SMITHS CITY GROUP

ANNUAL REPORT

YEAR ENDING 30 APRIL 2016





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OUR VISION

To be THE trusted national provider for our customers' needs across New Zealand, everyday.

CORE VALUES

CUSTOMER FOCUS
The customer is at the heart of what we do – everyday, everytime

INTEGRITY
Our promise is our most important product; our word is our bond.

PROFESSIONALISM
We achieve the highest standards; honesty and fairness guide us.

COMMUNICATION
Sharing timely, accurate information is the key to our success

OUR MISSION

To operate a profitable national network of not less than 30 stores under the Smiths City brand.

KEY FACTS

SAME STORE SALES

$200.9M

UP 2.4% ON PRIOR YEAR

EBIT (BEFORE ABNORMAL ITEMS)

$6.6M

UP 15.7% ON PRIOR YEAR

INVENTORY LEVELS

$34.3M

$6.9M REDUCTION ON PRIOR YEAR

LIVE BETTER

Smiths City offers a wide range of well-designed, quality furnishing and technology products for every room in the house. You'll find all your favourite brands in one place, with great specials and exceptional value every day - so you and your family can ***live better***.

BETTER **BEDROOMS**

A huge range of quality, New Zealand made beds and bedroom furniture

BETTER **DINING**

Stylish solutions for family dining and home entertaining

BETTER **OUTDOOR LIVING**

Enjoy al fresco living throughout the seasons

BETTER **LIVING ROOMS**

Love coming home to comfortable and stylish living room furniture and decor

BETTER **LAUNDRY**

Wash and dryer solutions to make the family washing a breeze

BETTER **KITCHENS**

Shop the latest in whiteware and cooking appliance technology from New Zealand's best brands

BETTER **HEATING**

Efficient heating solutions for warmer, healthier kiwi homes

BE BETTER **ENTERTAINED**

With the latest in television, audio and home entertainment technology

COMPANY PROFILE

Corporate Structure

High profile national retailer Smiths City Group Limited is listed on the NZX main board and has approximately 1,300 shareholders.

The Christchurch-based Group has several subsidiary registered companies that cover a range of business activities and encompass its aspirations and future direction.

Smiths City was founded in Christchurch in 1918 and continues to occupy the same site on Colombo Street in which it first traded. The Group now comprises 29 Smiths City-branded stores throughout New Zealand, 4 clearance centres and has recently purchased Furniture City which has 3 sites in the Auckland/Northland region. Smiths City and Furniture City also operate fully integrated online platforms. Smiths City is now a truly nationwide New Zealand retailer and a brand trusted and respected throughout the country.

The evolving and innovative group of companies is active in a number of complementary industry segments, including retail and consumer finance. Smiths City proudly employs approximately 570 New Zealanders.

Brands

A core strength of the Group is our product offering. We provide comprehensive choice to the New Zealand consumer looking for solutions to improve their lifestyle. We are proud to represent many of New Zealand's best-known brands in-store and online, including Sleepyhead, Fisher & Paykel and Cavalier Bremworth, along with leading international brands such as La-Z-Boy, John Young Furnishings, Ashley, LG, Haier, Samsung, Panasonic, Hewlett Packard, Apple, Electrolux, Mitsubishi Electric and Bosch, amongst others. We're also proud to support New Zealand manufactured furniture produced by Outback and Coastwood.

In addition to sourcing furniture from New Zealand manufacturers and distributors, the company operates a substantial import programme handling over 500 containers a year through its national Distribution Centre, located in Christchurch.

Our strategy aims to achieve an appropriate balance between lower-margin, high quality categories that drive foot traffic, and higher-margin products.

The Group maintains a competitive position on market pricing and is one of the country's leading mass media advertisers.

The Group is a founding member of the New Zealand appliance buying group NARTA. Membership of this buying group has yielded significant benefits within the highly competitive appliance market.

The Customer Experience

The Group strives to provide a customer experience that is second to none in terms of quality goods, knowledgeable staff and outstanding in-store service. We believe that understanding our customer's needs and providing outstanding customer service whether online or in-store is core to our success.

Online Strategy

The Group regards the Internet as central to sales growth and believes in an integrated approach when viewing online and "traditional" retail channels, seeing them as seamless and enabling the customer to engage with Smiths City as they require. Our strategy is, therefore, to respond and deliver the best customer experience however our customers wish to transact.

Finance

Consumer finance is an integral part of the Group's service model and we continue to offer flexible finance options provided through our own finance company. Our integrated consumer financing business facilitates add-on sales and additional income streams across our portfolio.

Our finance company provides a range of point of sale finance options to retail customers, including secured fixed instalments, revolving credit customer accounts and unsecured personal loans to individual customers with a proven credit history.

The consumer finance ledger, as at 30 April 2016, had approximately 78,000 active accounts. Day to day control of the ledger provides a unique opportunity to build strong customer relationships and customer loyalty.

The ledger utilises a bulk funding facility provided by ANZ Bank New Zealand Limited and does not raise money from the general public.

Property and Commercial Needs

Prime store locations and superior on-floor presentations are critical within the retail sector. We do not believe that we necessarily have to own the premises to deliver the Smiths City customer experience.

This is evidenced by the recent sale and leaseback of our Colombo Street, Christchurch site, freeing up capital for the Group. We have operated from Colombo Street since 1918 and it remains an iconic beacon for Christchurch as the city regenerates.

The Group's administration office continues to operate from premises in Watts Road, Christchurch.

The Group's property company is used to undertake developments for the retail business when appropriate opportunities arise.

The Group also operates a Commercial division to serve commercial and insurance sourcing needs.

Environment

Smiths City is committed to restricting its practices to those that minimise environmental and social impacts. The business has embarked on a new policy of actively identifying practices where any effects on the environment can be reduced.

The Group assists with recycling second-hand goods through the operation of its chain of clearance centres.

We have assurances from our suppliers that furniture products imported from overseas are manufactured from timbers grown in sustainable forests and plantations, and not rain forests.

Smiths City is a member of the New Zealand Imported Tropical Timber Group. Members are committed to purchase wooden furniture produced solely from renewable and sustainable timber.

The Group will continue to expand its practices to reduce waste and slow the use of primary resources.

Community Support

Smiths City is fully committed to being involved in the communities it serves.

This year the Group provided in excess of $100,000 for community-based projects.

We remain committed to supporting the efforts of Ronald McDonald House in the communities we serve. The Group is actively seeking organisations to partner with to better our communities, and those who live in them, across New Zealand.

DIRECTOR PROFILES

CRAIG DAVID BOYCE

B COM, ACA, FNZIM, F INST D

Chairman and Non Executive Director

Craig Boyce is an experienced professional Director and holds directorships in many other companies. He joined Smiths City in 1988 and was Chief Executive from 1990 to 1999. He joined the Board in July 1998 and was appointed Chairman in May 1999 - relinquishing his position as Chief Executive. From May 1999 to October 2003 Craig also held various executive duties within the Group primarily with Smithcorp Finance Limited which was identified as a key area of strategic growth. Craig withdrew from his wider executive duties in October 2003 to become Non Executive Chairman of the Board of Directors of Smiths City Group Limited.

JOHN ALLEN DOBSON

B COM, C F INST D

Deputy Chairman; Audit Committee Chairman – Independent Non Executive

John Dobson has been a professional Director for over 20 years serving on Boards of companies in diverse industries ranging from listed companies, several large privately held companies and publicly owned entities.

His executive career includes senior positions in food processing, finance and banking, importing and distribution. He joined the Smiths City Board in 1994 as an Independent Non-Executive Director.

GARY RAYMOND ROHLOFF

MBA

Independent Non-Executive Director

Gary Rohloff joined the Smiths City Board in December 2010. He is also currently Chief Executive Officer of Number 1 Shoes Limited. Prior to his current position Gary has been the CEO of Warehouse Stationery Limited and EziBuy Limited. He has been Group Treasurer of Mercury Energy and Assistant Treasurer of Transpower Limited.

Gary is an Independent Non-Executive Director and is a member of the Audit Committee.

SHEENA MOANA HENDERSON

BBS BSC

Independent Non-Executive Director

Sheena Henderson is a professional director and corporate advisor, specialising in advising businesses and Boards to understand, develop and strengthen their brands, business and people assets. Sheena holds independent directorships in a number of New Zealand companies.

Previously Sheena was Global Brand Director for Fonterra Brands. She has an impressive record in business leadership, global branding and retailing experience.

Sheena joined the Board in December 2014 as an Independent Non-Executive Director and is a member of the Audit Committee.

EXECUTIVE MANAGEMENT PROFILES

ROY CAMPBELL **Chief Executive Officer**

Roy Campbell joined Smiths City on 1st May 2015. Roy brings to the Group 30 plus years experience and expertise in change management within large, multi-site retail, wholesale and FMCG operations. He has worked in many markets including New Zealand, the UK, Eastern Europe and the USA. Roy has an extensive history of achieving tangible financial and operational results through the succesful restructuring of organisations. He provides clear strategic direction in the planning and delivering of effective implementation strategies resulting in improved ROIs. Roy holds an MBA and a Diploma in Marketing from the University of Auckland.

BRIAN LEE **Chief Financial Officer**

B Com, CA

Brian is an accountant with over 30 years' experience in the public practice and corporate sectors. He has been Smiths City Group's Chief Financial Officer for the past 11 years, having previously held senior finance roles in the United Kingdom and Russia. Brian is responsible for internal and external financial reporting and leads all aspects of the finance function.

VALERIE WRIGHT **Group Human Resources Manager**

BA Bus.Psych

Valerie joined Smiths City in August 2015. She is a senior professional HR practitioner with over 20 years operational and strategic experience, gained across a broad range of industries including Health and Professional Services. Valerie is highly skilled and experienced in corporate HR, organisational development and Health and Safety management and implementation

PETER DICKIE **General Manager, Marketing**

MBA, B Com, B Arts

Pete Dickie recently joined Smiths City in January 2016. Pete is a qualified, successful and highly regarded professional marketer who has over 15 years experience gained across a diverse range of industries, categories and brands. Prior to joining Smiths City he has held senior marketing roles at Kathmandu, Pernod Ricard NZ and Cerebos Greggs Ltd.

Pete's academic qualifications include an MBA from the University of Canterbury and a B Com, and B Arts, from the University of Otago.

NOEL MACDONALD **Chief Information Officer**

Noel has over 20 years of experience gained in his various senior roles with Smiths City. He started with Smiths City in 1996 as Direct Marketing Manager after five years as a Fund Accountant in Luxembourg.

Noel has held several senior management roles and responsibilities within the Smiths City Group including four years as IT Manager. For the past 12 years he was the General Manager of Smiths City Finance, the Group's consumer finance subsidiary, and is now the Group's Chief Information Officer.

BRYCE JENKINS **National Sales Manager**

Bryce has been a 'retailer' for 20 years with the Smiths City Group. He has developed and progressed from sales through to his current senior leadership management position and responsibilities. Bryce has a broad range of valuable experience including product service and installation, marketing, and commercial sales. This has taken Bryce to some important regional roles within the Group in the South Island and Bay of Plenty.

JARED ROBBIE **General Manager, Merchandise**

B Com (Mgmt)

Joined Smiths City in May 2016 in merchandise management, responsible for sourcing and procurement of products from the Group's global partners and vendors. Jared is a skilled professional with over 7 years experience in management roles based in Shanghai, China.

He is a specialist in the creation and implementation of strategic sourcing processes as well as a strong track record in growth management for The Warehouse Ltd and Mitre 10 NZ. Jared is also fluent in written and spoken Mandarin and has spent the last 11 years based in China.

BRENDON GREDIG **General Manager, Supply Chain and Logistics**

BArts; Grad Dip Mgmt; BA

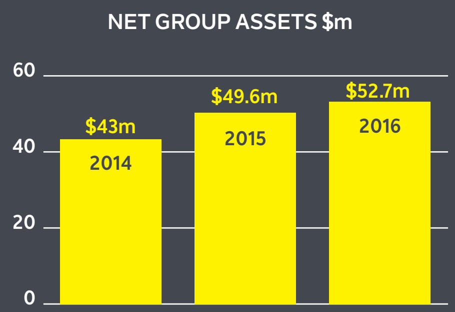
Brendon joined Smiths City in March 2016. He has 14 years experience in senior retail and logistics roles including Mainfreight, Progressive Enterprises Limited and Coles Supermarkets and Liquor.

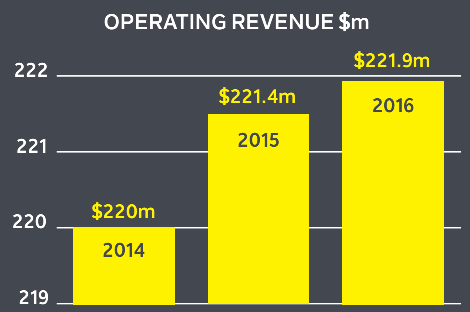
His experience in managing very large and complex supply chains is important to the success of Smiths City Group. Brendon's skill is in the smooth management and operation of the supply of merchandise from source to store and ultimately the Group's customers.

