The information disclosed below presents the information relating to the Group for FY2016 and FY2015. The remuneration for FY2015 includes the remuneration information (where relevant) for the period 28 June 2014 to 9 October 2014 prior to the Listing of the Group.

|   |             |      |                              |                               |                                |             | Post-employment benefits | Long-term employee benefits | Share-based payments |             |                            |                     |
|---|-------------|------|------------------------------|-------------------------------|--------------------------------|-------------|--------------------------|-----------------------------|----------------------|-------------|----------------------------|---------------------|
|   |             |      | Short-term employee benefits |                               |                                |             |                          |                             |                      |             |                            |                     |
| Note  |             |      | Salary and fees<br>\$        | STIP Cash Bonus element<br>\$ | Termination on benefits<br>(7) | Other<br>\$ | Super-annuation<br>\$    | Long service leave<br>\$    | Options<br>\$        | Total<br>\$ | Performance related<br>(%) | % as options<br>(%) |
| Non-Executive Directors                           |             |      |                              |                               |                                |             |                          |                             |                      |             |                            |                     |
| Rod Walker<br>Chairman,<br>Non-Executive Director | (1) (3)     | 2016 | 190,000                      | –                             | –                              | –           | 18,050                   | –                           | –                    | 208,050     | –                          | –                   |
|   |             | 2015 | 158,593                      | –                             | –                              | 18,190      | 11,266                   | –                           | –                    | 188,049     | –                          | –                   |
| Brendan Fleiter<br>Non-Executive Director         | (1)         | 2016 | 100,000                      | –                             | –                              | –           | 9,500                    | –                           | –                    | 109,500     | –                          | –                   |
|   |             | 2015 | 75,000                       | –                             | –                              | –           | 7,125                    | –                           | –                    | 82,125      | –                          | –                   |
| Jon Brett<br>Non-Executive Director               | (1)         | 2016 | 95,000                       | –                             | –                              | –           | 9,025                    | –                           | –                    | 104,025     | –                          | –                   |
|   |             | 2015 | 55,417                       | –                             | –                              | 2,553       | 5,265                    | –                           | –                    | 63,235      | –                          | –                   |
| Sue Morphet<br>Non-Executive Director             | (2)         | 2016 | 85,000                       | –                             | –                              | –           | 8,075                    | –                           | –                    | 93,075      | –                          | –                   |
|   |             | 2015 | 63,750                       | –                             | –                              | –           | 6,056                    | –                           | –                    | 69,806      | –                          | –                   |
| John Hardy<br>Non-Executive Director              | (8)         | 2016 | 20,363                       | –                             | –                              | –           | 1,934                    | –                           | –                    | 22,297      | –                          | –                   |
|   |             | 2015 | –                            | –                             | –                              | –           | –                        | –                           | –                    | –           | –                          | –                   |
| Senior Executives                                 |             |      |                              |                               |                                |             |                          |                             |                      |             |                            |                     |
| Kathy Cocovski<br>CEO                             | (7)         | 2016 | 256,923                      | 50,000                        | 300,000                        | –           | 17,591                   | –                           | –                    | 624,514     | 8                          | –                   |
|   |             | 2015 | –                            | –                             | –                              | –           | –                        | –                           | –                    | –           | –                          | –                   |
| Tom Krulis<br>Executive Director                  | (1) (3)     | 2016 | 652,831                      | –                             | –                              | –           | 19,308                   | 26,870                      | 79,728               | 778,737     | –                          | 10                  |
|   |             | 2015 | 625,822                      | 130,000                       | –                              | –           | 18,783                   | 3,890                       | 42,007               | 820,502     | 16                         | 5                   |
| Bernie Bicknell<br>CFO / COO                      | (3) (4)     | 2016 | 414,788                      | –                             | –                              | –           | 19,308                   | 14,708                      | 288,225              | 737,029     | –                          | 39                  |
|   |             | 2015 | 413,102                      | 552,701                       | –                              | –           | 18,783                   | 17,766                      | 235,983              | 1,238,335   | 45                         | 19                  |
| Simon Greig<br>GM Retail                          | (3) (5)     | 2016 | 300,000                      | –                             | –                              | –           | 19,308                   | 8,329                       | 145,542              | 473,179     | –                          | 31                  |
|   |             | 2015 | 280,729                      | 275,351                       | –                              | –           | 18,783                   | 5,413                       | 118,744              | 699,020     | 39                         | 17                  |
| Nigel Rostovsky<br>GM Franchise                   | (3) (4) (6) | 2016 | 300,000                      | –                             | –                              | 15,000      | 19,308                   | 2,657                       | 272,688              | 609,653     | –                          | 45                  |
|   |             | 2015 | 321,250                      | 568,701                       | –                              | 17,732      | 11,255                   | 605                         | 227,797              | 1,147,340   | 50                         | 20                  |
| Barbara O'Brien<br>GM NPD                         | (3) (4) (6) | 2016 | 300,000                      | –                             | –                              | –           | 19,308                   | 2,679                       | 274,143              | 596,130     | –                          | 46                  |
|   |             | 2015 | 266,668                      | 520,701                       | –                              | 20,741      | 14,088                   | 629                         | 229,045              | 1,051,872   | 50                         | 22                  |
| Total Remuneration                                |             | 2016 | 2,714,905                    | 50,000                        | 300,000                        | 15,000      | 160,715                  | 55,243                      | 1,060,326            | 4,356,189   |                            |                     |
|   |             | 2015 | 2,260,331                    | 2,047,454                     | –                              | 59,216      | 111,404                  | 28,303                      | 853,576              | 5,360,284   |                            |                     |

(1) Appointed to Godfreys Group Limited Board on 6 November 2014.

(2) Appointed to Godfreys Group Limited Board on 13 January 2015.

(3) Remuneration includes period 28 June 2014 to 9 October 2014 prior to the Listing of Godfreys Group Limited.

(4) Cash bonus includes a one-off payment related to IPO bonus of \$490,701 in FY2015.

(5) Cash bonus includes a one-off payment related to IPO bonus of \$245,351 in FY2015.

(6) Prior to listing on the Australian Securities Exchange, Senior Managers were receiving a consulting fee for their service to the Company.

(7) Appointed on 27 January 2016 and resigned on 6 July 2016.

(8) Appointed to Godfreys Group Limited Board on 15 March 2016. Becomes an Executive as of 6 July 2016.





Key management personnel equity holdings  
Fully paid ordinary shares of Godfreys Group Limited

| KMP<br>Name                    | Balance at<br>27 June 2015<br>No. | Received on<br>exercise of<br>performance<br>rights<br>No. | Net other<br>change<br>No. | Balance at<br>1 July 2016<br>No. |
|--------------------------------|-----------------------------------|--|----------------------------|----------------------------------|
| <b>Non-Executive Directors</b> |                                   |  |                            |                                  |
| Rod Walker                     | 36,364                            | –  | –                          | 36,364                           |
| Brendan Fleiter                | 36,364                            | –  | –                          | 36,364                           |
| Jon Brett                      | 36,364                            | –  | –                          | 36,364                           |
| Sue Morphet                    | 7,272                             | –  | –                          | 7,272                            |
| John Hardy                     | –                                 | –  | –                          | –                                |
| <b>Senior Executives</b>       |                                   |  |                            |                                  |
| Kathy Cocovski                 | –                                 | –  | 50,000                     | 50,000                           |
| Tom Krulis                     | 3,080,000                         | –  | –                          | 3,080,000                        |
| Bernie Bicknell                | –                                 | 89,218   | 69,352                     | 158,570                          |
| Barbara O’Brien                | 545,000                           | 89,218   | (245,000)                  | 389,218                          |
| Simon Greig                    | 280,000                           | 44,609   | –                          | 324,609                          |
| Nigel Rostovsky                | –                                 | 89,218   | –                          | 89,218                           |

D. Other key management personnel transactions

Entities related to Tom Krulis’ family have interests in 13 of the stores that the Group is leasing. All lease agreements have been entered into on commercial arm’s length terms.

This Directors’ report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Mr Rod Walker  
Chairman  
Melbourne, 26 August 2016

AUDITOR'S INDEPENDENCE  
DECLARATION  
TO THE MEMBERS OF  
GODFREYS GROUP  
LIMITED



Deloitte Touche Tohmatsu  
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The Board of Directors  
Godfreys Group Limited  
Building 3, Ground Floor  
530 Springvale Road  
Glen Waverley VIC 3150

Dear Board Members  
**Godfreys Group Limited**

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

As lead audit partner for the audit of the financial statements of Godfreys Group Limited for the financial year ended 1 July 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ryan Hansen  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT  
AUDITOR'S REPORT  
TO THE MEMBERS OF  
GODFREYS GROUP  
LIMITED



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**Report on the Financial Report**

We have audited the accompanying financial report of Godfreys Group Limited, which comprises the consolidated statement of financial position as at 1 July 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 39 to 86.

**Directors' Responsibility for the Financial Report**

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited





Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Godfreys Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 1 July 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 35 of the Directors' Report for the year ended 1 July 2016. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Godfreys Group Limited for the year ended 1 July 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ryan Hansen  
Partner  
Chartered Accountants  
Melbourne 26 August 2016



The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 19 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Mr Rod Walker  
Chairman  
Melbourne, 26 August 2016

## INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|  | Note | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
|--|------|-------------------------------------|--------------------------------------|
| Sales  | 2    | 179,296                             | 180,933                              |
| Cost of sales  |      | (82,218)                            | (82,116)                             |
| <b>Operating gross profit</b>  |      | <b>97,078</b>                       | <b>98,817</b>                        |
| Other income   | 2    | 5,461                               | 4,774                                |
| Employee benefit expenses  | 2    | (39,984)                            | (37,897)                             |
| Distribution expense   |      | (13,438)                            | (14,010)                             |
| Selling and marketing expenses   |      | (6,060)                             | (5,349)                              |
| Occupancy expenses   | 2    | (19,211)                            | (16,980)                             |
| Other expenses   |      | (11,680)                            | (10,287)                             |
| IPO transaction costs  | 2    | (1,032)                             | (5,909)                              |
| Net finance costs  | 2    | (876)                               | (4,088)                              |
| <b>Profit before income tax expense</b>  |      | <b>10,258</b>                       | <b>9,071</b>                         |
| Income tax (expense) / benefit   | 4    | (2,492)                             | 2,973                                |
| <b>Profit after income tax attributable to equity holders of the parent entity</b> |      | <b>7,766</b>                        | <b>12,044</b>                        |
| <b>Other comprehensive income, net of income tax:</b>                              |      |                                     |                                      |
| <b>Items that may be reclassified subsequently to profit or loss:</b>              |      |                                     |                                      |
| Exchange differences on translating foreign operations                             |      | 1                                   | (91)                                 |
| Changes on the fair value of cash flow hedges, net of income tax                   |      | (603)                               | 165                                  |
| Other comprehensive (loss) / income for the year, net of income tax                |      | (602)                               | 74                                   |
| <b>Total comprehensive income for the year</b>                                     |      | <b>7,164</b>                        | <b>12,118</b>                        |
| <b>Earnings per share</b>  |      |                                     |                                      |
| Basic (cents per share)  | 5    | 19.19                               | 34.70                                |
| Diluted (cents per share)  | 5    | 19.06                               | 33.84                                |



