2015 ANNUAL REPORT

GODFREYS
WE ARE CLEAN

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

Godfreys currently has 212 stores (132 Company-owned and 80 franchised). The stores are predominantly located in shopping centres and retail shopping strips as well as stand-alone superstores.

Home brands (owned)

sauber COMMERCIAL · PULLMAN · Optim steam clean · WorkHero · WERTHEIM · Luminis C002R · HomeHero · Super Hero

Licensed brands

Hoover

3rd party brands

Bissell · Electrolux · Numatic · PACVAC · Vax · Miele · ORECK · MD SILENTMASTER · PHILIPS · Nilfisk · VOLTA · BLACK&DECKER

CONTENTS

We are clean

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

CHAIRMAN'S AND CEO'S LETTER

Dear fellow shareholders,

On behalf of the Board and management team of Godfreys (Company), we are pleased to present the Company's first Annual Report since listing on the Australian Securities Exchange (ASX), for the year ended 26 June 2015.

At the outset we would like to thank you for your continued support of Godfreys as shareholders and reassure you of our commitment to delivering on behalf of our shareholders.

Our first year as a publicly listed company has seen Godfreys achieve a number of significant milestones, including:

- Successfully listing on the Australian Securities Exchange on 10 December 2014;
- Delivering on the profit forecast set out in the Prospectus;
- Opening 12 new stores, taking the Company's total stores to 212 throughout Australia and New Zealand;
- Opening a new 12,000 square metre distribution centre in Altona, Victoria, doubling our warehouse capacity, and;
- Continued success in product innovation and development with the release of 37 new products.

CHAIRMAN'S AND CEO'S LETTER (CONT.)

Review of Performance

Godfreys successfully exceeded the Prospectus profit forecast, despite the challenging retail market conditions characterised by soft consumer confidence and aggressive competitor activity.

Sales for the year grew by 5.2% to $182.6 million, driven by the successful launch of a number of new products and new store openings.

Underlying Pro Forma Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was $22.5 million, up $2.6 million on the previous year, representing an underlying Pro Forma EBITDA margin of 12.3%.

The Company opened twelve new stores during the year and converted eight franchise stores to Company-owned stores. Including the closure of six stores during the period, Godfreys had a total store portfolio of 212 at 26 June 2015. New store roll out will fundamentally underpin the Company's future growth and the Company will continue to open new stores in metropolitan and regional centres in 2016.

In 2015, Management has demonstrated an ability to enhance the contribution of eight franchise stores when converted to Company-owned stores and this strategy will continue into 2016 as opportunities arise.

Optimisation of the existing store portfolio remains a core part of our growth strategy through initiatives such as relocating stores to better locations, changing store sizes and enhancements to store layouts.

In November 2014 we celebrated the successful launch of our new format *"We Are Clean"* concept store in Traralgon, Victoria. All future new stores and store refurbishments will adopt this design which sets a new standard in product demonstration and customer engagement. Feedback from our customers has been extremely positive to date and we look forward to introducing this new and exciting concept to more customers over the next year and beyond.

The opening of our new 12,000 square metre distribution centre in Altona, Victoria in May 2015 was also an important development for the Company. The new distribution centre has doubled our warehouse capacity, allowing us to carry more stock and better serve our individual stores and customers through periods of heavy trading.

Innovation continues to be a key driver of our performance and the strength of our dedicated in-house product development team was evidenced by the introduction of 37 new products during the year.

The highly successful launch of our Hoover Allergy bagged and bagless products and the premium Sauber 'Excellence' vacuum are prime examples which, combined with our growing range of air purification products, illustrate our determination to be part of every aspect of the concept of 'clean'.

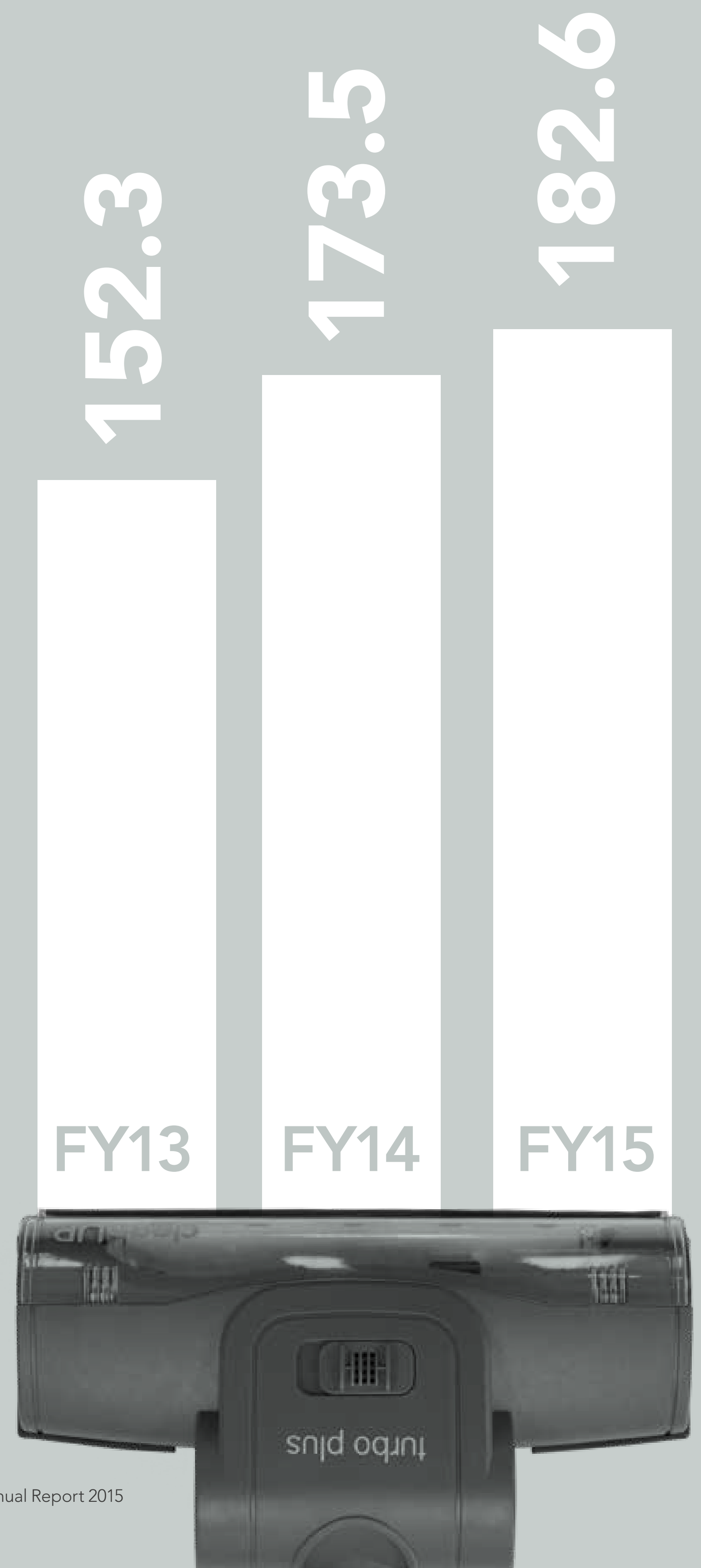
Our innovation pipeline remains strong, and we have commenced in-house product design and development in key strategic areas, further enhancing our innovation capabilities and enabling us to more quickly respond to the changing needs of our customers.

During the period we also formalised a number of key strategic alliances with overseas suppliers, which will greatly improve the reliability of our overseas product sourcing capability.

Our e-commerce capabilities are a continued area of focus in recognition of the increasing importance of online sales as a channel for our products and services. Our efforts in optimising our online offering have seen online sales grow by 33% in FY2015, with the online store our largest contributing single store by sales volume.

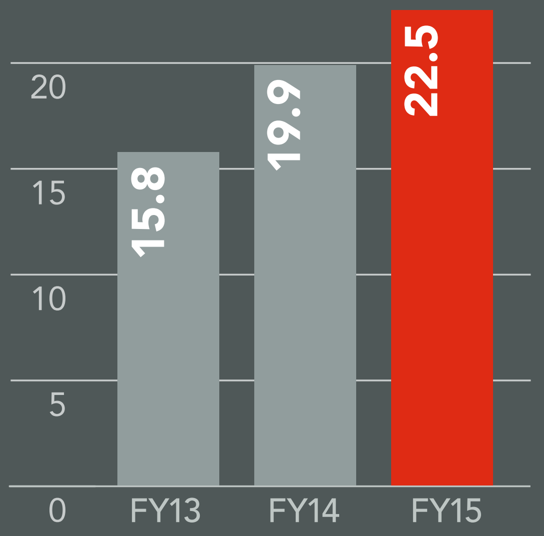
This has also been a major driver of our enhanced social media presence, not simply for advertising our products and services, but also for better engaging with our customers. This has resonated well with our customers, with 2.2 million unique visitors to our online webpage in FY2015.

Sales $m

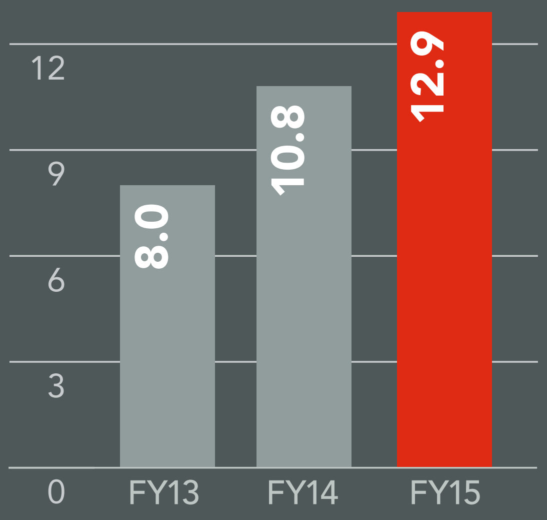


Underlying Pro Forma Highlights

Pro Forma EBITDA $m



Pro Forma NPAT $m



CHAIRMAN'S AND CEO'S LETTER (CONT.)

People

Godfreys' greatest strength remains its people, its strong sales culture and its reputation for innovation built on the principles of understanding changing customer needs, deep product knowledge and strong sales culture. We thank the talented team at Godfreys for their efforts and congratulate them on a memorable year, during which we listed on the ASX and numerous key growth initiatives were successfully implemented.

We also thank our suppliers and customers for their continued support and look forward to continuing our relationship in FY2016.

Sustainability

We have commenced a number of joint venture projects with key overseas suppliers on important new products. Our search for new suppliers overseas is ongoing and we are confident that this search will provide us with access to the most technologically advanced products and services in the world and keep us at the forefront of innovation.

Along with our continued investment in e-commerce, our commitment to investing in proprietary IT applications and software will allow us to improve efficiencies throughout the Company.

As a product of our determination to better service all of our customers' needs, we have initiated and increased our focus on training, with a renewed push towards developing key management skills and resources as well as training our sales staff in-store. In combination with our development of new retail formats, we hope to deliver a better customer experience in each of our stores.

Dividend

The Directors declared a final dividend of 12.8 cents per share, of which 3.8 cents is fully franked and 9 cents is unfranked.

The Directors also declared a special dividend of 2.6 cents per share in relation to the profit earned from IPO to 26 December 2014. The special dividend is unfranked.

Both of the dividends represent approximately a 80% payout of the Company's underlying Pro Forma net profit after tax post IPO. These dividends are to be paid on 9 October 2015.

The Board intends to maintain its dividend policy of paying out between 70% to 80% of the Company's annual underlying Pro Forma net profit after tax. The Board believes the Company's strong cash flows provide shareholders with a strong return while still allowing the Company to fund its plan for future growth.

Outlook

Looking ahead to next year and beyond, we are well placed to build on the foundations that have been laid down during our first year as a listed Company.