TREND STATEMENT

GROUP FINANCIAL PERFORMANCE	2012 ($m)	2013 ($m)	2014 ($m)	2015 ($m)	**2016 ($m)**
Operating Revenue	**222.5**	**222.5**	**220.0**	**221.4**	**221.9**
Profit Before Taxation	3.9	6.3	4.7	9.3	**3.1**
Add / (Deduct) Taxation Credit / (Expense)	0.5	(0.9)	(0.6)	(1.3)	**2.5**
Profit After Income Tax	**4.4**	**5.4**	**4.1**	**8.0**	**5.6**
GROUP FINANCIAL POSITION					
Assets					
Total Trading Assets	74.3	70.7	78.7	79.8	**67.6**
Finance Company Assets	81.9	77.5	73.0	69.9	**68.5**
Total Assets	**156.2**	**148.2**	**151.7**	**149.7**	**136.1**
Deduct Liabilities					
Total Trading Liabilities	44.8	45.0	48.4	42.7	**27.2**
Finance Company Liabilities	74.5	62.8	60.3	57.4	**56.2**
Total Liabilities	**119.3**	**107.8**	**108.7**	**100.1**	**83.4**
Net Group Assets	**36.9**	**40.4**	**43.0**	**49.6**	**52.7**
Total Trading Assets (As Above)	74.3	70.7	78.7	79.8	**67.6**
Net Finance Company Assets					
Receivables	80.8	76.7	72.0	68.7	**66.6**
Bank	1.1	0.8	1.0	1.2	**1.9**
Deduct Borrowings	(74.5)	(62.8)	(60.3)	(57.4)	**(56.2)**
Net Investment In Finance Company	7.4	14.7	12.7	12.5	**12.3**
Total Assets	81.7	85.4	91.4	92.3	**79.9**
Deduct Total Trading Liabilities (As Above)	44.8	45.0	48.4	42.7	**27.2**
Net Group Assets With Finance Company As An Investment	**36.9**	**40.4**	**43.0**	**49.6**	**52.7**
Key Ratios					
Net Profit Before Tax To Operating Revenue	1.7%	2.8%	2.1%	4.2%	**1.4%**
Net Profit After Tax To Operating Revenue	2.0%	2.4%	1.9%	3.6%	**2.5%**
Net Profit After Tax To Opening Net Assets	10.9%	14.6%	10.1%	18.6%	**11.3%**
Earnings Per Share – cents	8.28	10.21	7.70	15.2	**10.6**
Shareholders' Funds To Total Assets	23.6%	27.3%	28.3%	33.1%	**38.7%**
Shareholders' Funds To Assets With Finance Company As An Investment	45.2%	47.3%	47.0%	53.7%	**66.0%**
SUMMARY OF RETURNS TO SHAREHOLDERS					
Net Dividend Per Share - cents	3.50(1)	3.50(1)	3.50(1)	3.50(1)	**3.50(1)**
Imputation Credits - cents	0.00	0.00	0.00	0.00	**0.00**
Gross Dividend Per Share - cents	3.50	3.50	3.50	3.50	**3.50**
30 April Share Price - cents	49	59	56	56	**50**
Gross Dividend Yield Based on 30 April Share Price	7.14%	5.93%	6.25%	6.25%	**7.00%**

(1) Dividend paid without imputation credits





CHAIRMAN'S REVIEW

Results

I am proud to present this review of a revitalised Smiths City Group and our strong annual result during the financial period up to 30 April 2016. The market has already responded positively to our results, due largely to debt reduction and recognition that we continue to take a more strategic business approach to transforming Smiths City into a truly national company.

Chief Executive Roy Campbell and a refreshed management team continue to drive an emphasis on improving the company's core operations and expansion plans, along what is now a well planned path.

We have a foundation for further growth and potential acquisition opportunities. The net asset backing has also increased to 95.4 cents per share.

In the financial details you will see the comparison to last year of our operating surplus after taxation. This was impacted by last year's receipt of insurance payments totalling $8.5 million related to the Colombo Street building.

Consequently, comparing the normalised earnings before interest and tax (EBIT before abnormal items) is a more meaningful measure of performance. It was pleasing to see EBIT rise 16 per cent to $6.6 million in the financial year to 30 April 2016.

While the overall retail sector remains extremely competitive, Smiths City has improved sales helped by a review of every product on our shelves and store floors. During the course of the year we reduced our inventory levels by 17 per cent, resulting in some $7.0 million less inventory held. Sales on a same store basis increased 2.4 per cent on the prior year to $201 million.

The resulting changes made, reinforced by promotional campaigns, led to better margins and a more efficient supply chain. For example, good profits were maintained in the furniture and bedding categories.

The company was also aggressive in its approach to create the right shop footprint. This has contributed significantly towards being recognised as a leading national retailer.

During the year the Group embedded Auckland-based Furniture City into the national network. The long-established brand has already contributed to our profitability, and added a warehouse and store network that includes a branch in Whangarei and distribution centre in Otahuhu.

The new Smiths City Taupo store opened in October and is already performing well. Together with Furniture City we are actively progressing our stated desire to broaden our North Island retail spread and diversify revenues across New Zealand.

We continued to hold a strong market position in the South Island however drought in some parts of the east coast and continued weaker dairy market prices contributed to a mixed picture. Some North Island retail areas were affected during the year by the farming downturn.

Significantly, we eliminated the loss-making Powerstore and L V Martin brands, while exiting the non-core Alectra appliance service operation. More efficiency has already been delivered through outsourcing this activity to third-party specialists.

Overall the Group successfully reduced costs and improved core retail performance.

Despite reducing employee numbers by 20 per cent, Smiths City did not lose sales. Cash flow improvement was achieved by reducing stock levels and improved purchasing. This also had the effect of reducing supplier rebates, particularly in appliances, but this was more than compensated by lower stock holding and maintaining our margins.

These changes have successfully unified the company and re-energised our business under the core Smiths City brand.

Trading results, excluding abnormals, improved exceptionally during the past financial year, resulting in a doubling of trading profit in the second half. This was largely a result of those restructuring initiatives lifting the company's operations.

Summary of Financial Performance

The audited operating surplus after taxation for the 12 months to 30 April 2016 was $5.6 million (last year $8.0 million).

Earnings before interest and tax increased by 16 per cent.

Revenues for the 12 months were $221.9 million (last year $221.4 million).

	2016 $m	2015 $m	% change
Revenue	**221.9**	**221.4**	**0.2%**
EBIT From Ongoing Activities (Refer Segment Note 5)	6.6	5.7	15.8%
Non Continuing Activities and Abnormal Items	(2.6)	(3.1)	
Trading Profit As Reported	4.0	2.6	53.8%
Other Income*	–	8.5	
Group Interest Paid	(0.9)	(1.8)	
Profit Before Taxation	3.1	9.3	
Deferred Taxation (No Income Tax Payable)**	2.5	(1.3)	
Profit For The Year	**5.6**	**8.0**	

**Other income in 2015 includes insurance proceeds of $8.5 million received for the Colombo Street property. The costs associated with the Stage 2 rebuild have been added to the value of the property.*

*** The deferred tax charge for the current period takes into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes together with the movement in the company's estimates of future taxable profits on the basis these can be offset against the tax losses available. Smiths City has available carry forward tax losses of $6.9 million, hence no income tax is payable.*

The Directors have declared an unimputed final dividend of 2.5 cents per share (last year 2.5 cents) to be paid on Friday 12 August 2016. The dividend will be paid to those shareholders on the Share Register at 5.00pm Friday August 5 August 2016.

When added to the 1.0 cent interim dividend paid in February 2016 this brings the dividend to 3.5 cents for the full year (last year 3.5 cents).

Priorities

Smiths City continues to assess further growth opportunities in the North Island from both its existing footprint and by opening new stores.

We remain committed to marketing and customer-led initiatives to ensure leadership in shopper recognition and awareness. A comprehensive market survey has been completed to determine the strength of the Smiths City brand, our competitive position and identify areas for improvement.

This work is already guiding our marketing and retail teams and provides a solid basis for changes in buying and merchandising, in-store performance and marketing activity.

Where we direct our promotional budget will continue to be a priority, particularly as we continue to match the rapid and constant changes within the online marketing space.

Smiths City Finance

There is increased competition in the provision of consumer finance and a trend by customers away from the traditional 'weekly and monthly fixed instalment credit' mechanisms.

Following a review of the Smiths City Finance offering to our loyal customer base, changes will be made to our products. New marketing efforts will also help grow our finance book which is a vital service for many of our shoppers and the Group.

Smiths City Finance continues with a three year agreement with All Black captain Kieran Read who is acting as its brand ambassador. The agreement came into force in early 2015.

Outlook

Financial year 2016 will be remembered as 12 months of significant change for Smiths City. This was not only vital given the evolving retail landscape but is part of an inevitable need to continually challenge the way we have always conducted business.

While the overall retail outlook is uncertain, Smiths City is now a company that strives to deliver growth year-on-year.

We do that work on behalf of shareholders, and while we have maintained our dividend at last year's level, we are starting to see upside in parts of the business that haven't experienced that sort of progress for some years.

There will inevitably be some changes to store locations as customer buying patterns shift, but we are confident that the existing core business is capable of delivering good results.

While parts of the country continue to show resilience from the impact of falling dairy prices there are global factors at play that continue to make it hard to predict how the uncertain economic environment will play out in the 2016/17 year.

At Smiths City we need to keep an eye on inventory and ensure we trade to levels appropriate to our growing size. There is a continuous need to update the technology that backs our store operations and keep a strong focus on costs.

During the financial year we incurred $2.5 million "one off" restructuring costs but this, and the establishment of the new management team, sees us heading towards 2017 with confidence.

Looking ahead the Directors expect a continuing improvement in operations and store performance as well as the lowering of costs, particularly in the supply chain and warehousing areas.

We see further improvements to retail profitability as we benefit from the higher margins derived from our refreshed business model.

People

In June 2016, Dunedin-based Tony Allison was appointed a Director to further strengthen the Smiths City Group board. Tony has a history in retail and works as chief executive of retail franchise chain Night 'n Day Foodstores Limited. He has led that company's strategy, development and implementation plans both for the group and individual operating areas, and has helped Night 'n Day to gain recognition for its growth through inclusion in the Deloitte Fast 50 index.

Tony joins the existing board members including Gary Rohloff, John Dobson, Sheena Henderson and myself.

Management and Staff

On behalf of the Board of Directors I once again wish to acknowledge every one of the staff of Smiths City Group, including the chief executive and executive team, and their part in our performance. Their loyalty and contribution is very much appreciated.

Included in this Annual Report are the names of all those staff that were part of the Group at May 2016.

C D Boyce
CHAIRMAN

CHIEF EXECUTIVE'S REVIEW

Overview

Smiths City traded successfully over the last 12 months as the company progressively took on a new lease of life.

The Group is undergoing an exciting and dynamic period of development as the wider team, including the board, management and staff, refresh our retail offering to the New Zealand consumer. Our store-based staff are enthused by our new approach and their efforts continue to make Smiths City special, every day, to our customers. This is a key component of the competitive advantage we hold and are continuing to build on.

The year saw the expansion of our national footprint, firstly by the opening of our new store in Taupo. Secondly, we exited or rebranded all Powerstore and L V Martin stores across New Zealand. Thirdly, our desire to secure a sustainable and commercially sensible entry into the Auckland market resulted in our purchase of Furniture City, a company that has successfully operated for over 20 years. This purchase gave us two strategically-located Auckland operations, a prime location store in Whangarei, and equally importantly, an Auckland based, modern, well configured warehousing facility. As a result of these activities we now operate 32 stores nationally.

As Smiths City moves closer to 100 years of delighting customers across New Zealand, we believed it appropriate to engage the leading market research company, Colmar Brunton, to provide deep insight into the New Zealand customer and marketplace, providing us a platform from which we can refocus and revitalise our company. We recognise that we must evolve and grow with the changing face of New Zealand retailing to remain competitive, and deliver what our customers ask of us. We certainly do not have a 'business as usual' perspective when we look forward to 2017 and beyond. The impact of the "digital age" is a fundamental factor in changing how consumers access and activate their purchase decisions in the retail landscape. We are acutely aware of the rapid fragmentation of media and associated marketing channels, while an overload of customer information is pushed out in unprecedented levels across a multiplicity of channels – all competing for consumer attention. With this in mind, we have altered our media mix, look and feel to better differentiate us in this crowded landscape.

As well as addressing our national "footprint" and marketing activities, we have also reconfigured our inventory strategy and in-store offering. This has assisted us in generating an improved sales result and helped deliver better margins.

Overall, I believe we have achieved the delivery of real credibility in the minds our consumers, whether they are based in Invercargill or Whangarei. We will continue to search for opportunities to expand our physical presence across New Zealand as we believe significant opportunity remains for further expansion in the North Island.

The internationalisation of retail continues, via both new international entrants entering New Zealand market and the ever increasing ability to shop online from international retailers. While we are not immune from the impact of international online shopping our product mix is such that in the majority of cases, it is simply not feasible to access from overseas. In choosing to buy for example, a lounge suite or a new bed, the customer is most likely to prefer Smiths City to complete such a purchase secure in the knowledge of delivery, support, fair pricing and professional advice before, during and after completing their purchase.

We are proud to be retailing iconic New Zealand brands such as Fisher & Paykel and Sleepyhead alongside the best in global consumer electronics from Apple, BEKO, Electrolux, Bosch, LG, Samsung and others. We have maintained our strong market position in the highly competitive areas of furniture and bedding, through our longstanding associations with La-Z-Boy, John Young , Ashley and others. Our relationship with quality New Zealand manufacturers such as Woodpeckers and Coastwood continues to be of benefit to our customers and the wider community. We believe that this diversity of our product range remains one of our core strengths.

In keeping with our reputation, Smiths City remains firmly committed to providing our customers with products that are value for money from reputable suppliers.

Establishing Culture and Leadership in Smiths City

The establishment of a clear vision, a credible management team, and the development of a culture of success across the business are, I believe, key pillars in achieving the tasks we set ourselves and amongst the most important initiatives a company can take.

This year Smiths City saw the benefits of a refreshed leadership team bringing a new set of strategic and retail skills to the business. The executive management team now comprises seven executives, four of which are new external appointments, in the Human Resource, Logistics, Marketing and Merchandising disciplines. Of the remainder, only one holds the same role as in the prior year.

Biographies of the executive team members are presented as part of this Annual Report.

A complete review of all senior management roles in the company was also undertaken during the year. Regional and store management functions have been realigned to ensure we have the right people in the right roles across the business.

On completion of the executive and senior management refreshment, we engaged company-wide with our staff at all levels on our company values and culture. Every Smiths City employee had the opportunity to talk about the culture of Smiths City. This is possibly the first time we have engaged and encouraged everyone to have a voice in our culture. Flowing out of this process are the core values contained in this Annual Report, along with the Mission and Vision statements for Smiths City.

Logistics

Change is also underway in our purchasing and supply chain practices. We have adopted a cloud-based logistics platform that enables complete visibility throughout our supply chain. The first phase has resulted in the reduction of inventory held and as we move forward it will significantly reduce our compliance cost in managing relationships with our suppliers.

Reviewing our logistics activities has facilitated better understanding of how we can redesign our logistics platform to better serve our customers' needs and lower the associated cost to serve. We will continue to redefine and improve our supply chain practices over the coming year.

Finance

During the year we commenced several new finance company initiatives. We re-cast the product suite in the market place and worked to understand better how our customers interact with our finance offer in-store and online.

Our finance offerings continue to produce solid returns for the group though it has been impacted – as have other finance companies – by increased competition. There is relatively easy access to consumer finance resulting from falling interest rates and the somewhat relaxed and easy access to flexible credit facilities from multiple providers.

We still believe owning and retaining Smiths City Finance is of competitive advantage to Smiths City and a benefit to our customers. We currently have over 78,000 active accounts that provide us with an opportunity to communicate directly and personally with a predisposed customer and we intend to significantly increase the frequency and quality of our conversations with this core group.

Customers

Our customer is at the heart of everything we do and in the past year we have increased our customer relationship management efforts in order to better know our customers, appreciate their loyalty, and touch points with the brand. While many are predisposed to visit our stores, we need to increase the frequency of our interaction with them and ensure that however they wish to transact with us, they can. This requires that we focus on leveraging our considerable database alongside raising our web and online presence to ensure that these are consistent and complementary to our bricks and mortar offering.