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                       | Note | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
|---------------------------------------|------|-------------------------------------|--------------------------------------|
| <b>Assets</b>                         |      |                                     |                                      |
| <i>Current assets</i>                 |      |                                     |                                      |
| Cash and cash equivalents             |      | 1,445                               | 13,823                               |
| Trade and other receivables           | 6    | 5,638                               | 4,695                                |
| Other financial assets                | 7    | –                                   | 534                                  |
| Inventories                           | 8    | 35,044                              | 24,997                               |
| <b>Total current assets</b>           |      | <b>42,127</b>                       | 44,049                               |
| <i>Non-current assets</i>             |      |                                     |                                      |
| Other receivables                     | 6    | 1,693                               | 490                                  |
| Property, plant and equipment         | 9    | 16,460                              | 14,506                               |
| Deferred tax assets                   | 4    | 5,220                               | 6,938                                |
| Intangible assets                     | 10   | 96,469                              | 91,861                               |
| <b>Total non-current assets</b>       |      | <b>119,842</b>                      | 113,795                              |
| <b>Total assets</b>                   |      | <b>161,969</b>                      | 157,844                              |
| <b>Liabilities</b>                    |      |                                     |                                      |
| <i>Current liabilities</i>            |      |                                     |                                      |
| Trade and other payables              | 11   | 19,909                              | 19,529                               |
| Other financial liabilities           | 13   | 930                                 | 121                                  |
| Current tax liabilities               | 4    | 87                                  | 233                                  |
| Employee benefits                     | 14   | 3,772                               | 3,418                                |
| Provisions                            | 15   | 3,037                               | 3,053                                |
| <b>Total current liabilities</b>      |      | <b>27,735</b>                       | 26,354                               |
| <i>Non-current liabilities</i>        |      |                                     |                                      |
| Interest-bearing loans and borrowings | 12   | 23,000                              | 20,000                               |
| Employee benefits                     | 14   | 1,132                               | 719                                  |
| Provisions                            | 15   | 5,597                               | 5,300                                |
| <b>Total non-current liabilities</b>  |      | <b>29,729</b>                       | 26,019                               |
| <b>Total liabilities</b>              |      | <b>57,464</b>                       | 52,373                               |
| <b>Net assets</b>                     |      | <b>104,505</b>                      | 105,471                              |
| <b>Equity</b>                         |      |                                     |                                      |
| Share capital                         | 16   | 109,526                             | 109,526                              |
| Reserves                              | 17   | (43,743)                            | (43,404)                             |
| Retained earnings                     |      | 38,722                              | 39,349                               |
| <b>Total equity</b>                   |      | <b>104,505</b>                      | 105,471                              |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Share<br>capital<br>\$'000 | Capital<br>recon-<br>struction<br>reserve<br>\$'000 | Share<br>option<br>reserve<br>\$'000 | Cash<br>flow<br>hedge<br>reserve<br>\$'000 | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
|--|----------------------------|---|--------------------------------------|--|---|--------------------------------|-----------------|
| Balance as at 28 June 2014   | 28,000                     | –   | 840                                  | –  | (719)   | 27,305                         | 55,426          |
| Adjustments (notes 16, 17)   | 81,526                     | (43,613)  | (840)                                | –  | –   | –                              | 37,073          |
| <b>Balance at<br/>28 June 2014</b>                                     | <b>109,526</b>             | <b>(43,613)</b>                                     | <b>–</b>                             | <b>–</b>                                   | <b>(719)</b>  | <b>27,305</b>                  | <b>92,499</b>   |
| Profit for the year  | –                          | –   | –                                    | –  | –   | 12,044                         | 12,044          |
| Other comprehensive<br>income for the period                           | –                          | –   | –                                    | –  | (91)  | –                              | (91)            |
| Share based payments   | –                          | –   | 854                                  | –  | –   | –                              | 854             |
| Changes on the fair value<br>of cash flow hedges,<br>net of income tax | –                          | –   | –                                    | 165  | –   | –                              | 165             |
| <b>Balance at<br/>26 June 2015</b>                                     | <b>109,526</b>             | <b>(43,613)</b>                                     | <b>854</b>                           | <b>165</b>                                 | <b>(810)</b>  | <b>39,349</b>                  | <b>105,471</b>  |
| Profit for the year  | –                          | –   | –                                    | –  | –   | 7,766                          | 7,766           |
| Other comprehensive<br>income for the period                           | –                          | –   | –                                    | –  | 1   | –                              | 1               |
| Dividend paid  | –                          | –   | –                                    | –  | –   | (9,252)                        | (9,252)         |
| Recognition of share<br>based payments                                 | –                          | –   | 1,122                                | –  | –   | –                              | 1,122           |
| Transfer to retained earnings  | –                          | –   | (859)                                | –  | –   | 859                            | –               |
| Changes on the fair value<br>of cash flow hedges,<br>net of income tax | –                          | –   | –                                    | (603)                                      | –   | –                              | (603)           |
| <b>Balance at<br/>1 July 2016</b>                                      | <b>109,526</b>             | <b>(43,613)</b>                                     | <b>1,117</b>                         | <b>(438)</b>                               | <b>(809)</b>  | <b>38,722</b>                  | <b>104,505</b>  |

## CONSOLIDATED STATEMENT OF CASH FLOWS

|   | Note | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
|---|------|-------------------------------------|--------------------------------------|
| <b>Cash flows from operating activities</b>             |      |                                     |                                      |
| Receipts from customers                                 |      | 183,144                             | 185,776                              |
| Payments to suppliers and employees                     |      | (175,740)                           | (157,534)                            |
| Cash flows from operations                              |      | 7,404                               | 28,242                               |
| Income tax paid   |      | (733)                               | (1,065)                              |
| <b>Net cash flow provided by operating activities</b>   | 25   | <b>6,671</b>                        | 27,177                               |
| <b>Cash flows from investing activities</b>             |      |                                     |                                      |
| Payment for property, plant and equipment               |      | (5,689)                             | (6,466)                              |
| Payment for intangible assets                           |      | (3,230)                             | (2,343)                              |
| Payment for acquisition of The Service Company          |      | (3,002)                             | –                                    |
| Interest received                                       |      | 123                                 | 186                                  |
| <b>Net cash used in investing activities</b>            |      | <b>(11,798)</b>                     | (8,623)                              |
| <b>Cash flows from financing activities</b>             |      |                                     |                                      |
| Dividend paid on ordinary shares                        |      | (9,252)                             | –                                    |
| Proceeds from drawdown on debt facility                 |      | 3,000                               | 20,000                               |
| Proceeds from issue of equity securities                |      | –                                   | 77,685                               |
| Payment for the acquisition of shares in ICSG           |      | –                                   | (46,175)                             |
| Repayment of previous debt facility                     |      | –                                   | (59,410)                             |
| Interest and other costs of finance paid                |      | (999)                               | (4,274)                              |
| <b>Net cash flows used in financing activities</b>      |      | <b>(7,251)</b>                      | (12,174)                             |
| Net (decrease) / increase in cash and cash equivalents  |      | (12,378)                            | 6,380                                |
| Cash and cash equivalents at the beginning of the year  |      | 13,823                              | 7,443                                |
| <b>Cash and cash equivalents at the end of the year</b> |      | <b>1,445</b>                        | 13,823                               |

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 Significant accounting policies

Godfreys Group Limited ('Company') is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX').

The consolidated financial statements comprise the Company and its controlled entities ('Group').

The financial report of Godfreys for the 53 weeks ended 1 July 2016 was authorised for issue in accordance with a resolution of the Directors on 26 August 2016.

#### Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standard, and comply with other requirements of the law. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

#### a) Basis of preparation

##### Going concern

The Directors have prepared the financial statements on a going concern basis that contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities at the amounts recorded in the financial statements in the ordinary course of business. As at 1 July 2016, the consolidated entity had cash of \$1.5 million, net assets are \$104.5 million and net current assets are \$14.4 million with net operating cash inflows for the financial period ended 1 July 2016 of \$6.7 million. The cash flows from operations decreased substantially from prior periods due to poorer trading and the increased inventory balances. As a result, the consolidated entity had a net cash outflow for the period.

The consolidated entity has a secured debt facility with Commonwealth Bank totaling \$23.0 million, which is fully drawn and a \$10.5 million ancillary trade facility of which \$8.4 million is available at 1 July 2016. The secured debt facility will be available to the Group beyond the next twelve months. The consolidated entity has met its covenant requirements during the period and expects to continue to meet these based on the Board approved forecast for 12 months after the date of issuing the annual report.

The Directors closely monitor the cashflow performance each month. In the event that the consolidated entity does not meet sales forecasts, the Directors have various avenues to ensure the Group continues as a going concern including the reduction of costs and lower levels of capital expenditure.

#### Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### Historical cost convention

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

## Note 1 Significant accounting policies cont.

### c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the 'measurement period' (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### d) Foreign currency

#### (i) Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise except when exchange differences, which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; or exchange differences on transactions entered into in order to hedge certain foreign currency risks.

#### (ii) Foreign operations

The assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

### e) Financial instruments

#### Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provision of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specific in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

#### Hedge accounting

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other gains and losses line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line item as the recognised hedged item.

When the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated

in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

### f) Revenue

#### (i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods, or there is continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of vacuum cleaners and related products, transfer usually occurs upon receipt by the customer.

#### (ii) Interest

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### (iii) Services

Revenue from services rendered is recognised when the services are performed.

#### (iv) Initial franchise fees

Revenue attributable to franchise fees for the sale of a franchise is brought to account when the franchise fees have been earned, which is at the time the franchisee commences trading.

#### (v) Ongoing franchise fees

Ongoing franchise fees are recognised as revenue when the services are delivered to franchisees.

#### (vi) Deferred service plan income / extended warranty income

Deferred service plan income and extended warranty income is recognised in the income statement as the services are performed over the life of the plan.





**Note 1**  
**Significant accounting policies cont.**

**g) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

**Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

**Taxation losses recognised as asset**

Deferred tax assets arising from tax losses are recognised only when it is considered probable that they will be recovered. Recoupment of tax losses recognised in the consolidated statement of financial position is based on the assumption of expected future taxable income and on the losses being available under the 'continuity of ownership' test.

These judgements and assumptions are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised on the balance sheet. In such circumstances, some or all, of the carrying amount of recognised deferred tax assets may require adjustment, resulting in a corresponding charge to the statement of profit or loss.

**h) Tax consolidation**

The Company and its wholly owned Australian resident subsidiaries are part of an income tax consolidated group under Australian tax law and are therefore taxed as a single entity. Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial information of the members of the tax consolidated group using the 'group allocation method' approach by reference to the carrying amount of assets and liabilities in the separate financial information of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

The head entity, in conjunction with other members of the tax consolidated group, entered into a tax funding arrangement in May 2015, which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

**i) Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**j) Earnings per share**

Basic EPS is calculated as net profit for the period, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is the figure used for Basic EPS adjusted to take into account dilutive potential ordinary shares assumed to be issued for no consideration.

**k) Comparatives**

Where current period balances have been classified differently within current period disclosures when compared to the prior period, comparative disclosures have been restated to ensure consistency of presentation between periods.

**l) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash which are subjected to an insignificant risk of change in value and have maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in the current liabilities section of the consolidated statement of financial position.