We will continue to expand our store network, capitalising on opportunities where they present in new and existing markets.

As mentioned, our product innovation pipeline remains strong, with the introduction of a number of new categories and the expansion of the existing product range.

FY2015 has been a successful year in terms of both performance and achievement, but there is still much work to be done.

While we are hopeful for the improvement of retail conditions in Australia, we understand the challenges ahead and remain committed to delivering an enhanced financial performance over the next year. We are excited about our prospects.

Sincerely,

Rod Walker
Chairman

Tom Krulis
Managing Director & CEO

Transitioned into **12,000m²** new warehouse in Altona Victoria

Online store growth **+33%**

Launched new store format successfully **212**

stores operate in AUS & NZ

Pro Forma NPAT from last year **+18.8%**

934,224 unique store locator online page views in FY2015

12 new stores opened in FY2015

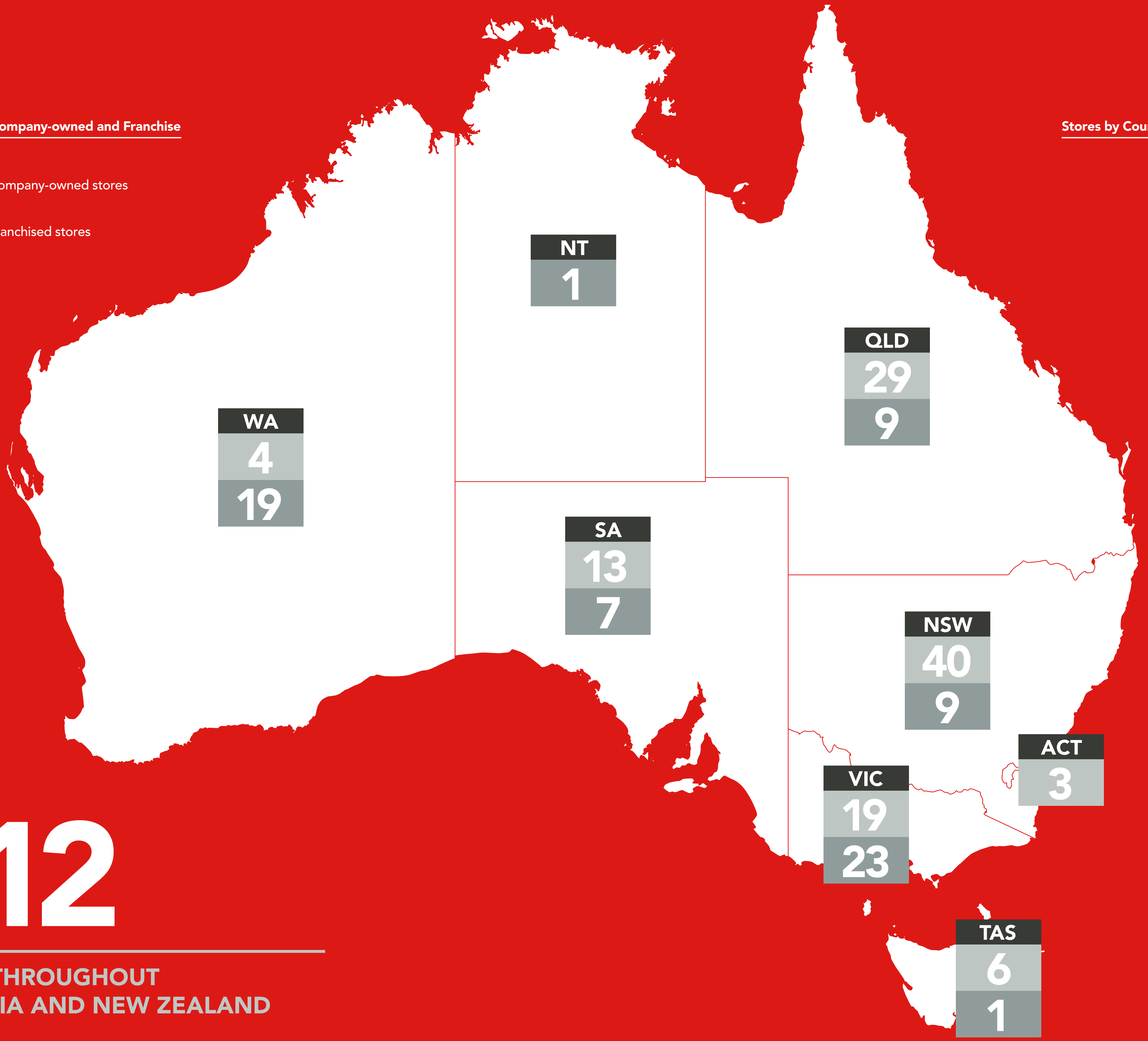
Strong free cash conversion

RETAIL STORE NETWORK

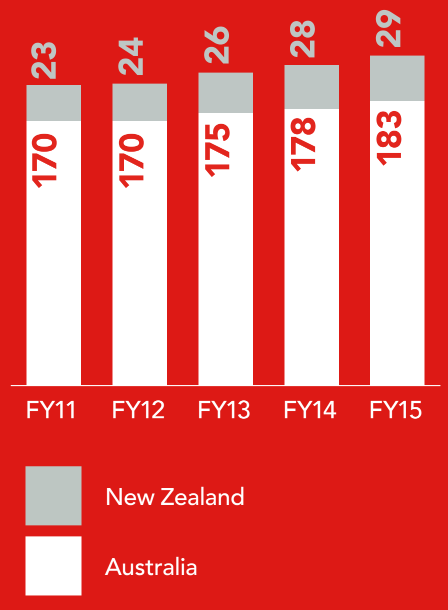
Store Format – Company-owned and Franchise

132 Company-owned stores

80 Franchised stores



Stores by Country



212

STORES THROUGHOUT AUSTRALIA AND NEW ZEALAND

Products for life®

Our innovation pipeline remains strong, we have commenced product design and development in key strategic areas, further enhancing our innovation capabilities.

BOARD OF DIRECTORS

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 International Cleaning Solutions Group Pty Ltd (ICSG) in February 2012 and appointed Chairman of Godfreys Group Limited on 6 November 2014. Rod has had over 30 years of experience in a variety of businesses, working in Australia, the USA and Canada.

Having had success as a CEO, director and chairman of other companies, particularly in the retail industry, Rod currently sits on several boards as chairman. He has led several companies through major acquisitions, mergers, record results and in some cases successful exits whilst also working with a number of CEOs on their professional development.

Current roles include serving on the boards of The PAS Group, Carpet Court Australia, Micador Group, Bendalls Group and Playtime Group. Rod is also a group chairman within the CEO Circle.

Former board appointments include serving on the boards of Bras N Things, Rebel and Amart Allsports, Immune System Therapeutics, Witchery Fashions, RED Group Retail, Steinhoff International Holdings, Amber Group, Endless Rewards, SleepyHead / Beds R Us and Copperart (trading as Homeart).

In November 2005 Rod formed a private consulting company and since then has coached and mentored a number of CEOs and other senior executives whilst also consulting to a range of businesses. He has also presented to a variety of groups and forums on a range of business related topics. Prior to 2005, Rod was Managing Director of the Freedom Group. At that time Freedom had over 240 stores in the Group with six brands in three countries. Rod led the Group to record results and subsequently oversaw the privatisation of the Company.

Tom Krulis

Managing Director, and Chief Executive Officer

Tom Krulis was appointed Managing Director of ICSG in December 2011 and appointed Managing Director of Godfreys Group Limited on 6 November 2014.

Tom joined Godfreys as a Salesperson in 1985 and his outstanding performance and passion for Godfreys saw him progress to Sales Manager and then Joint General Manager in 1989, where he spent time in Queensland opening new stores and establishing the Queensland operation. In 1993, Tom was appointed Managing Director of AVCC (a subsidiary of the Company), responsible for the Victorian, Tasmanian and New Zealand operations, whilst developing the Godfreys superstore concept.

Prior to joining Godfreys, Tom was a Corporate Lawyer at Freehills in Sydney and worked within Corporate Advisory at the Australian Bank (now Australia and New Zealand Banking Group Ltd).

Jon Brett

Non-Executive Director

Chairman of the Audit & Risk Management Committee

Jon Brett was appointed as Non-Executive Director of ICSG in September 2013, appointed to Godfreys Group Limited in November 2014.

Jon has extensive experience in the areas of management, operations, finance and corporate advisory. Jon's experience includes several years as managing director of a number of publicly listed companies. Jon is currently on the boards of The PAS Group and Vocus Communications Limited, where he is the chairman of the Audit & Risk Management Committee.

Jon is also a director of several unlisted companies and was an executive director of Investec Wentworth Private Equity Limited and formerly the non-executive deputy president of the National Roads and Motoring Association.

Sue Morphet

Non-Executive Director

Member of the Nomination and Remuneration Committee

Sue Morphet was appointed to the Board of Godfreys Group Limited in 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 was Chairman of Manufacturing Australia (2013-2015).

Sue is currently a non-executive Director of Asaleo Care Limited, Fisher & Paykel Appliances Holdings Limited and Noni B Limited.

Brendan Fleiter

Non-Executive Director

Chairman of the Nomination and Remuneration Committee

Member of the Audit & Risk Management Committee

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

Brendan has over 25 years of business experience, having held non-executive and executive directorships over the past 15 years on the boards of ASX listed companies, large private and unlisted public companies, and large Government Business Enterprises and not-for-profit and philanthropic organisations in sport, public health and education.

Brendan was previously CEO of The Crazy John's Group, a national retail and telecommunications company, prior to its sale to Vodafone Australia in 2008.

Brendan is currently Deputy Chairman of the board of Australia Post (and has been a director since 2011), Deputy Chair of the board of Methodist Ladies' College and Chair of its Foundation, and a non-executive director of Kennards Hire Pty Ltd, Volleyball Victoria, Our Neighbourhood Foundation, The Australian Food Allergy Foundation and Walnut Melbourne Pty Ltd.

Hoover Handivac

33%

online sales growth

DIRECTORS' REPORT

The directors of The Godfrey's Group Limited ("the Company") ("the Directors") submit herewith the annual report of Godfreys Group Limited and its subsidiaries ("the Group") for the financial year ended 26 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Capital reconstruction and comparative information

Godfreys Group Limited was incorporated on 6 November 2014. On 10 December 2014 the shareholders of the International Cleaning Solutions Group Pty Ltd undertook a capital reconstruction process, through which the Godfreys Group Limited acquired International Cleaning Solutions Group Pty Ltd ("ICSG"). Under the principles of capital reconstruction in accordance with the Australian Accounting Standards, the financial report of Godfreys Group Limited includes the comparative financial information of International Cleaning Solutions Group Pty Ltd for the year ended 27 June 2014.

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 ICSG in February 2012, appointed chairman of Godfreys Group Limited on 6 November 2014. Rod is the Chairman and Non-Executive Director of several Boards.

A member of the Audit & Risk Management Committee and the Remuneration and Nomination Committee.

Other listed entity directorships:
PAS Group Limited.

Tom Krulis

Managing Director

Tom Krulis was appointed Managing Director of ICSG in December 2011, appointed Managing Director of Godfreys Group Limited on 6 November 2014. Tom joined Godfreys in 1985 and in 1993 was appointed Managing Director of AVCC (a subsidiary of the Company), responsible for the Victorian, Tasmanian and New Zealand operations, whilst developing the Godfreys superstore concept.

Other listed entity directorships: None

Jon Brett

Non-Executive Director

Jon Brett was appointed to ICSG board in September 2013, appointed to the Godfreys Group Limited on 6 November 2014. Jon has extensive experience in the areas of management, operations, finance and corporate advisory. Jon's experience includes several years as Managing Director of a number of publicly listed companies. Jon is currently on the board of The PAS Group and Vocus Communications Limited, and is the Chairman of the Audit and Risk Committee.

