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Godfreys is an iconic Australian brand with a trading history spanning more than 85 years. The Company is the largest specialty retailer 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 (122 Companyowned and 100 Franchise-owned). The stores are located predominantly in shopping centres, home maker centres and retail shopping strips.

## THE MARKET **WE PLAY IN**



**Godfreys greatest strength** remains our people, our strong sales culture and our reputation for innovation built on the principles of understanding changing consumer needs and deep product knowledge.

**FLOORCARE AND ASSOCIATED CLEANING PRODUCTS** 

(Australia and New Zealand)

\$1.3<sub>B</sub>

**KEY SECTORS** 

**DOMESTIC** 

(Retail and wholesale sales)

COMMERCIAL

(Retail and wholesale sales)

**KEY CUSTOMERS / PARTICIPANTS** 

RETAIL

General public including households and individuals

**WHOLESALE** 

Department stores, appliance retailers, independents and

**RETAIL** 

Cleaning services businesses and trade professionals

**WHOLESALE** 

Cleaning services businesses, corporate customers, commercial, independents and speciality retailers

specialty retailers **KEY PRODUCT Vacuum cleaners General cleaning** merchandise **Steam cleaning machines** Accessories **Shampoo cleaning machines** Repairs and services 

## Dear fellow shareholders,

## On behalf of the Board of Godfreys Group Limited ('Company' or 'Godfreys'), I am pleased to present the Company's Annual Report for the year ended 30 June 2017.

The 2017 financial year has been a year where we have re-focused on what has made our business successful over the Company's long history, and one where we have made excellent progress on our franchise strategy.

#### Market conditions

Godfreys remains well positioned as a vacuum and cleaning specialist in the Australian and New Zealand market. Our large retail footprint includes 222 retail stores, 100 of which are franchises. We provide a broad range of products and services across domestic and commercial cleaning categories.

Drivers of market growth continue to be growth in total households, changing consumer preferences and product innovation. However, macro business conditions, and those in the retail sector, remain challenging.

#### **Key appointments**

In July 2016 the Board appointed highly experienced retail executive John Hardy as Interim Managing Director, who subsequently became Managing Director on 31 August 2016.

John is a retail industry veteran and offers a deep knowledge of the Australian market and particularly the industry in which we operate. He has long history with Godfreys, including several decades in senior management positions. His experience spans the Company's retail network, international manufacturing relationships, sales and marketing, our franchise network and wholesale business.

Also in July, David Beams was appointed Chief Operating Officer. David joined Godfreys in 1998 and has a deep organisational knowledge, gained through senior roles in sales, product and operations. In this role, David has overall responsibility for sales, marketing, product and property across the group.

We welcomed Andrew Ford as Chief Financial Officer in January 2017. Andrew joined Godfreys having previously held senior finance roles at SKILLED Group Ltd and Deloitte. Andrew replaced the CFO role vacated by Bernie Bicknell who moved into a new role, responsible for the implementation of our franchise store strategy.

#### **Review of performance**

#### Franchise strategy

In October 2016, we announced a restructure of our retail store portfolio to increase the number of franchise stores in our network.

Pleasingly the conversion of franchise stores from Company owned stores is progressing well. During the financial year 22 stores were converted to franchise stores with strong demand accelerating our conversion plans.

The conversions to franchise stores provides positive financial outcomes for Godfreys with the recognition of upfront franchise fees on the conversion of a store, and the ongoing benefit from generally higher EBITDA and EBITDA margins under the franchise model. We also benefit from a reduced requirement for inventory and capital expenditure.

#### Focusing on the basics

After a period of relative underperformance Godfreys has looked to stabilise its business performance by focusing on the basics.

We have adjusted our product mix and improved sales operations, marketing, inventory management and store composition. Some of the positive business changes include:

- Introducing a range of new products and supporting revenue growth in popular categories like 'Stick Vacs' which grew by 75%;
- Commencing a physical refresh of our retail stores;
- Updating our incentives framework to encourage the achievement of productivity goals, team sales targets and individual outcomes;
- Enhancing the efficiency and effectiveness of our advertising due to greater in-house control and lower production costs; and
- Leveraging our multi-channel sales capabilities by improving cohesion between 'online' and physical channels by offering "click and collect" and "from warehouse to your house" capabilities.

We reported a stabilisation in the decline of samestore sales in the second half of the year, as the benefit from these changes begin to be realised.

#### **Financial summary**

- Revenue \$174.1 million
- Comparative store growth -7%
- Underlying EBITDA \$14.1 million
- Statutory Net Loss After Tax \$18.4 million
- Underlying Net Profit After Tax \$5.9 million
  Operating cashflow \$11.3 million

The Company generated \$14.1 million of underlying EBITDA from sales of revenue of \$174.1 million.

Due to a non-cash accounting impairment of goodwill of \$24.0 million, the Company reported a statutory net loss after tax of \$18.4 million. Excluding this impairment, and other business restructuring costs, the underlying result was a net profit after tax of \$5.9 million.

Operating cashflows of \$11.3 million were generated during the financial year which were used to pay down debt.

#### Capital management

In May 2017, we established a new long-term \$30 million senior debt facility on favourable terms with 1918 Finance Pty Ltd, an entity associated with Arcade Finance Pty Ltd, a substantial shareholder in Godfreys. The new facility replaced the senior debt facility funded by the Commonwealth Bank of Australia.

The new facility is for an initial three-year term to May 2020. It provides working capital for Godfreys' ongoing operations and secures access to competitively priced, long-term funding; it contains covenants typically expected of a retail finance facility.

Our net debt at 30 June 2017 was \$16.5 million, down from \$21.6 million in June last year, and represents a gearing level of 16%. This provides the Company with a solid foundation to implement the operational improvements needed, as well as providing opportunities for future growth.

The Directors declared an unfranked final dividend of 2.5 cents per share, in addition to the interim dividend of 2.5 cents per share, also unfranked. The combined dividends of 5.0 cents per share represents a 35% payout of the Company's underlying NPAT in FY2017.

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

#### People

Our people continue to be our greatest strength. I would like to thank all of my colleagues within Godfreys for their dedication and hard work as we continue to improve our business. I also thank our suppliers and customers for their continued support and look forward to continuing our relationship in FY2018.

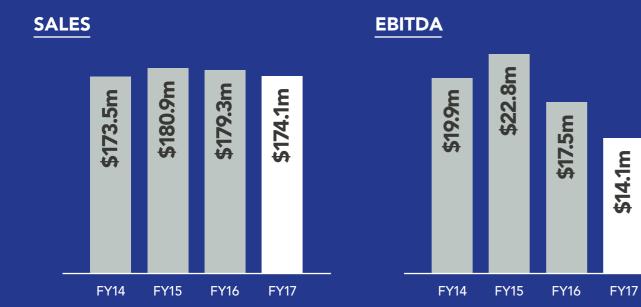
#### Outlook

We remain well positioned as the vacuum and cleaning specialist in the Australian and New Zealand market, providing a broad range of products and services across domestic and commercial cleaning categories.

While macro business conditions, and those in the retail sector, remain challenging we are confident that the management team led by John Hardy is focusing on the fundamental aspects of the business that will result in improved and sustained outcomes over time.

Sincerely,

Rod Walker
Chairman



**NPAT** 

**EBIT** 





\$14.1m

"Roll up your sleeves, put the hard work in early and gratification comes in time.

I purchased my first franchise 12 years ago then purchased a second franchise 5 years ago, after starting my career with Godfreys and working across both sales and management for 10 years. My father worked at Godfreys for 37 years. Godfreys is ingrained in my family history."

Jamie Vella, Franchisee

Owning a Godfreys franchise provides a great career opportunity and lifestyle choices for the right candidates to build a successful business and an asset for their future.

The Godfreys Franchise model aims to provide a good outcome for both parties – the Company and the Franchisee.

The strategy of increasing our franchise footprint allows us to develop the existing store network, with the potential to enter markets in regional (or smaller) geographical locations, that can otherwise be difficult to support within the company network.

For the new Franchisee, the opportunity to own a retail business within an established network motivates entrepreneurial team members to become financially independent, committing to their own business and inspiring others, yet benefiting from the support, international buying power and distribution service provided as part of large-scale retail operation.

Realising the true value of our sales team, Godfreys strive to retain the skills trained and then developed within our sales force, by transferring these skills within the Company to the Franchise network of stores.

Existing team members have demonstrated a keen interest in undertaking the exciting challenge presented in the form of a franchise owner, as have external candidates, who have joined the business for training with the goal to purchasing their own business in the near future.

Throughout the 2017 financial year, Godfreys have successfully converted 22 company stores across Australia and New Zealand to the franchise model, with a total number of 100 franchise stores within the Godfreys network.



**COMPANY-OWNED BRANDS** 

















































# 

In order to remain relevant within the everchanging retail environment, it is critical to Godfreys success that we provide our customers with an engaging and interesting shopping experience.

Throughout the past year, Godfreys have focussed on a store upgrade program to remain relevant within a highly competitive space.

Many of the stores within our network have recently undergone refurbishment, which while noticeable and enjoyable for our customers, also provides the sales teams with a more dynamic and exciting work environment.

The store upgrade program focusses initially on stores most in need and is scheduled to continue throughout FY2018 in order to achieve consistency across the network, in both Australia and New Zealand, with expected completion in FY2019.