Consumer Market Review

It is also essential that Smiths City gains a deeper understanding of a changing consumer market in which our company operates and continues to expand. Greater clarity will guide our efforts in identifying what our customers really need, where and how they prefer to purchase.

As mentioned, we engaged market researcher Colmar Brunton to complete a nationwide customer and competitor study. This has provided us with comprehensive insights and identified opportunities where we believe we can gain advantage in the marketplace.

Economic environment

Despite some challenges in the New Zealand economy flowing from the rural economy, we've experienced notable revenue growth and made real progress towards Smiths City becoming a widely recognised household name supported by a strong national footprint. We don't see material change in the New Zealand market in the short term, but do consider that the potential exists for the market to tighten in the medium term. We believe that we are well positioned to remain competitive and adaptable to market challenges as they eventuate.

I am in no doubt that whatever the future may hold, I and the Board see significant opportunity for Smiths City. We will capitalise on this via ensuring we have a comprehensive network across New Zealand supported by a compelling online platform, relevant merchandise that excites the customer and operating the company in such a manner that ensures acceptable returns to our shareholders.

Summary

Our efforts during the past year are the continuation of the Smith City journey. There are many opportunities open to us to grow revenue and profitability: continued improvements in product ranging and mix, increasing our national penetration, enhancing our online and finance offering, and placing ourselves in a position to make further acquisitions, as and when they arise, are all available to us. It is indeed an exciting time to be part of Smiths City.

It has been a privilege and a pleasure to work alongside a fantastic team in Smiths City, and I thank each member of the Smiths City family for their commitment to ensuring our customers enjoy and return to shop with us.

For shareholders, staff and consumers, Smiths City has an exciting, nationwide future ahead. I look forward to continuing to share our successes with you.

Roy Campbell,
CHIEF EXECUTIVE

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Accounting policies are shown in shaded areas for easier identification.

SMITHS CITY GROUP LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2016

	NOTE	**2016 ($m)**	2015 ($m)
Revenue	6	**221.9**	221.4
Trading Profit	5, 7, 15	**4.0**	2.6
Other Income	8	**-**	8.5
Group Interest Paid – Excluding Finance Business	9	**(0.9)**	(1.8)
Profit Before Taxation	5	**3.1**	9.3
Taxation	10	**2.5**	(1.3)
Profit For The Year		**5.6**	8.0
Earnings Per Share For Profit Attributable To Equity Holders:			
Basic and Diluted Earnings Per Share (cents)	22	**10.6**	15.2

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2016

	NOTE	**2016 ($m)**	2015 ($m)
Profit For The Year		**5.6**	8.0
Other Comprehensive Income			
Items That May Be Reclassified Subsequently to Profit or Loss			
Revaluation Of Land And Buildings		**-**	0.7
Cash Flow Hedges – Fair Value Gains/(Losses) Taken To Cash Flow Hedge Reserve	20	**(1.0)**	(0.4)
Cash Flow Hedges – Deferred Tax	17	**0.3**	0.1
Total Other Comprehensive Income		**(0.7)**	0.4
Total Comprehensive Income For The Period Attributable To Members Of The Company		**4.9**	8.4

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2016

	SHARE CAPITAL ($m)	REVALUATION RESERVES ($m)	HEDGING RESERVES ($m)	OTHER RESERVES ($m)	RETAINED EARNINGS ($m)	TOTAL EQUITY ($m)	NON CONTROLLING INTERESTS ($m)	TOTAL EQUITY ($m)
Balance 1 May 2014	10.7	2.3	(0.4)	0.1	29.9	42.6	0.4	43.0
Profit For The Year	-	-	-	-	8.2	8.2	(0.2)	8.0
Revaluation Of Property	-	0.7	-	-	-	0.7	-	0.7
Cash Flow Hedges – Fair Value Gains/(Losses) Taken To Cash Flow Hedge Reserve	-	-	(0.4)	-	-	(0.4)	-	(0.4)
Cash Flow Hedges – Deferred Tax	-	-	0.1	-	-	0.1	-	0.1
Total Comprehensive Income For Period	**-**	**0.7**	**(0.3)**	**-**	**8.2**	**8.6**	**(0.2)**	**8.4**
Subtotal	10.7	3.0	(0.7)	0.1	38.1	51.2	0.2	51.4
Dividends Paid	-	-	-	-	(1.8)	(1.8)	-	(1.8)
Balance 30 April 2015	**10.7**	**3.0**	**(0.7)**	**0.1**	**36.3**	**49.4**	**0.2**	**49.6**
Profit For The Year	**-**	**-**	**-**	**-**	**5.6**	**5.6**	**-**	**5.6**
Transferred On Sale Of Property	**-**	**(3.0)**	**-**	**-**	**3.0**	**-**	**-**	**-**
Cash Flow Hedges – Fair Value Gains/(Losses) Taken To Cash Flow Hedge Reserve	**-**	**-**	**(1.0)**	**-**	**-**	**(1.0)**	**-**	**(1.0)**
Cash Flow Hedges – Deferred Tax	**-**	**-**	**0.3**	**-**	**-**	**0.3**	**-**	**0.3**
Transferred On Stepped Acquisition	**-**	**-**	**-**	**-**	**0.2**	**0.2**	**(0.2)**	**-**
Total Comprehensive Income For Period	**-**	**(3.0)**	**(0.7)**	**-**	**8.8**	**5.1**	**(0.2)**	**4.9**
Subtotal	**10.7**	**-**	**(1.4)**	**0.1**	**45.1**	**54.5**	**-**	**54.5**
Dividends Paid	**-**	**-**	**-**	**-**	**(1.8)**	**(1.8)**	**-**	**(1.8)**
Balance 30 April 2016	**10.7**	**-**	**(1.4)**	**0.1**	**43.3**	**52.7**	**-**	**52.7**

STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2016

	NOTE	**2016 ($m)**	2015 ($m)
CURRENT ASSETS			
Cash And Cash Equivalents	11	**6.8**	1.9
Finance Business Cash And Cash Equivalents	11	**1.9**	1.2
Trade And Other Receivables	12	**9.7**	10.9
Finance Business Receivables – Current Portion	14	**41.3**	40.6
Inventories	13	**40.4**	42.3
TOTAL CURRENT ASSETS		**100.1**	96.9
NON CURRENT ASSETS			
Finance Business Receivables – Term Portion	14	**25.3**	28.1
Property, Plant And Equipment	15	**3.6**	20.7
Intangible Assets	16	**2.4**	2.1
Deferred Taxation	17	**4.7**	1.9
TOTAL NON CURRENT ASSETS		**36.0**	52.8
TOTAL ASSETS		**136.1**	149.7
CURRENT LIABILITIES			
Trade And Other Payables Including Derivatives	18	**27.2**	26.6
Secured Borrowings	19	**-**	6.0
TOTAL CURRENT LIABILITIES		**27.2**	32.6
FINANCE BUSINESS NON CURRENT BORROWINGS	19	**56.2**	57.4
NON CURRENT LIABILITIES			
Secured Borrowings	19	**-**	10.1
TOTAL LIABILITIES		**83.4**	100.1
NET ASSETS		**52.7**	49.6
SHAREHOLDERS' FUNDS			
Share Capital	20	**10.7**	10.7
Revaluation Reserve	20	**-**	3.0
Other Reserves	20	**(1.3)**	(0.6)
Retained Earnings		**43.3**	36.3
		52.7	49.4
Non Controlling Interest	26	**-**	0.2
TOTAL EQUITY		**52.7**	49.6
Net Tangible Assets Per Share (cents)		**95.4cents**	90.2cents

Dated 24 June 2016

C D BOYCE
CHAIRMAN

J A DOBSON
DEPUTY CHAIRMAN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2016

	NOTE	**2016 ($m)**	2015 ($m)
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Receipts From Customers		**213.0**	211.3
Interest Received – Finance Business		**6.8**	6.9
Interest Received – Other		**0.1**	0.1
Total Cash Flows From Operating Activities		**219.9**	218.3
CASH WAS APPLIED TO:			
Payments To Suppliers And Employees		**(205.3)**	(208.3)
Interest Paid – Finance Business		**(4.0)**	(4.2)
Interest Paid – Bank And Other		**(0.9)**	(1.8)
Total Cash Flows Applied To Operating Activities		**(210.2)**	(214.3)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**9.7**	4.0
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Insurance Receipts For Property		**-**	8.5
Repayment Of Advances From Customers		**2.1**	3.2
Disposal of Property	15	**19.6**	0.6
Total Cash Flows From Investing Activities		**21.7**	12.3
CASH WAS APPLIED TO:			
Acquisition Of Business	26	**(5.3)**	-
Purchase Of Property, Plant And Equipment		**(1.3)**	(4.9)
Total Cash Flows Applied to Investing Activities		**(6.6)**	(4.9)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**15.1**	7.4
CASH FLOWS FROM FINANCING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Receipt Of Loan To Fund Working Capital		**-**	-
Total Cash Flows From Financing Activities		**-**	-
CASH WAS APPLIED TO:			
Repay Advances To Fund Finance Receivables		**(1.2)**	(2.9)
Repay Borrowings		**(16.2)**	(6.5)
Dividends Paid		**(1.8)**	(1.8)
Total Cash Flows Applied To Financing Activities		**(19.2)**	(11.2)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**(19.2)**	(11.2)
Net Inflow/(Outflow) In Cash And Cash Equivalents Held		**5.6**	0.2
Cash And Cash Equivalents At Beginning Of Period	11	**3.1**	2.9
Cash And Cash Equivalents At End Of Period	11	**8.7**	3.1

STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2016

	2016 ($m)	2015 ($m)
RECONCILIATION OF NET PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Per Accounts	**3.1**	9.3
Less Gain On Sale Of Property Reflected In Investing Activities	**(1.8)**	(8.5)
Add Depreciation; Amortisation And Impairment	**1.6**	1.4
	2.9	2.2
Add/(Deduct) Movements In Working Capital		
Add Decrease (Deduct Increase) Receivables	**1.2**	0.7
Add Decrease (Deduct Increase) Inventories	**5.9**	0.7
Add Increase (Deduct Decrease) Accounts Payable And Provisions	**(0.3)**	0.4
Movements In Working Capital	**6.8**	1.8
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**9.7**	4.0

The following are the definitions of the terms used in the statements of cash flows:

- Cash comprises cash and bank balances including Finance Business.
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, investments along with advances and repayments from borrowers from Finance Business.
- Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.
- Operating activities include all transactions and other events that are not investing or financing activities.
- Certain comparatives have been restated to be consistent with the presentation of the cash flows this year.

NOTES TO THE FINANCIAL STATEMENTS

1) Reporting Entity

Smiths City Group Limited ("the company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The company is an FMC Entity in terms of the Financial Markets Conduct Act 2013.

Financial statements of Smiths City Group Limited for the year ended 30 April 2016 comprise the company and its subsidiaries (together referred to as the "Group"). Financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

Smiths City Group Limited is primarily involved in the retailing of consumer electronic products, kitchen appliances, home heating solutions, home furnishings and sporting goods together with the provision of finance to support the retailing operations.

2) Basis Of Preparation

a) Statement of Compliance

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZGAAP). They comply with the New Zealand equivalent to International Financial Reporting Standards ("NZIFRS") and other applicable Financial Reporting Standards, as appropriate, of profit oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 24 June 2016.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value (refer Note 23).

c) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars ($) which is the functional currency of the Group. All financial information presented in New Zealand dollars has been rounded to the nearest million unless otherwise stated.

d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

- Smiths City Finance ("Finance Business") receivables are initially recognised in accordance with the accounting policy outlined in Note 14.
- Unearned income on fixed instalment contracts is recognised when these contracts are assessed as likely to become interest bearing. This involves judgement on the probability that contracts will enter an extended interest bearing period. This assessment is based on historical data. Accordingly, advance releases from unearned income are calculated on this basis and assessed regularly by management.
- Approximately the next two years budgeted profits are considered in the calculation of the deferred tax asset in respect of tax losses to be recognised on the basis it is probable that future taxable profits will be available against which they can be utilised. Further information in respect of the carrying value of the deferred taxation asset is disclosed in Note 17.
- The impairment testing of plant and equipment and intangible assets requires management's assessment of the existence of the indicators of impairment at each reporting date and where the indicators exist, management determines the recoverable amount of the asset.

- The impairment of finance receivables is based on management's assessment of any objective evidence of impairment on an individual and collective basis, which takes into account the historical loss experience in the portfolio of finance receivables as described in Note 23.
- Inventories are measured at the lower of cost and net realisable value and are recorded net of all volume rebates and settlement discounts, as disclosed in Note 13.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 15 – Plant and Equipment

Note 23 – Financial Instruments

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3) Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

a) Basis of Consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Transactions Eliminated on Consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

b) Foreign Currency Transactions

Transactions in foreign currencies are converted to NZD at exchange rates at the dates of the transactions unless the transactions are hedged by foreign currency derivative instruments. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. All exchange gains and losses are recognised in the income statement in the period that they arise, except for qualifying cash flow hedges, which are recognised in other comprehensive income.

c) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are no longer recognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date – i.e: the date that the Group commits itself to purchase or sell the asset. Financial liabilities are no longer recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non derivative financial instruments comprise Finance Business receivables, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. All non derivative financial instruments are initially recognised at fair value.

d) Goods and Services Tax (GST)

The income statement and statement of cash flow have been prepared exclusive of GST. All items in the balance sheet are stated net of GST with the exception of trade and finance receivables and trade payables, which include GST invoiced.

e) New Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2015, as described in those financial statements.

f) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 May 2015 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

NZIFRS15 Revenue From Contracts With Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognised.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other NZIFRS.

The company intends to adopt NZIFRS15 in its financial statements for the annual period beginning on 1 May 2018. The company does not expect the standard to have a material impact on the financial statements.

NZIFRS9 Financial Instruments (2014)

NZIFRS9 (2014) introduces new requirements for the classification and measurement of financial assets. Under NZIFRS9 (2014) financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new “expected credit loss” model for calculating impairment.

NZIFRS9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationship or the requirement to measure and recognise the ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgement to assess the effectiveness of hedging relationship.

The company intends to adopt NZIFRS9 (2014) in its financial statements for the annual period beginning on 1 May 2018. The extent of the impact of adoption of the standard has not yet been determined.

NZIFRS16 Leases

The new Leases Standard IFRS16 was released by IASB in January 2016 and adopted by External Reporting Board in New Zealand in February 2016. The standard requires lease agreements to be recognised on balance sheet as a right to use asset, with a corresponding liability.

The company intends to adopt NZIFRS16 for the annual period beginning on 1 May 2019. This will have an impact on the balance sheet due to the number, value and length of lease commitments. However, the extent of the impact of adoption of the standard has yet to be determined.