Chairman of the Audit & Risk Management Committee.

Other listed entity directorships:
Vocus Communications Limited,
PAS Group Limited.

Brendan Fleiter

Non-Executive Director

Brendan Fleiter was appointed to the Godfreys Group Limited Board on 6 November 2014. Brendan has over 25 years of business experience, having held non-executive and executive directorships over the past 15 years on the boards of ASX listed companies, large private and unlisted companies, large Government Business Enterprises and not-for-profit organisations in sport, public health and education.

Chairman of the Remuneration and Nomination Committee.

A member of the Audit & Risk Management Committee.

Other listed entity directorships: None

Sue Morphet

Non-Executive Director

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 was Chairman of Manufacturing Australia (2013-2015). Sue is currently a non-executive Director of Asaleo Care Limited, Fisher & Paykel Appliances Holdings Limited and Noni B Limited.

A member of the Remuneration and Nomination Committee.

Other listed entity directorships: Noni B Limited.

Company secretary
Sophie Karzis was appointed Company Secretary of Godfreys Group Limited 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 private and public companies.

Principal activities
The Group's principal activities are that speciality retailer and wholesaler of domestic and commercial floor care and associated cleaning products in Australia and New Zealand, where sales were made through Group owned stores, franchise outlets and other large retailers.

Operating and financial review

Analysis of results
Statutory consolidated profit after tax attributable to the owners of the Company ('Statutory Profit') for the year ended 26 June 2015 is $12.0 million.

The Groups' performance is presented below on an underlying Pro Forma basis ('Pro Forma'), reflecting the ongoing consolidated operations for the year ended 26 June 2015 ('FY2015') and the comparative year ended 27 June 2014 ('FY2014').

	Pro Forma FY 2015 $'000 (i)	Pro Forma FY2014 $'000 (i)
Sales	182,632	173,547
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	22,485	19,863
Earnings before Interest and Tax (EBIT)	18,820	16,386

(i) Refer to the section 'Reconciliation of statutory results to underlying results' for the reconciliation of statutory to Pro Forma results.

Sales for the year of $182.6 million were up 5.2% on FY2014. The focus on the new stores rollout and store buyback program was key drivers in revenue growth.

Earnings per share ('EPS')	**Year ended 26 June 2015**	Year ended 27 June 2014
Basic earnings per share (cents per share)	34.70	20.46
Diluted earnings per share (cents per share)	33.84	19.86

Basic and diluted earnings per share are calculated as set out in Note 5 to the financial statements. The basic earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using the Group's historical weighted average number of shares.

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 measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and are not a substitute for those measures.

Because non-IFRS financial measures are not defined by the AASB, they do not have a prescribed meaning and the way that the Group calculates them may be different to the way that other companies calculate similarly titled measures. The principal non-IFRS financial measures that are referred to in this document are as follows:

- **EBITDA** is earnings before interest, tax, depreciation and amortisation expenses. Because it eliminates the non-cash charges for depreciation and amortisation, EBITDA is useful to help understand the operating cash generation potential of the business. However, it should not be considered as an alternative to cash flow from operations because it does not reflect actual cash movements, movements in working capital balances or investment in capital expenditure.
  Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and tax charges which are impacted by the capital structure and historical tax position of the Group.
- **EBIT** is earnings before interest and tax. EBIT eliminates the impact of the Group' 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 underlying Pro Forma results to statutory results
The underlying Pro Forma 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') and adjustments to reflect a full year impact of transactions occurring during the year ('Pro Forma adjustments'). Godfreys Group Limited believes that presenting underlying profit provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

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

The underlying results exclude the significant items shown in the table on page 22. These adjustments were predominantly driven by the listing of the Company on the ASX.

Reconciliation of statutory results to underlying results for FY2015 and FY2014.

Financial year ended	Note	Sales 2015 $'000	Sales 2014 $'000	EBITDA 2015 $'000	EBITDA 2014 $'000	EBIT 2015 $'000	EBIT 2014 $'000	NPAT 2015 $'000	NPAT 2014 $'000
Statutory results		**182,632**	173,547	**16,824**	19,243	**13,159**	15,766	**12,044**	5,729
Adjusted for non-recurring related items and changes in accounting policy:									
– IPO costs	1	**–**	–	**3,426**	–	**3,426**	–	**3,426**	–
– IPO retention bonuses paid to management	2	**–**	–	**2,482**	–	**2,482**	–	**2,482**	–
– Impact of the first time adoption of hedge accounting policy	3	**–**	–	**(427)**	2,862	**(427)**	2,862	**(427)**	2,862
– Business restructure	4	**–**	–	**543**	–	**543**	–	**543**	–
– Refinancing charge & write off borrowing costs on repayment of borrowings via IPO proceeds	5	**–**	–	**–**	–	**–**	–	**1,020**	–
– Tax consolidation adjustment	6	**–**	–	**–**	–	**–**	–	**(7,598)**	–
Underlying statutory results		**182,632**	173,547	**22,848**	22,105	**19,183**	18,628	**11,490**	8,591
Adjusted for non-recurring related items and changes in accounting policy:									
– Adjustment to apply annualised public company costs to actual expense incurred in FY2015	7	**–**	–	**(283)**	(1,200)	**(283)**	(1,200)	**(283)**	(1,200)
– Adjustment to apply annualised incremental executive remuneration to actual expense incurred in FY2015	8	**–**	–	**(80)**	(1,042)	**(80)**	(1,042)	**(80)**	(1,042)
– Withholding tax on ICSG borrowings	9	**–**	–	**–**	–	**–**	–	**–**	681
– Change in interest costs	10	**–**	–	**–**	–	**–**	–	**2,356**	6,220
– Tax impact of Pro Forma adjustments	11	**–**	–	**–**	–	**–**	–	**(598)**	(2,403)
Pro Forma underlying results		**182,632**	173,547	**22,485**	19,863	**18,820**	16,386	**12,885**	10,847

1. *IPO costs recognised as an expense.*
2. *Bonus and share option expense to Key Management Personnel for the IPO retention bonus amounts.*
3. *Impact of the change in accounting policy to apply hedge accounting from 28 June 2014.*
4. *Freight, temporary labour and storage costs of $0.4 million relate to the relocation of Melbourne warehouse. $0.1 million relates to group re-organisation post IPO.*
5. *Refinancing charge and write-off of borrowing costs in connection with the repayment of fixed-interest borrowings following the IPO.*
6. *Tax benefit recognised on formation of an Australian tax consolidation group upon IPO that is assessed as recoverable in accordance with AASB 112 'Income Taxes' for inventory valuation and tax impact of entries for above notes 1–5.*
7. *Additional public company cost added to the actual costs incurred in FY2015 to reflect the impact of a full year's cost.*
8. *Additional incremental executive remuneration added to the actual costs incurred in FY2015 to reflect the impact of a full year's cost.*
9. *Cumulative unpaid withholding tax portion that had been withheld on interest repayments relating to loans from overseas lenders.*
10. *Adjustment to the actual interest cost for the year to reflect the post IPO debt profile which results in a reduced interest cost compared to the historical position.*
11. *Tax adjustment to the above Pro Forma adjustments which includes public company cost, incremental executive remuneration, and changes in interest costs.*

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

Financial performance highlights

Underlying results	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Total sales	**182,632**	173,547
Operating gross profit	**98,817**	90,817
Other income	**4,774**	4,859
Cost of doing business ('CODB')	**(80,743)**	(73,571)
Underlying EBITDA(i)	**22,848**	22,105
Depreciation and amortisation	**(3,665)**	(3,477)
Underlying EBIT(i)	**19,183**	18,628

(i) Refer to the section 'Reconciliation of statutory results to underlying results' for the reconciliation of statutory to Pro Forma results.

Underlying EBITDA for the year ended 26 June 2015 was $22.8 million compared with $22.1 million for the prior corresponding period.

The Statutory and Underlying EBITDA and Underlying EBIT by segment is presented in the following table:

	EBITDA / EBIT (Statutory)		EBITDA / EBIT (Underlying)	
	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Australia	14,877	15,977	20,901	18,839
New Zealand	1,995	3,313	1,995	3,313
Unallocated	(48)	(47)	(48)	(47)
EBITDA	16,824	19,243	22,848	22,105
Depreciation and amortisation	(3,665)	(3,477)	(3,665)	(3,477)
EBIT	13,159	15,766	19,183	18,628

Net finance costs

Net finance costs of $4.1 million were incurred in FY2015. This represents a decrease of $3.8 million on the prior year due to the change in debt structure following the IPO.

Income tax expense	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Statutory income tax benefit/ (expense)	2,973	(2,136)
Income tax benefit from significant items	(7,598)	–
Underlying tax expense	(4,625)	(2,136)
Statutory effective tax rate	(32.8%)	27.2%
Underlying effective tax rate	28.7%	27.2%

The statutory effective tax rate for FY2015 of (32.8%) differs to the statutory corporate tax rate of 30% due to significant items. Excluding these items the underlying effective tax rate for FY2015 would be 28.7%.

Financial position highlights

Property, plant and equipment of $14.5 million (FY2014: $11.4 million) reflects $3.1 million of additions following the rollout of 12 new retail stores during the year and an investment spend on the new warehouse in Altona, Victoria.

The Group repaid $60.4 million of bank debt and shareholder loan using the proceeds from the IPO and a new bank facility of $20 million. In addition, as at 26 June 2015 the Group has access to an undrawn working capital facility of $10.5 million.

The Group has access to $44.0 million (FY2014: $38.4 million) of cash and assets readily convertible to cash as at 26 June 2015, made up of:

- Cash balance of $13.8 million (FY2014: $7.4 million).
- Inventory of $25.0 million (FY2014: $25.2 million).
- Trade and other receivables of $5.2 million (FY 2014: $5.8 million).

Outlook

The Board believes the Company is well placed to deliver further strong growth in 2016, resulting from the following key growth drivers:

- Sales are expected to benefit from:
  - the growth of LFL sales on the existing store network;
  - the full year impact of the net 6 stores which were opened in 2015, and 8 conversion of franchise stores to Company-owned;
  - plans to open new stores;
  - buyback franchise stores;
  - continued growth with the online sales platform.
- New and growing ranges including the air purifier, backpack, and upright.
- Obtaining and growing licensed brands.
- The introduction of Pay and Collect in November 2015. This new development "Click and Collect" offer will enable customers to pay online and collect, at their convenience, from any Godfreys store.
- Using available free cash to acquire and integrate complementary businesses and strategic acquisitions, subject to strict evaluation criteria.
- New bank funding facility, which will provide lower borrowing costs.

Material business risks

The Group's performance is sensitive to changes in economic and retail conditions in Australia, and the cyclical patterns of consumer spending. There are a number of factors, both internal and external, which may impact the Company in future periods. Macro-economic factors such as inflation rates, interest rates, government policies, consumer spending levels and exchange rates may all influence the operating and financial performance of Godfreys. Consideration of the specific material business risks facing the Company as follow:

Retail environment and discretionary consumer spending

Godfreys' financial performance is sensitive to the current state of, and future changes in retail environment in Australia and New Zealand and the cyclical trends of consumer spending.

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

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

Exchange rates

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

Government and regulatory factors

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

Dividend

The Directors declared a final dividend of 12.8 cents per share, of which 3.8 cents is fully franked and 9.0 cents is unfranked.

The Directors also declared a special dividend of 2.6 cents per share in relation to the profit earned from IPO to 26 December 2014. The special dividend is unfranked.

Both of the dividends represent approximately 80% payout of the Company's underlying Pro Forma net profit after tax post IPO. These dividends are to be paid on 9 October 2015. The record date is 25 September 2015.

The Board intends to maintain its dividend policy of paying out between 70% to 80% of the Company's annual underlying net profit after tax. The Board believes the Company's strong cash flows provide shareholders with a strong return while still allowing the Company to fund its plan for future growth.