NSW



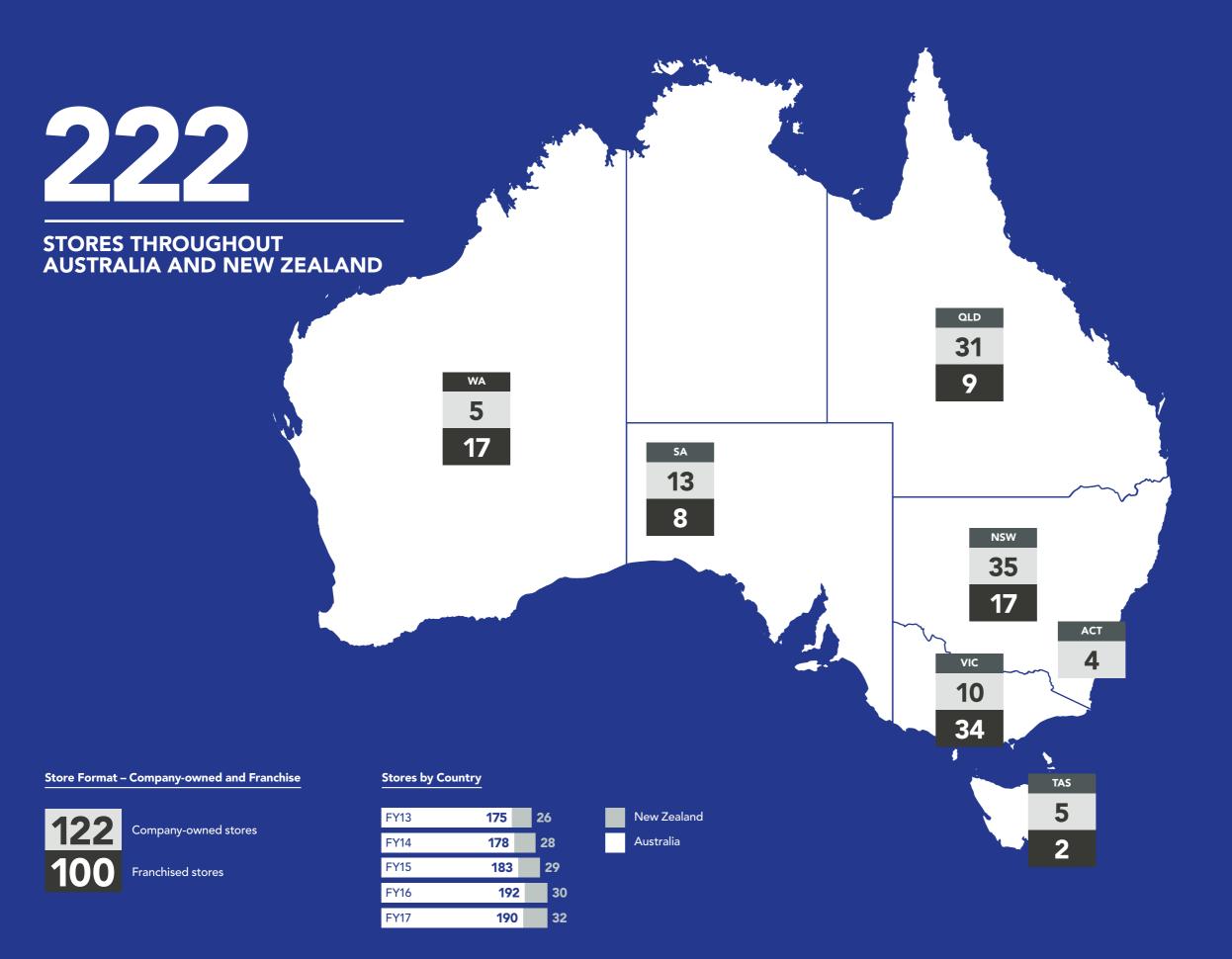


Welcoming store environments





# RETAIL STORE NETWORK



#### ONLINE

Major digital activity for FY17 included the launch of Click & Collect and the launch of a new search, content, social media and electronic direct marketing (EDM) strategy. We focused on using our website to drive in-store traffic, with our online store locator having 821 thousand views, up 73% on the previous year.

Online sales contributed \$3.6 million to annual sales within the FY17 period, as a result of over 29 thousand online transactions. FY17 saw over 4 million visits to the Godfreys sites in Australia and New Zealand.

#### **CLICK & COLLECT**

Launched in July 2016, Click & Collect successfully drives traffic into stores, as it allows customers to shop conveniently from the comfort of their home, guaranteeing availability of their product selection when they arrive in store, whilst avoiding a delivery fee.

Click & Collect sales were \$337 thousand, which were in addition to overall online sales.

#### **SOCIAL MEDIA**

There has been significant growth in EDM subscribers, up 215% on last year, and Godfreys engaged in blogger and brand advocate activity which has resulted in mass audience reach and brand engagement.

The launch of online catalogues and increased social media activity has reached a wider audience of 1.9 million, a significant increase on the previous year.



#### **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 Lakeba Group, Carpet Court Australia, Bendalls Group and Angus Knight Pty Ltd., as well as being a Director of the PAS Group Limited.

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**

Managing Director & Executive Director



John Hardy was appointed to

the Godfreys Group Limited

Board on 24 March 2016 as

John was appointed Interim

Non-Executive Director.

Managing Director on

6 July 2016 and Managing

John has over 50 years'

Director on 31 August 2016.

experience in the Australian

Super Amart. He was most

recently CEO of Fusion Retail

Brands (formerly Colorado),

which owns footwear brands

and Colorado. John has also

management roles within

the Company, bringing a

working knowledge of the

previously held senior

Godfreys business.

Diana Ferrari, Mathers, Williams

retail sector, having held senior

roles at Barbeques Galore and

Chairman of the Audit & Risk Management Committee Member of the Nomination and Remuneration Committee

# Brendan Fleiter Sue Morphet Non-Executive Director Non-Executive Director



Chairman of the Nomination and Remuneration Committee Member of the Audit & Risk Management 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 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 Chairman of Kennards Hire, Chairman of Walnut Melbourne, and a Non-Executive Director of Interactive, Volleyball Victoria, Our Neighbourhood Foundation and Australian Food Allergy Foundation. 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). The Directors of Godfreys Group Limited ('Company') submit the financial statements of Godfreys Group Limited and its subsidiaries ('Group') for the financial year ended 30 June 2017.

#### 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 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 Lakeba Group, Carpet Court Australia and Angus Knight Pty Ltd., as well as being a director of The PAS Group Limited.

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

## Current Directorships of other listed companies:

The PAS Group Limited.

#### John Hardy

#### Managing Director & Chief Executive Officer

John Hardy was appointed to the Godfreys Group Limited Board on 24 March 2016 as Non-Executive Director. He was appointed Interim Managing Director of the Company on 6 July 2016 and Managing Director on 31 August 2016.

## Current Directorships

of other listed companies: None.

#### **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.

#### **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 and is a member of the Audit and Risk Management Committee since 29 July 2016.

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

#### **Current Directorships**

of other listed companies:

Noni B Limited and Asaleo Care Limited.

#### Kathy Cocovski

## Chief Executive Officer & Executive Director (resigned 6 July 2016)

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.

#### Jon Brett

#### Non-Executive Director (resigned 29 July 2016)

Jon Brett was appointed to the Godfreys Group Limited Board on 6 November 2014, prior to which he had been a member of 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.

#### **Tom Krulis**

#### Non-Executive Director (resigned 23 March 2017)

Tom Krulis was appointed Managing Director of ICSG in December 2011 and Managing Director of Godfreys Group Limited on 6 November 2014. He was appointed Executive Director on 27 January 2016 following his resignation as Managing Director. On 5 August 2016 he became a Non-Executive Director and resigned from the Board on 23 March 2017.



#### **Company Secretary**

Sophie Karzis was appointed Company Secretary 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**

Andrew Ford joined the Group on 16 January 2017 after holding senior finance roles at ASX listed entities SKILLED Group Limited, Bluescope Steel Limited and Smorgon Steel Group Limited. Prior to that Andrew worked at chartered accounting firm Deloitte for over 10 years. Andrew is a Chartered Accountant (CA).

#### **Principal activities**

The Group is a speciality retailer and wholesaler of domestic and commercial floor care and associated cleaning products in Australia and New Zealand. 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 30 June 2017 was a loss of \$18.4 million (1 July 2016: \$7.8 million profit).

The Group's performance is summarised on an underlying basis below, reflecting the ongoing consolidated operations for the year ended 30 June 2017 and 1 July 2016:

	FY 2017 \$'000 (i)	FY2016 \$'000 (i)
Sales	174,064	179,296
Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA')	14,057	17,519
Earnings before Interest and Tax ('EBIT')	9,368	13,175
Net profit after tax ('NPAT')	5,904	9,195

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

Sales for the year were \$174.1 million, which represents a 2.9% reduction from FY2016. The key driver of this decrease was a decline in same store sales across the Company's retail and franchise network due to difficult retail conditions and the time taken to address gaps in the product range, including stickvacs.

Earnings per share ('EPS')	Year ended 30 June 2017	Year ended 1 July 2016
Basic earnings per share (cents per share)	(45.13)	19.19
Diluted earnings per share (cents per share)	(45.06)	19.06
Underlying basic earnings per share (cents per share)	14.45	22.72

Basic and diluted EPS are calculated as set out in Note 5 to the financial statements.

Basic EPS is calculated based on 40,851,185 weighted average ordinary shares in FY2017 (FY2016: 40,466,847).

Diluted EPS is calculated based on 40,915,728 weighted average ordinary shares in FY2017 (FY2016: 40,753,797).

Underlying EPS is calculated based on an underlying net profit after tax of \$5.9 million (FY2016: \$9.2 million) divided by the weighted average ordinary shares in FY2017 of 40,851,185 (FY2016: 40,466,847).

#### **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 follow:

- EBITDA is earnings before interest, tax, depreciation, amortisation and impairment expenses. By eliminating 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 following table.

# DIRECTORS' REPORT CONT.

Reconciliation of statutory results to underlying results for FY2017 and FY2016:

		S	ales	EBI	ΓDA <sup>7</sup>	E	BIT	NP	AT
Financial year ended	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Statutory results		174,064	179,296	13,570	15,478	(15,119)	11,134	(18,437)	7,766
Adjusted for non-recurring items:									
<ul><li>Impairment of goodwill</li></ul>	1	_	_	_	_	24,000	_	24,000	_
– Business restructure costs	2	_	_	487	_	487	_	487	_
– Management restructure	3	_	_	_	519	_	519	_	519
– Relocation costs	4	_	_	_	490	_	490	_	490
- IPO retention bonuses paid to Key Management Personnel by share issue	5	_	_	_	1,032	_	1,032	_	1,032
– Tax adjustment	6				_		_	(146)	(612)
								(140)	(012)
Underlying results		174,064	179,296	14,057	17,519	9,368	13,175	5,904	9,195

- 1. Impairment of goodwill following assessment of carrying value in FY2017.
- 2. Costs associated with business restructuring in particular moving to a predominately franchise model.
- 3. Restructuring costs for the new leadership team.
- 4. Cost associated with the relocation of the Service and Support Office to Altona in FY2016.
- 5. Share Based Payments expense for Rights issued to Key Management Personnel related to the 2014 IPO.
- 6. Tax impact of the reconciling items above.
- 7. Statutory EBITDA excludes impairment of goodwill of \$24,000,000 in FY2017.

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

Underlying results	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Total sales	174,064	179,296
Operating gross profit	86,596	97,078
Other income	16,707	11,506
Cost of doing business ('CODB')	(89,246)	(91,065)
Underlying EBITDA (i)	14,057	17,519
Depreciation and amortisation	(4,689)	(4,344)
Underlying EBIT(i)	9,368	13,175

(i) Refer to the section 'Reconciliation of statutory results to underlying results for FY2017 and FY2016'.

Underlying EBITDA for the year ended 30 June 2017 was \$14.1 million compared with \$17.5 million for the prior corresponding period.