4) Determination Of Fair Values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5) Segment Information

The Group has three reportable operating segments that are defined by the sectors within the Group which operates namely retail, the financing of retail sales and property. This reflects the provision of flexible branded finance options to the Group’s retail customers as being considered a key and integral part of the full service offering of all the trading operations of the Group. The following is an analysis of the Group’s revenue and results by operating segment. Revenue reported below represents revenue generated from external customers. Inter segment revenue is recognised on the basis of arms length transactions.

More information on finance income is included in Note 6 and finance costs in Note 9. Furthermore information on finance receivables is included in Note 14 and finance receivables borrowings in Note 19. Note 23 includes further disclosures on credit and liquidity risk and interest rate risk associated with the financing of the Group’s retail sales.

Segment Revenue and Profit Analysis

	REVENUE FROM EXTERNAL CUSTOMERS ($m)	INTER SEGMENT REVENUE ($m)	TOTAL SEGMENT REVENUE ($m)	SEGMENT TRADING PROFIT (LOSS) ($m)
YEAR ENDED 30 APRIL 2015				
Retail Activities	196.2	-	196.2	1.4
Finance Business	10.8	-	10.8	3.5
Property Activities	-	1.2	1.2	1.2
Parent Company	2.7	-	2.7	(0.4)
Total Reportable Segments	209.7	1.2	210.9	5.7
Non Continuing Activities	11.7	-	11.7	(1.9)
Abnormal Items*	-	-	-	(1.2)
Insurance Settlement for Colombo Street	-	-	-	8.5
Group Interest Paid	-	-	-	(1.8)
Total Before Taxation	221.4	1.2	222.6	9.3
YEAR ENDED 30 APRIL 2016				
Retail Activities (including Furniture City $1.7m)	**202.6**	**-**	**202.6**	**3.7**
Finance Business	**10.3**	**-**	**10.3**	**3.0**
Property Activities	**-**	**0.7**	**0.7**	**0.6**
Parent Company	**1.9**	**-**	**1.9**	**(0.7)**
Total Reportable Segments	**214.8**	**0.7**	**215.5**	**6.6**
Non Continuing Activities	**7.1**	**-**	**7.1**	**(1.9)**
Abnormal Items*	**-**	**-**	**-**	**(2.5)**
Sale Of Colombo Street Property (See Note 15)	**-**	**-**	**-**	**1.8**
Group Interest Paid	**-**	**-**	**-**	**(0.9)**
Total Before Taxation	**221.9**	**0.7**	**222.6**	**3.1**

**Abnormal items relate firstly to costs associated with store closures; secondly employee restructuring; and thirdly the cost of an alteration of the way the Group approaches purchasing and supply chain management.*

Other Segment Information

	RETAIL ACTIVITIES (incl Parent) ($m)	FINANCE ACTIVITIES ($m)	PROPERTY ACTIVITIES ($m)	TOTAL ($m)
YEAR ENDED 30 APRIL 2015				
Assets	61.8	70.1	17.8	149.7
Liabilities	(32.1)	(57.9)	(10.1)	(100.1)
Equity	(29.7)	(12.2)	(7.7)	(49.6)
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	2.0	-	2.8	4.8
Disposals of Property, Plant And Equipment	-	-	(0.6)	(0.6)
Depreciation, Amortisation And Impairment	(1.3)	(0.1)	-	(1.4)
Interest Expense	(1.2)	(4.2)	(0.6)	(6.0)
Interest Revenue	0.1	10.8	-	10.9
YEAR ENDED 30 APRIL 2016				
Assets	**67.6**	**68.5**	**-**	**136.1**
Liabilities	**(27.2)**	**(56.2)**	**-**	**(83.4)**
Equity	**(40.4)**	**(12.3)**	**-**	**(52.7)**
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	**3.0**	**-**	**-**	**3.0**
Disposals of Property, Plant And Equipment	**(0.4)**	**-**	**(17.8)**	**(18.2)**
Depreciation, Amortisation And Impairment	**(1.6)**	**-**	**-**	**(1.6)**
Interest Expense	**(0.6)**	**(4.0)**	**(0.3)**	**(4.9)**
Interest Revenue	**0.1**	**10.3**	**-**	**10.4**

The reportable operating segments of the Group have been determined based on the components of the Group that the chief operating decision maker (CODM) monitors in making decisions about operating matters. Such components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the entity.

6) Revenue

	2016 ($m)	2015 ($m)
Retail Sales *	**211.6**	210.6
Interest Income On Finance Business Receivables Measured At Amortised Cost	**10.3**	10.8
	221.9	221.4

**Includes sales of Adventure Brands of $1.9m (2015 $2.7m).*

**Note the details of the Colombo Street sale and leaseback transaction are referred to in Note 15.*

Accounting Policy - Revenue
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Retail sales are recognised when the Group sells a product to the customer. Where such products are required to be installed, sales revenue is recognised when the product is installed.

Proceeds from insurance claims are recognised when the Group has the right to receive the proceeds.

Finance income comprises income on Finance Business receivables and interest income on funds invested.

Income on Finance Receivables
Income on finance receivables is recognised using the effective interest method calculated on the net amount outstanding. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset.

The calculation of the effective interest rate includes all fees that are integral to the effective interest rate. All fees except those charged to customers accounts in arrears are considered to be integral to the effective interest rate. Fees charged to customer accounts in arrears are recognised as income at the time the fees are charged.

Income of Finance Business finance receivables is included as part of revenue.

Interest Income on Funds Invested
Interest income is recognised on a time proportionate basis using the effective interest method, which takes into account the effective yield on the financial asset.

7) Expenses By Nature

The following expenses have been included in arriving at Trading Profit.

	2016 ($m)	2015 ($m)
Purchases Net Of Rebates	**(150.1)**	(149.0)
Movement In Inventory	**(1.7)**	(0.9)
Operating Lease Rental Expense	**(15.0)**	(14.4)
Employee Benefits	**(33.4)**	(34.0)
Marketing Expenses	**(4.1)**	(4.6)
Utilities Expenses	**(2.7)**	(2.9)
Insurance Expenses	**(1.5)**	(1.8)
Auditor's Services	**(0.1)**	(0.1)
Directors' Fees	**(0.3)**	(0.3)

Accounting Policy – Expenses
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Deferred Landlord Contributions
Landlord contributions to fit out costs are capitalised as deferred contributions and amortised to the income statement over the initial period of the lease.

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the term of the lease.

8) Other Income

	2016 ($m)	2015 ($m)
Insurance Payment Received On Property	**-**	8.5

This comprises payments received for the Colombo Street property from the Group's insurer. The costs associated with Stage 2 to complete the rebuild of the retail areas of the property have been added to value of the property. Refer Note 15. The treatment to record insurance receipts and costs incurred as separate transactions is consistent with that provided in prior years.

9) Interest Expense

	2016	2015
Included in Trading Profit		
Interest Expense On Finance Business Borrowings	**(4.0)**	(4.2)
Interest Expense On Bank Borrowings On Property And Retail Activities	**(0.9)**	(1.8)

Accounting Policy – Interest Expense
Finance expenses comprise interest expense on borrowings, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables) and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method. Note that Finance Business interest expense is included as part of Trading Profit – refer Note 6.

10) Income Tax Expense

	2016	2015
a) Income Tax Expense		
Current Tax	**-**	-
Deferred Tax (Charge)/Credit*	**2.5**	(1.3)
Total Deferred Tax (Charge)/Credit	**2.5**	(1.3)
b) Reconciliation Of Tax Expense To Tax Rate Applicable To Profits		
Profit Before Income Tax Expense	**3.1**	9.3
Tax at the Rate Of 28% (2015 28%)	**(0.9)**	(2.7)
- Tax Exempt Income (Property Gain)	**0.5**	2.0
- Expenses Not Deductible For Tax	**(0.1)**	(0.1)
Movement In Deferred Taxation Temporary Differences	**3.0**	(0.5)
Total Income Tax (Expense)/Credit	**2.5**	(1.3)
c) Imputation Credits		
There are no imputation credits available to equity holders of the company.		

* *The deferred tax charge for the current period takes into account temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes together with the movement in the company's estimates of future taxable profits on the basis these can be offset against the tax losses available. Smiths City has available carry forward tax losses of $6.9m, hence no income tax is payable.*

Accounting Policy - Taxation
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

11) Cash And Cash Equivalents

The effective interest rates on call and short term deposits in 2016 was 2.25% (2015 3.18%). The amounts on deposit are at call (2015 at call).

Refer Note 19 for details of the effective interest rate on the Bank overdraft together with security provided.

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

12) Trade And Other Receivables

	2016 ($m)	2015 ($m)
Trade Receivables	**4.5**	5.3
Impairment Allowances	**(0.1)**	(0.7)
Net Trade Receivables	**4.4**	4.6
Other Receivables	**5.3**	6.3
Total Current Receivables	**9.7**	10.9

Effective Interest Rate
No interest is charged on trade receivables.

Fair Value
The fair value of trade and other receivables approximates their carrying value.

Refer to Note 23 for information on the credit risk associated with the trade receivables.

Trade and other receivables are recognised at cost less impairment losses.

Accounting Policy – Trade and Other Receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

For trade receivables which are not significant on an individual basis, impairment is assessed on a portfolio basis and taking into account the historical loss experience in portfolios with a similar number of days overdue.

13) Inventories

Finished Goods	**41.2**	43.0
Write-down To Net Realisable Value	**(0.8)**	(0.7)
Net Inventories	**40.4**	42.3

Inventory adjustments are provided at period end for stock obsolescence. The amount of inventory sold during the year is reflected in cost of goods sold. The Group recognises inventory at the lower of cost and net realisable value (NRV). The amount of inventory subject to registered reservation of title claims total $7.0m (2015 $7.2m).

Accounting Policy – Inventory
Inventories are measured at the lower of cost and net realisable value and are recorded net of all volume rebates and settlement discounts. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing locations and condition being the acquisition cost, freight, duty and other inward charges. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

14) Finance Business Receivables

	2016			2015		
	FIXED INSTALMENT ($m)	**REVOLVING CREDIT ($m)**	**TOTAL ($m)**	FIXED INSTALMENT ($m)	REVOLVING CREDIT ($m)	TOTAL ($m)
Gross Finance Receivables	**73.7**	**20.8**	**94.5**	74.3	21.4	95.7
Provision For Unearned Income	**(26.6)**	**-**	**(26.6)**	(25.7)	-	(25.7)
	47.1	**20.8**	**67.9**	48.6	21.4	70.0
Less Impairment Allowances	**(0.8)**	**(0.5)**	**(1.3)**	(0.8)	(0.5)	(1.3)
	46.3	**20.3**	**66.6**	47.8	20.9	68.7
ANALYSIS						
Current Portion	**34.6**	**6.7**	**41.3**	32.6	8.0	40.6
Term Portion	**11.7**	**13.6**	**25.3**	15.2	12.9	28.1
	46.3	**20.3**	**66.6**	47.8	20.9	68.7

The table below details the geographic split of Finance Business receivables:

	2016		2015	
	FIXED INSTALMENT %	**REVOLVING CREDIT %**	FIXED INSTALMENT %	REVOLVING CREDIT %
North Island	**23.6**	**27.1**	21.4	26.0
South Island	**76.4**	**72.9**	78.6	74.0
	100.0	**100.0**	**100.0**	**100.0**

Refer to Note 23 for information on the credit risk associated with Finance Business receivables. A further breakdown of current and non current receivables is given as part of the liquidity risk disclosure.

Gross finance receivables includes all interest and finance related fees due under financing agreements.

The interest rate charged to customers on fixed instalment and flexible credit agreements varies. For those customers paying their accounts within the promotional term any interest paid is rebated to the customer and, accordingly, no interest is charged. However, for those customers whose accounts become interest bearing the rate charged is up to 23.95% per annum (2015 23.95%). Interest on those fixed instalment contracts where the promotional term is the same as the contract term has been excluded as historical data shows that such interest is unlikely to be collected.

The finance receivables relate to products sold on deferred payment terms. There are no unguaranteed residual values accruing to the benefit of the Group. Releases from unearned income are calculated on the probability that contracts will enter an extended interest bearing period. This probability is assessed based on historical data.

Accounting Policy – Finance Business Receivables
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Subsequent to initial recognition, Finance Business receivables are measured at amortised cost using the effective interest method, less any impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

For Finance Business and trade receivables which are not significant on an individual basis, impairment is assessed on a portfolio basis and taking into account the historical loss experience in portfolios with a similar number of days overdue.

15) Property, Plant & Equipment

	LAND & BUILDINGS ($m)	LEASEHOLD IMPROVEMENTS ($m)	OFFICE & COMPUTER EQUIPMENT ($m)	TOTAL ($m)
Cost or Valuation				
Balance 1 May 2014	22.4	9.3	22.0	53.7
Additions	2.9	0.5	0.7	4.1
Disposals	(0.6)	-	-	(0.6)
Writeback Accumulated Depreciation	(7.6)	-	-	(7.6)
Sub Total Before Revaluation	17.1	9.8	22.7	49.6
Revaluation	0.7	-	-	0.7
Balance 30 April 2015	17.8	9.8	22.7	50.3
Balance 1 May 2015	**17.8**	**9.8**	**22.7**	**50.3**
Additions	**-**	**0.6**	**1.5**	**2.1**
Disposals	**(17.8)**	**(0.7)**	**(0.5)**	**(19.0)**
Balance 30 April 2016	**-**	**9.7**	**23.7**	**33.4**
Depreciation and Impairment Costs				
Balance 1 May 2014	(7.6)	(8.5)	(20.1)	(36.2)
Depreciation For The Year	-	(0.6)	(0.4)	(1.0)
Disposals	-	-	-	-
Writeback Accumulated Depreciation	7.6	-	-	7.6
Balance 30 April 2015	-	(9.1)	(20.5)	(29.6)
Balance 1 May 2015	**-**	**(9.1)**	**(20.5)**	**(29.6)**
Depreciation For The Year	**-**	**(0.2)**	**(0.8)**	**(1.0)**
Disposals	**-**	**0.6**	**0.2**	**0.8**
Balance 30 April 2016	**-**	**(8.7)**	**(21.1)**	**(29.8)**
Carrying Amounts				
At 1 May 2014	14.8	0.8	1.9	17.5
At 30 April 2015	17.8	0.7	2.2	20.7
At 1 May 2015	**17.8**	**0.7**	**2.2**	**20.7**
At 30 April 2016	**-**	**1.0**	**2.6**	**3.6**

Details of property, plant and equipment pledged as security is referred to in Note 19.

a) Recognition and Measurement

During the period the Colombo Street property was sold to a third party and the Group entered into a lease back arrangement on normal commercial terms.

The sale of the property realised $19.6m after costs and resulted in a gain over its $17.8m carrying value of $1.8m which is reflected in the operating result for this 12 months. Furthermore the revaluation reserve of $3m was realised and transferred to retained earnings as a result of the sale.