**m) Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**n) Inventories**

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale. Finished goods are measured at either a standard cost or their weighted-average cost paid for the goods. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to the purchase of inventories. Indirect costs incurred in the handling and distribution of finished goods is included in the measurement of inventories.





**Note 1**  
**Significant accounting policies cont.**

**o) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The useful lives are as follows:

- Fixtures, fittings and equipment – 1 to 20 years; and
- Leasehold improvements – 3 to 5 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. An item of plant and equipment is derecognised upon disposal or where no further future economic benefits are expected from its use or disposal. During the financial year, the Directors determined that there should be no changes to the useful life of the property, plant and equipment.

**p) Intangible assets**

**Goodwill**

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill and other indefinite life intangible assets are allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other

assets of the cash-generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

**Other intangible assets**

**Brand names and franchise system**

Godfreys Group proprietary brands and the Franchise System intangible asset are considered to have indefinite lives. Proprietary brand intangibles recognised by the Group are not considered to have a foreseeable maturity date, and have accordingly been assessed as having indefinite useful lives and are therefore not amortised. Instead, the brand names are assessed for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

**Trademarks**

Trademarks that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment loss. Trademarks are depreciated over the assets estimated useful life of 10–20 years, using the straight-line method.

**Capitalised IT system development costs**

All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets. Direct costs may include internal payroll and on-costs for employees directly associated with the project. Costs incurred on computer software maintenance or during the planning phase are expensed as incurred. Computer software is amortised over the period of time during which the benefits are expected to arise, between 4–7 years.

**q) Impairment of intangible assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount in profit or loss.

The recoverable amount is the greater of fair value less costs to sell and value-in-use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Non-financial assets other than Goodwill that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate the impairment may have reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

**r) Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the shorter of the useful life of the asset or the lease term where such leases contain annual fixed escalation rates and the value of the future lease payments can be determined.

A provision for leasehold site restoration is recognised where an obligation exists in the underlying lease agreement. The provision is based on managements' best estimate of anticipated costs to restore the leased premises at the expiry of the lease. Site restoration costs are recognised as part of the cost of assets and as a provision at the time of the obligating event.

**Lease incentives**

Lessor contributions to the construction and fit-out of premises where the lessor retains ownership of the assets are accounted for as a reduction of the cost of the construction and fit-out. Where ownership of the assets is retained by the Group, lessor contributions are accounted for as a lease incentive liability and are reduced on a straight line basis over the remaining term of the lease.

**s) Trade and other payables**

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

**t) Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing and are netted off against the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**u) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third-party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.



**Note 1**  
**Significant accounting policies cont.**

**v) Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Management judgement is applied in determining key assumptions in the calculation of long term employee benefits including future increases in wages and salaries, future on-costs and rates, experience of employee departures and expected employee periods of services.

Contributions to defined contribution superannuation plans are expensed when incurred.

**w) Issued capital**

Issued and paid up capital is recognised at the fair value of the consideration received. Transaction costs arising on the issue of equity instruments are recognised directly in equity, net of tax as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Dividend is made for the amount of any dividend declared, being approved by the Board and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed by the end of the reporting period.

**x) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- b) for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**y) Critical accounting judgements, estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Impairment of goodwill and other intangible assets**

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

**Inventories**

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the expected selling price as well as an allowance for obsolete or slow-selling inventories. Any reassessment of the selling price in a particular year will affect the cost of goods sold.

**z) New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period as listed below.

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'.

The adoption of the above Accounting Standards and Interpretations has not had any material impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Refer note 1(aa).

**aa) New accounting standards and interpretations not yet mandatory or early adopted**

At the date of authorisation of the financial report, the following Australian Accounting Standards and Interpretations listed below have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 1 July 2016.

| Standard/Interpretation  | Effective for the annual reporting period beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|---|
| AASB 16 'Leases' replace AASB 117 Leases   | 1 January 2019  | 31 December 2019  |
| AASB 9 'Financial Instruments', and the relevant amending standards  | 1 January 2018  | 31 December 2018  |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' | 1 January 2018  | 31 December 2017  |
| AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'   | 1 January 2016  | 31 December 2016  |
| AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle' | 1 January 2016  | 31 December 2016  |
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'                          | 1 January 2016  | 31 December 2016  |

The Directors anticipate that the above amendments and Interpretations will not have a material impact on the financial report of the Group in the year of initial application, other than the impact of IFRS16 which will result in all operating leases being included as an asset and liability in the statement of position.

At the date of authorisation of the financial statements, no IASB Standards and IFRS Interpretations relevant to the Group were in issue but not yet effective.

## Note 2

### Revenues and expenses

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

#### a) Sales and other income

|                      | CONSOLIDATED                        |                                      |
|----------------------|-------------------------------------|--------------------------------------|
|                      | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
| Sale of goods        | 179,296                             | 180,933                              |
| Other income         | 5,461                               | 4,774                                |
| <b>Total revenue</b> | <b>184,757</b>                      | <b>185,707</b>                       |

In the 2015 financial report, the Group had recognised rebates as a cost of sales, as opposed to net within sales. The comparative revenue figures in this financial report have been restated to align with the treatment applied in the current year. The impact of the restatement is a reduction of sales and cost of sales in the comparative year of \$1.7 million. The comparative Receipts from customers and Payments to suppliers and employees have also reduced by the same amount. The restatement did not affect the comparative profit before tax or the Consolidated Statement of Financial Position.

#### b) Expenses

|  | CONSOLIDATED                        |                                      |
|--|-------------------------------------|--------------------------------------|
|  | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
| <b>Occupancy expense:</b>                  |                                     |                                      |
| Minimum lease payments on operating leases | (17,303)                            | (15,153)                             |
| Other occupancy expenses                   | (1,908)                             | (1,827)                              |
| <b>Total occupancy expense</b>             | <b>(19,211)</b>                     | <b>(16,980)</b>                      |
| <b>Employee benefits expense:</b>          |                                     |                                      |
| Short-term employee benefits               | (36,622)                            | (34,800)                             |
| Post-employment benefits                   | (2,711)                             | (2,618)                              |
| Other long-term employee benefits          | (195)                               | (324)                                |
| Termination benefits                       | (456)                               | (155)                                |
| <b>Total employee benefits expense</b>     | <b>(39,984)</b>                     | <b>(37,897)</b>                      |
| <b>Depreciation and amortisation:</b>      |                                     |                                      |
| Depreciation                               | (4,158)                             | (3,479)                              |
| Amortisation                               | (186)                               | (186)                                |
| <b>Total depreciation and amortisation</b> | <b>(4,344)</b>                      | <b>(3,665)</b>                       |

#### b) Expenses cont.

|   | CONSOLIDATED                        |                                      |
|---|-------------------------------------|--------------------------------------|
|   | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
| <b>Net finance costs:</b>   |                                     |                                      |
| Interest paid to previous related parties                                   | –                                   | (1,316)                              |
| Interest and finance charges paid to banks and other financial institutions | (973)                               | (1,846)                              |
| Refinancing charge  | –                                   | (1,020)                              |
| Amortisation of deferred borrowing costs                                    | (26)                                | (92)                                 |
| Interest revenue  | 123                                 | 186                                  |
| <b>Total net finance costs</b>  | <b>(876)</b>                        | <b>(4,088)</b>                       |
| <b>IPO transaction costs:</b>   |                                     |                                      |
| IPO costs   | –                                   | (3,427)                              |
| IPO retention bonus   | (1,032)                             | (2,482)                              |
| <b>Total IPO transaction costs</b>  | <b>(1,032)</b>                      | <b>(5,909)</b>                       |

## Note 3

### Segment information

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

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

#### Australia

The Australian segment includes revenues and profits generated by the Group's retail, wholesale and online revenue streams within Australia. These comprise of 192 retail sites as at 1 July 2016.

#### New Zealand

The New Zealand segment includes revenues and profits generated by the Group's retail, wholesale and online revenue streams within New Zealand. These comprise of 30 retail sites as at 1 July 2016.

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

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

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

## Note 3

### Segment information cont.

|                                   | Australia<br>\$'000 | CONSOLIDATED<br>New Zealand<br>\$'000 | Unallocated<br>\$'000 | Total<br>\$'000 |
|-----------------------------------|---------------------|---------------------------------------|-----------------------|-----------------|
| <b>2016</b>                       |                     |                                       |                       |                 |
| Sale of goods                     | 151,098             | 28,198                                | –                     | 179,296         |
| Other income                      | 4,754               | 747                                   | (40)                  | 5,461           |
| <b>Total revenue</b>              | <b>155,852</b>      | <b>28,945</b>                         | <b>(40)</b>           | <b>184,757</b>  |
| <b>Reportable segment EBITDA</b>  | <b>13,929</b>       | <b>1,528</b>                          | <b>21</b>             | <b>15,478</b>   |
| Depreciation and amortisation     | (3,913)             | (431)                                 | –                     | (4,344)         |
| <b>Reportable segment EBIT</b>    | <b>10,016</b>       | <b>1,097</b>                          | <b>21</b>             | <b>11,134</b>   |
| Net financing costs               | (867)               | (9)                                   | –                     | (876)           |
| Income tax expense                | (2,172)             | (320)                                 | –                     | (2,492)         |
| <b>Statutory profit after tax</b> | <b>6,977</b>        | <b>768</b>                            | <b>21</b>             | <b>7,766</b>    |

|                                   | Australia<br>\$'000 | CONSOLIDATED<br>New Zealand<br>\$'000 | Unallocated<br>\$'000 | Total<br>\$'000 |
|-----------------------------------|---------------------|---------------------------------------|-----------------------|-----------------|
| <b>2015</b>                       |                     |                                       |                       |                 |
| Sale of goods                     | 155,433             | 25,500                                | –                     | 180,933         |
| Other income                      | 4,276               | 498                                   | –                     | 4,774           |
| <b>Total revenue</b>              | <b>159,709</b>      | <b>25,998</b>                         | <b>–</b>              | <b>185,707</b>  |
| <b>Reportable segment EBITDA</b>  | <b>14,877</b>       | <b>1,995</b>                          | <b>(48)</b>           | <b>16,824</b>   |
| Depreciation and amortisation     | (3,331)             | (334)                                 | –                     | (3,665)         |
| <b>Reportable segment EBIT</b>    | <b>11,546</b>       | <b>1,661</b>                          | <b>(48)</b>           | <b>13,159</b>   |
| Net financing costs               | (4,109)             | 21                                    | –                     | (4,088)         |
| Income tax benefit / (expense)    | 3,460               | (487)                                 | –                     | 2,973           |
| <b>Statutory profit after tax</b> | <b>10,897</b>       | <b>1,195</b>                          | <b>(48)</b>           | <b>12,044</b>   |

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

### Product information

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

### Major customers

No single customer contributed 10% or more to the Group's revenue for both 2016 and 2015.

