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**Georg Jensen Pty Limited**

ABN 78 000 773 633

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**Special purpose annual financial report  
For the year ended 31 December 2018**

## DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 December 2018.

### Directors

The names of the directors in office at any time during or since the end of the year are:

A Sullivan

F Pesci

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Review of Operations

~~The profit of the company for the financial year after providing for income tax amounted to \$368,496.~~

### Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

### Principal Activities

The principal activities of the company during the financial year were the sale of crystal, glassware, silverware, jewellery, watches and household utensils.

No significant change in the nature of these activities occurred during the year.

### Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

### Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### Dividends

No dividends were paid for declared for the year ended 31 December 2018 (2017: \$nil).

### Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

### Indemnification of Officers

During the financial year the ultimate parent entity has paid premiums on behalf of the company to insure the directors, secretaries and the general managers of the company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company, and any other payments arising from liabilities incurred by officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers or their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

**Georg Jensen Pty Limited**

**ABN 78 000 773 633**

**DIRECTORS' REPORT**

**Proceedings on Behalf of the Company**

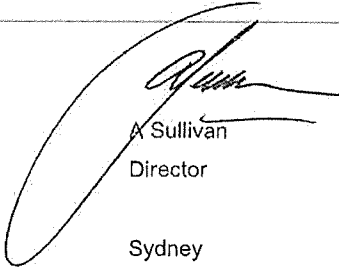
No person has applied for leave of court to bring proceedings under Section 237 of the Corporations Act 2001 for leave on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 4.

This directors' report is signed in accordance with a resolution of the Board of Directors:



A. Sullivan  
Director

Sydney

30 April 2019

**GEORG JENSEN PTY LIMITED**  
**ABN 78 000 773 633**

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF GEORG JENSEN PTY LIMITED**

**SYDNEY**

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia

GPO Box 3555  
Sydney NSW 2001

Ph: (612) 9263 2600  
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018 there have been no contraventions of:

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

*Hall Chadwick*

Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000

*S. Kumar*

**SANDEEP KUMAR**  
Partner  
Date: 30 April 2019

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These financial statements cover the financial statements of Georg Jensen Pty Limited as an individual entity. The financial statements are presented in the Australian currency.

Georg Jensen Pty Ltd is Company limited by shares, incorporate and domiciled in Australia. Its registered office and principal place of business is:

Georg Jensen Pty Limited  
Unit 18, 3 Vuko Place  
Warriewood, NSW 2102

A description of the nature of the Company's operations and its principal activities is included in the directors report on Page 2 to 3, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 30 April 2019. The directors have the power to amend and reissue the financial statements.

Georg Jensen Pty Limited

ABN 78 000 773 633

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 31 DECEMBER 2018

	Note	2018	2017
		\$	\$
Revenue from continuing operations	3	43,627,934	44,269,946
Other income	3	138,387	61,750
Cost of Goods Sold		(19,659,643)	(19,627,525)
Employee benefits expense		(8,717,061)	(8,324,584)
Occupancy costs		(5,492,305)	(5,602,087)
Depreciation and amortisation expense	4	(1,286,746)	(1,405,523)
Sales and distribution expenses		(4,978,275)	(5,098,690)
Marketing expenses		(1,640,513)	(1,293,050)
Other expenses	4	(1,152,850)	(1,109,990)
Finance costs		(253,527)	(191,700)
<b>Profit before income tax</b>		<u>585,401</u>	<u>1,678,547</u>
Income tax expense		(216,905)	(621,158)
<b>Profit for the year</b>		<u>368,496</u>	<u>1,057,389</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>368,496</u>	<u>1,057,389</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Georg Jensen Pty Limited