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

b) Subsequent Costs

The costs of the day to day servicing of property, plant and equipment are recognised in the income statement as incurred.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

c) **Depreciation**

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The depreciation methods for the current and comparative periods are as follows:

Leasehold Improvements	12.5% - 50% straight line
Office and computer equipment	10% - 20% straight line

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Accounting Policy – Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination and land and buildings held are based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The carrying amounts of the Group's property, plant and equipment, intangible assets and subsidiaries and financial assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment, except that indefinite life intangible assets are tested annually and when impairment indicators exist.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

16) Intangible Assets

	PURCHASED BRANDS & CUSTOMER DATABASES ($m)	SOFTWARE INCL DEVELOPMENT COSTS ($m)	TOTAL ($m)
Cost			
Balance 1 May 2014	1.9	4.4	6.3
Additions	-	0.1	0.1
Additions Internally Developed	-	0.7	0.7
Balance 30 April 2015	1.9	5.2	7.1
Balance 1 May 2015	**1.9**	**5.2**	**7.1**
Additions	**0.4**	**-**	**0.4**
Additions Internally Developed	**-**	**0.5**	**0.5**
Balance 30 April 2016	**2.3**	**5.7**	**8.0**
Amortisation and Impairment Costs			
Balance 1 May 2014	(1.2)	(3.4)	(4.6)
Impairment	-	-	-
Amortisation For The Year	(0.1)	(0.3)	(0.4)
Balance 30 April 2015	(1.3)	(3.7)	(5.0)
Balance 1 May 2015	**(1.3)**	**(3.7)**	**(5.0)**
Impairment	**-**	**-**	**-**
Amortisation For The Year	**(0.1)**	**(0.5)**	**(0.6)**
Balance 30 April 2016	**(1.4)**	**(4.2)**	**(5.6)**
Carrying Amounts			
At 1 May 2014	0.7	1.0	1.7
At 30 April 2015	0.6	1.5	2.1
At 1 May 2015	**0.6**	**1.5**	**2.1**
At 30 April 2016	**0.9**	**1.5**	**2.4**

The fair value of purchased brands and customer database is based on the discounted cash flows expected to be derived from the eventual sale of the assets.

a) Finite Life Intangible Assets

Finite Life Intangible Assets comprising purchased brands acquired, customer databases and computer software applications are capitalised on the basis of the costs incurred to acquire the customer database and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives.

Computer software development costs recognised as assets are amortised on a straight line basis over their estimated useful lives.

The estimated useful lives for the current and comparative periods are as follow:

Purchased Brands	20 years
Customer databases	20 years
Computer software applications	5 years
Development costs	5 years
Websites	5 years

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs.

Accounting Policy – Intangible Assets
The carrying amounts of the Group's property, plant and equipment, intangible assets and subsidiaries and financial assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment, except that indefinite life intangible assets are tested annually and when impairment indicators exist.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

17) Deferred Tax Assets And Liabilities

Unrecognised Deferred Tax Assets
A deferred tax asset has not been recognised in respect of the unutilised tax losses on the basis that, as referred to in Note 2 d) these exceeded approximately two years budgeted profits at that date.

	2016 ($m)	2015 ($m)
Unutilised Tax Losses	**3.4**	3.0
Unrecognised Deferred Tax Assets	**1.0**	0.8

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributed to the following (based on rebate, tax losses and fees):

	ASSETS		LIABILITIES		NET	
	2016	2015	**2016**	2015	**2016**	2015
	($m)	($m)	**($m)**	($m)	**($m)**	($m)
Property, Plant And Equipment	**0.2**	-	-	(3.0)	**0.2**	(3.0)
Inventory	**1.0**	1.0	-	-	**1.0**	1.0
Receivables	**1.2**	1.4	-	-	**1.2**	1.4
Derivatives	**0.5**	0.2	-	-	**0.5**	0.2
Provisions	**0.8**	1.2	-	-	**0.8**	1.2
Tax Losses	**1.0**	1.1	-	-	**1.0**	1.1
	4.7	4.9	-	(3.0)	**4.7**	1.9

The company has considered the level of budgeted profits to be recognised in the calculation of the deferred tax asset. As part of this assessment the Directors have considered the likelihood of a change in shareholding and the historical performance of the company. As a result on this basis the company considers it is probable that future taxable profits will be available against which tax losses can be utilised.

Movement In Deferred Tax Balances During The Year

	BALANCE 30 April 2014 ($m)	MOVEMENT ($m)	BALANCE 30 April 2015 ($m)	**MOVEMENT ($m)**	**BALANCE 30 April 2016 ($m)**
Property, Plant And Equipment	(2.0)	(1.0)	(3.0)	**3.2**	**0.2**
Inventory	1.0	-	1.0	**-**	**1.0**
Receivables	0.6	0.8	1.4	**(0.2)**	**1.2**
Derivatives	0.1	0.1	0.2	**0.3**	**0.5**
Provisions	0.9	0.3	1.2	**(0.4)**	**0.8**
Tax Losses	2.4	(1.3)	1.1	**(0.1)**	**1.0**
	3.0	(1.1)	1.9	**2.8**	**4.7**

The movement in deferred tax on derivatives $0.3m (2015 $0.1m) has been recognised in other comprehensive income.

The Group has tax losses of $6.9m (2015 $7.5m) and no unrecognised temporary differences. The ability to utilise these tax losses in the future depends upon the generation of sufficient assessable income, shareholder continuity and any changes in legislation.

Accounting Policy – Deferred Tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

18) Trade And Other Payables

	2016	2015
	($m)	($m)
Trade Payable Due To Related Parties	**0.1**	0.1
Other Trade Payables	**19.6**	17.9
Derivatives	**1.5**	0.7
Non Trade Payables And Accrued Expenses	**6.0**	7.9
	27.2	26.6

The fair value of trade and other payables approximates their carrying value. No interest is paid on the payables.

Accounting Policy – Trade and Other Payables

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Trade and other payables are stated at cost and the amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. These amounts are unsecured with the exception of those payables for which the supplier has a security interest over the inventory to which it relates and are usually paid within 60 days of recognition.

19) Loans And Borrowings

The contractual terms of the Group's interest bearing loans and borrowings is set out below. Further information about the company's exposure to interest rate and foreign currency risk is set out in Note 23. Fair value is equal to carrying value.

	2016 ($m)	2015 ($m)
NON CURRENT LIABILITIES		
Secured Finance Business Loans	**56.2**	57.4
Secured Bank Loans	**-**	10.1
CURRENT LIABILITIES		
Secured Bank Loans	**-**	6.0
TOTAL INTEREST BEARING LIABILITIES	**56.2**	73.5

Terms And Debt Repayment Schedule

Terms and conditions of outstanding loans were as follows:

	NOMINAL INTEREST RATE	**TERM**	**FACILITY ($m)**	**CARRYING AMOUNT 2016 ($m)**	FACILITY ($m)	CARRYING AMOUNT 2015 ($m)
Senior Revolving Secured Facility	30 Day BBR plus 3%	see note (i) below	**65.0**	**56.2**	75.0	57.4
Secured Bank Loan	BKBM plus 2.6%	see note (ii) below	**8.8**	**-**	15.1	6.0
Secured Bank Loan	BBR plus 2.6%	see note (iii) below	**-**	**-**	10.7	10.1
Secured Bank Overdraft	10.7%	see note (ii) below	**2.0**	**-**	2.0	-
Total Interest Bearing Liabilities			**75.8**	**56.2**	**102.8**	**73.5**

Total Interest Bearing Liabilities

i) The senior revolving secured cash advance facility agreement is secured by way of fixed and floating charge over Finance Business Receivables. The loan is subject to various covenants including a capital ratio. Subsequent to balance date the borrowings reduced by $1.75m. The facility is due for renewal on or before May 2017 subject to agreement with the lender.

ii) The secured bank loans and bank overdraft are secured by a fixed and floating charge over all the Group's assets. The loans are also subject to various covenants and capital ratios. The current portion of secured bank loans are subject to review annually.

iii) There are cross guarantees between the Parent company and all subsidiaries for the senior revolving cash advance facility and secured bank loans.

Accounting Policy – Loans and Borrowings
Loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Fair value is calculated based on the present value of contractual cash flows, discounted at the market rate of interest at the reporting date.

20) Capital And Reserves

Share Capital
At balance date the Group and Parent had issued and paid up capital of $10.7m (2015 $10.7m). The number of shares issued is 52,688,153 (2015 52,688,153). All shares are fully paid up and have equal voting and dividend rights. Upon winding up all shares rank equally with regard to the Group's residual assets.

Revaluation Reserve
The revaluation reserve which related to the revaluation of property was transferred to retained earnings upon the sale of the Colombo Street property and this is reflected in the Statement of Changes in Equity. Refer also Note 15.

Hedging Reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Refer also Note 23 for details of foreign currency and interest rate hedging instruments.

Other Reserves
These relate to realised capital profits on disposal of assets.

21) Dividends

The following dividends were declared and paid by the Group for the year ended 30 April:

	Cents Per Share		Total Paid	
	2016	2015	**2016 ($m)**	2015 ($m)
Interim For Year Ending 30 April 2016	**1.0**		**0.5**	
Final For Year Ending 30 April 2015	**2.5**		**1.3**	
Interim For Year Ending 30 April 2015		1.0		0.5
Final For Year Ending 30 April 2014		2.5		1.3
	3.5	3.5	**1.8**	1.8

All dividends were unimputed.

On 24 June 2016 the Directors resolved to pay a dividend of 2.5cents per share on Friday 12 August 2016 (2015 2.5cents).

22) Earnings Per Share

The calculation of basic earnings per share at 30 April 2016 was based on the profit before tax attributable to ordinary shareholders of $3.1m (2015 $9.3m) and an average number of ordinary shares outstanding of 52,688,153 (2015 52,688,153). Basic earnings per share is the same as dilutive earnings per share as there are no ordinary shares outstanding that have any dilutive potential.

Accounting Policy – Earnings Per Share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

23) Financial Instruments

Exposure to credit, interest rate, foreign currency and liquidity risks arises in the normal course of the Group's business.

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and finance receivables.

Management has a credit policy in place under which each new customer is individually assessed for credit worthiness before credit is granted applying to trade accounts, fixed instalment agreements and/or revolving credit accounts. This includes the obtaining of deposits and ensuring adequate insurance cover is in place for items supplied on credit terms. The Group also reviews external ratings as part of this process.

There are levels of authorisation for granting credit within the Group. These are allocated to the credit officers or the head of the credit team. Larger loans and facilities require approval by the Chief Executive Officer, Chief Financial Officer or in some cases, the General Managers.

In order to determine which customers are classified as having payment difficulties, the Group applies a mix of duration and frequency of default. The Group does require collateral in respect of the finance receivables being the goods themselves and if considered necessary will register a security interest against them.

Categories are utilised by the Group to classify exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. Categories are used to determine where impairment allowances are required.

The credit risk framework consists of the following categories reflecting varying degrees of risk of default and the availability of collateral or other risk mitigation. Categories are also subject to regular reviews by the credit team.

Credit Risk Category		**Description**
Current	Low risk	Compliance with all terms
In arrears	Fair risk	Non compliance but follow up action underway
Arrangement	Low/fair risk	Non compliance but a payment plan in place
Insurance Claim	Low/fair risk	Non compliance but account insured
Collection/Repossession	Impaired	Action being taken to enforce security
Legal Action	Impaired	Action being taken to enforce security

Regular internal audits of finance receivables by an independent professional audit firm are undertaken for the financier of the ledger. All credit policies and procedures are subject to review by the Audit Committee who also receive quarterly reports on the ledgers, arrears levels and impairment losses.

The Group's exposure to credit risk is mainly influenced by its customer base. As such it is concentrated to the default risk of the retail sector in New Zealand. There are no individually significant exposures to any one customer or group of related customers. There are no significant related party finance receivables.

Investments are allowed only in liquid securities and only with counterparties that have an investment grade rating. In addition the Group has established counterparty limits for investments and derivatives depending on their rating. Transactions involving derivative financial instruments are with counterparties who have sound credit ratings.

Liquidity Risk
Liquidity risk represents the Group's ability to meet is contractual obligations. The Group evaluates its liquidity risk on an ongoing basis. Day to day funding requirements and future cash flows are monitored to ensure requirements can be met. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover shortfalls. Furthermore the Group maintains strong bank relationships and committed bank credit facilities.

Market Risk
The Group enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks. The Board of Directors provides oversight for risk management and derivative activities. This includes determining the Group's financial risk policies and objectives, guidelines for derivative instrument utilisation, procedures for control and valuation, risk analysis, counterparty credit approval and ongoing monitoring and reporting.

Foreign Currency Risk
The Group is exposed to foreign currency risks on purchases that are denominated in a currency other than the company's functional currency, New Zealand Dollars ($), which is the presentation currency of the Group. The overseas currency in which transactions are denominated is US Dollars (USD). The Group hedges up to 100% of its estimated foreign currency exposure in respect of forecasted purchases over the following 12 months. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year at the balance sheet date.

The fair value of forward exchange contracts is based on broker quotes. If a quote is not available then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate (based on government bonds).

Interest Rate Risk
The Group has a policy of ensuring that interest rate exposure on term borrowings (or core debt) shall be fixed forward for 12 months for a minimum of 50% of total exposure and up to a maximum of 100%.

Interest rate exposure on Finance Business borrowings is to be fixed forward to mirror the profile of the receivables portfolio for those receivables whose interest rate is fixed at the point the contract is originated. The minimum exposure of these receivables hedged is 60% up to a maximum of 100%.

Based on independent advice received monthly, interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy for both its core debt and Finance Business.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Other Market Price Risks
The Group is not exposed to substantial other market price risk arising from financial instruments.

QUANTITATIVE DISCLOSURES

Credit Risk
The carrying amount of financial assets represents the Group's maximum credit exposure. The Group's material credit risk arises from finance receivables. The Group has not renegotiated the term of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status. The Group has not restructured financial assets. The status of trade and finance receivables at reporting date is as follows:

Trade Receivables
Trade receivables comprise sales made to customers on credit through the Group's trades based businesses or through the collection of purchasing volume or advertising rebates from suppliers not otherwise deducted from suppliers payable accounts.

	GROSS RECEIVABLE 2016 ($m)	**IMPAIRMENT 2016 ($m)**	GROSS RECEIVABLE 2015 ($m)	IMPAIRMENT 2015 ($m)
Not Past Due	**3.3**	**-**	3.5	-
Past Due 1-30 Days	**0.4**	**-**	0.9	-
Past Due 31-60 Days	**0.6**	**-**	0.2	-
Past Due Over 61 Days	**0.2**	**(0.1)**	0.7	(0.7)
	4.5	**(0.1)**	5.3	(0.7)
ANALYSIS				
Trade Receivables – Trades Based Customers	**0.4**	**-**	0.6	-
Other Receivables Including Monthly Account Customers	**4.1**	**(0.1)**	4.7	(0.7)
	4.5	**(0.1)**	5.3	(0.7)

Individually impaired trade receivables relate to delinquent customers. In the case of delinquency the Group writes off the receivable unless there is clear evidence that a receipt is highly probable.

