

**Georg Jensen Pty Limited**

ABN 78 000 773 633

**Special purpose annual financial  
report  
for the year ended 31 December 2016**

**Georg Jensen Pty Limited** ABN 78 000 773 633  
**Special purpose annual financial report - 31 December  
2016**

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## Directors' report

Your directors present their report on Georg Jensen Pty Limited (the Company) for the year ended 31 December 2016.

### Directors

The following persons were directors of Georg Jensen Pty Limited during the whole of the financial year and up to the date of this report:

A Sullivan  
S Armstutz (resigned 5 April 2016)  
A Nohr

### Principal activities

During the year the principal continuing activities of the Company consisted of sale of crystal, glassware, silverware, jewellery, watches, and household utensils.

### Dividends - Georg Jensen Pty Limited

No dividends were paid or declared for the year ended 31 December 2016 (2015: \$nil)

### Review of operations

The operating profit after income tax amounted to \$1,323,889 (2015: \$1,055,363).

### Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2016 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

### Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this special purpose annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

### Environmental regulation

The Company is not subject to any significant environmental regulation under either the Commonwealth or State legislation.

### Insurance 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 the 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 of 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.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

This report is made in accordance with a resolution of directors.



A Sullivan  
Director

Sydney  
26 April 2017



## Auditor's Independence Declaration

As lead auditor for the audit of Georg Jensen Pty Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'S Prakash', with a long horizontal flourish extending to the right.

S Prakash  
Partner  
PricewaterhouseCoopers

Sydney  
26 April 2017

**Georg Jensen Pty Limited** ABN 78 000 773 633  
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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 Limited is a Company limited by shares, incorporated 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 1 to 2, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 26 April 2017. The directors have the power to amend and reissue the financial statements.

**Georg Jensen Pty Limited**  
**Statement of comprehensive Income**  
**For the year ended 31 December 2016**

	Notes	2016 \$	2015 \$
<b>Revenue from continuing operations</b>	3	<b>44,858,065</b>	44,728,103
Other income	4	49,026	785
Changes in inventories		(2,216,159)	829,854
Purchases of inventories		(18,295,591)	(21,695,883)
Employee benefits expense		(8,171,550)	(8,097,098)
Occupancy costs		(4,921,993)	(5,031,886)
Depreciation and amortisation expense	5	(1,514,959)	(1,236,924)
Sales and distribution expenses		(5,041,921)	(4,869,621)
Marketing expenses		(1,711,811)	(1,694,637)
Other expenses	5	(946,673)	(984,771)
Finance costs		(186,912)	(431,827)
<b>Profit before income tax</b>		<b>1,899,522</b>	1,516,095
Income tax expense		(575,633)	(460,732)
<b>Profit for the year</b>		<b>1,323,889</b>	1,055,363
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	-
<b>Total comprehensive income for the year</b>		<b>1,323,889</b>	1,055,363

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**Georg Jensen Pty Limited**  
**Balance sheet**  
**As at 31 December 2016**

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	4,038,427	1,761,109
Trade and other receivables	7	2,797,299	4,053,083
Inventories	8	13,623,003	15,839,162
<b>Total current assets</b>		<u>20,458,729</u>	<u>21,653,354</u>
<b>Non-current assets</b>			
Property, plant and equipment	9	3,911,759	3,465,886
Deferred tax assets		785,142	249,249
<b>Total non-current assets</b>		<u>4,696,901</u>	<u>3,715,135</u>
<b>Total assets</b>		<u>25,155,630</u>	<u>25,368,489</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	6,786,881	7,011,726
Borrowings	11	2,440,204	4,170,166
Current tax liabilities		473,215	44,798
Employee benefit obligations	13	680,820	847,204
<b>Total current liabilities</b>		<u>10,381,120</u>	<u>12,073,894</u>
<b>Non-current liabilities</b>			
Provisions	12	288,923	264,111
Employee benefit obligations	13	184,798	53,584
<b>Total non-current liabilities</b>		<u>473,721</u>	<u>317,695</u>
<b>Total liabilities</b>		<u>10,854,841</u>	<u>12,391,589</u>
<b>Net assets</b>		<u>14,300,789</u>	<u>12,976,900</u>
<b>EQUITY</b>			
Contributed equity	14	10,103,526	10,103,526
Reserves	15(a)	17,176	17,176
Retained earnings	15(b)	4,180,087	2,856,198
<b>Total equity</b>		<u>14,300,789</u>	<u>12,976,900</u>

The above balance sheet should be read in conjunction with the accompanying notes.