## Note 4

### Income taxes

#### Income tax recognised in profit or loss:

|  | CONSOLIDATED<br>Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
|--|---|--------------------------------------|
| <b>Current tax</b>   |   |                                      |
| In respect of the current year   | 392   | 1,536                                |
| In respect of prior year   | 124   | (240)                                |
|  | <b>516</b>  | <b>1,296</b>                         |
| <b>Deferred tax</b>  |   |                                      |
| In respect of the current year   | (210)   | (4,269)                              |
| In respect of the losses utilised in the current year                      | 2,186   | –                                    |
|  | <b>1,976</b>  | <b>(4,269)</b>                       |
| <b>Total income tax expense / (benefit) recognised in the current year</b> | <b>2,492</b>  | <b>(2,973)</b>                       |

#### The income tax expense for the year can be reconciled to the accounting profit as follows:

|  |              |                |
|--|--------------|----------------|
| Profit before tax from continuing operations   | 10,258       | 9,071          |
| Income tax expense calculated at 30.2% (2015: 29.5%) <sup>(1)</sup>                      | 3,097        | 2,676          |
| Effect of expenses that are not deductible in determining taxable profit                 | (273)        | 1,367          |
| Effect of deductible temporary differences now recognised as deferred tax assets         | (456)        | 313            |
| Tax benefit on formation of tax consolidated group                                       | –            | (7,089)        |
| Adjustments recognised in the current year in relation to the current tax of prior years | 124          | (240)          |
| <b>Income tax expense / (benefit) recognised in profit or loss</b>                       | <b>2,492</b> | <b>(2,973)</b> |

<sup>(1)</sup> Represents a blended tax rate for Australia and New Zealand.

#### Income tax recognised directly in equity:

|   | CONSOLIDATED<br>Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
|---|---|--------------------------------------|
| <b>Deferred tax</b>                                   |   |                                      |
| Cash flow hedge reserve:                              | 258   | (70)                                 |
| <b>Total income tax recognised directly in equity</b> | <b>258</b>  | <b>(70)</b>                          |



## Note 4

### Income taxes cont.

|  | CONSOLIDATED                        |                                      |
|--|-------------------------------------|--------------------------------------|
|  | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
| <b>Current tax assets and liabilities</b>  |                                     |                                      |
| <b>Current tax liabilities</b>   |                                     |                                      |
| <b>Income tax payable</b>  | <b>(87)</b>                         | <b>(233)</b>                         |
| <b>Deferred tax balances</b>   |                                     |                                      |
| Deferred tax balances are presented in the statement of financial position as follows: |                                     |                                      |
| Deferred tax assets  | 5,220                               | 6,938                                |
|  | <b>5,133</b>                        | <b>6,705</b>                         |

|                              | Opening<br>balance<br>\$'000 | Recognised<br>in profit<br>or loss<br>\$'000 | Recognised<br>in other com-<br>prehensive<br>income<br>\$'000 | Closing<br>balance<br>\$'000 |
|------------------------------|------------------------------|--|---|------------------------------|
| <b>2016</b>                  |                              |  |   |                              |
| <b>Temporary differences</b> |                              |  |   |                              |
| Cash flow hedges             | (70)                         | –  | 258   | 188                          |
| Employee provisions          | 1,237                        | 114  | –   | 1,351                        |
| Provisions                   | 666                          | 248  | –   | 914                          |
| Accruals                     | 63                           | 21   | –   | 84                           |
| Other                        | 250                          | (173)  | –   | 77                           |
|                              | <b>2,146</b>                 | <b>210</b>                                   | <b>258</b>  | <b>2,614</b>                 |
| <b>Unused tax losses</b>     |                              |  |   |                              |
| Tax losses                   | 4,792                        | (2,186)                                      | –   | 2,606                        |
| <b>Total</b>                 | <b>6,938</b>                 | <b>(1,976)</b>                               | <b>258</b>  | <b>5,220</b>                 |

|                              | Opening<br>balance<br>\$'000 | Recognised<br>in profit<br>or loss<br>\$'000 | Recognised<br>in other com-<br>prehensive<br>income<br>\$'000 | Closing<br>balance<br>\$'000 |
|------------------------------|------------------------------|--|---|------------------------------|
| <b>2015</b>                  |                              |  |   |                              |
| <b>Temporary differences</b> |                              |  |   |                              |
| Cash flow hedges             | –                            | –  | (70)  | (70)                         |
| Employee provisions          | 1,086                        | 151  | –   | 1,237                        |
| Provisions                   | 958                          | (292)  | –   | 666                          |
| Accruals                     | 419                          | (356)  | –   | 63                           |
| Other                        | 276                          | (26)   | –   | 250                          |
|                              | <b>2,739</b>                 | <b>(523)</b>                                 | <b>(70)</b>   | <b>2,146</b>                 |
| <b>Unused tax losses</b>     |                              |  |   |                              |
| Tax losses                   | –                            | 4,792  | –   | 4,792                        |
| <b>Total</b>                 | <b>2,739</b>                 | <b>4,269</b>                                 | <b>(70)</b>   | <b>6,938</b>                 |

### Unrecognised deferred tax assets

|   | CONSOLIDATED   |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following: |                |                |
| – tax losses (revenue in nature)  | 820            | 1,367          |
|   | <b>820</b>     | <b>1,367</b>   |



## Note 5

### Earnings per share

|                                      | Year ended<br>1 July 2016                        |  | Year ended<br>26 June 2015                       |  |
|--------------------------------------|--|--|--|--|
|                                      | Weighted<br>average no.<br>of ordinary<br>shares | Earnings per<br>share (cents<br>per share) | Weighted<br>average no.<br>of ordinary<br>shares | Earnings per<br>share (cents<br>per share) |
| Basic earnings per share             | 40,466,847                                       | 19.19                                      | 34,708,031                                       | 34.70                                      |
| Diluted earnings per share           | 40,753,797                                       | 19.06                                      | 35,594,336                                       | 33.84                                      |
| <b>Net profit after tax (\$'000)</b> |  | <b>7,766</b>                               |  | <b>12,044</b>                              |

Weighted average number of ordinary shares outstanding during the current period has been calculated using:

- the number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of the Group (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the reorganisation agreement; and
- the number of ordinary shares outstanding from the acquisition date to the end of the period being the actual number of ordinary shares of the Group (the accounting acquiree) outstanding during that period.

The basic and diluted earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using the Group's historical weighted average number of shares outstanding multiplied by the exchange ratio established in the reorganisation agreement.

## Note 6

### Trade and other receivables

|  | CONSOLIDATED   |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Current trade and other receivables</b> |                |                |
| Trade receivables                          | 4,329          | 3,305          |
| Allowance for doubtful debts               | (99)           | (118)          |
|  | <b>4,230</b>   | <b>3,187</b>   |
| Other receivables                          | 1,408          | 1,508          |
| <b>Current trade and other receivables</b> | <b>5,638</b>   | <b>4,695</b>   |
| <b>Non-current other receivables</b>       |                |                |
| Other receivables                          | 1,693          | 490            |
| <b>Total trade and other receivables</b>   | <b>7,331</b>   | <b>5,185</b>   |

#### Trade Receivables

The average credit period on sales of goods ranges from 14 to 60 days. No interest is charged on trade receivables.

Trade receivables at 1 July 2016 include balance of \$1.2 million relating to debtors of The Service Company which was acquired by the Company during FY2016 (FY2015: nil).

The allowance for doubtful debts is determined with regard to historical write-offs and specifically identified customers. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are considered recoverable.

|  | CONSOLIDATED   |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| Age of receivables that are past due but not impaired: |                |                |
| 60–90 days   | 74             | 25             |
| 90–120 days  | 43             | 6              |
| <b>Total</b>   | <b>117</b>     | <b>31</b>      |
| <b>Movement in the allowance for doubtful debts</b>    |                |                |
| Balance at beginning of the year                       | (118)          | (37)           |
| Impairment losses recognised on receivables            | (112)          | (116)          |
| Amounts written off during the year as uncollectible   | 131            | 35             |
| <b>Balance at end of the year</b>                      | <b>(99)</b>    | <b>(118)</b>   |
| <b>Age of impaired trade receivables</b>               |                |                |
| 60–90 days   | –              | –              |
| 90–120 days  | –              | –              |
| 120+ days  | 99             | 118            |
| <b>Total</b>   | <b>99</b>      | <b>118</b>     |

## Note 7

### Other financial assets

|  | CONSOLIDATED |        |
|--|--------------|--------|
|  | 2016         | 2015   |
|  | \$'000       | \$'000 |
| Derivatives designated and effective as hedging instruments carried at fair value: |              |        |
| Foreign currency forward contracts   | –            | 534    |
|  | –            | 534    |

## Note 8

### Inventories

|  | CONSOLIDATED |        |
|--|--------------|--------|
|  | 2016         | 2015   |
|  | \$'000       | \$'000 |
| At lower of cost and net realisable value: |              |        |
| Stock in transit                           | 3,607        | 4,445  |
| Finished goods                             | 33,141       | 21,345 |
| Provision for obsolescence                 | (1,704)      | (793)  |
|  | 35,044       | 24,997 |

## Note 9

### Property, plant and equipment

|                        | CONSOLIDATED |        |
|------------------------|--------------|--------|
|                        | 2016         | 2015   |
|                        | \$'000       | \$'000 |
| Plant and equipment    | 2,499        | 2,965  |
| Leasehold improvements | 13,961       | 11,541 |
|                        | 16,460       | 14,506 |

|                                 | Plant and equipment at cost \$'000 | Leasehold improvements cost \$'000 | Total \$'000    |
|---------------------------------|------------------------------------|------------------------------------|-----------------|
| <b>Cost</b>                     |                                    |                                    |                 |
| Balance at 28 June 2014         | 3,449                              | 23,552                             | 27,001          |
| Additions                       | 1,069                              | 4,414                              | 5,483           |
| Disposals                       | (95)                               | (431)                              | (526)           |
| Balance at 26 June 2015         | 4,423                              | 27,535                             | 31,958          |
| Additions                       | 376                                | 6,038                              | 6,414           |
| Disposals                       | (594)                              | (2,145)                            | (2,739)         |
| <b>Balance at 1 July 2016</b>   | <b>4,205</b>                       | <b>31,428</b>                      | <b>35,633</b>   |
| <b>Accumulated depreciation</b> |                                    |                                    |                 |
| Balance at 28 June 2014         | (1,231)                            | (14,383)                           | (15,614)        |
| Disposals                       | 80                                 | 202                                | 282             |
| Depreciation expense            | (307)                              | (1,813)                            | (2,120)         |
| Balance at 26 June 2015         | (1,458)                            | (15,994)                           | (17,452)        |
| Disposals                       | 144                                | 2,002                              | 2,146           |
| Depreciation expense            | (392)                              | (3,475)                            | (3,867)         |
| <b>Balance at 1 July 2016</b>   | <b>(1,706)</b>                     | <b>(17,467)</b>                    | <b>(19,173)</b> |
| <b>Net book value 2015</b>      | <b>2,965</b>                       | <b>11,541</b>                      | <b>14,506</b>   |
| <b>Net book value 2016</b>      | <b>2,499</b>                       | <b>13,961</b>                      | <b>16,460</b>   |