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 not been any matter or circumstance occurring subsequent to 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 years.

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 26 June 2015 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.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of directors) held during the financial period from registration of the Company on 10 December 2014 to 26 June 2015 and the number of meetings attended by each director (while they were a director or committee member).

	Board of directors		Remuneration and Nomination committee		Audit & Risk Management committee	
Directors	Held	Attended	Held	Attended	Held	Attended
Rod Walker	7	7	2	2	1	1
Tom Krulis	7	7	–	–	–	–
Jon Brett	7	7	–	–	1	1
Brendan Fleiter	7	7	2	2	1	1
Sue Morphet	6	6	2	2	–	–

Directors' shareholdings

The following table sets out each director's relevant direct and indirect interest in shares and options over shares of the Company as at the date of this report:

	Godfreys Group Limited	
	Fully paid ordinary shares	Share options
Directors	Number	Number
Rod Walker	36,364	–
Tom Krulis	3,080,000	141,818
Jon Brett	36,364	–
Brendan Fleiter	36,364	–
Sue Morphet	7,272	–

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 Group.

Details of unissued shares or interests under option at the date of this report are:

Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
312,266	Ordinary	Nil	10 Dec 2015
312,266	Ordinary	Nil	10 Oct 2016
300,362	Ordinary	Nil	30 Jun 2017

Share options granted to directors and senior management

During and since the end of the financial year, an aggregate 924,894 share options were granted by the Group to the following Directors and officers as part of their remuneration:

Directors and senior management	Number of options granted and number of ordinary shares under option
Tom Krulis	141,818
Bernie Bicknell	238,801
Barbara O'Brien	211,165
Simon Greig	121,945
Nigel Rostovsky	211,165

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 Group (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Non-audit services

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

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

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

Auditor's independence declaration

The auditor's independence declaration is included at page 38.

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.

REMUNERATION REPORT

The Directors of Godfreys Group Limited ("the Group") ("the Company") present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 (Cth) for the Company and its controlled entities (the Group) for the year ended 26 June 2015. This Remuneration Report is audited by the Group's external auditors, Deloitte Touche Tohmatsu.

This Remuneration Report forms part of the Directors' Report.

Details of the Group's remuneration strategy and arrangements for the 2015 financial year are set out in this Remuneration Report. During the year the Board reviewed the Group's executive remuneration framework and established a Remuneration and Nomination Committee in anticipation of the initial public offering ('IPO') of the Company on 10 December 2014. The Board benchmarked the framework against industry best practice, analysed remuneration trends and considered proposed Government legislative changes. The Board met with its external advisor to discuss remuneration and governance issues and as a result the Board resolved to make a number of changes to provide greater alignment with the interests of shareholders.

This Remuneration Report is prepared in respect of the Key Management Personnel (KMP), being those persons who have authority and responsibility for planning, directing and controlling the activities of the Group.

The Board has determined that the KMP are the directors and executives of the Group. For the purposes of the Remuneration Report, the term 'Executive' is defined to mean the following:

Name	Position
Mr Tom Krulis	Managing Director and Chief Executive Officer
Mr Bernie Bicknell	Chief Operating Officer and Chief Financial Officer
Ms Barbara O'Brien	General Manager – New Product Development
Mr Simon Greig	General Manager – Retail
Mr Nigel Rostovsky	General Manager – Franchise

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

Presentation of information

The IPO on 10 December 2014 triggered the requirement for the Group to present this Remuneration Report and therefore such information is presented herewith for the whole year 28 June 2014 to 26 June 2015. This includes information relating to International Cleaning Solutions Group Ltd (ICSG) for the period 28 June 2014 to 9 December 2014, as a corporate reorganisation was undertaken at the time of IPO whereby Godfreys Group Limited acquired ICSG. The Company was not a listed disclosing entity in the prior year and therefore information for the year ended 27 June 2014 has not been included.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for directors and executives. The Remuneration and Nomination 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 Remuneration and Nomination Committee is fully informed when making remuneration decisions, it seeks external remuneration advice. 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 Company's key management personnel and other executives as part of their terms of engagement.

During the year, the Remuneration and Nomination Committee engaged *3 Degrees Consulting* to provide recommendations regarding:

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

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

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. This structure is outlined below:

Non-executive directors

- 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 will consider advice from external consultants as well as fees paid to non-executive directors of comparable companies.
- Superannuation contributions are made by the Group on behalf of non-executive directors in line with statutory requirements and are included in the remuneration package amount allocated to individual directors.

Non-Executive Directors' fees and payments are reviewed annually by the Board. Non-Executives Directors' fees are determined within an aggregate limit (including superannuation contributions) set in accordance with the Company's constitution. The non-executive aggregate remuneration is $0.6 million for the year ended 26 June 2015.

Executives

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.

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 Remuneration and Nomination Committee considers current market conventions when it establishes the proportion of fixed remuneration and variable remuneration elements. Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee consisting of a review of Group, business and individual performance, relevant comparative remuneration in the market and internal and external advice on policies and practices where necessary.

Any Executive Director appointment to the Board is conditional on them being employed by the Group.

B. Executive Remuneration

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 (linking performance to remuneration)

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

Executive Short Term Incentive Program ('STIP')

2015 Financial year STIP

The objective of the STIP is to link executive remuneration to the achievement of the Group's annual operational and financial targets. For the 2015 financial year the STIP was 100% based on the achievement of the Pro Forma Forecast earnings before interest, taxes, depreciation and amortisation (Forecast Pro Forma EBITDA) as presented in the Prospectus on IPO. Achievement of this target is measured by the actual underlying Pro Forma EBITDA result for the year.

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

The entitlement under the scheme for each KMP is based on the hurdles set in the table below:

Pro Forma EBITDA	CEO	COO / CFO	GMs
$22.1 million	20%	15%	10%
$22.7 million	22%	17%	11%
$23.2 million	24%	18%	12%
$23.7 million	26%	20%	13%
$24.2 million	28%	21%	14%
$24.7 million	32%	24%	16%
$25.2 million	40%	30%	20%
$25.7 million	48%	36%	24%
$26.2 million	56%	42%	28%
$26.7 million	64%	48%	32%
$27.2 million	80%	60%	40%

This year, the Group's underlying Pro Forma EBITDA exceeded the minimum forecast Pro Forma EBITDA and STIP entitlements were achieved. Details of STIP entitlements at the end of the 2015 financial year are disclosed in the Remuneration Table on pages 34 and 35.

Scheme structure going forward – 2016

A revised STIP was implemented on 26 June 2015 as recommended by the Nomination and Remuneration Committee and approved by the Board on 26 June 2015. The new STIP adopts the STIP assessment framework ('STIP Assessment Framework') detailed below to assess the Executives STIP award. The key changes from the current STIP are that:

- The STIP Assessment Framework requires two performance gateways to be met:
  (i) the achievement of the Group's Pro Forma EBITDA level for the 2016 financial year and
  (ii) the individual Executive 'meeting expectations' as assessed through the Group's performance management system, before the Executive is assessed against the Core Business KPIs and Business Health KPI targets; and
- The STIP entitlements as a percentage of TFR have been revised to those shown in the tables on page 31.

STIP Assessment Framework

Performance Gateway	Scorecard percentage weighting of KPI components	
	Financial KPI	Non-financial KPI
	Quantitative KPI	Qualitative KPI
	Company KPI	Individual KPI

Achievement of Group EBITDA target

Individual Executive 'meeting expectations'

Executive	EBITDA	Project success
CEO	75%	25%
COO / CFO	75%	25%
GMs	75%	25%

KPI	Threshold (i)	Target	Maximum
EBITDA	96% of Budget	100% of Budget	110% of Budget
Project Success	Effective	Superior	Outstanding
% TFR (ii)	**Threshold (i)**	**Target**	**Maximum**
CEO	16%	40%	80%
COO / CFO	12%	30%	60%
GMs	8%	20%	40%

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

Executive Long Term Incentive Scheme ('LTIP')
The objective of the LTIP is to reward Executives through aligning this element of remuneration with accretion in long term shareholder wealth. It aims to also support the retention of Executives through the issuance of unlisted options over ordinary shares in the Group at an exercise price equal to the then market value of the shares ('Performance Options').

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

Awards under the LTIP scheme are issued annually 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. All entitlements are forfeited should a participant resign from their position prior to the end of the Performance Period.

Total shareholder return ('TSR')
LTIP awards are based on a TSR performance hurdle relative to the S&P/ASX 200 Consumer Discretionary Index over the 3-year performance period ('TSR Options'). TSR is used as the sole LTI measures by around 50% of ASX100-200 companies, and is the measure most strongly supported by shareholders and proxy advisors. The use of TSR will provide strong alignment between LTI Plan 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 listed Australian retail companies within the ASX200 selected by the Board. This comparator group will be reviewed annually by the Company's Board.

Unless the Board determines otherwise, the share prices used to calculate the TSR of a company 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 Company 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 company 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 Options that would vest under the LTIP are as follows:

Group's TSR percentile ranking relative to S&P/ASX 200 Consumer Discretionary Index over performance period	Percentage of TSR Options 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%

One-off Retention Bonus
Following IPO Listing ('Listing') on 10 December 2014, Bernie Bicknell, Barbara O'Brien, Simon Greig and Nigel Rostovsky are entitled to a one-off retention bonus valued at $3,434,909 in aggregate.

One half of that retention bonus was paid as a cash payment by the Group shortly after Listing (being an amount aggregate of $1,717,455, and the balance is issued in performance rights of equivalent value under the LTIP (being 624,532 performance rights).

Performance rights issued as part of the one-off retention bonus will vest in two tranches, with one tranche vesting on the first anniversary of the Listing and the second tranche vesting on the date of disclosure to ASX by the Group of its consolidated audited financial reports for the financial year ending 24 June 2016, in each case provided that the relevant executive has remained on continuous employment with the Group from the date of the grant until the date of vesting. These performance rights are not subject to any other vesting conditions.

The above entitlements under the LTIP at the end of the 2015 financial year are disclosed in the Remuneration Table.

Board policy with regards to Executives limiting their exposure to risk in relation to equity options
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 Options.

Employment Arrangements
Chief Executive Officer and Managing Director

Mr Tom Krulis is the 'Chief Executive Officer and Managing Director' of the Company.

Mr Krulis is employed under a standard employment contract with no defined length of tenure. Under the terms of his employment contract:

- Mr Krulis may resign from his position by providing the Group with twelve months written notice
- The Group may terminate this agreement by providing twelve months written notice or provide payment in lieu of the notice period, or the unexpired part of any notice period, based on Mr Krulis' total remuneration
- The Group may terminate Mr Krulis' employment at any time without notice if serious misconduct has occurred
- Mr Krulis is a participant in the STIP and the LTIP.

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

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

Group Performance
The relation of rewards to performance of directors and 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 26 June 2015 $'000	**Year ended 27 June 2014 $'000**
Revenue	**182,632**	173,547
EBITDA	**16,824**	19,243
Net profit before tax	**9,071**	7,865
Net profit after tax	**12,044**	5,729
Share price at end of year (i)	**3.03**	–
Basic earnings per share (ii)	**34.70**	20.46
Diluted earnings per share (ii)	**33.84**	19.86

(i) As the Company was listed on the Australian Securities Exchange during the current year, no comparative share price is shown for 27 June 2014.

(ii) Refer to the basis of underlying earnings per share in the Operating and Financial Review section entitled 'Earnings per share'.

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 Godfreys Group Ltd for the current year and includes the remuneration information of ICSG for the period 28 June 2014 to 9 October 2014, as described in the section of Remuneration Report entitled 'Presentation of information'.