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

		A / EBIT utory)	EBITDA / EBIT (Underlying)	
	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Australia	11,681	13,929	12,168	15,970
New Zealand	1,856	1,528	1,856	1,528
Unallocated	33	21	33	21
EBITDA	13,570	15,478	14,057	17,519
Depreciation and amortisation	(4,689)	(4,344)	(4,689)	(4,344)
Impairment of goodwill	(24,000)	_	_	_
EBIT	(15,119)	11,134	9,368	13,175

#### **Net finance costs**

Net finance costs of \$0.9 million were incurred in FY2017, consistent with those incurred in FY2016.

Income tax expense	Year ended 30 June 2017 \$′000	Year ended 1 July 2016 \$'000
Statutory income tax (expense) / benefit	(2,439)	(2,492)
Income tax on significant items	(146)	(612)
Underlying tax expense	(2,585)	(3,104)
Underlying effective tax rate	30.5%	25.2%



#### **Financial position highlights**

Net Debt (consisting of cash and cash equivalents and interest bearing loans and borrowings) of \$16.5 million is a reduction of \$5.1 million from the prior year (FY2016: \$21.6m). The reduction is due to operating cash flows generated of \$11.5m less investing and financing cash flows of \$6.5 million.

Interest bearing loans and borrowings are \$29.9 million (FY2016: \$23.0 million), including \$0.1 million of capitalised borrowing costs. The Group entered into a \$30 million secured debt facility agreement on 29 May 2017. The facility has an initial three year term until May 2020 and is fully drawn. The lender, 1918 Finance Pty Ltd, has security over the assets of the Group. The lender is an entity associated with Arcade Finance Pty Ltd, which is currently a substantial shareholder of the Company.

Inventory of \$32.2 million (FY2016 \$35.0 million) reflects reductions during the period from a rationalisation of the product range and tighter inventory controls.

Property, plant and equipment of \$13.4 million (FY2016: \$16.5 million) reflects \$2.0 million in additions predominately from store fitouts, less disposals as a result of the conversion company stores to franchises of \$1.3 million and depreciation of \$3.8 million.

Intangible assets of \$93.1 million (FY2016: \$117.0 million), represents a decrease of \$23.8 million, primarily due to the impairment of goodwill of \$24.0 million recognised during the period.

#### Outlook

Improving performance across the retail network and wholesale business is expected to flow through to improved results.

The contribution of initial franchise fees is expected to reduce in FY2018 and will be weighted to the second half of the financial year.

As a result, underlying EBITDA is expected to be at similar levels to FY2017 but with a change in mix.

The focus on working capital efficiency and cash generation will continue to enable further reductions in debt.

#### **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 30 June 2017 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 affect 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 has well-established business models with clear strategies which will ensure it remains 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 an unfranked final dividend of 2.5 cents per share.

FY2017 full year dividends of 5.0 cents per share represent approximately 35% payout of the Company's underlying net profit after tax. The final dividend is to be paid on 5 October 2017. The record date is 15 September 2017.

#### 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

There has been no matter of circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

#### **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 Held	of Directors Attended		neration and ion Committee Attended	Man	t and Risk agement mmittee Attended
Rod Walker	12	12	3	3	2	2
Brendan Fleiter	12	12	3	3	2	2
Sue Morphet	12	12	3	3	2	2
John Hardy	12	12	_	_	_	_
Kathy Cocovski	_	_	_	_	_	_
Jon Brett	1	1	_	_	_	_
Tom Krulis	9	9	_	_	_	_

#### **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:

	Godfre	ys Group Limited
Directors	Fully paid ordinary shares Number	Performance rights Number
Rod Walker	36,364	_
Brendan Fleiter	36,364	_
Sue Morphet	7,272	_
John Hardy	1,086,212	_

# DIRECTORS' REPORT CONT.

# REMUNERATION REPORT



#### 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 27 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 27 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 34.

#### **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 FY2017 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
Current	
Mr John Hardy	Managing Director ('MD'), from 6 July 2016
Mr David Beams	Chief Operating Officer ('COO'), from 21 July 2016
Mr Andrew Ford	Chief Financial Officer ('CFO'), from 16 January 2017
Former	
Mr Bernie Bicknell	COO until 21 July 2016, CFO until 15 January 2017
Mr Nigel Rostovsky	General Manager Franchise, until 9 December 2016
Ms Barbara O'Brien	General Manager – New Product Development, until 30 November 2016

The current COO and CFO report directly to the Managing Director, 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, from time to time 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.

No remuneration consultants were engaged in FY2017 as the Committee did not consider that external advice was warranted during FY2017.



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#### 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.
- In accordance with the Company's Constitution, additional remuneration may be paid to non-executive Directors on occasions where approved special work is undertaken outside of the expected commitments.

Non-Executive Directors' fees and payments are reviewed annually by the Board. Non-Executives 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 30 June 2017 is \$950,000, unchanged since the IPO listing (Listing).

The rates of fees (excluding approved special work and superannuation) for Non-Executive Directors are as follows:

Name	_	Year Ended 30 June 2017 August 2016)	Year Ended 1 July 2016
Mr Rod Walk	er	\$190,000	\$190,000
Mr Brendan Fleiter (1)		\$105,000	\$100,000
Ms Sue Morp	het (1)	\$90,000	\$85,000

<sup>(1)</sup> Fee increases reflect additional responsibilities undertaken during the FY2017 year as Chair of Board committees.

#### **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 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

#### **Fixed Remuneration**

Fixed remuneration consists of the base salary plus any superannuation contributions paid to a complying super fund 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

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 FY2017

The objective of the STIP is to link Executive remuneration to the achievement of the Group's annual operational and financial targets.

STIP entitlements were expressed as a percentage of a participant's total fixed remuneration and are based on a scale of predetermined targets.

The STIP Assessment Framework requires two performance gateways to be met:

- (i) the achievement of the Group's Target EBITDA level for the 2017 financial year; and
- (ii) the individual Executive 'meeting expectations' as assessed through the Group's performance.

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

#### STIP Assessment Framework

	0 1 11 7 100 00 0 1 1 1 0 1 1 1 1 1 1 1		
Performance Gateway	Scorecard – percentage weighting of KPI components		
		Financial KPI	Non-financial KPI
		Target EBITDA	Individual KPI
	Executive	EBITDA	Project success
Achievement of	MD	75%	25%
Group EBITDA Target	COO	75%	25%
Individual Executive 'meeting expectations'	CFO	75%	25%

KPI (i)	Target	Maximum
Target EBITDA	100%	110%
Individual KPI	100%	100%
% TFR (ii)	Target	Maximum
MD	400/	000/
MD	40%	80%
COO	30%	60%

<sup>(</sup>i) Entitlements are activated only when the threshold on both KPIs are satisfied.

The STIP threshold was not achieved in FY2017; hence no STIP entitlement was or will be awarded to any member of the KMP.

#### STIP for FY2018

There are no changes to the STIP for the FY2018 year.

where necessary. Godfreys Group Limited 2017 Annual Report

<sup>(</sup>ii) STI vests on a pro rata, straight line basis for performance between Threshold and Maximum.

# REMUNERATION REPORT CONT.



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#### **Executive Long Term Incentive Plan ('LTIP')**

The objective of the LTIP is to reward Executives through aligning this element of remuneration with accretion 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 Godfreys 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 ASX listed retail companies over the 3-year performance period ('TSR Performance Rights'). TSR 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 Godfreys' TSR over the Performance Period will be compared with the growth in TSR over the same period of the comparator group of entities and Godfreys relative ranking will be determined. The comparator group companies are listed Australian retail companies 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 ASX listed retail companies 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 plan 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 exer- cisable date)
2015 – 3	10 Dec 2014	1.41	nil	30 Jun 2017	30 Jun 2017
2017	24 Mar 2017		nil	16 Jan 2020	16 Jan 2020

The 3-year performance period under the LTIP plan for the 2015 – 3 series is from 10 December 2014 to 30 June 2017. The 3-year performance period under the LTIP plan for the 2017 series is from 16 January 2017 to 16 January 2020.

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.

KMP	Bal at 1 July 2016 No.	Number granted as compensation No.	Number Exercised No.	Net other changes <sup>1</sup> No.	Bal at 30 June 2017 No.
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)	_
Andrew Ford	_	246,622		_	246,622
Total	300,362	246,622	-	(300,362)	246,622

(1) Net other changes represent performance rights lapsed or forfeited during the period.

#### **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 rights)).

Performance Rights issued as part of the one-off retention bonus vested in two tranches, with one tranche on the first anniversary of the Listing and the second tranche 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 where the relevant Executive remained on continuous employment with the Group from the date of the grant until the date of vesting. These Performance Rights were not subject to any other vesting conditions.

Grant Date	Grant Date Fair Value	Exercise Price	First Exercise Date	Expiry Date (last exer- cisable date)
10 Dec 2014	2.75	nil	10 Dec 2015	30 Oct 2016
10 Dec 2014	2.75	nil	25 Aug 2016	30 Oct 2016
	10 Dec 2014	Grant Date Fair Value  10 Dec 2014 2.75	Grant Date Fair Value Exercise Price  10 Dec 2014 2.75 nil	Grant DateFair ValueExercise PriceDate10 Dec 20142.75nil10 Dec 2015

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

# REMUNERATION REPORT CONT.

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

KMP	Tranche	Bal at 1 July 2016 No.	Number granted as compensation No.	Number vested and Exercised No.		Bal at 30 June 2017 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 2015 – 2 2015 – 3	- 89,219 60,363	- - -	- (89,219) -	- (60,363)	- - -
Barbara O'Brien	2015 – 1 2015 – 2 2015 – 3	89,219 32,727	- - -	(89,219) –	- - (32,727)	- - -
Simon Greig	2015 – 1 2015 – 2 2015 – 3	- 44,609 32,727	- - -	- (44,609) -	- - (32,727)	- - -
Nigel Rostovsky	2015 – 1 2015 – 2 2015 – 3	89,219 32,727	- - -	(89,219) –	- - (32,727)	- - -
Andrew Ford	2017	_	246,622	_	_	246,622
Total		612,628	246,622	(312,266)	(300,362)	246,622

<sup>(1)</sup> Net other changes represent performance rights that lapsed or were forfeited during the period due to resignation or by agreement between the individual and the Group.

# 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 Managing Director On 6 July 2016 Kathy Cocovski resigned as Chief Executive Officer of the Group. Her contract was terminated that day.