## Note 10 Intangible assets

|                  | CONSOLIDATED   |                |
|------------------|----------------|----------------|
|                  | 2016<br>\$'000 | 2015<br>\$'000 |
| Brand names      | 30,945         | 30,945         |
| Franchise system | 37,330         | 37,330         |
| Goodwill         | 24,008         | 21,443         |
| Trademarks       | 1,399          | 1,585          |
| Software         | 2,787          | 558            |
|                  | <b>96,469</b>  | <b>91,861</b>  |

|                                 | Brand<br>names | Franchise<br>systems<br>\$'000 | Goodwill<br>\$'000 | Trademarks<br>\$'000 | Software<br>\$'000 | Total<br>\$'000 |
|---------------------------------|----------------|--------------------------------|--------------------|----------------------|--------------------|-----------------|
| Balance at 28 June 2014         | 30,945         | 37,330                         | 19,198             | 3,263                | 1,665              | 92,401          |
| Additions                       | –              | –                              | 2,245              | –                    | 366                | 2,611           |
| Disposals                       | –              | –                              | –                  | –                    | –                  | –               |
| <b>Balance at 26 June 2015</b>  | <b>30,945</b>  | <b>37,330</b>                  | <b>21,443</b>      | <b>3,263</b>         | <b>2,031</b>       | <b>95,012</b>   |
| Additions                       | –              | –                              | 2,565              | –                    | 2,519              | 5,084           |
| Disposals                       | –              | –                              | –                  | –                    | (24)               | (24)            |
| <b>Balance at 1 July 2016</b>   | <b>30,945</b>  | <b>37,330</b>                  | <b>24,008</b>      | <b>3,263</b>         | <b>4,526</b>       | <b>100,072</b>  |
| <b>Accumulated amortisation</b> |                |                                |                    |                      |                    |                 |
| Balance at 28 June 2014         | –              | –                              | –                  | (1,492)              | (1,074)            | (2,566)         |
| Amortisation expense            | –              | –                              | –                  | (186)                | (399)              | (585)           |
| <b>Balance at 26 June 2015</b>  | <b>–</b>       | <b>–</b>                       | <b>–</b>           | <b>(1,678)</b>       | <b>(1,473)</b>     | <b>(3,151)</b>  |
| Amortisation expense            | –              | –                              | –                  | (186)                | (290)              | (476)           |
| Disposals                       | –              | –                              | –                  | –                    | 24                 | 24              |
| <b>Balance at 1 July 2016</b>   | <b>–</b>       | <b>–</b>                       | <b>–</b>           | <b>(1,864)</b>       | <b>(1,739)</b>     | <b>(3,603)</b>  |
| <b>Net book value 2015</b>      | <b>30,945</b>  | <b>37,330</b>                  | <b>21,443</b>      | <b>1,585</b>         | <b>558</b>         | <b>91,861</b>   |
| <b>Net book value 2016</b>      | <b>30,945</b>  | <b>37,330</b>                  | <b>24,008</b>      | <b>1,399</b>         | <b>2,787</b>       | <b>96,469</b>   |

## Allocation of goodwill and brand names to cash-generating units

Goodwill and other indefinite life intangible assets are allocated to the following group of cash-generating units ('CGUs') for impairment testing purposes:

|             | 2016<br>\$'000 | 2015<br>\$'000 |
|-------------|----------------|----------------|
| Australia   | 87,334         | 86,879         |
| New Zealand | 4,949          | 2,839          |
|             | <b>92,283</b>  | <b>89,718</b>  |

## Impairment testing

In accordance with the Group's accounting policies, the Group performs its impairment testing at least annually at 30 June for intangible assets with indefinite useful lives. More frequent reviews are performed for indications of impairment of all of the Group's assets including operating assets. Where an indication of impairment is identified a formal impairment assessment is performed.

The Group assessed the recoverable amounts of each of the CGUs, and evaluated whether the recoverable amount of each CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell or its value-in-use.

## Value-in-use

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

## Key assumptions

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

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

- Sales growth of +4% based on the forecast product, sales and the existing stores network and customers;
- Gross profit margins that are either consistent or slightly lower than FY16 levels;
- Overhead costs increasing at CPI;
- Terminal growth rate of 2.5% which is materially consistent with long term economic growth in the key markets in which the CGU operates;
- Post-tax discount rate of 10% and 10.5% for the Australian and New Zealand group of CGU's respectively (2015: 10% and 10.5%).

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



**Note 10**  
**Intangible assets cont.**

**Sensitivities analysis**

Changes in the key assumptions in the table below would have the following approximate impact on the recoverable amount of the CGUs at 1 July 2016:

|                        | Change in variable | Effect on recoverable amount \$'000 |
|------------------------|--------------------|-------------------------------------|
|                        | Australia          | Australia                           |
| Sales Revenue          | + 4.0%             | 22,983                              |
|                        | - 4.0%             | (20,803)                            |
| Post tax discount rate | + 2.0%             | (25,833)                            |
|                        | - 2.0%             | 44,716                              |

Changes in the assumptions used in the CGU value-in-use model, when considered in isolation, will result in the following impairment impact on the profit or loss.

|                        | Change in variable | Effect on recoverable amount \$'000 |
|------------------------|--------------------|-------------------------------------|
|                        | Australia          | Australia                           |
| Sales Revenue          | - 4.0%             | (\$6,499)                           |
| Post tax discount rate | + 2.0%             | (\$11,528)                          |

It must be noted that each of the sensitivities above assumes that a specific assumption moves in isolation, while the other assumptions are held constant. In reality, a change in one of the aforementioned assumptions could be accompanied by a change in another assumption, which may increase or decrease the net impact.

**Outcome of assessment**

The Directors believe that the assumptions on costs increase is reasonable within the market inflation rate and post-tax discount rate is materially consistent with long term economic growth in the key markets in which the CGUs operate. The Directors also believe that the Group is well in place to deliver an annual sales growth of at least 4% annually. Based on the above assessment, the recoverable amounts of CGUs exceed their carrying amounts. No impairment indicators were identified.

**Note 11**  
**Trade and other payables**

|                                | CONSOLIDATED |             |
|--------------------------------|--------------|-------------|
|                                | 2016 \$'000  | 2015 \$'000 |
| Trade payables                 | 17,103       | 16,794      |
| Accruals                       | 1,386        | 1,204       |
| Goods and services tax payable | 1,101        | 1,201       |
| Deferred income                | 319          | 330         |
|                                | 19,909       | 19,529      |

**Note 12**  
**Interest bearing loans and borrowings**

|                              | CONSOLIDATED |             |
|------------------------------|--------------|-------------|
|                              | 2016 \$'000  | 2015 \$'000 |
| Non-current borrowings:      |              |             |
| Secured – at amortised cost  |              |             |
| Loans                        | 23,000       | 20,000      |
| Total non-current borrowings | 23,000       | 20,000      |

**Secured Senior Finance Facility**

The Group entered into a Secured Senior Finance facility agreement on 16 June 2015 of \$20.0 million, and further raised \$3.0 million on 29 February 2016. The facility is fully drawn.

**Secured Working Capital Facility**

The Group entered into a revolving working capital facility agreement on 16 June 2015. The Lender has made available an aggregate amount of \$10.5 million to fund ongoing working capital and general corporate requirements.

The Group utilised \$1.6 million of the facility to provide letters of credit and guarantees, \$0.5 million for a credit card facility and the remaining amount of the facility of \$8.4 million is undrawn as at 1 July 2016.

Both facilities have a term of 3.5 years from 16 June 2015. The Lender has security over the assets of the Group.



## Note 13

### Other current financial liabilities

|  | CONSOLIDATED |            |
|--|--------------|------------|
|  | 2016         | 2015       |
|  | \$'000       | \$'000     |
| <i>Derivatives that are designated and effective as hedging instruments carried at fair value:</i> |              |            |
| Forward foreign exchange contracts   | 930          | 121        |
|  | <b>930</b>   | <b>121</b> |

## Note 14

### Employee benefits

|                    | 2016         | 2015         |
|--------------------|--------------|--------------|
|                    | \$'000       | \$'000       |
| <b>Current</b>     |              |              |
| Employee benefits  | 3,772        | 3,418        |
| <b>Non-current</b> |              |              |
| Employee benefits  | 1,132        | 719          |
|                    | <b>4,904</b> | <b>4,137</b> |

The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees.

## Note 15

### Provisions

|                                     | 2016         | 2015         |
|-------------------------------------|--------------|--------------|
|                                     | \$'000       | \$'000       |
| <b>Current Provisions</b>           |              |              |
| Lease incentives                    | 463          | 384          |
| Leasehold site restoration          | 1,096        | 1,016        |
| Warranty and repairs                | 1,478        | 1,653        |
| <b>Total current provisions</b>     | <b>3,037</b> | <b>3,053</b> |
| <b>Non-current Provisions</b>       |              |              |
| Lease incentives                    | 3,316        | 3,110        |
| Leasehold site restoration          | 1,896        | 1,795        |
| Warranty and repairs                | 385          | 395          |
| <b>Total non-current provisions</b> | <b>5,597</b> | <b>5,300</b> |

#### Provision for lease incentives

The provision for lease incentives relates to rent free periods provided by lessors pursuant to operating lease arrangements.

#### Provision for leasehold site restoration

The leasehold provision for site restoration represents the expected cost of restoring leased premises to their original condition as required by the respective operating lease agreements.

#### Warranties and repairs

The provision for warranties relates to vacuum cleaners and related products still under warranty. The provision is based on estimates made from historical warranty data associated with similar products and services and having regard to the impact of marketing new product lines. The Group expects to incur the liability over the next 1-7 years.

## Note 16 Issued capital

|  | CONSOLIDATED   |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| 40,610,319 fully paid ordinary shares (26 June 2015: 40,298,056) | 109,526        | 109,526        |

### Movements in issued capital

|  | 2016                |                         | 2015                |                         |
|--|---------------------|-------------------------|---------------------|-------------------------|
|  | Number<br>of shares | Share capital<br>\$'000 | Number of<br>shares | Share capital<br>\$'000 |
| Balance at beginning of the year                                     | 40,298,056          | 109,526                 | 28,000,000          | 28,000                  |
| – Share options exercised  | 312,263             | –                       | 840,000             | 840                     |
| – Share acquisition in ICSG<br>at \$2.75, net of transaction costs   | –                   | –                       | (16,790,881)        | (39,318)                |
| – Fully paid ordinary shares at \$2.75<br>issued on 10 December 2014 | –                   | –                       | 28,248,937          | 77,685                  |
| – Capital reconstruction,<br>net of transaction costs                | –                   | –                       | –                   | 43,613                  |
|  | –                   | –                       | 40,298,056          | 110,820                 |
| – Transaction costs for issued<br>share capital post tax             | –                   | –                       | –                   | (1,294)                 |
| <b>Balance at the end of the year</b>                                | <b>40,610,319</b>   | <b>109,526</b>          | <b>40,298,056</b>   | <b>109,526</b>          |

## Note 17 Reserves

|                                      | 2016<br>\$'000  | 2015<br>\$'000  |
|--------------------------------------|-----------------|-----------------|
| Capital reconstruction reserve       | (43,613)        | (43,613)        |
| Share options reserve                | 1,117           | 854             |
| Cash flow hedge reserve              | (438)           | 165             |
| Foreign currency translation reserve | (809)           | (810)           |
|                                      | <b>(43,743)</b> | <b>(43,404)</b> |

### Capital reconstruction reserve

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

### Share options reserve

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

### Cash flow hedge reserve

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

### Foreign currency translation reserve

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

## Note 18

### Dividends on equity

|                           | CONSOLIDATED           |        |                         |        |
|---------------------------|------------------------|--------|-------------------------|--------|
|                           | Year ended 1 July 2016 |        | Year ended 26 June 2015 |        |
|                           | Cents                  | Total  | Cents                   | Total  |
|                           | per share              | \$'000 | per share               | \$'000 |
| <b>Recognised amounts</b> |                        |        |                         |        |
| Final dividend            | 3.8                    | 1,555  | 12.8                    | 5,158  |
| Interim dividend          | 7.5                    | 3,046  | –                       | –      |
| Special dividend          | –                      | –      | 2.6                     | 1,048  |

The Directors declared a final dividend of 3.8 cents per share, of which 1.5 cents is fully franked and 2.3 cents is unfranked.