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018 \$	2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	3,069,474	3,464,705
Trade and other receivables	6	1,774,685	1,727,436
Current Tax Assets	9	567,114	-
Inventories	7	14,751,790	15,657,730
<b>Total current assets</b>		<b>20,163,063</b>	<b>20,849,871</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	3,217,692	3,645,459
Deferred tax assets	9	647,267	851,536
<b>Total non-current assets</b>		<b>3,864,959</b>	<b>4,496,995</b>
<b>Total assets</b>		<b>24,028,022</b>	<b>25,346,866</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and Other Payables	10	5,652,626	4,913,974
Borrowings	11	1,167,330	3,738,003
Current tax liabilities	9	-	10,932
Provisions	12	517,962	830,787
<b>Total current liabilities</b>		<b>7,337,918</b>	<b>9,493,696</b>
<b>Non-current liabilities</b>			
Provisions	12	963,430	494,992
<b>Total non-current liabilities</b>		<b>963,430</b>	<b>494,992</b>
<b>Total liabilities</b>		<b>8,301,348</b>	<b>9,988,688</b>
<b>Net assets</b>		<b>15,726,674</b>	<b>15,358,178</b>
<b>Equity</b>			
Contributed capital	13	10,103,526	10,103,526
Reserves	14(a)	17,176	17,176
Retained earnings	14(b)	5,605,972	5,237,476
<b>Total equity</b>		<b>15,726,674</b>	<b>15,358,178</b>

Georg Jensen Pty Limited

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The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Contributed Equity	Reserves	Retained Earnings	Total
		\$	\$	\$	\$
<b>Balance at 1 January 2017</b>		10,103,526	17,176	4,180,087	14,300,789
Profit for the year	14(b)	-	-	1,057,389	1,057,389
Other comprehensive income for the year		-	-	-	-
<b>Total Comprehensive Income for the year</b>		-	-	<b>1,057,389</b>	<b>1,057,389</b>
<b>Balance at 31 December 2017</b>		10,103,526	17,176	5,237,476	15,358,178
<b>Balance at 1 January 2018</b>		10,103,526	17,176	5,237,476	15,358,178
Profit for the year	14(b)	-	-	368,496	368,496
Other comprehensive income for the year		-	-	-	-
<b>Total Comprehensive Income for the year</b>		-	-	<b>368,496</b>	<b>368,496</b>
<b>Balance at 31 December 2018</b>		10,103,526	17,176	5,605,972	15,726,674

The above statement of financial position should be read in conjunction with the accompanying notes.



Georg Jensen Pty Limited

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2017
		\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)		43,607,710 45,463,785
Payments to suppliers and employees (inclusive of goods and services tax)		(39,764,122) (44,899,507)
		<u>3,843,588 564,279</u>
Interest income		17,660 44,959
Interest paid		(253,527) (191,700)
Income taxes paid		(573,299) (1,149,836)
<b>Net cash inflow from operating activities</b>	22	<u>3,034,422 (732,298)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment		(858,979) (1,139,223)
<b>Net cash (outflow) from investing activities</b>		<u>(858,979) (1,139,223)</u>
<b>Cash flows from financing activities</b>		
(Payments of)/Receipt from borrowings from related party		(2,570,674) 1,297,799
<b>Net cash (outflow) from financing activities</b>		<u>(2,570,674) 1,297,799</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		(395,231) (573,722)
Cash and cash equivalents at beginning of the financial year		3,464,705 4,038,427
<b>Cash and cash equivalents at the end of the financial year</b>	5	<u>3,069,474 3,464,705</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

GEORG JENSEN PTY LIMITED

ABN 78 000 773 633

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Georg Jensen Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 30 April 2019 by the directors of the company.

**Basis of Preparation**

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

**Accounting Policies**

**a. New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company. The company's assessment of these standards and interpretations is set out below.

<b>Title of Standard</b>	<b>Nature of Changes</b>	<b>Impact</b>	<b>Mandatory application date/Date of adoption by Company</b>
<b>AASB16 Leases</b>	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases	The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of \$8,790,695 (2017: \$13,988,747) see note 19. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.  Some of the commitments may be covered by the exception for short-term and low-value bases and some commitments may relate to arrangements that will not qualify as leases under AASB 16	Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption  At its stage, the Company does not intend to adopt the standard before its effective date,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

**b. Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions ~~and from the translation at year-end exchange rates and liabilities denominated in foreign currencies are~~ recognised in the statement of profit or loss and other comprehensive income.

**c. Revenue Recognition**

The Company has applied AASB 15 using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118 and AASB 111. The details of accounting policies under AASB 118 are disclosed separately since they differ from those under AASB 15.