John Hardy was appointed Interim Managing Director on 6 July 2016, and Managing Director on 31 August 2016. 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 three month's written notice;
- The Company may terminate his appointment by providing three 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 between three and six month's written notice depending on their specific contract;
- The Company may terminate the employment of the Executive by providing between three and six month's written notice or payment in lieu of the notice period, based on the fixed component of the Executive's remuneration depending on their specific contract;
- The Company may terminate at any time without notice if serious misconduct has occurred;
- The Executives are participants in the STIP and the CFO is a participant 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 ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Revenue	174,064	179,296
Underlying EBITDA (i)	14,057	17,519
Statutory NPAT	(18,437)	7,766
Underlying NPAT (i)	5,904	9,195
Share price at end of year	\$0.63	\$1.075
Interim dividend	2.5 cents	7.5 cents
Final dividend	2.5 cents	3.8 cents
Basic earnings per share	(45.13)	19.19
Underlying basic earnings per share (i)	14.45	22.72

<sup>(</sup>i) Refer to the Underlying earnings per share in the Operating and Financial Review section.

## **REMUNERATION REPORT CONT.**



#### 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 FY2017 and FY2016.

				Short-term em	ployee benefits		Post- employment benefits	Long-term employee benefits	Share-based payments			
	Note		Salary and fees \$	STIP Cash Bonus element \$	Termination benefits \$	Other <sup>11</sup> \$	Super- annuation \$	Long service leave \$	Performance rights \$	Total \$	Performance related (%)	% as Performance rights (%)
Non-Executive Directors												
Rod Walker Chairman, Non-Executive D	Director	<b>2017</b> 2016	<b>190,000</b> 190,000	<del>-</del> -	<del>-</del> -	<del>-</del> -	<b>18,050</b> 18,050	<del>-</del> -	<del>-</del> -	<b>208,050</b> 208,050	<del>-</del> -	<del>-</del>
Brendan Fleiter Non-Executive Director Jon Brett	(1)	<b>2017</b> 2016 <b>2017</b>	<b>104,583</b> 100,000 <b>7,917</b>	- - -	- - -	40,000 - -	<b>9,935</b> 9,500 <b>752</b>	- - -	<del>-</del> -	<b>154,518</b> 109,500 <b>8,669</b>	- -	_ _ _
Non-Executive Director Sue Morphet	(1)	2016 <b>2017</b>	95,000 <b>89,583</b>	- - -	- - -	- - -	9,025 <b>8,510</b>	- -	<u>-</u> -	104,025 <b>98,093</b>	- - -	- - -
Non-Executive Director John Hardy Non-Executive Director	(2)	2016 <b>2017</b> 2016	85,000 <b>1,008</b> 20,363	- -	- -	- -	8,075 <b>96</b> 1,934	- -	- - -	93,075 <b>1,104</b> 22,297	- -	- -
Tom Krulis Non Executive Director	(3)	<b>2017</b> 2016	<b>48,992</b>	<del>-</del> -	<del>-</del> -	<del>-</del> -	4,654	<del>-</del> -	<del>-</del> -	53,646	<del>-</del> -	<del>-</del>
Senior Executives												
<b>Current</b> John Hardy Managing Director	(2)	<b>2017</b> 2016	357,692	<del>-</del>	<del>-</del>	<del>-</del> -	19,616	2,448	_	379,756 _	<del>-</del>	<del>-</del>
David Beams COO	(4)	<b>2017</b> 2016	373,387 -	<del>-</del> -	<b>-</b> -	<del>-</del> -	19,616	<b>7,315</b>	_	400,318 _	<del>-</del> -	<del>-</del>
Andrew Ford CFO	(5)	<b>2017</b> 2016	153,769 _	<del>-</del> -	<del>-</del> -	<del>-</del> -	<b>9,808</b> -	<b>570</b> –	14,865 -	179,012 -		8
Former Kathy Cocovski CEO	(6)	<b>2017</b> 2016	<del>-</del> 256,923	<del>-</del> 50,000	300,000	<del>-</del> -		<del>-</del>	<u>-</u> -	<del>-</del> 624,514	<del>-</del> 8	<u>-</u>
Tom Krulis Executive Director	(3)	<b>2017</b> 2016	<b>61,539</b> 652,831	<del>-</del> -	<del>-</del> -	<del>-</del> -	<b>5,846</b> 19,308	26,870	79,728	<b>67,385</b> 778,737	<del>-</del> -	10
Bernie Bicknell CFO/COO Simon Greig	(7)	<b>2017</b> 2016 <b>2017</b>	<b>224,677</b> 414,788	- - -	- - -	- - -	<b>11,450</b> 19,308	<b>5,301</b> 14,708	<b>40,164</b> 288,225	<b>281,592</b> 737,029	- -	<b>14</b> 39
GM Retail Nigel Rostovsky	(9)	2016 <b>2017</b>	300,000 <b>108,077</b>	- - -	- -	- 5,363	19,308 <b>8,046</b>	8,329 <b>977</b>	145,542 <b>40,164</b>	473,179 <b>162,627</b>	_ 	31 <b>25</b>
GM Franchise Barbara O'Brien GM NPD	(10)	2016 <b>2017</b> 2016	300,000 <b>120,385</b> 300,000	- -	- -	15,000 <del>-</del>	19,308 <b>9,216</b> 19,308	2,657 <b>923</b> 2,679	272,688 <b>40,164</b> 274,143	609,653 <b>170,688</b> 596,130	- -	45 <b>24</b> 46
Total Remuneration		2017	1,841,609		- -	45,363	125,595	17,534	135,357	2,165,458	_	40
		2016	2,714,905	50,000	300,000	15,000	160,715	55,243	1,060,326	4,356,189		

Jon Brett resigned as a director on 29 July 2016.
 John Hardy was appointed as Interim Managing Director 6 July 2016 and Managing Director on 31 August 2016. Prior to this appointment, he was a non-executive director.
 Tom Krulis was an executive director until 5 August 2016 and a non-executive director from 6 August 2016 until resigning as a director on 23 March 2017.
 David Beams was appointed COO on 21 July 2016.
 Andrew Ford was appointed CFO on 16 January 2017.

<sup>(6)</sup> Kathy Cocovski was appointed CEO on 27 January 2016 and resigned on 6 July 2016. Remuneration for the period 1 July 2016 – 6 July 2016 was provided for in the 2016 financial year.
(7) Bernie Bicknell ceased being a KMP on 16 January 2017 on the appointment of Andrew Ford as CFO.
(8) Simon Greig ceased being a KMP on 30 June 2016.

<sup>(9)</sup> Nigel Rostovsky ceased being a KMP on 9 December 2016.(10) Barbara O'Brien ceased being a KMP on 30 November 2016.

<sup>(11)</sup> Other for Brendan Fleiter in 2017 includes \$40,000 of additional remuneration for approved special work undertaken during the period.

#### Key management personnel equity holdings

Fully paid ordinary shares of Godfreys Group Limited

		Received on exercise of		
KMP Name	Balance at 1 July 2016 No.	performance rights	Net other change No.	Balance at 30 June 2017 No.
Non-Executive Directors				
Rod Walker	36,364	_	_	36,364
Brendan Fleiter	36,364	_	_	36,364
Jon Brett (1)	36,364	_	(36,364)	_
Sue Morphet	7,272	_	_	7,272
Tom Krulis (1)	3,080,000	_	(3,080,000)	_
Senior Executives				
John Hardy (2)	_	_	1,086,212	1,086,212
David Beams	_	_	_	-
Andrew Ford	_	_	_	-
Kathy Cocovski (1)	50,000		(50,000)	-
Bernie Bicknell (1)	158,570	89,219	(247,789)	-
Barbara O'Brien (1)	389,218	89,219	(478,437)	-
Simon Greig (1)	324,609	44,609	(369,218)	-
Nigel Rostovsky (1)	89,218	89,219	(178,437)	-

<sup>(1)</sup> Net other changes reflect these individuals ceasing to be a Non-Executive Director or Senior Executive during the period.

#### D. Other key management personnel transactions

Entities related to former director Tom Krulis' family have interests in 11 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

Red HWaller

Mr Rod Walker Chairman Melbourne, 17 August 2017

<sup>(2)</sup> Net other changes reflect the acquisition of shares during the period.

## **AUDITOR'S INDEPENDENCE DECLARATION**

TO THE MEMBERS OF **GODFREYS GROUP** 

## Deloitte.

Deloitte Touche Tohmatsu ABN 74 490 121 060

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The Board of Directors Godfrevs Group Limited Building 3, Ground Floor 530 Springvale Road Glen Waverley VIC 3150

17 August 2017

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 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Doloine Touche Tohnarsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche Partner

Chartered Accountants

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## INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF **GODFREYS GROUP** LIMITED

## Deloitte.

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#### Report on the Audit of the Financial Report

We have audited the financial report of Godfreys Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### **Key Audit Matter**

#### Impairment of assets

As at 30 June 2017 the Group has \$93.1 million intangible assets and \$13.4 million of property, plant and equipment. Whilst individually assessed assets were not impaired, the decline in financial performance of the Australian cash generating unit (CGU) was an indicator of impairment resulting in an impairment charge of \$24.0 million against Australian based goodwill at 30 December 2016.

The Australia CGU assets included:

- \$11.8 million of property, plant and equipment as disclosed within the consolidated amount of \$13.4 million in Note 8: and
- \$84.1 million indefinite life intangible assets as disclosed in Note 9.

The evaluation of the recoverable amount of these assets requires significant judgement in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets.

#### How the scope of our audit responded to the Key Audit Matter

#### Our procedures included, but were not limited to:

- obtaining an understanding of the key controls associated with the preparation of the valuation models used to assess the recoverable amount of the Australia CGU;
- evaluating management's methodologies and their documented basis for key assumptions utilised in the valuation models;
- in conjunction with our valuation experts we assessed and challenged:
- the identification of CGUs including the allocation of indefinite life intangibles and property, plant and equipment and the associated identification and allocation of cash flows for the purposes of assessing the recoverable amount of the cash generating units;
- the key assumptions for long-term growth rates in the forecast cash flows by comparing them to historical results, economic and industry forecasts; and
- the discount rate applied.
- recalculating the mathematical accuracy of the cash flow models, agreed forecast cash flows to the latest Board approved forecasts and assessed the historical accuracy of forecasting by Godfreys;
- performing sensitivity analyses on the key drivers of growth rates used in the cash flow forecasts and the discount rate used; and
- evaluating management's assessment of the sensitivity to a change in key assumptions that either individually or collectively would be required for assets to be impaired and considered the likelihood of such a movement in those key assumptions arising.

We have also assessed the appropriateness of the disclosures included in Note 9 to the financial statements.

#### **Inventory Valuation**

The Group's provision for inventory obsolescence totalled \$2.0 million, recorded within the net inventory balance of \$32.2 million as disclosed in Note 7.

The estimation of net realisable value requires management to make certain judgements and estimates based on the age, condition, product type, historic sales outcomes and forecast future sales.