		Short-term employee benefits			Post-employment benefits	Long-term employee benefits	Share-based payments			
2015	**Note**	**Salary and fees $**	**STIP Cash Bonus element $**	**Other (7) $**	**Super-annuation $**	**Long service leave $**	**Options $**	**Total $**	**Performance related (%)**	**% as options (%)**
Non-Executive Directors										
Rod Walker	(1) (3)	158,593	–	18,190	11,266	–	–	188,049	–	–
Brendan Fleiter	(1)	75,000	–	–	7,125	–	–	82,125	–	–
Jon Brett	(1)	55,417	–	2,553	5,265	–	–	63,235	–	–
Sue Morphet	(2)	63,750	–	–	6,056	–	–	69,806	–	–
Senior Management										
Tom Krulis	(1) (3)	625,822	130,000	–	18,783	3,890	42,007	820,502	16	5
Bernie Bicknell	(3) (4)	413,102	552,701	–	18,783	17,766	235,983	1,238,335	45	19
Simon Greig	(3) (5)	280,729	275,351	–	18,783	5,413	118,744	699,020	39	17
Nigel Rostovsky	(3) (4) (6)	321,250	568,701	17,732	11,255	605	227,797	1,147,340	50	20
Barbara O'Brien	(3) (4) (6)	266,668	520,701	20,741	14,088	629	229,045	1,051,872	50	22
Total Remuneration		2,260,331	2,047,454	59,216	111,404	28,303	853,576	5,360,284		

(1) Appointed to Godfreys Group Limited on 6 November 2014.
(2) Appointed to Godfreys Group Limited on 13 January 2015.
(3) Remuneration includes period 28 June 2014 to 9 October 2014 under ICSG as described in 'Presentation of Information'.
(4) Cash bonus includes a one-off payment relate to IPO bonus of $490,701.
(5) Cash bonus includes a one-off payment relate to IPO bonus of $245,351.
(6) These senior managers were receiving a consulting fee for their services pre IPO. Annual base salary is $300,000 per annum.
(7) Incidental expenses reimbursed.

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

KMP Name	Note	Balance at 27 June 2014 No.	Net other change No.	**Balance at 26 June 2015 No.**
Non-Executive Directors				
Rod Walker		–	36,364	**36,364**
Brendan Fleiter		–	36,364	**36,364**
Jon Brett		–	36,364	**36,364**
Sue Morphet		–	7,272	**7,272**
Senior Management				
Tom Krulis	(i)	–	3,080,000	**3,080,000**
Bernie Bicknell	(i)	–	–	**–**
Barbara O'Brien	(i)	–	545,000	**545,000**
Simon Greig	(i)	–	280,000	**280,000**
Nigel Rostovsky	(i)	–	–	**–**

(i) Acquired as part of the corporate reorganisation at the time of the IPO where by existing shareholdings in International Cleaning Solutions Group Pty Ltd were transferred to shares held in Godfreys Group Limited.

Share options of Godfreys Group Limited

KMP Name	Granted as LTIP No.	Granted as one-off retention bonus No.	**Balance at 26 June 2015 No.**
Tom Krulis	141,818	–	**141,818**
Bernie Bicknell	60,363	178,438	**238,801**
Barbara O'Brien	32,727	178,438	**211,165**
Simon Greig	32,727	89,218	**121,945**
Nigel Rostovsky	32,727	178,438	**211,165**

All share options issued to key management personnel were made in accordance with the provisions of the LTIP.

During the period, no options have vested or were exercised by key management personnel.

C. Other key management personnel transactions

Entities related to Tom Krulis' family have interests in some of the stores that the Group is leasing (less than 14 stores). All lease agreements have been entered into on arm's length terms.

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

On behalf of the Directors

Mr Rod Walker
Chairman
Melbourne, 20 August 2015

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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001

www.deloitte.com.au

The Board of Directors
Godfreys Group Limited
Building 2, Level 1
530 Springvale Road
Glen Waverley VIC 3150

Dear Board Members

Godfreys Group Limited

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

As lead audit partner for the audit of the financial statements of Godfreys Group Limited for the financial year ended 26 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ryan Hansen
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001

www.deloitte.com.au

Report on the Financial Report

We have audited the accompanying financial report of Godfreys Group Limited, which comprises the statement of financial position as at 26 June 2015, and the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 43 to 88.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT CONT.

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Godfreys Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 26 June 2015 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 37 of the Directors' Report for the year ended 26 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Godfreys Group Limited for the year ended 26 June 2015, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ryan Hansen
Partner
Chartered Accountants
Melbourne 20 August 2015

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

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

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

On behalf of the Directors

Rod H Walker

Mr Rod Walker
Chairman
Melbourne, 20 August 2015

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Sales	2	182,632	173,547
Cost of sales		(83,815)	(82,731)
Operating gross profit		**98,817**	**90,817**
Other income	2	4,774	4,859
Employee benefit expenses	2	(37,897)	(35,129)
Distribution expense		(14,010)	(13,129)
Selling and marketing expenses		(5,349)	(5,615)
Occupancy expenses	2	(16,980)	(15,700)
Other expenses		(10,287)	(10,337)
IPO transaction costs	2	(5,909)	–
Net finance costs	2	(4,088)	(7,901)
Profit before income tax expense		**9,071**	**7,865**
Income tax benefit / (expense)	4	2,973	(2,136)
Profit after income tax attributable to equity holders of the parent entity		**12,044**	**5,729**
Other comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(91)	171
Changes on the fair value of cash flow hedges, net of income tax		165	–
Other comprehensive income / (loss) for the year, net of income tax		74	171
Total comprehensive income for the year		**12,118**	**5,900**
Earnings per share			
Basic (cents per share)	5	34.70	20.46
Diluted (cents per share)	5	33.84	19.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Assets			
Current assets			
Cash and cash equivalents		13,823	7,443
Trade and other receivables	6	4,695	5,255
Other financial assets	7	534	–
Inventories	8	24,997	25,173
Total current assets		**44,049**	37,871
Non-current assets			
Other receivables		490	534
Property, plant and equipment	9	14,506	11,387
Deferred tax assets	4	6,938	2,739
Intangible assets	10	91,861	89,835
Total non-current assets		**113,795**	104,495
Total assets		**157,844**	142,366
Liabilities			
Current liabilities			
Trade and other payables	11	19,529	15,180
Interest-bearing loans and borrowings	12	–	5,987
Other financial liabilities	13	121	1,264
Current tax liabilities	4	233	626
Employee benefits	14	3,418	3,222
Provisions	15	3,053	2,955
Total current liabilities		**26,354**	29,234
Non-current liabilities			
Interest-bearing loans and borrowings	12	20,000	54,410
Employee benefits	14	719	596
Provisions	15	5,300	2,700
Total non-current liabilities		**26,019**	57,706
Total liabilities		**52,373**	86,940
Net assets		**105,471**	55,426
Equity			
Share capital	16	109,526	28,000
Reserves	17	(43,404)	121
Retained earnings		39,349	27,305
Total equity		**105,471**	55,426

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital $'000	Capital recon-struction reserve $'000	Share option reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance as at 28 June 2013	28,000	–	840	–	(890)	21,576	49,526
Profit for the year	–	–	–	–	–	5,729	5,729
Other comprehensive income for the period	–	–	–	–	171	–	171
Balance at 27 June 2014	**28,000**	**–**	**840**	**–**	**(719)**	**27,305**	**55,426**
Balance as at 27 June 2014	28,000	–	840	–	(719)	27,305	55,426
Adjustments (notes 16, 17)	81,526	(43,613)	(840)	–	–	–	37,073
Balance as at 27 June 2014	109,526	(43,613)	–	–	(719)	27,305	92,499
Profit for the year	–	–	–	–	–	12,044	12,044
Other comprehensive income for the period	–	–	–	–	(91)	–	(91)
Share based payments	–	–	854	–	–	–	854
Changes on the fair value of cash flow hedges, net of income tax	–	–	–	165	–	–	165
Balance at 26 June 2015	**109,526**	**(43,613)**	**854**	**165**	**(810)**	**39,349**	**105,471**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Cash flows from operating activities			
Receipts from customers		187,475	178,609
Payments to suppliers and employees		(159,233)	(153,032)
Cash flows from operations		28,242	25,577
Income tax paid		(1,065)	(1,145)
Net cash flow provided by operating activities	25	**27,177**	24,430
Cash flows from investing activities			
Payment for property, plant and equipment		(6,466)	(3,148)
Payment for intangible assets		(2,343)	(815)
Interest received		186	215
Net cash used in investing activities		**(8,623)**	(3,748)
Cash flows from financing activities			
Proceeds from issue of equity securities		77,685	–
Proceeds of new debt facility		20,000	–
Payment for the acquisition of shares in ICSG		(46,175)	–
Repayment of previous debt facility		(59,410)	(6,000)
Interest and other costs of finance paid		(4,274)	(6,974)
Net cash flows used in financing activities		**(12,174)**	(12,974)
Net increase in cash and cash equivalents		6,380	7,709
Cash and cash equivalents at the beginning of the year		7,443	(265)
Cash and cash equivalents at the end of the year		**13,823**	7,443

NOTES TO THE FINANCIAL STATEMENTS

Note 1
Significant accounting policies

The Godfreys Group Limited (the '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 (the 'Group').

Statement of compliance

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

Adoption of AASB 1 'First time adoption of Australian Accounting Standards'

As a non-reporting entity the Group has historically prepared 'special purpose financial statements' for the purposes of satisfying the Directors reporting requirements under Corporations Act 2001. As a disclosing entity the Group is now required to prepare an IFRS compliant 'general purpose financial statements' for the first time for the year ended 26 June 2015. In accordance with AASB 1 'First time adoption of Australian Accounting Standards' the Group has adopted all relevant IFRS standards with effect from the beginning of the comparative period, 28 June 2014. The adoption of AASB 1 has not resulted in any changes in recognition or measurement of amounts in the financial statements.

Adoption of AASB 139 'Financial Instruments'

The Group applied hedge accounting in accordance with AASB 139 'Financial Instruments' from 28 June 2014. The Group's accounting policies are described in note (e) Derivative financial instruments.

a) Basis of preparation

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.

Corporate reorganisation

Godfreys Group Limited was incorporated on 6 November 2014. On 10 December 2014 the shareholders of the International Cleaning Solutions Group Pty Ltd undertook a capital reconstruction process, through which Godfreys Group Limited acquired International Cleaning Solutions Group Pty Ltd. The substance of the transaction has been evaluated in accordance with AASB 3 Business Combinations and it has been determined that the transaction does not represent a business combination. Rather, the transactions will in substance be accounted for as a form of capital reconstruction. Accordingly, the consolidated financial statements of the Company are seen as a continuation of International Cleaning Solutions Group Pty Ltd and as such:

- The assets and liabilities recognised and measured in the consolidated financial statements are at the carrying amounts of International Cleaning Solutions Group Pty Ltd rather than at fair value;
- The retained earnings and other equity balances recognised in the consolidated financial statements are the existing retained earnings and other equity balances of International Cleaning Solutions Group Pty Ltd;
- The amount recognised as issued equity instruments will reflect the market capitalisation of the Company at the date of the listing minus directly attributable costs of the listing; and
- The comparative financial information presented is that of International Cleaning Solutions Group Pty Ltd.

The equity structure in the consolidated financial statements, including the number and type of equity instruments issued at the date of the acquisition reflects the equity structure of Godfreys Group Limited. 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.

Note 1
Significant accounting policies cont.