Fixed Instalment Receivables

	2016			2015		
	ACCOUNT BALANCE %	**ACCOUNT BALANCE ($m)**	**IMPAIRMENT ($m)**	ACCOUNT BALANCE %	ACCOUNT BALANCE ($m)	IMPAIRMENT ($m)
Current	**88.5**	**41.7**	**-**	85.6	41.6	-
1 Month Overdue	**4.7**	**2.2**	**-**	5.1	2.5	-
2 Month Overdue	**1.7**	**0.8**	**-**	1.4	0.7	-
3 Month Overdue	**0.6**	**0.3**	**-**	0.7	0.3	-
Over 3 Month Overdue	**4.5**	**2.1**	**(0.8)**	7.2	3.5	(0.8)
	100.0	**47.1**	**(0.8)**	**100.0**	**48.6**	**(0.8)**

Revolving Credit Receivables (Excluding Receivables Due From Adventure Brands Limited)

	2016			2015		
	ACCOUNT BALANCE %	ACCOUNT BALANCE ($m)	IMPAIRMENT ($m)	ACCOUNT BALANCE %	ACCOUNT BALANCE ($m)	IMPAIRMENT ($m)
Current	**75.5**	**15.7**	**-**	75.2	16.1	-
1 Month Overdue	**16.3**	**3.4**	**-**	15.4	3.3	-
2 Month Overdue	**3.4**	**0.7**	**-**	4.7	1.0	-
3 Month Overdue	**1.0**	**0.2**	**-**	0.9	0.2	-
Over 3 Month Overdue	**3.8**	**0.8**	**(0.5)**	3.8	0.8	(0.5)
	100.0	**20.8**	**(0.5)**	100.0	21.4	(0.5)

Impaired Finance Receivables
Impaired finance receivables are those for which the Group determines that there is objective evidence that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement. These loans are treated as subject to collection, repossession or legal action in the Group's internal credit risk grading system.

Past Due But Not Impaired
Finance receivables where contractual interest or principal repayments are past due but the Group believes that impairment is not appropriate based on the stage of collection of amounts owed to the Group or the level of security/collateral available. These loans are treated as under arrangement.

Allowances for Impairment
The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its finance receivables portfolio. The main component of this allowance is a specific loss component that relates to individual exposures which is identified on loans subject to individual assessment for impairment.

Write Off Policy
The Group writes off a receivable (and any related allowances for impairment losses) when management determines that the loan is uncollectible. This determination is reached after collection procedures have proved unsuccessful, the occurrence of significant changes in borrowers position such that the borrower can no longer pay the obligation, or that the proceeds from the collateral and/or insurance claim will not be sufficient to pay back the entire obligation.

Collateral
The Group is able to repossess goods supplied on all its consumer loans and in certain cases holds registered security interests and guarantees.

Impaired Assets Provision

	2016				2015			
	TRADE RECEIVABLES ($m)	FIXED INSTALMENT RECEIVABLES ($m)	REVOLVING CREDIT RECEIVABLES ($m)	TOTAL ($m)	TRADE RECEIVABLES ($m)	FIXED INSTALMENT RECEIVABLES ($m)	REVOLVING CREDIT RECEIVABLES ($m)	TOTAL ($m)
<u>Impaired Assets Provision</u>								
Opening Balance	**0.7**	**0.8**	**0.5**	**2.0**	0.1	0.8	0.5	1.4
Movement In Provision For Impairment	**(0.6)**	**-**	**-**	**(0.6)**	0.6	-	-	0.6
Closing Balance	**0.1**	**0.8**	**0.5**	**1.4**	0.7	0.8	0.5	2.0
<u>Impaired Asset Expense</u>								
Impairment Charges On Uncollectable Accounts	**0.6**	**0.4**	**0.2**	**1.2**	-	0.4	0.2	0.6
Recoveries From Accounts Previously Written Off	**-**	**(0.1)**	**-**	**(0.1)**	-	(0.1)	-	(0.1)
Impaired Assets Charge Included In Store And Distribution Expenses	**0.6**	**0.3**	**0.2**	**1.1**	-	0.3	0.2	0.5

LIQUIDITY RISK

The following table sets out the contractual cash flows for all financial assets, liabilities and derivatives that are settled on a gross cash flow basis. Note the table below excludes inventory.

Residual Contractual Maturities Of Financial Assets And Liabilities

	BALANCE SHEET ($m)	CONTRACTUAL CASH FLOWS ($m)	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)
2016						
Non Derivative Assets						
Cash And Cash Equivalents	**8.7**	**8.7**	**8.7**	**-**	**-**	**-**
Trade And Other Receivables	**9.7**	**9.7**	**9.7**	**-**	**-**	**-**
Fixed Instalment Receivables	**46.3**	**79.0**	**19.6**	**19.0**	**29.2**	**11.2**
Revolving Credit Receivables *	**20.3**	**62.0**	**3.7**	**3.4**	**6.3**	**48.6**
Total Non Derivative Assets	**85.0**	**159.4**	**41.7**	**22.4**	**35.5**	**59.8**
** Note based on minimum repayment profile of these receivables.*						
Non Derivative Liabilities						
Finance Business Borrowings	**(56.2)**	**(57.8)**	**(30.7)**	**(15.7)**	**(10.4)**	**(1.0)**
Trade And Other Payables	**(27.2)**	**(27.2)**	**(27.2)**	**-**	**-**	**-**
Total Non Derivative Liabilities	**(83.4)**	**(85.0)**	**(57.9)**	**(15.7)**	**(10.4)**	**(1.0)**
Interest Rate Swaps – Out Flow	**(1.3)**	**(1.3)**	**-**	**(0.1)**	**(1.2)**	**-**
Forward Exchange Contracts – Out Flow	**(0.3)**	**(0.3)**	**(0.2)**	**(0.1)**	**-**	**-**
TOTAL	**0.0**	**72.8**	**(16.4)**	**6.5**	**23.9**	**58.8**
2015						
Non Derivative Assets						
Cash And Cash Equivalents	3.1	3.1	3.1	-	-	-
Trade And Other Receivables	10.9	10.9	10.9	-	-	-
Fixed Instalment Receivables	47.8	80.5	20.2	19.5	29.1	11.7
Revolving Credit Receivables *	20.9	62.8	3.7	3.5	6.3	49.3
Total Non Derivative Assets	82.7	157.3	37.9	23.0	35.4	61.0
** Note based on minimum repayment profile of these receivables.*						
Non Derivative Liabilities						
Bank Overdrafts	-	-	-	-	-	-
Secured Bank Loans	(16.1)	(17.5)	(0.5)	(0.5)	(16.5)	-
Finance Business Borrowings	(57.4)	(60.3)	(25.3)	(16.6)	(13.8)	(4.6)
Trade And Other Payables	(26.6)	(26.6)	(26.6)	-	-	-
Total Non Derivative Liabilities	(100.1)	(104.4)	(52.4)	(17.1)	(30.3)	(4.6)
Interest Rate Swaps – Out Flow	(0.8)	(0.8)	-	(0.1)	(0.7)	-
Forward Exchange Contracts – Out Flow	0.1	0.1	0.1	-	-	-
TOTAL	(18.1)	52.2	(14.4)	5.8	4.4	56.4

The contractual maturity of financial assets and liabilities is shown above. However, the Group's expected cash flows on these instruments, specifically fixed instalment receivables, vary significantly from their contractual cash flows.

Expected Maturities Of Financial Assets And Liabilities

	BALANCE SHEET ($m)	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)
GROUP 2016					
Fixed Instalment Receivables	**46.3**	**19.8**	**14.9**	**9.8**	**1.8**
GROUP 2015					
Fixed Instalment Receivables	47.8	18.6	14.0	11.4	3.8

The only expected difference in maturity is in relation to receivables.

FOREIGN CURRENCY RISK

The Group's exposure to foreign currency risk can be summarised as follows:

	AVERAGE EXCHANGE RATE 2016	AVERAGE EXCHANGE RATE 2015	FOREIGN CURRENCY 2016 ($m)	FOREIGN CURRENCY 2015 ($m)	CONTRACT VALUE 2016 ($m)	CONTRACT VALUE 2015 ($m)	FAIR VALUE 2016 ($m)	FAIR VALUE 2015 ($m)
Outstanding Contracts								
Buy US Dollars								
Less Than 3 Months	**0.70**	0.79	**1.4**	1.5	**2.1**	1.8	**(0.1)**	0.1
3-6 Months	**0.64**	0.77	**1.3**	1.3	**2.1**	1.8	**(0.1)**	-
6-12 Months	**0.65**	0.74	**1.2**	1.3	**1.8**	1.7	**(0.1)**	-
							(0.3)	0.1

The Group has no significantly unhedged foreign currency exposures.

The value of forward exchange contracts outstanding are recognised in trade and other payables. Cash flow hedge accounting has been adopted.

INTEREST RATE RISK

Interest Rate Swap Contracts

Under the interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at reporting date.

	AVERAGE CONTRACT FIXED INTEREST RATE 2016	AVERAGE CONTRACT FIXED INTEREST RATE 2015	NOTIONAL PRINCIPAL AMOUNT 2016 ($m)	NOTIONAL PRINCIPAL AMOUNT 2015 ($m)	FAIR VALUE 2016 ($m)	FAIR VALUE 2015 ($m)
Outstanding Contracts						
Variable Rate For Fixed Contracts						
Less Than 1 Year	**2.92%**	3.18%	**-**	6.0	**-**	-
1-2 Years	**4.31%**	4.31%	**3.0**	3.0	**(0.7)**	(0.1)
More Than 2 Years	**4.55%**	4.31%	**48.5**	62.4	**(0.6)**	(0.7)
			51.5	71.4	**(1.3)**	(0.8)

In the current and prior financial year the above financial instruments relate to a subsidiary entity. The value of interest rate swaps outstanding are recognised in trade and other payables. Hedge accounting has been adopted.

Interest Rate Risk – Repricing Analysis

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts categorised by the earlier of their contractual repricing or expected maturity dates.

Note – the interest rate on fixed instalment receivables is fixed at the time the contract is entered into and is not repriced thereafter. Hence they are not included in the tables below:

2016	VARIABLE INTEREST RATE	6 MTHS OR LESS ($m)	6-12 MTHS ($m)	1-2 YRS ($m)	MORE THAN 2 YRS ($m)	NON INTEREST BEARING ($m)	TOTAL ($m)
Financial Assets							
Cash And Cash Equivalents	**2.25%**	**8.7**	**-**	**-**	**-**	**-**	**8.7**
Trade And Other Receivables		**-**	**-**	**-**	**-**	**9.7**	**9.7**
Revolving Credit Receivables	**23.95%**	**20.3**	**-**	**-**	**-**	**-**	**20.3**
		29.0	**-**	**-**	**-**	**9.7**	**38.7**
Financial Liabilities							
Trade, Other Payables And Provisions		**-**	**-**	**-**	**-**	**(27.2)**	**(27.2)**
Fixed Instalment And Revolving Credit Receivables Borrowings	**BBR plus 3%**	**(56.2)**	**-**	**-**	**-**	**-**	**(56.2)**
Effect Of Interest Rate Derivatives		**48.7**	**(1.4)**	**(4.2)**	**(43.1)**	**-**	**-**
		(7.5)	**(1.4)**	**(4.2)**	**(43.1)**	**(27.2)**	**(83.4)**
TOTAL		**21.5**	**(1.4)**	**(4.2)**	**(43.1)**	**(17.5)**	**(44.7)**
2015							
Financial Assets							
Cash And Cash Equivalents	3.15-3.5%	3.1	-	-	-	-	3.1
Trade And Other Receivables	-	-	-	-	-	10.9	10.9
Revolving Credit Receivables	23.95%	20.9	-	-	-	-	20.9
		24.0	-	-	-	10.9	34.9
Financial Liabilities							
Trade, Other Payables And Provisions	-	-	-	-	-	(26.6)	(26.6)
Fixed Instalment And Revolving Credit Receivables Borrowings	BBR plus 3%	(57.4)	-	-	-	-	(57.4)
Secured Loans	BKBM plus 1.3- 2.6%	-	(6.0)	(10.1)	-	-	(16.1)
Effect Of Interest Rate Derivatives		59.7	(11.2)	(4.2)	(44.3)	-	-
		2.3	(17.2)	(14.3)	(44.3)	(26.6)	(100.1)
TOTAL		26.3	(17.2)	(14.3)	(44.3)	(15.7)	(65.2)

** Derivatives of $3.0m extend to two years; $20.0m to over two years.*

Capital Management

The Group's capital includes share capital, reserves and retained earnings.

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders funds is also recognised and the Group recognises the need to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by a sound capital position.

Other than covenants and capital ratios as referred to in Note 20 the Group is not exposed to any externally imposed capital requirements.

The allocation of capital between its specific business segment operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The Group's responsibilities in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's management of capital during the period.

HEDGING

Interest Rate Hedges

The Group has a policy of ensuring that interest rate exposure on term borrowings excluding Finance Business (or core debt) shall be fixed forward on a rolling 12 months basis for a minimum of 50% of total exposure and up to a maximum of 100%.

Interest rate exposure on Finance Business borrowings is to be fixed forward to mirror the profile of the receivables portfolio for those receivables whose interest rate is fixed at the point the contract is originated. The minimum exposure of these receivables hedged is 75% up to a maximum of 100%.

Interest rate swaps have been entered into to achieve an appropriate mix of exposure within the Group's policy. The swaps mature over the next four years and have fixed swap rates ranging from 2.9% to 4.75% (2015 3.18% to 4.75%). At 30 April 2016 the Group had interest rate swaps with a notional contract amount of $48.5m (2015 $71.4m) including Finance Business of $48.5m (2015 $59.4m). The Group classifies interest rate swaps as cash flow hedges.

The net fair value of swaps at 30 April 2016 was $0.75m (2015 $0.75m) comprising assets of $nil (2015 $nil) and liabilities of $1.35m (2015 $0.75m). The interest rate used to calculate the fair value of swaps at 30 April 2016 ranges between 3.18% and 4.75%.

Forecast Transactions

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges. The net fair value of forward exchange contracts used as hedges of forecast transactions at 30 April 2016 was $0.3m (2015 $0.1m) comprising assets of $nil (2015 $nil) and liabilities of $0.3m (2015 $nil). The exchange rate used to calculate the fair value of forward exchange contracts at 30 April 2016 was US$0.6978 (2015 US$0.7619).