FY2016 full year dividends represent approximately a 50% payout of the Company's underlying net profit after tax. The final dividend is to be paid on 13 October 2016 (2015: 9 October 2015).

|   | 2016           | 2015             |
|---|----------------|------------------|
|   | \$'000         | \$'000           |
| <b>Franking credits available at Australian corporate tax rate of 30%</b> | <b>192,015</b> | <b>1,149,641</b> |

## Note 19

### Subsidiaries

Details of the Group's subsidiaries at year-end are as follows.

| Name of subsidiary                             | Note    | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Group |      |
|--|---------|--------------------------------------|---|------|
|  |         |                                      | 2016  | 2015 |
| <b>Parent entity</b>                           |         |                                      |   |      |
| Godfreys Group Limited                         | (a)     | Australia                            | 100%  | 100% |
| <b>Subsidiaries</b>                            |         |                                      |   |      |
| Electrical Home-Aids Pty Ltd                   | (a) (b) | Australia                            | 100%  | 100% |
| Godfreys Franchise Systems Pty Ltd             | (a)     | Australia                            | 100%  | 100% |
| Hoover Floorcare Asia Pacific Pty Ltd          | (a)     | Australia                            | 100%  | 100% |
| International Cleaning Solutions Pty Ltd       | (a) (b) | Australia                            | 100%  | 100% |
| International Cleaning Solutions Group Pty Ltd | (a) (b) | Australia                            | 100%  | 100% |
| Australian Vacuum Cleaner Co. Pty Ltd          | (a) (b) | Australia                            | 100%  | 100% |
| Godfreys Finance Company Pty Ltd               | (a) (b) | Australia                            | 100%  | 100% |
| New Zealand Vacuum Cleaner Company Ltd         |         | New Zealand                          | 100%  | 100% |
| The Service Company Limited                    | (c)     | New Zealand                          | 100%  | –    |

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

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

(c) Acquired on 29 February 2016.

## Note 20

### Cross guarantee group

Godfreys Group Limited and the subsidiaries specifically identified in Note 19(b) formed a cross guarantee group on 19 May 2015.

The consolidated income statement and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

|   | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>28 June 2015<br>\$'000 |
|---|-------------------------------------|--------------------------------------|
| <b>Statement of comprehensive income</b>                            |                                     |                                      |
| Revenue   | 150,994                             | 152,810                              |
| Cost of sales   | (67,858)                            | (68,228)                             |
| Other income  | 4,756                               | 3,848                                |
| Employee benefit expenses   | (35,297)                            | (33,652)                             |
| Marketing expense   | (11,354)                            | (12,110)                             |
| Selling and distribution expenses                                   | (2,625)                             | (1,635)                              |
| Occupancy expenses  | (17,103)                            | (15,166)                             |
| Share based payments  | (1,189)                             | (854)                                |
| Other expenses  | (6,584)                             | (6,111)                              |
| IPO transaction costs   | –                                   | (5,017)                              |
| <b>Earnings before interest, tax, depreciation and amortisation</b> | <b>13,740</b>                       | <b>13,885</b>                        |
| Depreciation and amortisation expense                               | (3,913)                             | (3,331)                              |
| Net finance costs   | (867)                               | (4,110)                              |
| <b>Profit before tax expense</b>                                    | <b>8,960</b>                        | <b>6,444</b>                         |
| Income tax (expense) / benefit                                      | (2,172)                             | 3,493                                |
| <b>Profit for the year from continuing operations</b>               | <b>6,788</b>                        | <b>9,937</b>                         |
| <b>Other comprehensive Income</b>                                   |                                     |                                      |
| <b>Net (loss) gain on cash flow hedges</b>                          | <b>(603)</b>                        | <b>165</b>                           |
| <b>Other comprehensive income for the year, net of tax</b>          | <b>(603)</b>                        | <b>165</b>                           |
| <b>Total comprehensive Income for the year</b>                      | <b>6,185</b>                        | <b>10,102</b>                        |

## Note 20

### Cross guarantee group cont.

| Statement of financial position       | 1 July 2016<br>\$'000 | 26 June 2015<br>\$'000 |
|---------------------------------------|-----------------------|------------------------|
| <b>Current assets</b>                 |                       |                        |
| Cash and cash equivalents             | 285                   | 13,023                 |
| Trade and other receivables           | 4,019                 | 3,710                  |
| Other financial assets                | –                     | 534                    |
| Inventories                           | 29,566                | 22,023                 |
| Current tax assets                    | –                     | 74                     |
| <b>Total current assets</b>           | <b>33,870</b>         | <b>39,364</b>          |
| <b>Non-current assets</b>             |                       |                        |
| Trade and other receivables           | 1,690                 | 1,204                  |
| Property, plant and equipment         | 14,635                | 13,068                 |
| Deferred tax assets                   | 5,016                 | 6,717                  |
| Investments                           | 82                    | 82                     |
| Intangible assets                     | 94,358                | 91,631                 |
| <b>Total non-current assets</b>       | <b>115,781</b>        | <b>112,702</b>         |
| <b>Total assets</b>                   | <b>149,651</b>        | <b>152,066</b>         |
| <b>Current liabilities</b>            |                       |                        |
| Trade and other payables              | 17,748                | 18,400                 |
| Other financial liabilities           | 930                   | 121                    |
| Provisions                            | 3,037                 | 2,728                  |
| Employee benefits                     | 3,496                 | 3,276                  |
| <b>Total current liabilities</b>      | <b>25,211</b>         | <b>24,525</b>          |
| <b>Non-current liabilities</b>        |                       |                        |
| Interest-bearing loans and borrowings | 23,000                | 20,000                 |
| Related-parties loans                 | 20,981                | 25,224                 |
| Provisions                            | 5,027                 | 4,898                  |
| Employee benefits                     | 750                   | 719                    |
| <b>Total non-current liabilities</b>  | <b>49,758</b>         | <b>50,841</b>          |
| <b>Total liabilities</b>              | <b>74,969</b>         | <b>75,366</b>          |
| <b>Net assets</b>                     | <b>74,682</b>         | <b>76,700</b>          |
| <b>Equity</b>                         |                       |                        |
| Issued capital                        | 109,526               | 109,526                |
| Reserves                              | (43,332)              | (42,594)               |
| Retained earnings                     | 8,488                 | 9,768                  |
| <b>Total equity</b>                   | <b>74,682</b>         | <b>76,700</b>          |

## Note 21

### Financial instruments

#### Capital management

Godfreys Group Limited manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt, if any (borrowings offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, and retained earnings). Godfreys Group Limited is not subject to any externally imposed capital requirements. The Board reviews the capital structure of the Group on an annual basis.

|   | CONSOLIDATED   |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Categories of financial instruments</b>                          |                |                |
| <b>Financial assets</b>   |                |                |
| Cash and bank balances  | 1,445          | 13,823         |
| Derivative instruments in designated hedge accounting relationships | –              | 534            |
| Trade and other receivables   | 7,331          | 5,184          |
| <b>Financial liabilities</b>  |                |                |
| Derivative instruments in designated hedge accounting relationships | 930            | 121            |
| Fair value through loss (FVTPL)                                     | –              | –              |
| Trade and other payables  | 18,489         | 17,998         |
| Borrowings  | 23,000         | 20,000         |

#### Financial risk management objectives

The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into interest rate swap or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of inventory in USD and EUR to mitigate the risk of exchange rates movement.





**Note 21**  
**Financial instruments cont.**

|                  | Liabilities    |                | Assets         |                |
|------------------|----------------|----------------|----------------|----------------|
|                  | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2014<br>\$'000 |
| US Dollars (USD) | 930            | 34             | –              | 430            |
| Euro (EUR)       | –              | 87             | –              | 104            |

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

|                              | Average<br>exchange rate |                 | Foreign currency |                | Notional value |                | Fair value     |                |
|------------------------------|--------------------------|-----------------|------------------|----------------|----------------|----------------|----------------|----------------|
|                              | 2016<br>(cents)          | 2015<br>(cents) | 2016<br>\$'000   | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Outstanding contracts</b> |                          |                 |                  |                |                |                |                |                |
| <b>Cash flow hedges</b>      |                          |                 |                  |                |                |                |                |                |
| US\$ (0 – 12 months)         | 70.50                    | 77.73           | 14,000           | 24,000         | 19,859         | 30,874         | (930)          | 396            |
| Euro (0 – 12 months)         | –                        | 68.59           | –                | 4,800          | –              | 6,998          | –              | 17             |
|                              |                          |                 |                  |                |                |                | <b>(930)</b>   | <b>413</b>     |

**Foreign currency sensitivity analysis**

As shown in the table above the Group is mainly exposed to the currency of USD. The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the USD at spot rate of the end of the reporting period. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number on the right column's table indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity and the balances on the right column's table would be negative.

|                    | USD movement<br>impact (+/-) |                |
|--------------------|------------------------------|----------------|
|                    | 2016<br>\$'000               | 2015<br>\$'000 |
| Profit or loss (i) | 282                          | 287            |
| Equity (ii)        | 910                          | 2,874          |

- (i) *This is mainly due to the exposure outstanding on USD receivables and payables at the end of the reporting period.*
- (ii) *This is mainly due to changes in the fair value of derivative instruments designated as hedging instruments in cash flow hedges.*

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year. USD denominated purchases is seasonal. In addition, the impact of fluctuations in exchange rates can to some extent be recouped from suppliers and or passed through to customers.

**Interest rate risk management**

During the year, the Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**Interest rate sensitivity analysis**

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 1 July 2016 would decrease/increase by \$0.1 million (2015: decrease/increase by \$0.1 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

**Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Concentration of credit risk related to the Group largest customer did not exceed 5% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at any time during the year.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**Collateral held as security and other credit exposures**

The Company does not hold any collateral or other credit enhancement to cover its credit risks associated with its financial assets.