There is an alternate view to this approach in that such a restructure should be accounted for as a business combination that follows the legal structure of the Company being the acquirer. In the event that the transaction was deemed a business combination, the acquisition would be required to be recorded at fair value as follows:

- The net assets of the Company would be increased to reflect the market capitalisation (an increase of $43.6 million);
- The consolidated reserves and accumulated losses would be reset to nil as a result of the transactions;
- The excess of the fair value (based on the indicative market capitalisation) compared to the book value of net assets, if a purchase price allocation were required to be undertaken in the future, would primarily be allocated to brand names and trademarks (estimated to be approximately $14.9 million), as well as franchise agreements (estimated at approximately $4.2 million) and the franchise system (estimated at approximately $6.0 million), with any residual allocated to goodwill; and
- To the extent that any of the excess was allocated to finite life intangible assets (brand names, trademarks and franchise agreements), NPAT would be impacted by the annual amortisation of these intangible assets, estimated to be approximately $0.4 million per annum.

The precise impact of any acquisition accounting, if it were required to be applied in the future, cannot be accurately determined at this time, as a formal purchase price allocation has not been carried out. Accordingly, the above estimates are preliminary indicative estimates only, which may change if a formal purchase price allocation was required.

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

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

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

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

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

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the 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.

Economic hedges
Prior to 28 June 2014, hedge accounting was not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives were recognised in profit or loss as part of foreign currency gains and losses.

Note 1
Significant accounting policies cont.

Hedge accounting

Effective 28 June 2014, hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

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

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

f) Revenue

i) Goods sold

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

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

ii) Interest

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

iii) Services

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

iv) Initial franchise fees

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

v) Ongoing franchise fees

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

vi) Deferred service plan income/Extended warranty income

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

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 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 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.

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 on 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.

Note 1
Significant accounting policies cont.

i) Share-based payments

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

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

j) Earnings per share

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

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

k) Comparatives

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

l) Cash and cash equivalents

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

m) Trade and other receivables

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

n) Inventories

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

o) Property, plant and equipment

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

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

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

p) Intangible assets

Goodwill

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

For the purpose of impairment testing, goodwill and other indefinite life intangible assets are allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash generating units or groups of cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the cash generating unit (or groups of cash generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro rata on the basis of the carrying amount of each asset in the cash- generating unit (or groups of cash generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

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

Other intangible assets

Brand names, Franchise System and Trademarks
Godfreys Group proprietary brands and the Franchise System intangible asset are considered to have indefinite lives. The brands are not considered to have foreseeable brand maturity dates, and have accordingly been assessed as having indefinite useful lives and are therefore not amortised. Instead, the brand names are tested 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 are amortised over their useful life of 10–20 years.

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, being 4 years.

q) Impairment of intangible assets

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

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

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

Note 1
Significant accounting policies cont.

r) Leases

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

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

Lease incentives
Lessor contributions to the construction and fit-out of premises where the lessor retains ownership of the assets are accounted for as a reduction of the cost of the construction and fit-out. Where ownership of the assets is retained by the Group, lessor contributions are accounted for as a lease incentive liability and is 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.

v) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

Contributions to defined contribution superannuation plans are expensed when incurred.

w) Issued capital

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

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

x) Goods and services tax

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

a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

b) for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

y) Critical accounting judgements, estimates and assumptions

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

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

Inventories
The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the expected selling price. 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 2012-3 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
- AASB CF 2013-1 Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework).

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).

Note 1
Significant accounting policies cont.

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

At the date of authorisation of the financial report, the following Australian Accounting Standards and Interpretations listed below have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 26 June 2015.

Standard/Interpretation	Effective for the annual reporting period beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards1	1 January 2018	31 December 2018
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	31 December 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	31 December 2016
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	31 December 2016
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	31 December 2016
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	31 December 2016

The Group has commenced the assessment of the above standards and consider that AASB 9 and AASB 15 may have an impact on amounts reported in future periods.

AASB 9 will impact any future hedging arrangements and require additional disclosures. Had the standard been adopted in the current period it would only impact the disclosures with additional requirements.

AASB 15 has recently been issued and the commencement date has been delayed by the AASB to periods commencing after 1 January 2018. The Group is evaluating the impact of the standard and it is expected that it will impact the financial statements from a disclosure and valuation perspective.

Note 2
Revenues and expenses

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

	CONSOLIDATED Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
a) Sales and other income		
Sale of goods	182,632	173,547
Other income	4,774	4,859
Total revenue	**187,406**	**178,406**
b) Expenses		
Occupancy expense:		
Minimum lease payments on operating leases	(15,153)	(14,099)
Other occupancy expenses	(1,827)	(1,601)
Total occupancy expense	**(16,980)**	**(15,700)**
Employee benefits expense:		
Short-term employee benefits	(34,800)	(32,268)
Post-employment benefits	(2,618)	(2,305)
Other long-term employee benefits	(324)	(244)
Termination benefits	(155)	(312)
Total employee benefits expense	**(37,897)**	**(35,129)**
Depreciation and amortisation:		
Depreciation	(3,479)	(3,291)
Amortisation	(186)	(186)
Total depreciation and amortisation	**(3,665)**	**(3,477)**
Net finance costs:		
Interest paid to previous related parties	(1,316)	(5,201)
Interest and finance charges paid to banks and other financial institutions	(1,846)	(2,915)
Refinancing charge	(1,020)	–
Amortisation of deferred borrowing costs	(92)	–
Interest revenue	186	215
Total net finance costs	**(4,088)**	**(7,901)**
IPO transaction costs:		
IPO costs	(3,427)	–
IPO retention bonus	(2,482)	–
Total IPO transaction costs	**(5,909)**	**–**

Note 3
Segment information

In accordance with Australian Accounting Standard AASB 8 Operating Segments, the Company 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. Godfreys' 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 Godfreys Group's retail, wholesale and online revenue streams within Australia. These comprise of 183 retail sites as at 26 June 2015.

New Zealand
The New Zealand segment includes revenues and profits generated by Godfreys Group's retail, wholesale and online revenue streams within New Zealand. These comprise of 29 retail sites as at 26 June 2015.

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 Godfreys Group Limited's revenue, EBITDA and results from operations by reportable segment.

	CONSOLIDATED			
2015	Australia $'000	New Zealand $'000	Unallocated $'000	Total $'000
Sale of goods	156,822	25,810	–	182,632
Other income	4,276	498	–	4,774
Total revenue	**161,098**	**26,308**	**–**	**187,406**
Reportable segment EBITDA	**14,877**	**1,995**	**(48)**	**16,824**
Depreciation and amortisation	(3,331)	(334)	–	(3,665)
Reportable segment EBIT	**11,546**	**1,661**	**(48)**	**13,159**
Net financing costs	(4,109)	21	–	(4,088)
Income tax benefit / (expense)	3,460	(487)	–	2,973
Statutory profit after tax	**10,897**	**1,195**	**(48)**	**12,044**

	CONSOLIDATED			
2014	Australia $'000	New Zealand $'000	Unallocated $'000	Total $'000
Sale of goods	148,292	25,255	–	173,547
Other income	4,191	668	–	4,859
Total revenue	**152,483**	**25,923**	**–**	**178,406**
Reportable segment EBITDA	**15,977**	**3,313**	**(47)**	**19,243**
Depreciation and amortisation	(3,051)	(426)	–	(3,477)
Reportable segment EBIT	**12,926**	**2,887**	**(47)**	**15,766**
Net financing costs	(7,919)	18	–	(7,901)
Income tax expense	(1,320)	(816)	–	(2,136)
Statutory profit after tax	**3,687**	**2,089**	**(47)**	**5,729**

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 2015 and 2014.

Note 4
Income taxes

Income tax recognised in profit or loss:

	CONSOLIDATED Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Current tax		
In respect of the current year	4,006	1,756
In respect of prior year	(204)	(97)
	3,802	**1,659**
Deferred tax		
In respect of the current year	(6,775)	477
Total income tax (benefit) / expense recognised in the current year	**(2,973)**	**2,136**
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	9,071	7,865
Income tax expense calculated at 29.5% (2014: 29.5%)(1)	2,676	2,320
Effect of expenses that are not deductible in determining taxable profit	1,367	34
Effect of deductible temporary differences now recognised as deferred tax assets	313	70
Tax benefit on formation of tax consolidation group	(7,089)	–
Adjustments recognised in the current year in relation to the current tax of prior years	(240)	(288)
Income tax (benefit) / expense recognised in profit or loss	**(2,973)**	**2,136**

(1) Represents a blended tax rate for Australia and New Zealand.

Income tax recognised directly in equity:

	CONSOLIDATED Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Deferred tax		
Cash flow hedge reserve:	(70)	–
Total income tax recognised directly in equity	**(70)**	–

	CONSOLIDATED Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Current tax assets and liabilities		
Current tax liabilities		
Income tax payable	(233)	(626)
Deferred tax balances		
Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax assets	6,938	2,739
	6,705	2,113

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

Note 4
Income taxes cont.

2014	Opening balance $'000	Recognised in profit or loss $'000	Closing balance $'000
Temporary differences			
Employee provisions	1,014	72	1,086
Provisions	653	305	958
Accruals	(453)	872	419
Other	221	55	276
	1,435	1,304	2,739
Unused tax losses			
Tax losses	1,781	(1,781)	–
Total	**3,216**	**(477)**	**2,739**

Unrecognised deferred tax assets

	CONSOLIDATED 2015 $'000	2014 $'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)	812	–
	812	–

Note 5
Earnings per share

	Year ended 26 June 2015		Year ended 27 June 2014	
	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	**34,708,031**	**34.70**	28,000,000	20.46
Diluted earnings per share	**35,594,336**	**33.84**	28,840,000	19.86
Net profit after tax ($'000)		**12,044**		**5,729**

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

i) the number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of the group (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the reorganisation agreement; and

ii) the number of ordinary shares outstanding from the acquisition date to the end of the period being the actual number of ordinary shares of the group (the accounting acquiree) outstanding during that period.

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

Note 6
Trade and other receivables

	CONSOLIDATED 2015 $'000	2014 $'000
Trade receivables	3,305	3,408
Allowance for doubtful debts	(118)	(37)
	3,187	3,371
Other receivables	1,508	1,884
Total trade and other receivables	**4,695**	**5,255**

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

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

	CONSOLIDATED 2015 $'000	2014 $'000
Age of receivables that are past due but not impaired:		
60–90 days	25	2
90–120 days	6	26
Total	**31**	**28**
Movement in the allowance for doubtful debts		
Balance at beginning of the year	(37)	(83)
Impairment losses recognised on receivables	(116)	(47)
Amounts written off during the year as uncollectible	35	93
Balance at end of the year	**(118)**	**(37)**
Age of impaired trade receivables		
60–90 days	–	–
90–120 days	–	–
120+ days	118	37
Total	**118**	**37**

Note 7
Other financial assets

	CONSOLIDATED 2015 $'000	2014 $'000
Derivatives designated and effective as hedging instruments carried at fair value:		
Foreign currency forward contracts	534	–
	534	–

Note 8
Inventories

	CONSOLIDATED 2015 $'000	2014 $'000
At lower of cost and net realisable value:		
Stock in transit	4,445	4,902
Finished goods	21,345	20,914
Provision for obsolescence	(793)	(643)
	24,997	**25,173**

Note 9
Property, plant and equipment

	CONSOLIDATED 2015 $'000	2014 $'000
Plant and equipment	2,965	2,218
Leasehold Improvements	11,541	9,169
	14,506	**11,387**

	Plant and equipment at cost $'000	Leasehold improvements cost $'000	Total $'000
Cost			
Balance at 28 June 2013	2,837	20,944	23,781
Additions	785	3,002	3,787
Disposals	(173)	(394)	(567)
Balance at 27 June 2014	3,449	23,552	27,001
Additions	1,069	4,414	5,483
Disposals	(95)	(431)	(526)
Balance at 26 June 2015	**4,423**	**27,535**	**31,958**
Accumulated depreciation			
Balance at 28 June 2013	(1,184)	(11,414)	(12,598)
Eliminated on disposals of assets	144	202	346
Depreciation expense	(191)	(3,171)	(3,362)
Balance at 27 June 2014	(1,231)	(14,383)	(15,614)
Eliminated on disposals of assets	80	202	282
Depreciation expense	(307)	(1,813)	(2,120)
Balance at 26 June 2015	**(1,458)**	**(15,994)**	**(17,452)**
Net book value 2014	**2,218**	**9,169**	**11,387**
Net book value 2015	**2,965**	**11,541**	**14,506**