**Georg Jensen Pty Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2016**

	Contributed Equity	Reserves	Retained earnings	Total equity
Notes	\$	\$	\$	\$
<b>Balance at 1 January 2015</b>	<b>10,103,526</b>	<b>17,176</b>	<b>1,800,835</b>	<b>11,921,537</b>
Profit for the year	-	-	1,055,363	1,055,363
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,055,363</b>	<b>1,055,363</b>
<b>Balance at 31 December 2015</b>	<b>10,103,526</b>	<b>17,176</b>	<b>2,856,198</b>	<b>12,976,900</b>
<b>Balance at 1 January 2016</b>	<b>10,103,526</b>	<b>17,176</b>	<b>2,856,198</b>	<b>12,976,900</b>
Profit for the year	-	-	1,323,889	1,323,889
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,323,889</b>	<b>1,323,889</b>
<b>Balance at 31 December 2016</b>	<b>10,103,526</b>	<b>17,176</b>	<b>4,180,087</b>	<b>14,300,789</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**Georg Jensen Pty Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2016**

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		50,256,535	49,001,137
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(43,422,544)</u>	<u>(44,485,514)</u>
		6,833,991	4,515,623
Interest income		10,480	26,717
Interest paid		(186,912)	(431,827)
Income taxes paid		<u>(683,109)</u>	<u>(461,977)</u>
<b>Net cash inflow from operating activities</b>	23	<u>5,974,450</u>	<u>3,648,536</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<u>(1,967,170)</u>	<u>(721,124)</u>
<b>Net cash (outflow) from investing activities</b>		<u>(1,967,170)</u>	<u>(721,124)</u>
<b>Cash flows from financing activities</b>			
Payments for borrowings		<u>(1,729,962)</u>	<u>(3,548,197)</u>
<b>Net cash (outflow) from financing activities</b>		<u>(1,729,962)</u>	<u>(3,548,197)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2,277,318</b>	<b>(620,785)</b>
Cash and cash equivalents at the beginning of the financial year		<u>1,761,109</u>	<u>2,381,894</u>
<b>Cash and cash equivalents at the end of the financial year</b>	6	<u>4,038,427</u>	<u>1,761,109</u>

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

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## 1 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. Comparative information has been reclassified as disclosed to conform with current year presentation. The financial statements are for Georg Jensen Pty Limited.

### (a) Basis of preparation

#### (i) Special purpose financial statements

In the directors' opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial statements.

These are a special purpose financial statements that have been prepared for the sole purpose of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the members and must not be used for any other purpose.

The financial statements has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. They contain only those disclosures considered necessary by the directors to meet the needs of the members. Georg Jensen Pty Limited is a for-profit entity for the purpose of preparing the financial statements.

#### (ii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

#### (iii) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2016:

- AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle, and
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101.

Adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

#### (iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

## 1 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Company
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	There is no impact as the Company does not have any financial instruments for hedging or other financial instruments other than current receivables, payables and short-term related party borrowings.	Must be applied for financial years commencing on or after 1 January 2018.  Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.
AASB 15 Revenue from Contracts with Customers	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>	<p>Management is currently assessing the effects of applying the new standard on the Company's financial statements.</p> <p>At this stage, the Company is not able to estimate the effect of the new rules on the Company's financial statements. The Company will make more detailed assessments of the effect over the next twelve months.</p>	<p>Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption.</p> <p>Expected date of adoption by the Company: 1 January 2018,</p>

## 1 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Company
AASB 16 Leases	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 \$19,195,174 (2015: \$11,157,820), 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 this stage, the Company does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### (c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

## **1 Summary of significant accounting policies (continued)**

### **(c) Revenue recognition (continued)**

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 bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 customer 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.

### **(d) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### **(e) Leases**

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

## **1 Summary of significant accounting policies (continued)**

### **(e) Leases (continued)**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 19). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### **(f) Impairment of assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### **(g) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **(h) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

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 becomes uncollectible 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.

### **(i) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

### **(j) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term or useful life as follows:

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



## **1 Summary of significant accounting policies (continued)**

### **(j) Property, plant and equipment (continued)**

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 (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### **(k) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### **(l) 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 it 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.