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The finance facility note below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

**Liquidity and interest risk tables**

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay. The table below also details the Group's expected maturity for its non-derivative financial assets based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

## Note 21

### Financial instruments cont.

|                         | Weighted<br>average<br>effective<br>interest<br>rate<br>% | Less<br>than<br>1 month<br>\$'000 | 1 to 3<br>months<br>\$'000 | 3 months<br>to 1 year<br>\$'000 | 1 to 5<br>years<br>\$'000 | 5+ years<br>\$'000 | Total<br>\$'000 |
|-------------------------|---|-----------------------------------|----------------------------|---------------------------------|---------------------------|--------------------|-----------------|
| <b>1 July 2016</b>      |   |                                   |                            |                                 |                           |                    |                 |
| Financial assets        |   |                                   |                            |                                 |                           |                    |                 |
| Cash at bank (variable) | 1.75%   | 1,445                             | –                          | –                               | –                         | –                  | 1,445           |
| Financial liabilities   |   |                                   |                            |                                 |                           |                    |                 |
| Senior debt (variable)  | 3.7%  | –                                 | –                          | –                               | 23,000                    | –                  | 23,000          |
| <b>26 June 2015</b>     |   |                                   |                            |                                 |                           |                    |                 |
| Financial assets        |   |                                   |                            |                                 |                           |                    |                 |
| Cash at bank (variable) | 1.7%  | 13,823                            | –                          | –                               | –                         | –                  | 13,823          |
| Financial liabilities   |   |                                   |                            |                                 |                           |                    |                 |
| Senior debt (variable)  | 3.5%  | –                                 | –                          | –                               | 20,000                    | –                  | 20,000          |

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The Group has access to financing facilities as described below, of which \$10.5 million were unused at the end of the reporting period (2015: \$10.5 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

|  | Less than<br>1 month<br>\$'000 | 1–3<br>months<br>\$'000 | months<br>to 1 year<br>\$'000 |
|--|--------------------------------|-------------------------|-------------------------------|
| <b>1 July 2016</b>                                 |                                |                         |                               |
| Gross settled – foreign exchange forward contracts | 2,863                          | 8,527                   | 8,468                         |
| <b>26 June 2015</b>                                |                                |                         |                               |
| Gross settled – foreign exchange forward contracts | 3,060                          | 9,330                   | 25,482                        |

| Finance facilities                   | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Secured working capital facility (i) |                |                |
| – amount used                        | 2,100          | 2,100          |
| – amount unused                      | 8,400          | 8,400          |
|                                      | <b>10,500</b>  | <b>10,500</b>  |
| Secured bank loan facility (i)       |                |                |
| – amount used                        | 23,000         | 20,000         |
|                                      | <b>23,000</b>  | <b>20,000</b>  |

(i) Secured by a first ranking fixed and floating charge over the assets and undertakings of the Group.

### Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The fair value of foreign exchange forward contracts is determined using a Level 2 fair value hierarchy method, being a discounted cash flow method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The fair value of interest rate swaps is determined using a Level 2 fair value hierarchy method, being a discounted cash flow method. Future cash flows are estimated based on forward interest rates from observable yield curves at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.



**Note 22**  
**Shared-based payments**

The LTIP was approved by the Board and implemented on 10 December 2014. Awards under the LTIP scheme are issued annually based on a 3-year performance period. 100% of the available LTIP awards are based on a total shareholder return ('TSR') performance hurdle relative to the S&P/ASX 300 Consumer Discretionary Index over the 3-year performance period ('TSR Options'). Options vest over a 3-year period based on the achievement of total shareholder return, provided that the eligible recipient is employed by the Group on that date.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

**Fair value of Performance Rights granted in the year**

The weighted average fair value of the Performance Rights granted in FY2015 was \$1.41. Options were priced using the Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option) and behavioural considerations. Expected volatility is based on projected volatility incorporating historical average 4 year volatility for S&P/ASX300 CS&CD.

| Inputs into the model                     | Performance rights<br>2015 |
|---|----------------------------|
| Grant date (10 December 2014) share price | \$2.75                     |
| Exercise price                            | \$2.75                     |
| Expected volatility                       | 35%                        |
| Option life                               | 3 years                    |
| Expiry date                               | 30 June 2017               |
| Dividend yield                            | 7.5%                       |
| Risk-free interest rate                   | 2.25%                      |
| Fair value at grant date                  | \$1.41                     |

**Movements in Performance Rights during the year**

The following reconciles the Performance Rights outstanding at the beginning and end of the year

|                              | 2016                 |   | 2015                 |   |
|------------------------------|----------------------|---|----------------------|---|
|                              | Number<br>of options | Weighted<br>average<br>exercise price<br>\$ | Number<br>of options | Weighted<br>average<br>exercise price<br>\$ |
| Balance at beginning of year | 924,894              | –   | –                    | –   |
| Granted during the year      | –                    | –   | 924,894              | –   |
| Exercised during the year    | (312,263)            | –   | –                    | –   |
| Expired during the year      | –                    | –   | –                    | –   |
| Balance at end of year       | 612,631              | –   | 924,894              | –   |
| Exercisable at end of year   | –                    | –   | –                    | –   |

**Performance Rights exercised during the year**

There were 312,263 Performance Rights exercised during the year (2015: nil).

There were nil vested Performance Rights outstanding at the end of the year (2015: nil).

**Note 23**  
**Key management personnel compensation**

The aggregate compensation made to the Directors and Executives of the Group is set out below:

|                              | Year ended<br>1 July 2016<br>\$ | Year ended<br>26 June 2015<br>\$ |
|------------------------------|---------------------------------|----------------------------------|
| Short-term employee benefits | 2,779,905                       | 4,367,001                        |
| Termination benefits         | 300,000                         | –                                |
| Post-employment benefits     | 160,714                         | 111,404                          |
| Other long-term benefits     | 55,243                          | 28,303                           |
| Share-based payment          | 1,060,326                       | 853,576                          |
|                              | <b>4,356,188</b>                | <b>5,360,284</b>                 |

**Note 24**  
**Related party transactions**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

**Other related parties transaction**

The Group leases 13 store sites on commercial arm's length terms from entities controlled by John Johnston, who controls Arcade Finance Pty Ltd which is currently a significant shareholder of the Company. Entities related to Tom Krulis' family also hold interest in a number of these stores.

The annual remuneration package of each member of the Executive team is comprised of a base salary, STIP and LTIP. The STIP gives participants the opportunity to earn a cash bonus based on satisfaction of certain hurdles and key performance indicators based on the Group's performance and the individual's contribution. The LTIP is governed by the LTIP Rules which are discussed in the Remuneration Report.

## Note 25

### Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

#### Reconciliation of profit for the year to net cash flows from operating activities

|   | CONSOLIDATED                        |                                      |
|---|-------------------------------------|--------------------------------------|
|   | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
| <b>Cash flows from operating activities</b>       |                                     |                                      |
| Profit for the year                               | 7,766                               | 12,044                               |
| Depreciation and amortisation                     | 4,344                               | 3,665                                |
| Share based payment expense                       | 1,122                               | 854                                  |
| Offer costs expensed                              | –                                   | 5,909                                |
| Net finance costs                                 | 876                                 | 4,088                                |
| Other non-cash movement                           | 265                                 | 720                                  |
| <i>(Increase)/decrease in assets:</i>             |                                     |                                      |
| Trade and other receivables                       | (1,613)                             | 603                                  |
| Deferred tax assets                               | 1,864                               | (4,431)                              |
| Inventory   | (10,047)                            | 1,322                                |
| <i>Increase/(decrease) in liabilities:</i>        |                                     |                                      |
| Trade and other payables                          | 1,043                               | (1,215)                              |
| Provisions  | 1,051                               | 3,225                                |
| Current tax liability                             | –                                   | 393                                  |
| <b>Net cash generated by operating activities</b> | <b>6,671</b>                        | <b>27,177</b>                        |

## Note 26

### Net operating lease arrangements

#### Net operating lease commitments

Operating leases relate to leases of retail premises, distribution centre and office with lease terms of between 1 to 10 years. All retail store operating lease contracts contain clauses for market rental reviews.

#### The Group as lessee

Non-cancellable operating lease commitments

|  | CONSOLIDATED                        |                                      |
|--|-------------------------------------|--------------------------------------|
|  | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
| Not later than 1 year                        | 15,956                              | 16,866                               |
| Later than 1 year and not later than 5 years | 30,357                              | 25,605                               |
| Later than 5 years                           | 5,098                               | 5,915                                |
|  | <b>51,411</b>                       | <b>48,386</b>                        |

#### The Group as lessor

Non-cancellable operating lease receivables

|  |                 |                 |
|--|-----------------|-----------------|
| Not later than 1 year                        | (4,373)         | (5,026)         |
| Later than 1 year and not later than 5 years | (7,920)         | (7,488)         |
| Later than 5 years                           | (479)           | (625)           |
|  | <b>(12,772)</b> | <b>(13,139)</b> |

Net operating lease commitments

|  |               |               |
|--|---------------|---------------|
| Not later than 1 year                        | 11,583        | 11,839        |
| Later than 1 year and not later than 5 years | 22,437        | 18,117        |
| Later than 5 years                           | 4,619         | 5,290         |
|  | <b>38,639</b> | <b>35,246</b> |

Lease incentives (note 15)

|             |              |              |
|-------------|--------------|--------------|
| Current     | 463          | 384          |
| Non-current | 3,316        | 3,110        |
|             | <b>3,779</b> | <b>3,494</b> |





**Note 27**  
**Contingent liabilities**

The Group has provided bank guarantees of \$1.6 million in respect to retail premises operating leases and a distribution centre lease.

**Note 28**  
**Remuneration of auditors**

|   | Year ended<br>1 July 2016<br>\$ | Year ended<br>26 June 2015<br>\$ |
|---|---------------------------------|----------------------------------|
| Audit or review of the financial statements | 200,000                         | 280,000                          |
| Other non-audit services                    | 5,408                           | 20,597                           |
| Taxation compliance services                | 40,000                          | 40,000                           |
| Accounting and tax in connection with IPO   | –                               | 899,676                          |
|   | <b>245,408</b>                  | <b>1,240,273</b>                 |

The auditor of Godfreys Group Limited is Deloitte Touche Tohmatsu.

**Note 29**  
**Parent entity information**

Godfreys Group Limited was incorporated on 6 November 2014. The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

|                           | CONSOLIDATED                        |                                      |
|---------------------------|-------------------------------------|--------------------------------------|
|                           | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
| <b>Financial position</b> |                                     |                                      |
| <b>Assets</b>             |                                     |                                      |
| Cash and cash equivalents | 67                                  | –                                    |
| Deferred tax assets       | 4,829                               | 6,972                                |
| Investments               | 109,526                             | 109,526                              |
| <b>Total assets</b>       | <b>114,422</b>                      | <b>116,498</b>                       |
| <b>Liabilities</b>        |                                     |                                      |
| Current tax liabilities   | –                                   | 233                                  |
| Other liabilities         | 8,566                               | 6,751                                |
| <b>Total liabilities</b>  | <b>8,566</b>                        | <b>6,984</b>                         |
| <b>Net assets</b>         | <b>105,856</b>                      | <b>109,514</b>                       |
| <b>Equity</b>             |                                     |                                      |
| Issued capital            | 109,526                             | 109,526                              |
| Retained earnings         | (3,670)                             | (12)                                 |
| <b>Total equity</b>       | <b>105,856</b>                      | <b>109,514</b>                       |

Godfreys Group Limited is the ultimate parent entity for the period 10 December 2014 to 1 July 2016.

**Note 30**  
**Business combinations**

On 29 February 2016, the Group acquired The Service Company Limited, an established New Zealand based eco-friendly cleaning supplies business. The acquisition was to expand the Group’s commercial cleaning business in New Zealand and Australia. Accordingly, certain assets and liabilities of the acquired business are consolidated from this date.