**In the Comparative Period**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed collected on behalf of third parties.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The company basis its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

All revenue is stated net of the amount of goods and services tax.

Revenue is recognised for the major business activities using the methods outlined below:

**(i) Sale of Goods**

A sale is recorded when goods have been delivered to the customer, the company has accepted the goods and collectability of the related receivables is probable.

**(ii) Interest Income**

Interest income is recognised using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**Sale of Jewellery - Stores**

The company sells jewellery through concession and self-branded stores. Revenue is recognised at the point in time when the performance obligation is satisfied, being when the customer obtains control of the jewellery. The amount of revenue recognised is based on the price listing after taking into account any trade discounts. There is no significant financing component. Revenue is recognised when there is high probability that a significant reversal will not occur.

**Sale of Jewellery – Online Sales**

The company sells jewellery through its website. Revenue is recognised at the point in time when the performance obligation is satisfied, being when the customer obtains control of the jewellery through acceptance of the delivery of the jewellery to them. The amount of revenue recognised is based on the price listing stated online after taking into account any trade discounts. There is no significant financing component. Revenue is recognised when there is high probability that a significant reversal will not occur.

**Interest Income**

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

d. **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

With respect to land and buildings measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

e. **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases. Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

f. **Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

Financial instruments (except for loans and receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

*Financial asset*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss

on the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit or loss.

*Financial liabilities*

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance to AASB 9.3.25.3; and
- the amount initially recognised less accumulative amount of income recognised in accordance with the revenue recognition policies.

**Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

*Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

*Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**Impairment**

The Company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

GEORG JENSEN PTY LIMITED

ABN 78 000 773 633

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

**g. Impairment of Assets**

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

**h. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**i. Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(i) for further discussion on the determination of impairment losses.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised become uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**j. Inventories**

Inventories are measured at the lower of cost and net realisable value. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**k. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Depreciation**

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life, net of residual values, to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

- Leasehold improvements	10-33%
- Leased Plant and Equipment	12%
- Shop plant and equipment	20-33%
- Fixtures and fittings	20-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

**i. Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability. Trade and other payables are presented as current liabilities unless payment is no due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised at using the effective interest method.

**m. Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs to the extent there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates

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

**n. Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assumptions of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as an interest expense.

**o. Employee Benefits**

**Short-term employee benefits**

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.



GEORG JENSEN PTY LIMITED

ABN 78 000 773 633

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

p. **Contributed Equity**

Ordinary shares are classified as equity.

q. **Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

r. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**NOTE 2: CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The directors have not identified any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

**NOTE 3: REVENUE**

	2018	2017
	\$	\$
a. <b>Revenue</b>		
Sales Revenue	43,627,934	44,269,946
b. <b>Other Income</b>		
Interest Income	17,660	44,958
Other Income	120,727	16,792
	<hr/> 138,387	<hr/> 61,750

GEORG JENSEN PTY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

**NOTE 4: EXPENSES**

	2018	2017
	\$	\$
Other expenses from ordinary activities		
Communications	81,216	88,958
Professional Services	177,523	183,295
IT Service Changes	368,280	368,234
Travel Expenses	156,063	211,544
Sundry Charges	369,768	257,959
	<u>1,152,850</u>	<u>1,109,990</u>
Depreciation and amortisation		
Plant and Equipment	28,847	24,170
Leasehold Improvements	1,217,240	1,335,117
Fixtures & Fittings	40,659	46,236
	<u>1,286,746</u>	<u>1,405,523</u>

**NOTE 5: CASH AND CASH EQUIVALENTS**

	2018	2017
	\$	\$
Cash at bank	2,233,798	2,855,709
Cash on hand	17,676	9,000
Deposits	818,000	600,000
	<u>3,069,474</u>	<u>3,464,705</u>

**NOTE 6: TRADE AND OTHER RECEIVABLES**

	2018	2017
	\$	\$
CURRENT		
Trade receivables	1,670,782	1,529,832
Prepayments	103,903	197,604
	<u>1,774,685</u>	<u>1,727,436</u>