#### Our procedures included, but were not limited to:

- understanding management's processes and judgements applied in estimating the net realisable value of inventory;
- validating the aging and cost, on a sample basis, of inventory at year-end as key inputs into management's calculation of the obsolescence provisions; and
- Evaluating management's judgements in estimating net realisable value by:
- comparing the carrying value of inventory against historical and forecast sales data; and
- comparing the carrying value of inventory against the sales price of each inventory line.

We have also assessed the appropriateness of the disclosures included in Note 7 to the financial statements.

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#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the Financial Report

The directors of the Group 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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## INDEPENDENT AUDITOR'S REPORT CONT.

# DIRECTORS' DECLARATION



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 23 to 33 of the Director's Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Godfreys Group Limited, for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

#### Responsibilities

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.

Doloine Touche Tolmansu

DELOITTE TOUCHE TOHMATSU

Stephen Roche

Chartered Accountants

Melbourne, 17 August 2017

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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 18 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, 17 August 2017

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

	Note	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Revenue	2	174,064	179,296
Cost of sales		(87,468)	(82,218)
Gross profit		86,596	97,078
Other income	2	16,707	11,506
Employee benefit expenses	2	(39,566)	(39,984)
Marketing expenses	_	(12,268)	(13,438)
Selling and distribution expenses		(5,436)	(6,060)
Occupancy expenses	2	(26,303)	(25,256)
Impairment of goodwill	9	(24,000)	_
Other expenses		(10,849)	(11,680)
IPO transaction costs		_	(1,032)
Net finance costs	2	(879)	(876)
Profit/(Loss) before tax		(15,998)	10,258
Income tax (expense) / benefit	4	(2,439)	(2,492)
Net Profit/(Loss) after tax		(18,437)	7,766
Other comprehensive income, net of income tax: Items that may be reclassified subsequently to profit or loss	:		
Exchange differences on translating foreign operations		(115)	1
Changes on the fair value of cash flow hedges, net of income ta	X	306	(603)
Other comprehensive (loss) / income for the year, net of income tax		191	(602)
Total comprehensive income/(loss) for the year		(18,246)	7,164
Earnings per share			
Basic (cents per share)	5	(45.13)	19.19
Diluted (cents per share)	5	(45.06)	19.06

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Assets			
Current assets			
Cash and cash equivalents		13,395	1,445
Trade and other receivables	6	8,177	5,638
Inventories	7	32,214	35,044
Total current assets		53,786	42,127
Non-current assets	,	E 7E7	1 /02
Other receivables	6	5,757 13,376	1,693 16,460
Property, plant and equipment Intangible assets	9	93,140	116,952
Total non-current assets		112,273	135,105
Total assets		166,059	177,232
			, -
<b>Liabilities</b> Current liabilities			
Trade and other payables	10	21,862	19,909
Other financial liabilities	12	432	930
Current tax liabilities	4	20	87
Provisions	14	2,406	3,037
Employee benefits	13	3,726	3,772
Total current liabilities		28,446	27,735
Non-current liabilities			
Deferred tax liabilities	4	17,433	15,263
Interest-bearing loans and borrowings	11	29,869	23,000
Provisions	14	5,805	5,597
Employee benefits	13	1,068	1,132
Total non-current liabilities		54,175	44,992
Total liabilities		82,621	72,727
Net assets		83,438	104,505
Equity	_		
Share capital	15	109,526	109,526
Reserves	16	(44,654)	(43,743)
Retained earnings		18,566	38,722
Total equity		83,438	104,505

		Capital recon-	Share	Cash flow	Foreign currency		
	Share capital \$'000	struction reserve \$'000	option reserve \$'000		translation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 27 June 2015	109,526	(43,613)	854	165	(810)	39,349	105,471
Profit for the year	_	_	_	_	_	7,766	7,766
Other comprehensive income for the period	-		_	-	1	_	1
Payment of dividend Recognition of share	_	_	_	_	_	(9,252)	(9,252)
based payments	_	_	1,122	_	_	_	1,122
Transfer to retained earnings	_	_	(859)	_	_	859	_
Changes on the fair value of cash flow hedges, net of income tax	_	_	-	(603)	_	_	(603)
Balance at 1 July 2016	109,526	(43,613)	1,117	(438)	(809)	38,722	104,505
Loss for the year						(18,437)	(18,437)
Other comprehensive loss for the period	_	_	_	_	(115)	(10,107)	(115)
Payment of dividend	_	_	_	_	-	(2,578)	(2,578)
Recognition of share based payments	_	_	(243)	_	_	_	(243)
Transfer to retained earnin	gs –	_	(859)	_	_	859	_
Changes on the fair value of cash flow hedges, net of income tax				306			306
Balance at	_	_	_	300	_	_	300
30 June 2017	109,526	(43,613)	15	(132)	(924)	18,566	83,438

# CONSOLIDATED STATEMENT OF CASH FLOWS

# NOTES TO THE FINANCIAL STATEMENTS



	Note	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Cash flows from operating activities			
Receipts from customers		185,628	183,144
Payments to suppliers and employees		(173,819)	(175,740)
Cash flows from operations		11,809	7,404
Income tax paid		(467)	(733)
Net cash generated by operating activities	24	11,342	6,671
Cash flows from investing activities			
Payment for property, plant and equipment		(2,033)	(5,689)
Acquisition of intangible assets		(1,057)	(3,230)
Payment for acquisition of The Service Company		_	(3,002)
Net cash used in investing activities		(3,090)	(11,921)
Cash flows from financing activities			
Payment of dividend		(2,578)	(9,252)
Proceeds from drawdown on debt facility		30,000	3,000
Repayment of debt facility		(23,000)	_
Interest and other costs of finance paid (net)		(724)	(876)
Net cash generated by/(used in) financing activities		3,698	(7,128)
Net increase / (decrease) in cash and cash equivalents		11,950	(12,378)
Cash and cash equivalents at the beginning of the year		1,445	13,823
Cash and cash equivalents at the end of the year		13,395	1,445

#### 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 52 weeks ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 17 August 2017.

#### Statement of compliance

These financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, 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 30 June 2017, the consolidated entity had cash of \$13.4 million, net assets are \$83.4 million and net current assets are \$25.3 million with net operating cash inflows for the financial period ended 30 June 2017 of \$11.5 million.

The consolidated entity has a secured debt facility with 1918 Finance Pty Ltd totaling \$30.0 million, which is fully drawn. The lender is an entity associated with Arcade Finance Pty Ltd, a substantial shareholder of the Company. 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 a Board approved forecast for 12 months after the date of issuing the annual report.

#### **Rounding off of amounts**

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

#### **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

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 sharebased payment arrangements of the acquire 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 'Sharebased 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 acquire (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 when the conversion process is substantially complete.

#### (v) Ongoing franchise fees

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



#### 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 assumption of expected future taxable income and 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.

In the 2017 financial report, the Group had recognised franchisee rental income as an offset against Occupancy expenses, rather than recognising it as Other income. The comparative Occupancy expense and Other income amounts in this financial report have been restated to align with the treatment applied in the current year. The restatement did not affect the comparative profit before tax or the Consolidated Statement of Financial Position. The impact of the restatement is an increase in Other Income of \$6.05 million, along with an increase in Occupancy expense of \$6.05 million in the comparative year of the Consolidated Statement of Profit or Loss and Other Comprehensive Income and has also been reflected in Note 3 (Segment Information).

#### I) 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 that 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 are 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;
- 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 cashgenerating 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) followed by other intangible assets attributed to the cash generating unit (or

groups of cash-generating unit) 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 cashgenerating 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 (cashgenerating 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 the Group retains ownership of the assets, 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 and other intangible assets are 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 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle: and

 AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.

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) Adoption of new and revised Standards and Interpretations

#### Change in accounting policy – deferred tax measurement relating to indefinite life intangible assets

During the period, the IFRS Interpretations Committee issued its agenda decision related to the expected manner of recovery of indefinite life intangible assets. The Committee was asked to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for deferred tax measurement purposes. The Committee indicated that the fact that an entity does not amortise an indefinite life intangible asset does not necessarily mean that the carrying amount will be recovered only through sale and not use. Therefore the entity should determine the expected manner of recovery of the carrying amount of the intangible asset. Previously the Group measured deferred tax liabilities on the assumption of the tax consequences that would arise solely from the sale of the assets. Under its new policy, the Group considers its expected manner of recovery. The Group has implemented this guidance on a retrospective basis as a change in accounting policy to AASB 112 Income Taxes. The impact of these changes at 1 July 2015 and 30 June 2016 was to increase goodwill and deferred tax liabilities by \$20,483,000. The impact on the 30 December 2016 interim financial statements was utilisation of the full impairment charge against goodwill, resulting in nil impairment to Brand names rather than the presented charge of \$2,102,000.

#### Note 1

## Significant accounting policies cont.

At the date of authorisation of the financial report, the following Australian Accounting Standards and Interpretations relevant to Godfreys have recently been issued or amended but are not yet mandatory and have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB Interpretation 22 'Foreign Currency Transactions and Advance Consideration'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2019
AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 2017-2 'Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 Cycle'	1 January 2018	30 June 2019

The adoption of the above Accounting Standards and Interpretations may affect the accounting for future transactions or arrangements.

#### Note 2

#### **Profit before income tax**

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

#### a) Sales and other income

	CONSOLIDATED		
	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000	
Sale of goods	174,064	179,296	
Other income	9,743	5,461	
Other income – recovery of occupancy costs from franchisees	6,964	6,045	
Total other income	16,707	11,506	
Total revenue	190,771	190,802	

#### b) Expenses

	Year ended 30 June 2017 \$'000	SOLIDATED Year ended 1 July 2016 \$'000
Occupancy expense:		
Operating lease expense	(17,739)	(17,303)
Other occupancy expenses	(1,600)	(1,908)
Occupancy costs recovered from franchisees	(6,964)	(6,045)
Total occupancy expense	(26,303)	(25,256)
Employee benefits expense:		
Short-term employee benefits	(36,609)	(36,622)
Post-employment benefits	(2,692)	(2,711)
Other long-term employee benefits	(215)	(195)
Termination benefits	(50)	(456)
Total employee benefits expense	(39,566)	(39,984)
Depreciation and amortisation:		
Depreciation	(3,821)	(3,868)
Amortisation	(868)	(476)
Total depreciation and amortisation	(4,689)	(4,344)
Net finance costs:		
Interest and finance charges paid to banks and other financial institutions	(1,041)	(973)
Amortisation of deferred borrowing costs	(105)	(26)
Interest revenue	267	123
Total net finance costs	(879)	(876)

#### 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 Groups' 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 190 retail sites as at 30 June 2017 (2016: 192).