### **(m) Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

### **(n) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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 assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## **1 Summary of significant accounting policies (continued)**

### **(o) Employee benefits**

#### **(i) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### **(ii) Other long-term employee benefit obligations**

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

### **(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 associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority, are presented as operating cash flows.

## **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.

**Georg Jensen Pty Limited**  
**Notes to the financial statements**  
**31 December 2016**  
(continued)

**3 Revenue**

	2016	2015
	\$	\$
Sales revenue		
Revenue	<u>44,847,585</u>	<u>44,701,386</u>
Other revenue		
Interest	<u>10,480</u>	<u>26,717</u>
	<u>44,858,065</u>	<u>44,728,103</u>

**4 Other income**

	2016	2015
	\$	\$
Other income	<u>49,026</u>	<u>785</u>

**5 Expenses**

	2016	2015
	\$	\$

**Profit before income tax includes the following specific expenses:**

Other expenses from ordinary activities		
Communications	130,850	133,051
Professional services	212,583	176,241
IT service charges	288,868	288,864
Travel expenses	174,580	192,590
Sundry expenses	139,792	194,025
	<u>946,673</u>	<u>984,771</u>
Depreciation		
Plant and equipment	34,221	27,636
Leasehold improvements	1,444,144	1,168,777
Fixtures and fittings	36,594	40,511
Total depreciation	<u>1,514,959</u>	<u>1,236,924</u>

## 6 Cash and cash equivalents

	2016	2015
	\$	\$
<b>Current assets</b>		
Cash at bank	3,028,500	866,012
Cash on hand	7,996	8,680
Deposits	1,001,931	886,417
	4,038,427	1,761,109

## 7 Trade and other receivables

	2016			2015		
	Current	Non-current	Total	Current	Non-current	Total
	\$	\$	\$	\$	\$	\$
Trade receivables	2,705,083	-	2,705,083	3,582,045	-	3,582,045
Loans to related parties	1,797	-	1,797	-	-	-
Prepayments	90,419	-	90,419	471,038	-	471,038
	2,797,299	-	2,797,299	4,053,083	-	4,053,083

## 8 Inventories

	2016	2015
	\$	\$
<b>Current assets</b>		
Stock in transit	566,552	485,565
Finished goods	13,056,451	15,353,597
	13,623,003	15,839,162

## 9 Property, plant and equipment

	Plant and	Fixtures and	Leasehold	Total
	equipment	fittings	improvements	
	\$	\$	\$	\$
<b>At 31 December 2015</b>				
Cost	164,208	441,886	11,971,567	12,577,661
Accumulated depreciation	(48,326)	(386,314)	(8,677,135)	(9,111,775)
Net book amount	115,882	55,572	3,294,432	3,465,886
<b>At 31 December 2016</b>				
Cost	171,119	391,707	13,031,148	13,593,974
Accumulated depreciation	(52,299)	(337,082)	(9,292,834)	(9,682,215)
Net book amount	118,820	54,625	3,738,314	3,911,759

## 9 Property, plant and equipment (continued)

Included in leasehold improvements is \$1,795,398 (2015: \$725,086) 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 depreciation and amortisation in the statement of comprehensive income.

## 10 Payables

	2016 Current \$	2016 Non- current \$	Total \$	2015 Current \$	2015 Non- current \$	Total \$
Other trade payables and accrued expenses	1,063,652	-	1,063,652	833,344	-	833,344
Non-trade payables and accrued expenses *	5,723,229	-	5,723,229	6,178,382	-	6,178,382
	<u>6,786,881</u>	<u>-</u>	<u>6,786,881</u>	<u>7,011,726</u>	<u>-</u>	<u>7,011,726</u>

\* Included in non-trade payables and accrued expenses is \$1,795,398 (2015: \$725,086) 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 comprehensive income within occupancy costs.