The assets and liabilities recognised as a result of the acquisitions are as follows:

|   | Year ended<br>1 July 2016<br>\$'000 |
|---|-------------------------------------|
| Inventory                               | 1,069                               |
| Fixed Assets                            | 174                                 |
| Employee provisions                     | (55)                                |
| <b>Net identifiable assets acquired</b> | <b>1,188</b>                        |
| Goodwill                                | 1,814                               |
| <b>Purchase consideration</b>           | <b>3,002</b>                        |

**Note 30 cont.**  
**Business combinations**

The measurement of identifiable intangible assets acquired in a business combination is highly subjective and there are a range of possible values that could be attributed for initial recognition. At 1 July 2016, the fair value of the assets and liabilities acquired is provisional and pending final valuations. On completion of the final valuations, the fair value of the assets and liabilities may be revised in accordance with applicable Australian Accounting Standards.

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the acquisition date. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the year, the Group also acquired 4 Godfreys retail franchise stores.

The assets and liabilities recognised as a result of the acquisitions are as follows:

|   | Year ended<br>1 July 2016<br>\$'000 | Year ended<br>26 June 2015<br>\$'000 |
|---|-------------------------------------|--------------------------------------|
| Inventory                               | 46                                  | 179                                  |
| Fixed Assets                            | 35                                  | –                                    |
| <b>Net identifiable assets acquired</b> | <b>81</b>                           | <b>179</b>                           |
| Goodwill                                | 752                                 | 2,245                                |
| <b>Purchase consideration</b>           | <b>833</b>                          | <b>2,424</b>                         |

**Impact of acquisitions on the results of the Group**

Included in the result for the year is a profit for the period of \$0.3 million attributable to the above acquisitions. Had these business combinations been effected at 27 June 2015, the revenue of the consolidated entity would have been approximately \$12.8 million higher and the net profit would have been approximately \$0.6 million higher for the year ended 1 July 2016.

**Note 31**  
**Subsequent events**

On 6 July 2016, Kathy Cocovski resigned as Chief Executive Officer and John Hardy was appointed as Interim Managing Director.

On 29 July 2016, Jon Brett resigned as Non-Executive Director.

ADDITIONAL SECURITIES  
EXCHANGE INFORMATION  
AS AT 1 AUGUST 2016

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 1 August 2016 (Reporting Date).

**1. Corporate Governance**

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website ([www.godfreys.com.au](http://www.godfreys.com.au)), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Godfreys, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on its website ([www.godfreys.com.au](http://www.godfreys.com.au)).

**2. Distribution and number of shareholders of equity securities**

The distribution and number of holders of equity securities on issue in the Company as at the Reporting Date, and the number of holders holding less than a marketable parcel of the Company's ordinary shares, based on the closing market price as at the Reporting Date is as follows:

**Number of holders of equity securities**

**Ordinary share capital**

40,610,319 fully paid ordinary shares are held by 1,540 individual shareholders.

All issued ordinary shares carry one vote per share and the rights to dividends.

**Distribution of holders of equity securities**

|  | Fully paid<br>ordinary shares | Options        |
|--|-------------------------------|----------------|
| 1 – 1,000                                    | 238,149                       |                |
| 1,001 – 5,000                                | 1,925,612                     |                |
| 5,001 – 10,000                               | 2,041,256                     |                |
| 10,001 – 100,000                             | 6,458,358                     |                |
| 100,001 and over                             | 29,946,944                    | 612,631        |
|  | <b>40,610,319</b>             | <b>612,631</b> |
| <b>Holding less than a marketable parcel</b> | <b>113</b>                    | <b>–</b>       |

## ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 1 AUGUST 2016 CONT.

### 3. Substantial shareholders

As at the Reporting Date, the names of the substantial holders of the Company and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

| Ordinary shareholders                     | Fully paid<br>ordinary shares<br>Number |
|---|---|
| ARCADE FINANCE PTY LTD                    | 10,408,383                              |
| J P MORGAN NOMINEES AUSTRALIA LIMITED     | 4,949,097                               |
| LOTO INVESTMENTS PTY LTD                  | 3,080,000                               |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 2,024,710                               |
| CITICORP NOMINEES PTY LIMITED             | 1,716,275                               |
|   | <b>22,178,465</b>                       |

### 4. Twenty largest holders of quoted equity securities

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, the number of ordinary shares and the percentage of capital held by each holder is as follows:

| Ordinary shareholders                                | Fully paid<br>Number | ordinary shares<br>Percentage |
|--|----------------------|-------------------------------|
| ARCADE FINANCE PTY LTD                               | 10,408,383           | 25.63                         |
| J P MORGAN NOMINEES AUSTRALIA LIMITED                | 4,949,097            | 12.19                         |
| LOTO INVESTMENTS PTY LTD                             | 3,080,000            | 7.58                          |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED            | 2,024,710            | 4.99                          |
| CITICORP NOMINEES PTY LIMITED                        | 1,716,275            | 4.23                          |
| BRISPOI NOMINEES PTY LTD                             | 1,133,212            | 2.79                          |
| BELL POTTER NOMINEES LTD                             | 912,020              | 2.25                          |
| NATIONAL NOMINEES LIMITED                            | 832,162              | 2.05                          |
| BNP PARIBAS NOMS PTY LTD                             | 696,747              | 1.72                          |
| ANACACIA PTY LIMITED                                 | 597,665              | 1.47                          |
| CS FOURTH NOMINEES PTY LIMITED                       | 463,636              | 1.14                          |
| MR HERMAN ROCKEFELLER                                | 453,309              | 1.12                          |
| AUST EXECUTOR TRUSTEES LTD                           | 300,000              | 0.74                          |
| BOND STREET CUSTODIANS LIMITED                       | 300,000              | 0.74                          |
| SNOJ INVESTMENTS PTY LIMITED                         | 280,000              | 0.69                          |
| RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED | 269,980              | 0.66                          |
| FREEMAN PASTORAL COMPANY PTY LIMITED                 | 205,982              | 0.51                          |
| BECJOHN PTY LIMITED                                  | 195,490              | 0.48                          |
| ARACAN PTY LTD                                       | 182,826              | 0.45                          |
| NSR INVESTMENTS PTY LTD                              | 180,000              | 0.44                          |
| BNP PARIBAS NOMS PTY LTD                             | 180,000              | 0.44                          |
| MR WINSTEDT ARIAM RASIAH                             | 175,000              | 0.43                          |
|  | <b>29,536,494</b>    | <b>72.73</b>                  |

### 5. Voting rights

The voting rights attaching to each class of equity securities are set out below:

#### Ordinary shares

At a general meeting of Godfreys, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held.

#### Performance Rights ('Rights')

Rights do not carry any voting rights.

### 6. Unquoted equity securities

612,631 unlisted Rights over ordinary shares in the Company have been granted to 5 persons. There are no persons who hold 20% or more of options that were not issued or acquired under an employee incentive scheme.

### 7. Stock Exchange Listing

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX). The Company was admitted to the official list of the ASX on 10 December 2014 (ASX issuer code: GFY).

### 8. Other Information

The Company is not currently conducting an on-market buy-back.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act, which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

## CORPORATE DIRECTORY

#### Registered office and principal place of business

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

#### Directors

Mr R. Walker  
Mr T. Krulis  
Mr B. Fleiter  
Ms S. Morphet  
Mr J. Hardy

#### Chief Financial Officer

Mr B. Bicknell

#### Company Secretary

Ms S. Karzis

#### Auditors

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

#### Bankers

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

#### Share Registry

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

#### Australian Legal Advisor

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



Godfreys  
Australia

VIC

Airport West  
Albury  
Ascot Vale  
Bairnsdale  
Ballarat  
Bendigo  
Brooklyn  
Camberwell  
Campbellfield  
Caulfield  
Chadstone  
Clayton  
Cranbourne  
Dandenong  
Doncaster  
Epping  
Essendon Airport  
Fountain Gate  
Frankston  
Geelong  
Greensborough  
Highpoint  
Hoppers Crossing  
Knox City  
Lilydale  
Melton  
Mildura  
Mornington  
Nunawading  
Pakenham  
Parkdale  
Port Melbourne  
Prahran  
Preston  
Richmond  
Ringwood  
Shepparton  
Southland  
Sunbury  
Sunshine  
Taylors Lakes  
Traralgon  
Warragul  
Waurin Ponds  
Wangaratta  
Warrnambool

ACT

Belconnen  
Fyshwick  
Gungahlin  
Tuggeranong

NSW

Auburn  
Bankstown  
Bathurst  
Bay Village  
Belrose  
Blacktown  
Blacktown SS  
Bondi Junction  
Burwood  
Campbelltown SS  
Campbelltown  
Camperdown  
Caringbah  
Castle Hill SS  
Chatswood  
Coffs Harbour  
CrossRoads  
Dee Why  
Dubbo  
Erina  
Fairy Meadows  
Glendale  
Hornsby  
Hurstville  
Kotara  
Lake Haven  
Lismore  
Liverpool  
Maitland  
Miranda  
Mittagong  
Moore Park  
Mt Druitt  
Mt Hutton  
Newcastle  
North Ryde  
Nowra  
Pagewood  
Parramatta  
Penrith SS  
Penrith  
Port Macquarie  
Punchbowl  
Rouse Hill  
Shellharbour  
Tamworth  
Tuggerah  
Wagga Wagga  
Warringah Mall  
West Gosford  
Wetherill Park

WA

Albany  
Balcatta  
Baldivis  
Belmont  
Booragoon  
Bunbury  
Busselton  
Canning Vale  
Cannington  
Claremont  
Clarkson  
Edgewater  
Ellenbrook  
Geraldton  
Kelmscott  
Midland  
Morley  
Mosman Park  
O'Connor  
Osborne Park  
Rockingham  
Success  
Whitford City

SA

Churchill  
Elizabeth  
Firle  
Gawler  
Gepps Cross  
Hilton  
Marion  
Morphettvale  
Mt Barker  
Mt Gambier  
Nailsworth  
Noarlunga  
Port Rd/Croydon  
Ridgehaven  
Salisbury  
St Marys  
Tea Tree Plaza  
Unley  
Victor Harbour  
West Lakes

QLD

Browns Plains  
Bundaberg  
Bundall  
Burleigh Heads  
Cairns  
Capalaba SS  
Carindale  
Chermside  
Darwin  
Fairfield  
Fortitude Valley  
Garden City  
Gladstone  
Gympie  
Helensvale  
Helensvale  
(second store)  
Hervey Bay  
Indooroopilly  
Ipswich  
Kawana Waters  
Kippa Ring  
Loganholme  
Mackay  
Maroochydore  
Morayfield  
Mt Gravatt  
Mt Ommaney  
Newmarket  
Noosaville  
North Lakes  
Robina  
Rockhampton  
Runaway Bay  
Springfield  
Strathpine  
Toombul  
Toowoomba  
Townsville  
Tweed Heads  
Underwood  
Victoria Point

TAS

Burnie  
Cambridge  
Derwent Park  
Devonport  
Hobart  
Kingston  
Launceston

Godfreys  
New Zealand

Albany  
Botany  
Christchurch  
Coastlands  
Dunedin  
Gisborne  
Hamilton Central  
Hamilton The Base  
Hastings  
Hornby  
Invercargill  
Lower Hut  
Manakau SS  
Mt Maunganui  
Mt Wellington  
Napier  
Nelson  
New Lynn  
New Plymouth  
Northwood  
Palmerston North  
Porirua  
Pukekohe  
Rotorua  
Takanini  
Tauranga  
Wairau Park  
Waitakere  
Wellington Airport  
Whangarei