Note 10
Intangible assets

	CONSOLIDATED 2015 $'000	2014 $'000
Brand names	30,945	30,945
Franchise system	37,330	37,330
Goodwill	21,443	19,198
Trademarks	1,585	1,771
Software	558	591
	91,861	**89,835**

	Brand names	Franchise systems $'000	Goodwill $'000	Trademarks $'000	Software $'000	Total $'000
Balance at 28 June 2013	30,945	37,330	19,198	3,263	1,452	92,188
Additions	–	–	–	–	213	213
Disposals	–	–	–	–	–	–
Balance at 27 June 2014	**30,945**	**37,330**	**19,198**	**3,263**	**1,665**	**92,401**
Additions	**–**	**–**	**2,245**	**–**	**366**	**2,611**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 26 June 2015	**30,945**	**37,330**	**21,443**	**3,263**	**2,031**	**95,012**
Accumulated amortisation						
Balance at 28 June 2013	–	–	–	(1,306)	(737)	(2,043)
Amortisation expense	–	–	–	(186)	(337)	(523)
Balance at 27 June 2014	**–**	**–**	**–**	**(1,492)**	**(1,074)**	**(2,566)**
Amortisation expense	**–**	**–**	**–**	**(186)**	**(399)**	**(585)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 26 June 2015	**–**	**–**	**–**	**(1,678)**	**(1,473)**	**(3,151)**
Net book value 2014	**30,945**	**37,330**	**19,198**	**1,771**	**591**	**89,835**
Net book value 2015	**30,945**	**37,330**	**21,443**	**1,585**	**558**	**91,861**

Note 10
Intangible assets cont.

Impairment testing

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

	2015 $'000	2014 $'000
Australia	86,879	83,110
New Zealand	2,839	4,363
	89,718	87,473

The recoverable amounts of the Australian and New Zealand group of cash-generating units ('CGUs') are determined based on value in use calculations which use cash flow projections from financial forecast approved by the Board over a three year period. The cash flows beyond the forecast period have been extrapolated using a steady 2.5% long term growth rate (2014: 2.5%). Cash flows have been discounted using a post-tax discount rate of 10% and 10.5% for the Australian and New Zealand group of CGU's respectively (2014: 10% and 10.5%)

The key assumptions used in the value in use calculations include sales growth, cost of doing business (CODB) efficiencies and the discount rate. The assumptions regarding sales growth and CODB efficiencies are based on past experience and the Company'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.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the group of CGUs.

Management also performed an assessment of impairment indicators for finite life intangible assets and property, plant and equipment. This involved and assessment of external and internal factors as prescribed by the accounting standards. No impairment indicators were identified.

Note 11
Trade and other payables

	CONSOLIDATED	
	2015 $'000	2014 $'000
Trade payables	16,794	10,320
Accruals	1,204	3,528
Goods and services tax payable	1,201	998
Deferred income	330	334
	19,529	15,180

The average credit period on purchases of certain goods is 91 days.

Note 12
Interest bearing loans and borrowings

	CONSOLIDATED	
	2015 $'000	2014 $'000
Current borrowings:		
Secured – at amortised cost		
Loans	–	5,987
Total current borrowings	–	5,987
Non-current borrowings:		
Unsecured – at amortised cost		
Loans from previous related parties (note 24)	–	19,410
	–	19,410
Secured – at amortised cost		
Loans	20,000	35,000
Total non-current borrowings	20,000	54,410

Secured Senior Finance Facility

The Group entered into a Secured Senior Finance facility agreement on 16 June 2015 of $20 million which is fully drawn.

Secured Working capital facility:

The Group entered into a revolving working capital facility agreement on 16 June 2015. The Lender has made available an aggregate amount of $10.5 million dollars to fund ongoing working capital and general corporate requirements. A portion of the new facility is utilised to provide letters of credit and guarantees. The facility is undrawn as at 26 June 2015.

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

Note 13
Other current financial liabilities

	CONSOLIDATED	
	2015 $'000	2014 $'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Forward foreign exchange contracts	121	1,264
	121	**1,264**

Note 14
Employee benefits

	2015 $'000	2014 $'000
Current		
Employee benefits	3,418	3,222
Non-current		
Employee benefits	719	596
	4,137	**3,818**

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

Note 15
Provisions

	2015 $'000	2014 $'000
Current Provisions		
Lease incentives	384	410
Leasehold site restoration	1,016	833
Warranty and repairs	1,653	1,712
Total current provisions	**3,053**	**2,955**
Non-current Provisions		
Lease incentives	3,110	827
Leasehold site restoration	1,795	1,511
Warranty and repairs	395	362
Total non-current provisions	**5,300**	**2,700**

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

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

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

Note 16
Issued capital

	CONSOLIDATED 2015 $'000	2014 $'000
40,298,056 fully paid ordinary shares (27 June 2014: 28,000,000)	109,526	28,000

Movements in issued capital

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

In accordance with capital reconstruction principles, issued capital recognised represents the equity of the legal subsidiary, International Cleaning Solutions Group Pty Ltd in the period before reconstruction. Subsequent to the capital reconstruction, issued capital represents the issued capital of the legal acquirer, Godfreys Group Limited.

An adjustment is recognised at the date of the capital reconstruction to adjust the value of issued capital corresponding to the issued capital of International Cleaning Solutions Group Pty Ltd.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Note 17
Reserves

	2015 $'000	2014 $'000
Capital reconstruction reserve	(43,613)	–
Share options reserve	854	840
Cash flow hedge reserve	165	–
Foreign currency translation reserve	(810)	(719)
	(43,404)	**121**

Capital reconstruction reserve
The equity structure in the consolidated financial statements, including the number and type of equity instruments issued at the date of the acquisition reflects the equity structure of Godfreys Group Limited. A capital reconstruction reserve is recognised to record the difference between the amount paid to acquire International Cleaning Solutions Group Pty Ltd and the share capital of International Cleaning Solutions Group Pty Ltd.

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

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

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

Note 18
Dividends on equity

	CONSOLIDATED			
	Year ended 26 June 2015		Year ended 27 June 2014	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Final dividend	12.8	5,158	–	–
Special dividend	2.6	1,048	–	–

The Directors declared a final dividend of 12.8 cents per share, of which 3.8 cents is fully franked and 9.0 cents is unfranked.

The Directors also declared a special dividend of 2.6 cents per share in relation to the profit earned from IPO to 26 December 2014. The special dividend is unfranked.

Both of the dividends represent approximately a 80% payout of the Company's Pro Forma net profit after tax. These dividends are to be paid on 9 October 2015 (2014: nil).

	2015 $'000	2014 $'000
Franking credits available at Australian corporate tax rate of 30%	1,149,641	–

Note 19
Subsidiaries

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

Name of subsidiary	Note	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2015	2014
Parent entity				
Godfreys Group Limited	(a)	Australia	100%	–
Subsidiaries				
Electrical Home-Aids Pty Ltd	(b)	Australia	100%	100%
Godfreys Franchise System Pty Ltd		Australia	100%	100%
Hoover Floorcare Asia Pacific Pty Ltd		Australia	100%	100%
International Cleaning Solutions Pty Ltd	(b)	Australia	100%	100%
International Cleaning Solutions Group Pty Ltd	(b)	Australia	100%	100%
Australian Vacuum Cleaner Co. Pty Ltd	(b)	Australia	100%	100%
Godfreys Finance Company Pty Ltd	(b)	Australia	100%	–
New Zealand Vacuum Cleaner Co Ltd		New Zealand	100%	100%

(a) Godfreys Group Limited is the head entity within the Australian tax consolidated group.
(b) Included in cross guarantee group (note 20)

Note 20
Cross guarantee group

The Godfreys Group Limited and the entities noted detailed in Note 19 formed a cross guarantee group on 19 May 2015 and therefore no movement in retained earnings and no comparative information is shown in respect to the cross guarantee group.

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 26 June 2015 $'000
Revenue	154,006
Cost of sales	(58,076)
Other income	3,848
Other costs of sales	(11,348)
Employee benefit expenses	(33,652)
Marketing expense	(12,110)
Selling and distribution expenses	(1,635)
Occupancy expenses	(15,166)
Share based payments	(854)
Other expenses	(6,111)
IPO transaction costs	(5,017)
Earnings before interest, tax, depreciation and amortisation	**13,885**
Depreciation and amortisation expense	(3,331)
Net finance costs	(4,110)
Profit before tax expense	**6,444**
Income tax benefit	3,493
Profit for the year from continuing operations	**9,937**
Other comprehensive Income	
Net gain/(loss) on cash flow hedges	165
Other comprehensive income for the year, net of tax	165
Total comprehensive Income for the year	**10,102**

Note 20
Cross guarantee group cont.

Statement of financial position	26 June 2015 $'000
Current assets	
Cash and cash equivalents	13,023
Trade and other receivables	3,710
Other financial assets	534
Inventories	22,023
Current tax assets	74
Total current assets	**39,364**
Non-current assets	
Trade and other receivables	1,204
Property, plant and equipment	13,068
Deferred tax assets	6,717
Investments	82
Intangible assets	91,631
Total non-current assets	**112,702**
Total assets	**152,066**
Current liabilities	
Trade and other payables	18,400
Other financial liabilities	121
Provisions	2,728
Employee benefits	3,276
Total current liabilities	**24,525**
Non-current liabilities	
Interest-bearing loans and borrowings	20,000
Related-parties loans	25,224
Provisions	4,898
Employee benefits	719
Total non-current liabilities	**50,841**
Total liabilities	**75,366**
Net assets	**76,700**
Equity	
Issued capital	109,526
Reserves	(42,594)
Retained earnings	9,768
Total equity	**76,700**

Note 21
Financial instruments

Capital management

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

	CONSOLIDATED	
	2015 $'000	**2014 $'000**
Categories of financial instruments		
Financial assets		
Cash and bank balances	13,823	7,443
Derivative instruments in designated hedge accounting relationships	534	–
Trade and other receivables	5,184	5,789
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	121	–
Fair value through loss (FVTPL)	–	1,264
Trade and other payables	17,998	13,848
Borrowings	20,000	60,397

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 of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into interest rate swap or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

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

Note 21
Financial instruments cont.

	Liabilities		Assets	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
US Dollars (USD)	**34**	1,063	**430**	27
Euro (EUR)	**87**	229	**104**	1

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

	Average exchange rate		Foreign currency		Notional value		Fair value	
Outstanding contracts	**2015 (cents)**	2014 (cents)	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Cash flow hedges								
US$ (0 – 12 months)	**77.73**	89.19	**24,000**	21,700	**30,874**	24,331	**396**	(1,036)
Euro (0 – 12 months)	**68.59**	65.48	**4,800**	3,500	**6,998**	5,345	**17**	(228)
							413	**(1,264)**

Foreign currency sensitivity analysis
As shown in the table above the Group is mainly exposed to the currency of US Dollars ('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 (+/-)	
	2015 $'000	2014 $'000
Profit or loss (i)	**287**	2,608
Equity (ii)	**2,874**	–

(i) This is mainly due to the exposure outstanding on USD receivables and payables at the end of the reporting period

(ii) This is mainly due to changes in the fair value of derivative instruments designated as hedging instruments in cash flow hedges. Nil equity impact in FY2014 as the Company adopted hedge accounting policy from 28 June 2014.

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 26 June 2015 would decrease/increase by $0.1 million (2014: decrease/increase by $0.2 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Credit risk management
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to Godfreys Group Limited. 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 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
Godfreys Group Limited does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- 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 on page 80 also details the group's expected maturity for its non-derivative financial assets based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Note 21
Financial instruments cont.