GEORG JENSEN PTY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

NOTE 7: INVENTORIES

	2018	2017
	\$	\$
CURRENT		
Stock in Transit	591,211	988,882
Finished Goods	14,163,579	14,668,848
	<u>14,754,790</u>	<u>15,657,730</u>

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment	Fixtures and fitting	Leasehold Improvements	Work in Progress	Total
	\$	\$	\$	\$	\$
<b>At 31 December 2017</b>					
Cost	171,573	361,595	12,752,497	-	13,285,665
Accumulated Depreciation	(76,923)	(305,899)	(9,257,384)	-	(9,640,206)
Net book amount	<u>94,650</u>	<u>55,696</u>	<u>3,495,113</u>	<u>-</u>	<u>3,645,459</u>
<b>At 31 December 2018</b>					
Cost	165,497	266,134	12,215,948	590,993	13,238,572
Accumulated Depreciation	(29,212)	(181,791)	(9,809,877)	-	(10,020,880)
Net book amount	<u>136,285</u>	<u>84,343</u>	<u>2,406,071</u>	<u>590,993</u>	<u>3,217,692</u>

Included in leasehold improvements is \$932,898 (2017: \$1,338,904) of carrying value that have been contributed by the lessor as agreed in the lease agreement. The amortisation of the leasehold improvements is included in the depreciation and amortisation in the statement of profit or loss and other comprehensive income.

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**GEORG JENSEN PTY LIMITED****ABN 78 000 773 633****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018****NOTE 9: TAX**

	2018	2017
	\$	\$
Current Tax Assets	567,114	-
Deferred Tax Assets	647,267	851,536
Current Tax Liabilities	-	10,932

**NOTE 10: TRADE AND OTHER PAYABLES**

	2018	2017
	\$	\$
CURRENT		
Trade Payables	836,943	698,547
Other Payables and Accrued Expenses	4,815,683	4,215,427
	5,652,626	4,913,974

Included in the other payables and accrued expenses is \$882,441 (2016: \$1,338,904) relating to capital contributions in respect of leasehold improvements provided by the lessor as agreed in the lease agreement. The capital contribution is a lease incentive and in accordance with accounting standards is straight-lined over the lease term and classified in the statement of profit or loss and other comprehensive income within occupancy costs.

**NOTE 11: BORROWINGS**

	2018	2017
	\$	\$
CURRENT		
Loans from related parties	1,167,330	3,738,003

GEORG JENSEN PTY LIMITED

ABN 78 000 773 633

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

NOTE 12: PROVISIONS

	2018	2017
	\$	\$
<b>CURRENT</b>		
Leave obligations (a)	517,962	830,787
	<u>517,962</u>	<u>830,787</u>
<b>NON-CURRENT</b>		
Leave Obligations (a)	460,996	122,941
Make Good Provision	502,434	372,051
	<u>963,430</u>	<u>494,992</u>

(a) Leave Obligations

The leave obligations cover the Company's liability for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employee have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$517,962 (2017: \$830,787) is represented as current, since the company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

NOTE 13: CONTRIBUTED EQUITY

(a) Share Capital

	2018	2017	2018	2017
	Shares	Shares	\$	\$
Ordinary Shares				
Fully Paid	10,103,526	10,103,526	10,103,526	10,103,526

(b) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll each shares is entitled to one vote.

GEORG JENSEN PTY LIMITED

ABN 78 000 773 633

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

NOTE 14: RESERVES

(a) Reserves

	2018	2017
	\$	\$
Reserves	17,176	17,176

(b) Retained Earnings

Movements in retained earnings were as follows:	2018	2017
	\$	\$
Balance 1 January	5,237,476	4,180,087
Net profit for the year	368,496	1,057,389
Balance 31 December	5,605,972	5,237,476

NOTE 15: DIVIDENDS

(a) Franked Dividends

The final dividends recommended after 31 December 2018 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 31 December 2017.