Accounting Classifications and Fair Values

The Group's classification of each class of financial assets and their fair values is set out below. Note that the only instruments designated at fair value are the derivative financial instruments. The derivatives are classified as Level 2 in the fair value hierarchy and there has been no movement between levels of fair value hierarchy during the year ended 30 April 2016.

The Group's classification of each class of financial assets and liabilities is as follows:

- Classified at fair value – derivatives.
- Classified as loans and receivables – all other financial assets.
- Classified as other liabilities – all other financial liabilities.

Note that the fair value of the Group's financial assets and liabilities is not considered to be materially different to their carrying value.

Interest Rates Used for Determining Fair Value

The following interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an appropriate constant credit spread:

	2016	2015
Derivatives Held For Risk Management	**2.9% - 4.75%**	3.18% - 4.75%

Financial Instrument Carried At Fair Value

Fair Value Hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

30 April 2016

	Level 1	Level 2	Level 3	Total
Other Investments, Including Derivatives (Non Current):				
Forward Exchange Contract Used For Hedging	-	-	-	-
Other Investments, Including Derivatives (Current):	-	-	-	-
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	-	-	-	-
Trade and Other Payables (Non Current):				
Forward Exchange Contract Used For Hedging	-	**0.3**	-	**0.3**
Interest Rate Swaps Used For Hedging	-	**1.4**	-	**1.4**
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	-	**1.7**	-	**1.7**

30 April 2015

	Level 1	Level 2	Level 3	Total
Other Investments, Including Derivatives (Non Current):				
Interest Rate Swaps Used For Hedging	-	-	-	-
Other Investments, Including Derivatives (Current):	-	-	-	-
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	-	-	-	-
Trade and Other Payables (Non Current):				
Interest Rate Swaps Used For Hedging	-	(0.8)	-	(0.8)
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	-	(0.8)	-	(0.8)

Level 2 fair values for simple over the counter derivative financial instruments are based on observable market data which is tested for reasonableness and which reflects the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

The fair value of forward exchange contracts is determined using forward exchange rates at the period end date with the resulting value discounted back to present value.

Interest Rate Sensitivity

The Group's sensitivity to interest rate risk can be expressed in two ways:

a) Fair Value Sensitivity Analysis

A change in interest rates impacts the fair value of the Group's fixed rate assets and liabilities and its interest rate swaps. Fair value changes impact on profit or loss or equity only where the instruments are carried at fair value. Accordingly, the fair value sensitivity to a 100 basis point movement in interest rates (based on the assets and liabilities held at balance date) is as follows:

	2016 Impact On Profit Or Loss +1% ($m)	**2016 Impact On Equity -1% ($m)**	2015 Impact On Profit Or Loss +1% ($m)	2015 Impact On Equity -1% ($m)
Derivatives	**0.5**	**(0.5)**	0.7	(0.7)

The fair value sensitivity to movements greater or less than the 100 basis point movement above approximates to a multiple of the impact stated above – i.e: a 200 point movement would double these figures.

b) Cash Flow Sensitivity Analysis

A change in interest rates would also impact on interest payments and receipts on the Group's floating rate assets and liabilities. Accordingly, the one year cash flow sensitivity to a 100 basis point movement in interest rates (based on assets and liabilities held at balance date) is as follows:

	2016 Impact On Profit Or Loss +1% ($m)	**2016 Impact On Equity -1% ($m)**	2015 Impact On Profit Or Loss +1% ($m)	2015 Impact On Equity -1% ($m)
Cash And Cash Equivalents	**0.1**	**(0.1)**	-	-
Finance Receivables Borrowings	**(0.6)**	**0.6**	(0.6)	0.6
Secured Loans	-	-	(0.2)	0.2

i) Note that trade and other receivables are all denominated in NZ$ and are non interest bearing.

ii) Note that as finance receivables are calculated at amortised cost using their effective interest rate the sensitivity is based on variations against the effective interest rate and not the interest rate the customer would pay in accordance with the contract itself.

iii) Note that accounts payable are all denominated in NZ$ and are non interest bearing.

Accounting Policy – Financial Instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities.

Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and are recognised initially at fair value. Any gain or loss on remeasurement to fair value is recognised immediately in the income statement.

The fair value of forward exchange contracts is based on broker quotes. If a quote is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

24) Related Party Transactions

Note 25 identifies all material trading companies within the Group. Also presented below the Group has the investment in an appliance buying group of which the Group is a shareholder. All of these companies are related parties to the Parent.

Information Technology Services
The company has an existing contract with Datacom Group Limited of which Mr C Boyce (Chairman of Smiths City Group Limited), is Chairman to provide information technology outsourcing services for the computer hardware and software facilities of the company. The transactions with Datacom Group Limited are completed on a commercial arms length basis within the Chief Executive Officer's delegated powers. Purchases for the year were $0.8m (2015 $0.9m). The amount owing to Datacom Group Limited at balance date was $0.2m (2015 $0.2m).

Narta NZ Limited
The Group has an investment of $0.01m in Narta NZ Limited. Narta NZ Limited is an appliance buying group of which the Group was one of the founding members. The Group has Board representation in this company and the Group's shareholding also provides it with voting rights. However, the Group does not consider NARTA NZ Limited to be an associate requiring accounting under the equity method. Purchases through this buying group are settled directly with the suppliers concerned on normal commercial terms as are the rebates which accrue as a result of these transactions. The Group also received income as a member from this company totalling $0.3m for the year ended 30 April 2016 (2015 $0.4m). The amount owing to the Group at balance date was $0.6m (2015 $0.6m).

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation including Directors is summarised in the table below:

	2016 ($m)	2015 ($m)
Employee Benefits	**1.9**	2.1
Employee Restructuring Costs	**0.5**	-
	2.4	2.1

25) Subsidiary Companies

The material trading subsidiary companies, all with balance dates of 30 April and all are wholly owned included in the consolidated accounts as at 30 April 2016 are as follows:

- Smiths City (Southern) Limited - retail
- Smiths City Properties Limited – property
- Smiths City Finance Limited - finance
- Adventure Brands Limited – 100% owned bicycle distributors

Except for Adventure Brands Limited all Directors of Smiths City Group Limited are also Directors of the trading subsidiaries. The Directors of Adventure Brands Limited include Mr G Rohloff and Mr R Campbell.

26) Acquisitions

FURNITURE CITY

A subsidiary company of the Group (Smiths City (Southern) Limited) purchased the operating assets of Panmure Furniture City 1983 Limited and its logistics operation Lucky Dragon Limited on 1 April 2016.

The acquisition has the following effect on the consolidated financial position in the 2016 year:

	2016 ($m)
Inventory	**5.3**
Plant, Equipment, Vehicles	**1.0**
Intangible Assets	**0.3**
Current Liabilities	**(0.9)**
Net Assets Acquired Being The Consideration Paid	**5.7**

Auckland based Furniture City has two stores in Auckland and one in Whangarei. The business also operates a comprehensive internet store and fulfilment facility in support of its bricks and mortar presence.

The fair value of the assets acquired compared to this resulted in no material gain or loss being taken to the Income Statement. The outcome of the acquisition was to acquire these businesses at a value equal to the fair value of the assets at the date of acquisition being as at 1 April 2016. Sales since acquisition date are $1.8m and the operating profit since acquisition date was $0.1m.

ADVENTURE BRANDS

The purchase of a further 35% shareholding in Adventure Brands Limited as at 31 March 2016 brought the Group's shareholding to 100%. There were no acquisition costs incurred.

The primary reason for the acquisition was due to the exit from the company of a minority shareholder.

The consideration paid for the stepped acquisition when considered with the carrying value of the investment at date of acquisition was $0.1m. The fair value of the existing 65% shareholding compared to this resulted in no material gain or loss being taken to the Income Statement. The fair value of the combined shareholding of 100% when compared to the consideration paid for the additional 35% also resulted in no goodwill recognised nor any gain being taken to the Income Statement.

27) Operating Leases

Non cancellable operating lease rentals are payable as follows:

	2016 ($m)	2015 ($m)
Less Than 1 Year	**13.8**	12.7
Between 1-5 Years	**36.4**	29.1
More Than 5 Years	**16.7**	4.5
	66.9	46.3

Accounting Policy – Operating Leases

The Group leases all of its stores under operating leases. The leases typically run for between two to nine years with options to renew the leases after that date. Note, however, that during the year ended 30 April 2016 the sale and leaseback of the Colombo Street property on 30 October 2015 and the acquisition of Furniture City at 1 April 2016 has increased the operating lease commitment. Lease payments are increased every three years to reflect either market rentals or in some cases CPI increases. The Group leases the majority of its motor vehicle fleet under operating leases.

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the term of the lease.

28) Capital Commitments

The value of capital commitments at 30 April 2016 was $nil (2015 $nil).

29) Contingent Liabilities

The value of contingent liabilities at 30 April 2016 was $0.8m (2015 $nil).

30) Events Subsequent To Balance Date

On 24 June 2016 the Directors resolved to pay a dividend of 2.5cents per share on Friday 12 August 2016 (2015 2.5cents).

AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Smiths City Group Limited and its subsidiaries (''the group'') on pages 20 to 49. The financial statements comprise the consolidated statement of financial position as at 30 April 2016, the consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Our firm has also provided other services to the group in relation to other assurance and taxation services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Opinion

In our opinion, the consolidated financial statements on pages 20 to 49 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of Smiths City Group Limited as at 30 April 2016 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International

KPMG

24 June 2016

Christchurch

GOVERNANCE REPORT

The Board of Directors of Smiths City Group Limited recognise the need for the highest standards of Corporate Governance practice and ethical conduct. The Group's Corporate Governance processes are consistent with the NZX Corporate Governance Best Practice Code.

Role Of The Board Of Directors

The Board is appointed by shareholders to govern the company in their interests and is responsible for the proper direction and control of the company's activities. Being responsible for the overall stewardship of the company the Board has particular focus on:-

- Commercial Performance and Strategy Development
- Financial and Dividend Policies including preparation of annual financial statements
- Identification and Control of Business Risks
- Internal Control Systems
- Compliance with New Zealand laws, regulations, the listing rules (including continuous disclosure regime), professional standards and contractual obligations
- Business Plans and Budgets
- Delegations of Authority
- Identification and Control of Business Opportunities
- Integrity of Management Information Systems
- Reports to Shareholders and other key Stakeholders

The Board has delegated day to day management of the company to the Chief Executive Officer and the senior team of the company. Operational and administrative policies are in place and the company has both internal and external audit systems for monitoring the company's operational policies and practices.

The Chairman and Chief Executive determine the agenda for Board meetings. On a monthly basis, the Board receives operational reports summarising the company's activities against key performance indicators. In addition, the Board receives regular briefings from the management team on key strategic and performance issues either as part of regular Board meetings or in specific briefing sessions. The Board are kept fully appraised of developing issues that may impact company operation.

Board Composition

The Board currently comprises four Directors including the Chairman.

The company's constitution sets out policies and procedures on the operation of the Board including the appointment and removal of Directors. The NZX Listing Rules and the company's constitution provide that a minimum of three Directors is required, of whom at least two shall be independent. Currently the Board comprises four Directors, being Non-Executive Chairman, and three independent non-Executive Directors.

The Board acknowledged the importance of independent Directors in ensuring an optimal balance between Board members who are able to bring a wide range of business experience and skills, and those with direct company knowledge and operational responsibility.

Under the constitution, one third of Directors must retire by rotation at the Annual meeting each year but, if eligible, may offer themselves for re-election.

Pursuant to NZX Listing Rule 3.3.5, the company is required to make an announcement to the market advising the closing date for Director nominations. That announcement must be no less than ten business days prior to the closing date and the closing date must be not more than two months prior to the Annual meeting.

Independent Directors

The New Zealand Stock Exchange has determined that a component of good governance is the identification of independent directors. The Board has resolved that J A Dobson, G R Rohloff and S M Henderson are defined as independent.

Group Management Structure

The Group's organisation structure is focused on its two main activities: retail trading and the provision of consumer finance to support and enhance the retail activities. This delivers an organisation that is focused on both the key activities of the company.

Risk Identification And Management

The Group has a formal Risk Management Plan to identify areas of significant business risk and implement procedures to effectively manage those risks. The Risk Management Plan has an emphasis on:

- Operational Risks: risks associated with the company's normal business operations, including normal day to day exposures relating to customers, stores, employees, systems, suppliers, occupational health and safety in the work place and regulatory bodies;
- Funding Risks: risks associated with the funding of the company's operations, including exposures relating to investment of surplus cash, and to interest rate and exchange movements;
- Environmental Risks: risks associated with the environment in which the Group operates, including exposures to natural disasters and to changes in social trends, economic conditions and customer preferences; and
- Strategic Risks: risks associated with company initiatives that are outside the normal course of business, including exposures relating to initiatives to expand into new brands, markets, regions and business activities and to adopt new systems.

Where appropriate, the Board obtains advice directly from external advisers. Once a significant business risk is identified, the Board is advised and action is taken promptly to mitigate and monitor or, if there are benefits to be obtained, take advantage of these in addressing the risk.

Committees

To enhance efficiency the Board has delegated some of its duties to Board committees and other powers to the Chief Executive. The Chief Executive has in turn formally delegated certain authorities to his direct reports and has established a formal process for his direct reports to further delegate.

The Board has an Audit Committee, a Remuneration Committee and a Nomination Committee which meet as required. The terms of reference for the Committees are the responsibility of the entire Board.

Audit Committee;

Chairman; J A Dobson

Members; C D Boyce; G R Rohloff; S M Henderson

The Audit Committee is responsible to the Board for the appointment of the external auditors. It also monitors both the internal and external audit functions. In addition, the auditors are also able to (and do) communicate directly with the Chairman of the Audit Committee at any time.

The Committee recommends the adoption of the Annual Report and Financial Statements to the Board. In addition, the Committee is responsible for ensuring that the Group has effective internal controls.

The Audit Committee also addresses taxation matters pertaining to the Group and ensures the Group complies with all relevant taxation legislation.

Nomination Committee;

The Nomination Committee consists of all members of the Board.

The Nomination Committee is responsible for selecting appropriate nominees for election as Directors.

Remuneration Committee;

The Remuneration Committee consists of all members of the Board.

The Remuneration Committee is responsible for ensuring that fees paid to Directors and senior employees assist in attracting and maintaining talented and motivated Directors and senior employees as a way of enhancing the performance of the company and the value for shareholders. This Committee is responsible for setting and reviewing the human resources structure, strategy and policy for the company. It reviews the performance of the Chief Executive and senior executives.

Indemnities and Insurance

The company has effected Directors' and Officers' Liability Insurance and Statutory Liabilities and Defence Costs Insurance on behalf of the Directors and Officers. The company has also entered into indemnities with Directors and Officers as required by the company's constitution. The insurance and indemnity do not cover liabilities arising from criminal action. Directors have completed Certificates of Indemnity and Insurance as required by Section 162 of the Companies Act 1993.