	Weighted average effective interest rate %	Less than 1 month $'000	1–3 months $'000	3 months to 1 year $'000	1–5 years $'000	5+ years $'000	Total $'000
26 June 2015							
Financial assets							
Cash at bank (variable)	1.7%	13,823	–	–	–	–	13,823
Financial liabilities							
Senior debt (variable)	3.5%	–	–	–	20,000	–	20,000
27 June 2014							
Financial assets							
Cash at bank (variable)	2.3%	7,443	–	–	–	–	7,443
Financial liabilities							
Loan & debt (variable)	5.4%	–	–	–	40,987	–	40,987
Loan & debt (fixed)	15%	–	–	–	19,410	–	19,410

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

The Group has access to financing facilities as described below, of which $10.5 million were unused at the end of the reporting period (2014: $7.8 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

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

	Less than 1 month $'000	1–3 months $'000	months to 1 year $'000
26 June 2015			
Gross settled – foreign exchange forward contracts	3,060	9,330	25,482
27 June 2014			
Gross settled – foreign exchange forward contracts	2,880	8,548	18,249

Finance facilities	2015 $'000	2014 $'000
Secured working capital facility: (i)		
– amount unused	10,500	7,800
	10,500	7,800
Secured bank loan facility (i)		
– amount used	20,000	40,000
	20,000	40,000
Shareholder loan facility		
– amount used	–	19,410
	–	**19,410**

(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 22
Shared-based payments

The Company has not previously had in place a long term incentive plan. In anticipation of the IPO the Board established a long term incentive plan. The LTIP was approved by the Board and implemented on 10 December 2014. Awards under the LTIP scheme are issued annually based on a 3 year performance period. 100% of the available LTIP awards are based on a total shareholder return ('TSR') performance hurdle relative to the S&P/ASX 300 Consumer Discretionary Index over the 3-year performance period ('TSR Options'). Options vest over a 3 year period based on the achievement of total shareholder return, provided that the eligible recipient is employed by the Company 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 share options granted in the year
The weighted average fair value of the share options granted during the financial year is $1.41. Options were priced using the Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on projected volatility incorporating historical average 4 year volatility for S&P/ASX300 CS&CD.

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

Movements in share options during the year
The following reconciles the share options outstanding at the beginning and end of the year.

	2015	
	Number of options	Weighted average exercise price $
Balance at beginning of year	–	–
Granted during the year	924,894	–
Forfeited during the year	–	–
Exercised during the year	–	–
Expired during the year	–	–
Balance at end of year	924,894	–
Exercisable at end of year	**–**	–

Share options exercised during the year
There were nil share options exercised during the year (2014: nil)

There were nil vested share options outstanding at the end of the year (2014: nil)

Note 23
Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	Year ended 26 June 2015 $	Year ended 27 June 2014 $
Short-term employee benefits	4,367,001	2,189,184
Post-employment benefits	111,404	55,022
Other long-term benefits	28,303	38,346
Share-based payment	853,576	–
	5,360,284	**2,282,552**

Note 24
Related party transactions

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

Loans from related parties	2015 $	2014 $
Nomura International plc	–	3,420,873
Investec Bank (Australia) Limited	–	2,911,448
Arcade Finance Pty Ltd	–	12,508,785
Loto Investments Pty Ltd	–	388,193
Oakwork Pty Ltd	–	180,355
	–	**19,409,654**

The loans from the shareholders of International Cleaning Solution Group Pty. Ltd. as disclosed above were repaid upon IPO on 10 December 2014.

Other related parties transaction
The Group leases 14 store sites on 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 have interests in some of these 14 store sites. All 14 lease agreements have been entered into on arm's length terms.

The annual remuneration package of each member of the executive team is comprised of a base salary, a cash based short-term incentive plan (STIP) and participation in a long-term incentive plan (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 Company's performance and the individual's contribution. The LTIP is governed by the LTIP Rules which are discussed in the Prospectus.

Note 25
Cash and cash equivalents

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

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

	CONSOLIDATED	
	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Cash flows from operating activities		
Profit for the year	12,044	5,729
Depreciation and amortisation	3,665	3,477
Share based payment expense	854	–
Offer costs expensed	5,909	–
Net finance costs	4,088	7,901
Other non-cash movement	720	(10)
(Increase)/decrease in assets:		
Trade and other receivables	603	155
Deferred tax assets	(4,431)	2,762
Inventory	1,322	2,773
Increase/(decrease) in liabilities:		
Trade and other payables	(1,215)	794
Provisions	3,225	1,475
Current tax liability	393	(626)
Net cash generated by operating activities	**27,177**	**24,430**

Note 26
Net operating lease arrangements

Net operating lease commitments

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

	CONSOLIDATED	
	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
The Group as lessee		
Non-cancellable operating lease commitments		
Not later than 1 year	16,866	17,259
Later than 1 year and not later than 5 years	25,605	24,701
Later than 5 years	5,915	774
	48,386	42,734
The Group as lessor		
Non-cancellable operating lease receivables		
Not later than 1 year	(5,026)	(5,409)
Later than 1 year and not later than 5 years	(7,488)	(8,678)
Later than 5 years	(625)	(500)
	(13,139)	(14,587)
Net operating lease commitments		
Not later than 1 year	11,839	11,850
Later than 1 year and not later than 5 years	18,117	16,023
Later than 5 years	5,290	274
	35,246	28,147
Lease incentives (note 15)		
Current	384	377
Non-current	3,110	827
	3,494	1,204

Note 27
Contingent liabilities

The Group has provided bank guarantees in respect to retail premises operating leases and a distribution centre lease of $2.0 million.

Note 28
Remuneration of auditors

	Year ended 26 June 2015 $	Year ended 27 June 2014 $
Audit or review of the financial statements	280,000	140,000
Other non-audit services	20,597	–
Taxation compliance services	40,000	35,000
Accounting and tax in connection with IPO	899,676	–
	1,240,273	**175,000**

The auditor of Godfreys Group Limited is Deloitte Touche Tohmatsu.

Note 29
Parent entity information

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

Financial position	CONSOLIDATED Year ended 26 June 2015 $'000
Assets	
Deferred tax assets	6,972
Investments	109,526
Total assets	**116,498**
Liabilities	
Current tax liabilities	233
Other liabilities	6,751
Total liabilities	**6,984**
Net assets	**109,514**
Equity	
Issued capital	109,526
Retained earnings	(12)
Total equity	**109,514**

Godfreys Group Limited is the ultimate parent entity for the period 10 December 2014 to 26 June 2015.

NOTES TO THE FINANCIAL STATEMENTS CONT.

Note 30
Business combinations

During the financial year the Group acquired Godfreys franchise stores.

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

	Year ended 26 June 2015 $'000	Year ended 27 June 2014 $'000
Inventory	179	195
Net identifiable assets acquired	179	195
Goodwill	2,245	815
Purchase consideration	2,424	1,010

Impact of acquisitions on the results of the Group

Included in the result for the year is a profit for the period of $0.6 million attributable to the above acquisitions. Had these business combinations been effected at 1 July 2014, the revenue of the consolidated entity would have been approximately $4.5 million higher and the net profit would have been approximately $1.1 million higher for the year ended 26 June 2015.

Note 31
Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year, that has 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.

ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 30 JULY 2015

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 30 July 2015 (Reporting Date).

1. Corporate Governance

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

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

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (www.godfreys.com.au), 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

40,298,056 fully paid ordinary shares are held by 706 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	Options
1 – 1,000	117,338	
1,001 – 5,000	639,847	
5,001 – 10,000	930,892	
10,001 – 100,000	2,173,678	
100,001 and over	36,436,301	924,894
	40,298,056	**924,894**
Holding less than a marketable parcel	–	–

ADDITIONAL SECURITIES EXCHANGE INFORMATION AS AT 30 JULY 2015 CONT.

3. Substantial shareholders

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

Ordinary shareholders	Fully paid ordinary shares Number
ARCADE FINANCE PTY LTD	8,144,119
NATIONAL NOMINEES LIMITED	6,298,322
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,468,007
LOTO INVESTMENTS PTY LTD	3,080,000
CITICORP NOMINEES PTY LIMITED	2,980,056
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,720,530
	28,691,034

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:

	Fully paid ordinary shares Number	Percentage
ARCADE FINANCE PTY LTD	8,144,119	20.21%
NATIONAL NOMINEES LIMITED	6,298,322	15.63%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,468,007	13.57%
LOTO INVESTMENTS PTY LTD	3,080,000	7.64%
CITICORP NOMINEES PTY LIMITED	2,980,056	7.40%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,720,530	6.75%
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,989,018	4.94%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,400,314	3.47%
BRISPOT NOMINEES PTY LTD	1,133,212	2.81%
NETWEALTH INVESTMENTS LIMITED	818,967	2.03%
BNP PARIBAS NOMS PTY LTD	558,892	1.39%
OAKWORK PTY LIMITED	545,000	1.35%
SNOJ INVESTMENTS PTY LIMITED	280,000	0.69%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	269,980	0.67%
MORMARL NO 2 PTY LTD	158,400	0.39%
MR GARY RICHARD BAIGENT	144,000	0.36%
NETWEALTH INVESTMENTS LIMITED	124,258	0.31%
CS FOURTH NOMINEES PTY LTD	109,136	0.27%
BECJOHN PTY LIMITED	109,090	0.27%
SAM ROBERT FLETCHER	105,000	0.26%
	36,436,301	90.42%

5. Voting rights

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

6. 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.

7. Options

Options rights do not carry any voting rights.

8. Unquoted equity securities

924,894 unlisted options over ordinary shares in the Company have been granted to 5 persons. There are no persons who hold 20% or more of options that were not issued or acquired under an employee incentive scheme.

9. Voluntary escrow

The number and class of restricted securities or securities subject to voluntary escrow that are on issue, and the date that the escrow period ends, are as follows:

Class of restricted securities	Type of restriction	Number of securities	Escrow period
Ordinary shares	Voluntary escrow	2,884,000	From 10 December 2014 to the date that is three (3) days after the Company has lodged its preliminary full year report (Appendix 4E) with ASX for the financial year ending 26 June 2015.

CORPORATE DIRECTORY

Registered office and principal place of business
Building 2, Level 1
530 Springvale Road
Glen Waverley VIC 3150
Tel (03) 8542 2110

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

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
Albury
Ascot Vale
Ballarat
Bendigo
Camberwell
Campbellfield
Caulfield
Clayton
Cranbourne
Dandenong
Doncaster
Epping
Essendon Airport
Footscray
Fountain Gate
Frankston II
Geelong
Greensborough
Highpoint
Hoppers Crossing
Knox City
Lilydale
Melton
Mildura
Mornington
Nunawading
Pakenham
Parkdale
Port Melboune
Prahran
Preston
Richmond
Ringwood
Shepparton
Southland
Sunbury
Sunshine
Taylors Lakes
Traralgon
Wangaratta
Warrnambool
Waurn Ponds
Belconnen
Fyshwick
Tuggeranong

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

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

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

QLD
Brookside
Browns Plains
Bundaberg
Bundall
Burleigh Heads
Cairns
Capalaba
Carindale
Chermside
Darwin
Fortitude Valley
Garden City
Gladstone
Helensvale
Hervey Bay
Indooroopilly
Ipswich
Kawana Waters
Kippa Ring
Loganholme
Mackay
Maroochydore
Morayfield
Mt Gravatt
Mt Ommaney
Newmarket
Noosaville
Nth Lakes
Robina
Rockhampton
Runaway Bay
Springfield
Strathpine
Toombul
Toowoomba
Townsville
Tweed Heads
Underwood

TAS
Burnie
Cambridge
Derwent Park
Devonport
Hobart
Kingston
Launceston

Godfreys New Zealand

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

Design Extrablack

godfreys.com.au