## 11 Borrowings

	2016 Current \$	2016 Non- current \$	Total \$	2015 Current \$	2015 Non- current \$	Total \$
Loans from related parties	2,440,204	-	2,440,204	4,170,166	-	4,170,166

## 12 Provisions

	2016 Current \$	2016 Non- current \$	Total \$	2015 Current \$	2015 Non- current \$	Total \$
Make good provision	-	288,923	288,923	-	264,111	264,111

**13 Employee benefit obligations**

	Current \$	2016 Non- current \$	Total \$	Current \$	2015 Non- current \$	Total \$
Leave obligations (a)	<b>680,820</b>	<b>184,798</b>	<b>865,618</b>	847,204	53,584	900,788

**(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 employees 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 \$680,820 (2015: \$847,204) is presented as current, since the Company does not have an unconditional right to defer settlement for any of these obligations. 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. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2016 \$	2015 \$
Current leave obligations expected to be settled after 12 months	<b>458,214</b>	661,007

**14 Contributed equity**

**(a) Share capital**

	2016 Shares	2015 Shares	2016 \$	2015 \$
Ordinary shares Fully paid	<b>10,103,526</b>	10,103,526	<b>10,103,526</b>	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 share is entitled to one vote.

## 15 Reserves and retained earnings

### (a) Reserves

	2016 \$	2015 \$
Reserves	17,176	17,176

### (b) Retained earnings

Movements in retained earnings were as follows:

	2016 \$	2015 \$
Balance 1 January	2,856,198	1,800,835
Net profit for the year	1,323,889	1,055,363
Balance 31 December	4,180,087	2,856,198

## 16 Dividends

### (a) Franked dividends

The final dividends recommended after 31 December 2016 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.

	2016 \$	2015 \$
Franking credits available for subsequent financial years to the equity holders of the Company based on a tax rate of 30% (2015 - 30%)	2,633,037	1,654,051

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.

**17 Remuneration of auditors**

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

**(a) PwC Australia**

	2016	2015
	\$	\$
Audit and other assurance services		
Audit and review of financial statements	49,316	47,880
Other assurance services	16,925	16,300
Total remuneration for audit and other assurance services	66,241	64,180
Taxation services		
Tax compliance services	40,089	38,921
Total remuneration for taxation services	40,089	38,921
Total remuneration of PwC Australia	106,330	103,101

**(b) Non-PwC Australia related audit firms**

Other services		
Advisory services	-	710

**18 Contingencies**

The Company had contingent liabilities in respect of bank guarantees of \$1,299,653 (2015: \$1,176,785) at 31 December 2016. The Company had no other contingencies at 31 December 2016.

**19 Commitments**

Non-cancellable operating leases

	2016	2015
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	4,320,592	3,597,641
Later than one year but not later than five years	14,874,582	7,560,179
	19,195,174	11,157,820

Rental expense relating to operating leases		
Minimum lease payments	5,063,549	4,989,451



## 20 Parent entity

The ultimate parent entity is Investcorp Bank (incorporated in Bahrain) which at 31 December 2016 owns 100% (2015: 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. There are disclosed on the face of the statement of comprehensive income and the borrowings are disclosed in note 11.

## 21 Economic dependency

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

## 22 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 economic entity in subsequent financial years.

## 23 Cash flow information

### Reconciliation of profit after income tax to net cash inflow from operating activities

	2016	2015
	\$	\$
Profit for the year	1,323,889	1,055,363
Adjustment for		
Depreciation	1,514,959	1,236,924
Net loss on disposal of property, plant and equipment	6,338	-
Change in operating assets and liabilities:		
Decrease (increase) in trade and other receivables	1,255,784	(610,736)
Decrease (increase) in inventories	2,216,159	(829,854)
(Increase) decrease in deferred tax assets	(535,893)	60,579
(Decrease) increase in trade and other payables	(224,845)	2,598,791
(Decrease) increase in provisions	(10,358)	199,293
Increase (decrease) in current tax liabilities	428,417	(61,824)
Net cash inflow from operating activities	<u>5,974,450</u>	<u>3,648,536</u>

**Georg Jensen Pty Limited  
Directors' declaration  
31 December 2016**

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 meet *Corporations Act 2001* requirements.

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

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 23 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



A Sullivan  
Director

Sydney  
26 April 2017



## *Independent auditor's report*

To the shareholders of Georg Jensen Pty Limited

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### *Our opinion*

In our opinion:

The accompanying financial report of Georg Jensen Pty Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the balance sheet as at 31 December 2016
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

### *Independence*

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.

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### *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.

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### *Other information*

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' report included in the annual report, 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 identified above 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 on the other information obtained prior to the date of this auditor's report, 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 the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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### *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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our auditor's report.

*PricewaterhouseCoopers*  
PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'S Prakash', written over a horizontal line.

S Prakash  
Partner

Sydney  
26 April 2017