#### **New Zealand**

The New Zealand segment includes revenues and profits generated by the Group's retail, wholesale and online revenue streams within New Zealand. These comprise of 32 retail sites as at 30 June 2017 (2016: 30).

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

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

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

	CONSOLIDATED					
2017	Australia \$'000	New Zealand \$'000	Unallocated \$'000	Total \$'000		
Sale of goods	140,153	33,911	_	174,064		
Other income	14,552	2,177	(22)	16,707		
Total revenue	154,705	36,088	(22)	190,771		
Segment EBITDA	12,168	1,856	33	14,057		
Depreciation and amortisation	(4,182)	(507)	_	(4,689)		
Segment EBIT	7,986	1,349	33	9,368		
Adjusted for non-recurring items:  – Impairment of goodwill  – Business restructure  Net financing costs	(24,000) (487)	- - -	- - (879)	(24,000) (487) (879)		
Profit / (Loss) before tax	(16,501)	1,349	(846)	(15,998)		

	A . It	CONSC	<b>-</b>	
2016	Australia \$'000	New Zealand \$'000	Unallocated \$'000	Total \$'000
Sale of goods	151,098	28,198	_	179,296
Other income	10,058	1,489	(41)	11,506
Total revenue	161,156	29,687	(41)	190,802
Segment EBITDA	15,970	1,528	21	17,519
Depreciation and amortisation	(3,913)	(431)	_	(4,344)
Segment EBIT	12,057	1,097	21	13,175
Adjusted for non-recurring items:  – IPO retention bonus paid to Key				
Management Personnel by shares issued	(1,032)	_	_	(1,032)
– Relocation costs	(490)	_	_	(490)
– Management restructure	(519)	_	_	(519)
Net financing costs	_	_	(876)	(876)
Profit / (Loss) before tax	10,016	1,097	(855)	10,258

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

#### **Product information**

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

#### Major customers

No single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

#### Note 4

#### Income taxes

Income tax recognised in profit or loss:

	CONS	OLIDATED
	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Current tax		
In respect of the current year	2	392
In respect of prior year	398	124
	400	516
Deferred tax		
In respect of the current year	37	(210)
In respect of the losses utilised in the current year	2,002	2,186
	2,039	1,976
Total income tax expense recognised in the current year	2,439	2,492
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit / (Loss) before tax from continuing operations	(15,998)	10,258
Income tax expense / (benefit) calculated at 30%	(4,799)	3,077
Effect of expenses that are not deductible in determining taxable profit $\label{eq:condition} % \begin{center} centen$		
- Impairment of goodwill	7,200	_
- Other	(60)	(273)
Effect of deductible temporary differences now recognised as deferred tax assets	(272)	(45.4)
as deterred tax assets  Effect of tax rate differential	(273)	(456) 20
	(27)	20
Adjustments recognised in the current year in relation to the current tax of prior years	398	124
Income tax expense recognised in profit or loss	2,439	2,492

Income tax recognised directly in equity:

	CONSOLIDATED Year ended Year er 30 June 2017 1 July \$ '000 \$	
Deferred tax		
Cash flow hedge reserve:	(131)	258
Total income tax recognised directly in equity	(131)	258

	CONS Year ended 30 June 2017 \$'000	OLIDATED Year ended 1 July 2016 \$'000
Current tax assets and liabilities Current tax liabilities		
Income tax payable	(20)	(87)
Deferred tax balances  Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax liabilities	(17,433)	(15,263)
	(17,453)	(13,350)

2017	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised in other com- prehensive income \$'000	Closing balance \$'000
Temporary differences				
Cash flow hedges	188	_	(131)	57
Indefinite life intangible assets	(20,483)	_	_	(20,483)
Employee provisions	1,351	(33)	_	1,318
Provisions	914	(298)	_	616
Accruals	84	10	_	94
Other	77	284	_	361
	(17,869)	(37)	(131)	(18,037)
Unused tax losses				
Tax losses	2,606	(2,002)	_	604
Total	(15,263)	(2,039)	(131)	(17,433)

Note 4
Income taxes cont.

2016	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised in other com- prehensive income \$'000	Closing balance \$'000
Temporary differences				
Cash flow hedges	(70)	_	258	188
Indefinite life intangible assets	(20,483)	_	_	(20,483)
Employee provisions	1,237	114	_	1,351
Provisions	666	248	_	914
Accruals	63	21	_	84
Other	250	(173)	_	77
	(18,337)	210	258	(17,869)
Unused tax losses				
Tax losses	4,792	(2,186)	_	2,606
Total	(13,545)	(1,976)	258	(15,263)

#### Unrecognised deferred tax assets

	CONSOLIDATED	
	2017 \$′000	2016 \$'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)	547	820
	547	820

Note 5
Earnings per share

		r ended une 2017		ended y 2016
	Weighted average no. of ordinary shares	Earnings per share (cents per share)	Weighted average no. of ordinary shares	Earnings per share (cents per share)
Basic earnings per share Diluted earnings per share	40,851,185 40,915,728	(45.13) (45.06)	40,466,847 40,753,797	19.19 19.06
Net profit / (loss) after tax (\$'000)	.0,710,720	(18,437)	.0,, 00,, 77	7,766

The weighted average number of ordinary shares for the purposes of diluted earnings per share, includes shares deemed to have been issued for no consideration in respect of employee performance rights of 64,543 (2016: 286,950)

#### Note 6

Trade and other receivables		
	CONSOI	LIDATED
	2017 \$′000	2016 \$'000
Current trade and other receivables		
Trade receivables	4,772	4,329
Allowance for doubtful debts	(89)	(99)
	4,683	4,230
Other receivables	3,494	1,408
Current trade and other receivables	8,177	5,638
Non-current other receivables		
Other receivables	5,757	1,693
Total trade and other receivables	13,934	7,331

#### Note 6

#### Trade and other receivables cont.

#### **Trade Receivables**

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

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.

	CONSOL	IDATED
	2017 \$'000	2016 \$'000
Age of receivables that are past due but not impaired:		
60–90 days	51	74
90–120 days	30	43
Total	81	117
Movement in the allowance for doubtful debts		
Balance at beginning of the year	(99)	(118)
Impairment losses recognised on receivables	(128)	(112)
Amounts written off during the year as uncollectible	138	131
Balance at end of the year	(89)	(99)
Age of impaired trade receivables		
60–90 days	-	-
90–120 days	-	_
120+ days	89	99
Total	89	99

#### Note 7

#### **Inventories**

	CONSOLIDATED	
	2017 \$′000	2016 \$'000
At lower of cost and net realisable value:		
Stock in transit	3,049	3,607
Finished goods	31,157	33,141
Provision for obsolescence	(1,992)	(1,704)
	32,214	35,044

## Note 8 Property, plant and equipment

Property, plant and equipment			
		COI 2017 \$'000	NSOLIDATED 2016 \$'000
Plant and equipment Leasehold Improvements		1,057 12,319	2,499 13,961
		13,376	16,460
	Plant and equipment at cost \$'000	Leasehold improvements cost \$'000	Total \$'000
Cost Balance at 27 June 2015 Additions Disposals	4,423 375 (593)	27,535 6,038 (2,145)	31,958 6,414 (2,739)
Balance at 1 July 2016 Additions Disposals Balance at 30 June 2017	4,205 159 (1,583) <b>2,781</b>	31,428 1,874 (2,061) <b>31,241</b>	35,633 2,033 (3,644) <b>34,022</b>
Accumulated depreciation Balance at 27 June 2015 Disposals Depreciation expense	(1,458) 144 (392)	(15,994) 2,002 (3,475)	(17,452) 2,146 (3,867)
Balance at 1 July 2016 Disposals Depreciation expense Balance at 30 June 2017	(1,706) 385 (403) <b>(1,724)</b>	(17,467) 1,963 (3,418) <b>(18,922)</b>	(19,173) 2,348 (3,821) <b>(20,646)</b>
Net book value 2016	2,499	13,961	16,460
Net book value 2017	1,057	12,319	13,376

Note 9
Intangible assets

	CONSOLIDATED	
	2017 \$′000	2016 \$'000
Brand names	30,945	30,945
Franchise system	37,330	37,330
Goodwill	20,751	44,491
Trademarks	1,212	1,399
Software	2,902	2,787
	93,140	116,952

	Brand names	Franchise systems \$'000	Goodwill \$'000	Trademarks \$'000	Software \$'000	Total \$'000
Cost						
Balance at 27 June 2015	30,945	37,330	41,926	3,262	2,031	115,494
Additions	_	_	2,565	_	2,519	5,084
Disposals	-	_	_	-	(24)	(24)
Balance at 1 July 2016	30,945	37,330	44,491	3,262	4,526	120,554
Additions	_	_	260	_	797	1,057
Disposals	-	_	-	_	-	_
Balance at 30 June 2017	30,945	37,330	44,751	3,262	5,323	121,611
Accumulated amortisation						
Balance at 27 June 2015	_	_	_	(1,678)	(1,473)	(3,151)
Amortisation expense	-	_	-	(186)	(290)	(476)
Disposals	_	_	_	-	24	24
Balance at 1 July 2016	-	-	-	(1,864)	(1,739)	(3,603)
Amortisation expense	-	_	_	(186)	(682)	(868)
Disposals	_	_	-	_	_	_
Impairment losses recognised in period	_	_	(24,000)	_	_	(24,000)
Balance at 30 June 2017	_	_	(24,000)		(2,421)	(28,471)
Net book value 2016	30,945	37,330	44,491	1,399	2,787	116,952
Net book value 2017	30,945	37,330	20,751	1,212	2,902	93,140

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

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

	2017 \$'000	2016 \$'000
Australia	84,077	107,817
New Zealand	4,949	4,949
	89,026	112,766

#### 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 was identified, a formal impairment assessment was performed.

In accordance with the Group's accounting policies, the Group has evaluated whether the recoverable amount of a CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell or its value-in-use.

#### Value-in-use

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

#### Key assumptions

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

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

- Comparative sales growth of +3% from FY2018 to FY2022;
- Overhead costs based on inflationary impacts offset by ongoing cost efficiencies;
- Terminal growth rate of 2.0%;
- Post-tax discount rate of 12.0% for the Australian and New Zealand group of CGU's (2016: Australia 10% and New Zealand 10.5%). The post-tax discount rate includes a 2.5% risk premium in relation to Company specific risk profiles.

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

#### Note 9

#### Intangible assets cont.

#### Impairment of goodwill

Following a review of the recoverable amount at the half year, the carrying value of the Group's goodwill was impaired by \$24.0 million. The impairment related to the Australian cash-generating unit.

The goodwill impairment charge relates to goodwill of \$19.2 million arising from the FY2006 acquisition of the business and \$4.8 million of goodwill relating to the acquisition of stores over a number of financial periods.