	2017	2017
	\$	\$
Franking credits available for subsequent financial years to the equity holders of the Company based on a tax rate of 30% (2017 – 30%)	3,770,023	3,184,893

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

GEORG JENSEN PTY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

**NOTE 16: REMUNERATION OF AUDITORS**

During the year end the following fees were paid or payables for services provided by the auditor of the Company and non-related audit firms:

(a) Hall Chadwick	2018	2017
	\$	\$
Audit and other assurance services		
Audit	43,000	41,500
Other Assurance Services	4,000	-
	<hr/>	<hr/>
	47,000	41,500
Taxation Services		
Tax Compliance Services	6,000	4,000
	<hr/>	<hr/>
	53,000	45,500

**NOTE 17: CONTINGENCIES**

The company had contingent liabilities in respect of bank guarantees of \$1,580,028 (2017: \$1,154,275) as at 31 December 2018.

In 2018 the company was appointed as guarantor for a bond issued by the immediate parent company Georg Jensen A/S.

Aside from these matters there were no other contingencies as at this date.

GEORG JENSEN PTY LIMITED

ABN 78 000 773 633

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

**NOTE 18: COMMITMENTS**

Non-Cancellable Operating Leases

	2018	2017
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,687,989	5,007,540
Later than one year but not later than five years	5,102,706	8,797,951
Later than 5 years	-	183,256
	<u>8,790,695</u>	<u>13,988,747</u>
Rental expenses relating to operating leases	5,532,296	5,471,641

**NOTE 19: PARENT ENTITY**

The ultimate parent entity is Investcorp Bank (incorporated in Bahrain) which at 31 December 2018 owns 100% (2017: 100%) of the issued ordinary shares of the company.

Related party transactions comprise the purchases of inventories and finance costs in respect of borrowings from related parties. These are disclosed on the face statement of the profit or loss and other comprehensive income and the borrowings are disclosed in Note 11.

**NOTE 20: ECONOMIC DEPENDENCY**

The company depends on related parties for the supply of its products.

**NOTE 21: EVENTS OCCURRING AFTER THE REPORTING PERIOD**

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or the economic entity in subsequent financial years.



GEORG JENSEN PTY LIMITED

ABN 78 000 773 633

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2018

NOTE 22: CASH FLOW INFORMATION

	2018	2017
	\$	\$
a. <b>Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax</b>		
Profit after income tax	368,496	1,057,389
Non-cash flows in profit:		
– Depreciation and amortisation	1,286,746	1,405,523
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– decrease/(increase) in trade and other receivables	(47,249)	1,076,132
– decrease/(increase) in inventories	905,941	(2,034,727)
– decrease/(increase) in deferred tax assets	204,269	(66,394)
– (decrease)/increase in trade and other payables	738,652	(1,879,176)
– (decrease)/increase in provisions	155,613	171,238
– (decrease)/increase in current tax liabilities	(578,046)	(462,283)
Cash flows from operating activities	<u>3,034,422</u>	<u>(732,298)</u>

**DIRECTORS' DECLARATION**

As stated in Note 1(a) to the financial statements, in the directors opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial statements. This is a special purpose financial statements that has been prepared to the Corporations Act 2001 requirements.

The financial statements have been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in Note 1(a).

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 25, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards and other mandatory professional reporting requirements as detailed above, and the Corporations Regulations 2001; and
  - b. give a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. 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.



A Sullivan  
Director

Sydney  
30 April 2019

GEORG JENSEN PTY LIMITED  
ABN 78 000 773 633  
AND ITS CONTROLLED ENTITY

INDEPENDENT AUDITOR'S REPORT TO  
THE MEMBERS OF GEORG JENSEN PTY LIMITED

SYDNEY

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia

GPO Box 3555  
Sydney NSW 2001

Ph: (612) 9263 2600  
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**Report on the Financial Report**

**Opinion**

We have audited the financial report of Georg Jensen Pty Limited (the company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report Georg Jensen Pty Ltd is in accordance with the *Corporations Act 2001*, including

- (i) giving a true and fair view of the company's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

**Basis for Opinion**

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

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

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

**Emphasis of Matter – Basis of Accounting**

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

**Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of the Directors 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

*Hall Chadwick*

Hall Chadwick  
Level 40, 2 Park Street  
Sydney, NSW 2000

*S. Kumar*

**SANDEEP KUMAR**

Partner

Date: 30 April 2019