#### Sensitivity analysis

The Directors believe reasonably possible changes in the key assumptions are outlined in the table below with an approximate impact on the recoverable amount of the CGU shown, at 30 June 2017.

Changes in the key assumptions in the table below would have the following approximate impact on the recoverable amount of the Australian CGU at 30 June 2017:

	Change in variable	Effect on recoverable amount \$'000
	Australia	Australia
Sales Revenue	+ 3.0%	26,134
	- 3.0%	(24,318)
Post tax discount rate	+ 2.0%	(16,047)
	- 2.0%	24,164

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 profit or loss \$'000
	Australia	Australia
Sales Revenue Post tax discount rate	- 3.0% + 2.0%	(19,514) (11,243)

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 3% annually. Based on the above assessment, the recoverable amounts of CGUs exceed their carrying amounts. No impairment indicators were identified.

#### Note 10

#### Trade and other payables

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Trade payables	18,251	17,103
Accruals	2,270	1,386
Goods and services tax payable	1,053	1,101
Deferred income	288	319
	21,862	19,909

#### Note 11

#### Interest bearing loans and borrowings

	CON	CONSOLIDATED	
	2017 \$'000	2016 \$'000	
Non-current borrowings:			
Secured – at amortised cost			
Loans	30,000	23,000	
Deferred borrowing costs	(131)	_	
Total non-current borrowings	29,869	23,000	

#### **Secured Senior Finance Facility**

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



#### Note 12

#### Other current financial liabilities

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Forward foreign exchange contracts	432	930
	432	930

#### Note 13

#### **Employee benefits**

	2017 \$'000	2016 \$'000
Current		
Employee benefits	3,726	3,772
Non-current		
Employee benefits	1,068	1,132
	4,794	4,904

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

#### Note 14

#### **Provisions**

	CONSO	CONSOLIDATED	
	2017 \$′000	2016 \$'000	
Current Provisions			
Lease incentives	538	463	
Leasehold site restoration	491	1,096	
Warranty and repairs	1,377	1,478	
Total current provisions	2,406	3,037	
Non-current Provisions			
Lease incentives	3,336	3,316	
Leasehold site restoration	2,105	1,896	
Warranty and repairs	364	385	
Total non-current provisions	5,805	5,597	

#### **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 15

## Issued capital

	CONSOLIDATED	
	2017 \$′000	2016 \$'000
40,922,585 fully paid ordinary shares (1 July 2016: 40,610,319)	109,526	109,526

## Movements in issued capital

	2017		2016	
	Number of shares	Share capital \$'000	Number of shares	Share capital \$'000
Balance at beginning of the year  – Share options exercised	40,610,319 312,266	109,526 -	40,298,056 312,263	109,526
Balance at the end of the year	40,922,585	109,526	40,610,319	109,526

## Note 16

## Reserves

	CONSOLIDATED	
	2017 \$′000	2016 \$'000
Capital reconstruction reserve	(43,613)	(43,613)
Share options reserve	15	1,117
Cash flow hedge reserve	(132)	(438)
Foreign currency translation reserve	(924)	(809)
	(44,654)	(43,743)

### 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 17

## Dividends on equity

		CONSO	LIDATED	
	Year ended 3	30June 2017	Year ended 1	July 2016
	Cents per share	Total \$'000	Cents per share	Total \$'000
Final dividend	2.5	1,023	3.8	1,555
Interim dividend	2.5	1,023	7.5	3,046

The Directors declared an unfranked dividend of 2.5 cents per share. This dividend has not been recognised in the financial statements.

FY2017 full year dividends represent approximately a 35% payout of the Company's underlying net profit after tax. The final dividend is to be paid on 5 October 2017 (2016: 13 October 2016).

	2017 \$	2016 \$
Franking credits available at Australian corporate tax rate of 30%	-	192,015

## Note 18

## **Subsidiaries**

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

Name of subsidiary	Note	Place of incorporation and operation	ownersh and voti	rtion of ip interest ng power he Group 2016
Parent entity				
Godfreys Group Limited	(a)	Australia	100%	100%
Subsidiaries				
Electrical Home-Aids Pty Ltd	(a) (b)	Australia	100%	100%
Godfreys Franchise System Pty Ltd	(a)	Australia	100%	100%
Hoover Floorcare Asia Pacific Pty Ltd	(a)	Australia	100%	100%
International Cleaning Solutions Pty Ltd	(a) (b)	Australia	100%	100%
International Cleaning Solutions Group Pty Ltd	(a) (b)	Australia	100%	100%
Australian Vacuum Cleaner Company Pty Ltd	(a) (b)	Australia	100%	100%
Godfreys Finance Company Pty Ltd	(a) (b)	Australia	100%	100%
Electrical Home-Aids (Suzhou) Ltd		China	100%	100%
New Zealand Vacuum Cleaner Company Ltd		New Zealand	100%	100%
The Service Company Limited	(c)	New Zealand	100%	100%

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

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## Note 19

## **Cross guarantee group**

Godfreys Group Limited and the subsidiaries specifically identified in Note 18(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:

Statement of comprehensive income	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Revenue	140,153	150,994
Cost of sales	(68,928)	(67,858)
Other income	14,534	10,058
Employee benefit expenses	(34,042)	(36,486)
Marketing expense	(10,351)	(11,354)
Selling and distribution expenses	(1,832)	(2,625)
Occupancy expenses	(22,746)	(22,405)
Impairment of goodwill	(24,000)	_
Other expenses	(5,108)	(6,584)
Earnings before interest, tax, depreciation and amortisation	(12,320)	13,740
Depreciation and amortisation expense	(4,182)	(3,913)
Net finance costs	(889)	(867)
Profit/(Loss) before tax	(17,391)	8,960
Income tax expense	(2,065)	(2,172)
Profit/(Loss) after tax	(19,456)	6,788
Other comprehensive income		
Net (loss) gain on cash flow hedges	306	(603)
Other comprehensive income/(loss) for the year, net of income tax	306	(603)
Total comprehensive income/(loss) for the year	(19,150)	6,185

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

<sup>(</sup>c) Acquired on 29 February 2016.

Note 19

## Cross guarantee group cont.

Statement of financial position	30 June 2017 \$'000	1 July 2016 \$'000
Cash and cash equivalents	12,815	285
Trade and other receivables	6,551	4,019
Inventories	27,316	29,566
Total current assets	46,682	33,870
Non-current assets		
Trade and other receivables	5,506	1,690
Property, plant and equipment	11,777	14,635
Investments	82	82
Intangible assets	91,030	114,841
Total non-current assets	108,395	131,248
Total assets	155,077	165,118
Current liabilities		
Trade and other payables	19,987	17,748
Other financial liabilities	432	930
Current tax liabilities	(73)	_
Provisions	2,405	3,037
Employee benefits	3,418	3,496
Total current liabilities	26,169	25,211
Non-current liabilities		
Deferred tax liabilities	17,663	15,467
Interest-bearing loans and borrowings	29,869	23,000
Related-parties loans	22,856	20,981
Provisions	5,182	5,027
Employee benefits	688	750
Total non-current liabilities	76,258	65,225
Total liabilities	102,427	90,436
Net assets	52,650	74,682
Equity		
Issued capital	109,526	109,526
Reserves	(44,088)	(43,332)
(Accumulated losses) / retained earnings	(12,788)	8,488
Total equity	52,650	74,682

### Note 20

## **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	
	2017 \$′000	2016 \$'000
Categories of financial instruments		
Financial assets		
Cash and bank balances	13,395	1,445
Trade and other receivables	13,934	7,331
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	432	930
Trade and other payables	20,521	18,489
Borrowings	29,869	23,000

#### 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 to mitigate the risk of exchange rates movement.



#### Note 20

### Financial instruments cont.

	Liabilities			Assets
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
US Dollars ('USD')	432	930	-	_

Included in the USD liabilities are gains that have been deferred on foreign exchange contracts that were closed out and replaced during the period of \$109,000 (2016: nil)

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

Outstanding contracts	exchar 2017	rage ige rate 2016 (cents)	Foreign 2017 \$'000	currency 2016 \$'000	Notion 2017 \$'000	nal value 2016 \$'000	Fair 2017 \$'000	value 2016 \$'000
Cash flow hedges USD (0 – 12 months)	74.70	70.50	9,600	14,000	12,851	19,859	(323)	(930)

## 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 impact (+/-)		
	2017 \$'000	2016 \$'000	
Profit or loss (i)	169	282	
Equity (ii)	482	910	

- (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 analyses 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 30 June 2017 would decrease/increase by \$0.1 million (2016: decrease/increase by \$0.1 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and cash on hand.

#### **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 nonderivative 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 20

### Financial instruments cont.

	Weighted average effective interest rate %	Less than 1 month \$'000		3 months to 1 year \$'000	1 to 5 years \$'000	5+ years \$'000	Total \$'000
30 June 2017 Financial assets							
Cash at bank (variable)	1.50%	13,395	-	_	-	-	13,395
Financial liabilities							
Senior debt (variable)	4.4%	-	_	_	30,000	-	30,000
1 July 2016 Financial assets							
Cash at bank (variable) Financial liabilities	1.75%	1,445	_	_	-	_	1,445
Senior debt (variable)	3.7%	_	_	_	23,000	_	23,000

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. The Group expects to meet its other obligations from cash balances on hand, 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 1 month \$'000	2–3 months \$'000	3 months to 1 year \$'000
30 June 2017			
Gross settled – foreign exchange forward contracts	2,547	5,080	5,224
1 July 2016			
Gross settled – foreign exchange forward contracts	2,863	8,527	8,468

Finance facilities	2017 \$'000	2016 \$'000
Secured working capital facility (i)		
– amount used	_	2,100
– amount unused	_	8,400
	-	10,500
Secured loan facility (i)		
– amount used	30,000	23,000
	30,000	23,000

(i) Secured by a first ranking fixed and floating charge over the assets and undertakings of 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 21

## **Shared-based payments**

The LTIP was approved by the Board and implemented on 10 December 2014. Awards under the LTIP scheme are issued annually at the discretion of the board based on a 3-year performance period. 100% of the available LTIP awards are based on a total shareholder return ('TSR') performance hurdle rate relative to ASX listed retail companies over the 3-year performance period. Awards 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 during the year was \$0.40. Performance Rights 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 Rights), and behavioural considerations. Expected volatility is based on projected volatility incorporating historical averages over 2 years.

There were no Performance Rights granted in the prior year.

Inputs into the model	Perf 2017	ormance rights 2015
Grant date share price	\$0.815	\$2.75
Expected volatility	55%	35%
Expected life	2.9 years	3 years
Expiry date	16 January 2020	30 June 2017
Dividend yield	8.0%	7.5%
Risk-free interest rate	1.88%	2.25%
Fair value at grant date	\$0.40	\$1.41

#### Movements in Performance Rights during the year

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

		2017	2	2016
	Number of rights	Weighted average exercise price \$	Number of rights	Weighted average exercise price \$
Balance at beginning of year	612,628	_	924,891	_
Granted during the year	246,622	_	_	_
Exercised during the year	(312,266)	_	(312,263)	_
Expired during the year	(300,362)	_	_	_
Balance at end of year	246,622	_	612,628	_
Exercisable at end of year	-	_	-	_

### Performance Rights exercised during the year

There were 312,266 Performance Rights exercised during the year (2016: 312,263)

There were nil vested Performance Rights outstanding at the end of the year (2016: nil)

## Note 22

## Key management personnel compensation

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

	Year ended 30 June 2017 \$	Year ended 1 July 2016 \$
Short-term employee benefits	1,886,972	2,779,905
Termination benefits	_	300,000
Post-employment benefits	125,595	160,715
Other long-term benefits	17,534	55,243
Share-based payment	135,357	1,060,326
	2,165,458	4,356,189

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 23

## 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 11 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 store sites.

Additionally, 1918 Finance Pty Ltd, an entity associated with Arcade Finance Pty. Ltd., has provided a \$30 million debt facility to the company.

## Note 24

## 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 generated by operating activities

	CONSC	OLIDATED
	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Cash flows generated by operating activities		
Profit/(Loss) for the year	(18,437)	7,766
Depreciation and amortisation	4,689	4,344
Share based payment expense	(243)	1,122
Net finance costs	879	876
Impairment of goodwill	24,000	_
Other non-cash movement	-	265
(Increase)/decrease in assets:		
Trade and other receivables	(4,804)	(1,613)
Deferred tax assets	1,973	1,864
Inventory	2,765	(10,047)
Increase/(decrease) in liabilities:		
Trade and other payables	1,337	1,043
Provisions	(817)	1,051
Net cash generated by operating activities	11,342	6,671

## Note 25

## **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

	Year ended 30 June 2017 \$'000	OLIDATED Year ended 1 July 2016 \$'000
Not later than 1 year	21,389	15,956
Later than 1 year and not later than 5 years	46,140	30,357
Later than 5 years	4,224	5,098
	71,753	51,411
The Group as lessor  Non-cancellable operating lease receivables  Not later than 1 year	(8,079)	(4,373)
Later than 1 year and not later than 5 years	(17,891)	(7,920)
Later than 5 years	(398)	(479)
	(26,368)	(12,772)
Net operating lease commitments		
Not later than 1 year	13,310	11,583
Later than 1 year and not later than 5 years	28,249	22,437
Later than 5 years	3,826	4,619
	45,385	38,639
Lease incentives (note 14)		
Current	538	463
Non-current	3,336	3,316
	3,874	3,779

## Note 26

## **Contingent liabilities**

The Group has provided bank guarantees of \$1.3 million in respect to retail premises operating leases and a distribution centre lease.

## Note 27

## **Remuneration of auditors**

	Year ended 30 June 2017 \$	Year ended 1 July 2016 \$
Audit or review of the financial statements	218,000	200,000
Other non-audit services	11,885	5,408
Taxation compliance services	52,076	40,000
	281,961	245,408

The auditor of Godfreys Group Limited is Deloitte Touche Tohmatsu.

## Note 28

## **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.

Financial position	Year ended 30 June 2017 \$'000	Year ended 1 July 2016 \$'000
Assets		
Cash and cash equivalents	134	67
Deferred tax assets	2,820	4,829
Investments	85,526	109,526
Total assets	88,480	114,422
Liabilities		
Current tax liabilities	_	_
Other liabilities	9,234	8,566
Total liabilities	9,234	8,566
Net assets	79,246	105,856
Equity		
Issued capital	109,526	109,526
Retained earnings	(30,280)	(3,670)
Total equity	79,246	105,856

Godfreys Group Limited is the ultimate parent entity.

Investments in subsidiaries reduced by \$24,000,000 in the current year as a direct result of the goodwill impairment recognised for the Group's Australian cash-generating unit (note 9).

## Note 29

## **Business combinations**

During the year, the Group acquired 2 Godfrey's retail franchise stores.

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

	Year ended 30 June 2017 \$′000	Year ended 1 July 2016 \$'000
Inventory	83	46
Fixed Assets	80	35
Net identifiable assets acquired	163	81
Goodwill	260	752
Purchase consideration	423	833

## **6**

## Note 29 cont.

## **Business combinations**

#### Impact of acquisitions on the results of the Group

The above acquisitions did not have a material impact on the result for the current period. Had these business combinations been effected at 2 July 2016, the results for the year ended 30 June 2017 would not have been materially different.

#### **Prior year acquisition**

On 29 February 2016, the Group acquired The Service Company Limited, an established New Zealand based eco-friendly cleaning supplies business. Accordingly, certain assets and liabilities of the acquired business were consolidated from this date. On completion of the final valuations, the fair values of the assets and liabilities have not changed. The goodwill recognised represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the acquisition date.

The assets and liabilities recognised as a result of the acquisition were as follows:

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

## Note 30

### Subsequent events

There have been no matter of circumstance that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

# 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 2017 (Reporting Date).

#### 1. Corporate Governance

**ADDITIONAL SECURITIES** 

**AS AT 1 AUGUST 2017** 

**EXCHANGE INFORMATION** 

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), 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).

#### 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

40,922,585 fully paid ordinary shares are held by 1,332 individual shareholders.

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

## Distribution of holders of equity securities

	Fully paid ordinary shares	No of holders	Performance Rights	No of holders
1 – 1,000	199,517	307		
1,001 – 5,000	1,508,270	536		
5,001 – 10,000	1,859,401	227		
10,001 – 100,000	6,864,524	239		
100,001 and over	30,490,873	23	246,622	1
	40,922,585	1,332	246,622	1
Holding less than a marketable par	cel 122		-	

## **©**

#### 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:

Substantial shareholders	Fully paid o Number	rdinary shares Percentage
ARCADE FINANCE PTY LTD ATF THE JOHNSTON INVESTMENT	11,494,595	28.09
TRUST & JOHN COUPER JOHNSTON		
KENTGROVE CAPITAL PTY LTD	5,634,447	13.77
NGE CAPITAL LIMITED	3,734,447	9.13
ADAM SMITH ASSET MANAGEMENT	2,137,728	5.22

### 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 o Number	rdinary shares Percentage
ARCADE FINANCE PTY LTD	10,408,383	25.43
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,896,952	11.97
NGE CAPITAL LIMITED	3,734,447	9.13
AUST EXECUTOR TRUSTEES LTD	1,900,000	4.64
BNP PARIBAS NOMINEES PTY LTD	1,413,886	3.46
CITICORP NOMINEES PTY LIMITED	1,142,621	2.79
J & P HARDY HOLDINGS PTY LTD	1,086,212	2.65
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,061,113	2.59
SILCHESTER INVESTMENTS PTY LTD	1,000,000	2.44
MDF SUPERANNUATION PTY LIMITED	720,762	1.76
LOTO INVESTMENTS PTY LTD	645,487	1.58
MR WINSTEDT ARIAM RASIAH	450,000	1.10
SNOJ INVESTMENTS PTY LIMITED	280,000	0.68
CENCOLL PTY LTD	250,000	0.61
ARACAN PTY LTD	235,542	0.58
MUHLBAUER INVESTMENTS PTY LTD	205,167	0.50
ICART HOLDINGS PTY LTD	200,000	0.49
MR SEAN DAVID CUNNINGHAM	175,000	0.43
MR RAHMON CHARLES COUPE & MRS JULIA DEBORAH COUPE	147,000	0.36
STONEHOUSE CORPORATION P/L	143,632	0.35
	30,096,204	73.54

#### 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

246,622 unlisted Rights over ordinary shares in the Company have been granted to one person. There are no persons who hold 20% or more of options or rights 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 B. Fleiter Ms S. Morphet Mr J. Hardy

#### **Chief Financial Officer**

Mr A. Ford

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

## **GODFREYS STORE LOCATOR**



## Godfreys **Australia**

VIC Airport West Ascot Vale Bairnsdale Ballarat Bendigo Camberwell Campbellfield Caulfield Chadstone Clayton Cranbourne Dandenong Doncaster Epping Essendon Airport Fountain Gate Frankston Geelong North Greensborough Highpoint Hoppers Crossing Knox City Lilydale Melton Mildura Mornington Nunawading Pakenham Parkdale Port Melbourne Prahran Preston Richmond Ringwood Shepparton Southland Sunbury

## **ACT**

Sunshine

Traralgon

Warragul

Taylors Lakes

Waurn Ponds

Wangaratta

Warrnambool

Belconnen Fyshwick Gungahlin Tuggeranong

## **NSW**

Albury 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 Eastgardens Erina Fairy Meadows

Glendale

Hornsby

Hurstville

Lake Haven

Kotara

Lismore

Liverpool

Maitland

Miranda

Mittagong

Moore Park

Mt Druitt

Mt Hutton

Newcastle

North Ryde

Parramatta

Penrith SS

Punchbowl

Rouse Hill

Tamworth

Tuggerah

Shellharbour

Wagga Wagga

Warringah Mall

West Gosford

Wetherill Park

Port Macquarie

Nowra

Penrith

## SA Churchill

Croydon Elizabeth Firle Gawler Gepps Cross Hilton Marion Mile End Morphett Vale Mt Barker Mt Gambier Nailsworth Noarlunga Ridgehaven Salisbury St Marys Tea Tree Plaza Unley Victor Harbour

West Lakes

#### QLD

**Browns Plains** Bundaberg Bundall Burleigh Heads Cairns Capalaba SS Carindale Chermside Fairfield Fortitude Valley Garden City Gladstone Gympie Helensvale Helensvale SS Hervey Bay Indooroopilly **Ipswich** Kawana Waters Kippa Ring Loganholme Mackay

Maroochydore

Morayfield

Mt Gravatt

Mt Ommaney

## NT

Darwin

WA

Albany

Balcatta

**Baldivis** 

Belmont

Bunbury

Busselton

Canning Vale

Cannington

Claremont

Edgewater

Ellenbrook

Geraldton

Kelmscott

Midland

O'Connor

Success

Osborne Park

Rockingham

Whitford City

Morley

Clarkson

Booragoon

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 Hutt Manukau SS Mt Maunganui Napier Nelson New Lynn New Plymouth Northwood Palmerston North Porirua Pukekohe Rotorua St Lukes Sylvia Park Takanini Tauranga Wairau Park Waitakere Wellington Airport

Westgate

Whangarei