Disclosures Of Interest

Directors Of Related Companies Including Subsidiaries

Craig David Boyce, John Allen Dobson, Gary Raymond Rohloff; and Sheena Moana Henderson are Directors of the following companies:

- Smiths City Group Limited
- Smiths City Finance Limited
- SCG Finance Limited
- Smiths City (Southern) Limited
- Smiths City Properties Limited

Craig David Boyce and John Allen Dobson are Directors of the following companies:

- Debt Recovery and Legal Services Limited – formerly Smiths City (Auckland) Limited
- Smiths City (Nelson) Limited
- Smiths DIY (Southern) Limited
- Smiths City (Wellington) Limited
- Smiths City (Christchurch) Limited
- Quintana Investments Limited
- Powerstore Limited
- Alectra Limited
- Furniture Concepts (2004) Limited
- L V Martin & Son Limited
- Smiths City Staff Share Plan Trustee Limited

Gary Raymond Rohloff and Roy James Campbell (CEO) are Directors of Adventure Brands Limited.

Disclosures Of Interest

Directors have disclosed the following interests as directors, trustees, members or employees of companies or other entities which may have material dealings with the company from time to time as at 30 April 2016.

C D BOYCE (Chairman)

- Datacom Group Limited
- Progressive Leathers Limited
- Ovation (New Zealand) Limited
- Extra Strength No 164 Limited
- Transdiesel Limited
- Farmlands Cooperative Society Limited
- Horizon Farms Limited
- Snowy Peak Group Limited

J A DOBSON (Deputy Chairman)

- J A Dobson Limited
- Craigpine Timber Limited

G R ROHLOFF

- Number One Shoes Limited
- Hellaby Holdings

S M HENDERSON

- Radio New Zealand
- Young Enterprise Trust
- New Zealand Pork Industry
- Cluster Limited
- Natural Food Group
- Watson & Son Limited
- Oranganui GP Limited

Gender Composition of Directors and Officers

A breakdown of gender composition of Directors and Officers as at April 2016 is shown below:

	Female	Male
Directors	1	3
Officers*	1	8

An Officer is defined in accordance with Sub Part 2 of Part 2 of the Securities Markets Act 1988.

The company does not have a formal Diversity Policy.

Share Trading Protocol

The company has adopted a formal procedure governing the sale and purchase of the company's securities by Directors and employees. All Directors and employees must also act in accordance with this procedure and the requirements of the Securities Markets Act 1988.

The procedure (which is also subject to the requirements of the Securities Markets Act 1988) requires employees to obtain the written consent of a Director, or in the case of a Director, of the Chairman of the Board, prior to trading in the company's shares. Generally, this consent will only be given in respect of trading in the 60 day period following the announcement of the company's half year and annual results.

Communication With Shareholders

The company has communicated directly with its shareholders via the half yearly report and the annual report and through their attendance at the annual meeting. It has also communicated indirectly via announcements through the NZX on a number of occasions.

In complying with company disclosure policy there have been no other obligatory communications to shareholders.

Use Of Company Information

During the year the Board did not receive any notices from Directors of the company requesting the use of company information received in their capacity as Directors which would otherwise not have been available to them.

GENERAL DISCLOSURES

Report And Financial Statements

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 30 April 2016.

Principal Activities

Smiths City Group Limited is a New Zealand based and operated company. It has two principal activities being:

- Retail Trading – the retailing of consumer electronic products, kitchen appliances, home heating solutions, home furnishings and sporting goods through the Smiths City brand.
- Finance – the provision of finance by Smiths City Finance Limited to support the retailing operation.

Profit

The Group net profit after taxation was $5.6m – compared with last year's $8.0m. Earnings per share was 10.6cents compared with 15.2cents last year.

Financial Statements

The financial statements for the Parent and Group for the year ended 30 April 2016 are shown on pages 20 to 49 in this report.

Changes in Accounting Policies

In preparing these financial statements the accounting policies outlined in Note 3 to the financial statements have been applied.

There were no significant changes in accounting policies during the year.

State of Affairs

The Directors are of the opinion that the state of affairs of the Group is satisfactory. Details of the period under review are included in the Director's Report and the audited financial statements.

Shareholders' Equity

Shareholders' equity as at 30 April 2016 was $51.4m, up on prior year $49.6m.

Dividend

The Directors have approved an unimputed final dividend of 2.5cents (last year 2.5cents) to be paid on 12 August 2016. This brings the dividend to 3.5cents for the full year (last year 3.5cents).

Significant Events During The Year

The details of these are explained fully in the Chairman's and Chief Executive's Review.

Events Subsequent To Balance Date

There were no significant events subsequent to balance date.

Attendance At Meetings

Directors attended the following meetings during the year:

	BOARD MEETINGS		AUDIT COMMITTEE	
	No of meetings	No attended	No of meetings	No attended
C D Boyce	12	12	5	4
J A Dobson	12	12	5	5
G R Rohloff	12	11	5	5
S Henderson	12	12	5	5

The Remuneration Committee met once during the year.

The Nomination Committee had no business arising during the year therefore no meetings were held.

Remuneration And Benefits

The Board seeks independent advice before recommending to shareholders any increase in the maximum level of Directors' fees payable. This review is currently being undertaken. The Directors' fees are currently a maximum of $314,000 as approved at the 2015 Annual Meeting of shareholders, where the Directors chose not to apply the CPI increase from 2014.

The fees paid to Directors for services in their capacity as Directors during the year ended 30 April 2016 were:

	Directors' Fees	Other Services	Total Remuneration
NON EXECUTIVE DIRECTORS			
C D Boyce	90.000	-	90,000
J A Dobson	68,500	-	68,500
G R Rohloff	53,500	-	53,500
S M Henderson	53,500	-	53,500
	265,500	-	265,500

Remuneration to Auditors

The fee for the audit of the Group and subsidiaries paid to KPMG was $84,500 (2015 $78,000).

Fees paid to the auditors for other services provided amounted to $2,800 (2015 $9,400).

Share Dealings By Directors

The company received no notices of share trading from the Directors during the current year. At balance date Directors and their associates held interests in the following shares.

	Balance 30.4.15	Purchases	Sales	Balance 30.4.16
C D Boyce	1,648,372	-	-	1,648,372
J A Dobson	251,579	-	-	251,579

Further Information

For information on Disclosure of Interest by Directors, Use of Company Information and Insurances refer to the Governance Report on pages 51 to 53.

ADDITIONAL

COMPANY INFORMATION AND SECURITY HOLDER DISCLOSURES

Executive Employees Remuneration

During the year the following numbers of employees received remuneration of at least $100,000:

Remuneration	Number of employees
100,000-110,000	1
110,000-120,000	3
120,000-130,000	3
130,000-140,000	3
140,000-150,000	1
180,000-190,000	1
200,000-210,000	1
220,000-230,000	1
480,000-490,000	1
	15

Substantial Security Holders

The following are Substantial Security Holders as at 1 July 2016 as defined by the Securities Markets Act 1988 (refer also to details of Largest Registered Holders of Equity Securities on page 57 for further information):

Substantial Security Holder	Number Of Voting Securities With Beneficial Interest	Number Of Voting Securities With No Beneficial Interest	Date of Notice
Donald M Campbell/Custodial Services Limited	9,660,302	-	21 January 2014
Utilico Investments Limited/ NZ Central Securities Depository Limited	7,140,437	-	2 July 2014
Mercantile Investment Company/Sandon Capital Pty Limited/One Managed Investment Funds	3,849,856	-	9 June 2016
Mercantile Investment Company/Sandon Capital Pty Limited/One Managed Investment Funds	3,791,771		9 June 2016

Distribution Of Registered Holders Of Equity Securities As At 1 July 2016

Ranges	Number of holders	Number of securities	%
1-1,000	237	164,470	0.31
1,001-5,000	539	1,412,163	2.68
5,001-10,000	199	1,630,453	3.09
10,001-50,000	243	5,691,278	10.80
50,001-100,000	36	2,591,269	4.92
100,001 and above	47	41,198,520	78.19
	1,301	**52,688,153**	**100.00**

Distribution Of Registered Holders Of Equity Securities As At 1 July 2016

Country	Investors	Number of securities	%
New Zealand	1,261	44,428,813	84.32
Australia	24	8,040,705	15.26
United Kingdom	7	52,330	0.10
United States	4	104,755	0.20
Cook Islands	1	53,750	0.10
France	1	800	0.00
Hong Kong	1	2,000	0.00
Oman	1	4,000	0.01
Switzerland	1	1,000	0.20
	1,301	**52,688,153**	**100.00**

20 Largest Registered Holders Of Equity Securities As At 1 July 2016

Holder name	Balance	%
Custodial Services Limited	9,790,302	18.58
New Zealand Central Securities Depository Limited	7,652,769	14.52
One Managed Investment Funds	3,849,856	7.31
One Managed Investment Funds	3,791,771	7.20
Paradise Finance Limited	2,621,100	4.97
Retail Management Services 2000 Limited	1,672,383	3.17
Extra Strength Number 164 Limited	1,648,372	3.13
Forsythe Barr Custodians Limited	1,284,482	2.44
Garrett Smythe Limited	1,087,000	2.06
Russell Dillon Horlor	550,000	1.04
Garry John Cooper	520,361	0.99
Gordon Henry Boyle	420,087	0.80
Peter Maskery & Nigel Maskery & James Edwin Prouse	357,143	0.68
Ronald James Woodrow	348,029	0.66
Aiken & Associates Limited	339,126	0.64
John Kenneth Woodhall & Jocelyn Dawn Woodhall	300,000	0.57
Errol Douglas George Scott	300,000	0.57
Lindsay Morton Walter	275,000	0.52
J A Dobson & P S Dobson & J R Thomson & N S Anderson	251,579	0.48
Prime Projects Limited	250,000	0.47
Alan Dallas Bean	227,690	0.43
TOTAL FOR 20 LARGEST	**37,537,050**	**71.23**

COMPANY DIRECTORY

DIRECTORS AND OFFICERS

Chairman
Craig David Boyce

Deputy Chairman
John Allen Dobson

Directors
Gary Raymond Rohloff
Sheena Moana Henderson

Chief Executive Officer
Roy James Campbell

REGISTERED OFFICE

550 Colombo Street, Christchurch 8011

BANKERS

ANZ Bank New Zealand Limited
P O Box 220, Christchurch 8140

AUDITORS

KPMG
Level 3, 62 Worcester Boulevard, P O Box 1739, Christchurch 8140

SHARE REGISTRARS

Link Market Services Limited
Level 11, Deloitte Centre, 80 Queen Street, P O Box 91976, Auckland 1010
Telephone 093755990

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WEBSITE	www.smithscitygroup.co.nz

OUR PEOPLE 2016

ADIE Shaun
AHEARN Harry
AITCHESON Liam
AITCHESON Ross
ALLAN Craig
ALLEN Diane
ALMOND Annette
ALMOND Hula
AMYES Keith
ANDERSON Diane
ANDERSON Rick
ARNOLD Jacey
ASHTON Tracey
ATTEWELL Rebecca
AYERS Sarah-Lee
BADMAN Nigel
BAHRAINWALA Husein
BAILEY Carmen
BAILEY Lisa
BAKER Pip
BAKER Tom
BALFOUR Craig
BALLANTYNE Glenn
BANDESHA Jyoti
BANKS Sam
BARNAO Barney
BARNES Mark
BARNES Michael
BATELY Grahame
BATES Joshua
BECKLEY Grant
BEECHER Nigel
BEECROFT Gracie
BEST Rick
BEZUIDENHOUT Robert
BHOGAL Raunaq
BIDDINGTON Blair
BIDDINGTON Justin
BILLING Andrew
BISHOP Lyndsey
BISHOPP Jason
BLACK Kenneth
BLACKWELL Simon
BONIFACE Glenda
BOWDEN Kirsty
BRACEWELL Mark
BREACH Bonnie
BREWER Lisa
BRIGGS Jamie
BRINER Amy
BROOK Shane
BUCKNALL Phil
BUDD Jonathon
BUGDEN Matthew
BURGESS Chris
BURNEY Kate
BURROWS Margaret
BURROWS Shane
BURTENSHAW Alec
BURTON Ann
BUTLER Patrick
BYERS Jacob
CALVER Aaron
CAMPBELL Morgan
CAMPBELL Roy
CARREL Teresa
CARROLL Simon
CARSON Aaron
CARSTON Paul
CASKIE Sandra
CHAIPANIT Ning
CHAMBERLAIN Shaun
CHERRY Taine
CHING Marcia
CHONG Pau Fang (Sharon)
CHRISTIAN Marcus
CHRISTIANSEN Stephen
CLARKE Logan
CLAXTON Jeremy
CLELAND Kerry
CLEVERLEY Lynne
COFFEY Sandra
COGGER-MACE Jade
COKER Bob
COLLINS Rachael
COOK Peter
COOKE Corey
COOPER Robert
COSTA Marco
COSTER Scott
COUTTS Toni
CRAIG Sheila
CRANSTOUN Orlana
CRAPP Nicole
CRAVEN Rebecca
CRICHTON Christine
CROSS Daisy
CULHAM Ross
CUMBERLAND Jill
CUNNINGHAM Ian
CURSONS Karen
CURTIS Karen
CURTIS Kerri
DALY Brian
DARLING Kellie
DAVESCOVICH-BUTCHER Lynne
DAVIDSON Chris
DAVIES Khan
DAVIES Lynn
DEANS Steven
DELANY Joanne
DELIS Sarndra
DELIS Terry
DELPORT Travis
DENGEL Andrew
DHIR Mamta
DHOLA Pankaj
DICKIE Peter
DICKSON Colin
DID-DELL Philip
DID-DELL Tim
DISSANAYAKE Anu
DODD Jerym
DODDS Donna
DONALD Jessica
DONALDSON Diana
DONGHI Toni
DORRANCE Aleks
DOUGHERTY Mike
DUDLEY Dawn
DUMBAR Brittany
DUMELOW Laura
DUREY Raiden
EARL Fallon
EASTERBROOK Alistair
EDIE Michael
EDMUNDSON Nicholas
ELLIS Jodie
ELLIS Mike
ELVIN Shelly
EWAN Emily
FALWASSER Kingi
FALWASSER Paul
FEARN Richard
FERRIS Ben
FLEMING Nigel
FORBES Jayden
FORREST Chelsea
FORSTER Marie
FOSTER Jean
GAINES Sharon
GALLAGHER Michael
GALT Jared
GALT John
GANNON Shayna
GARDNER Lynley
GAUR Parteek
GIBLIN James
GIBSON Haley
GAJJAR Jignesh
GILL Olivia
GODFREY Sam
GODMAN Stefan
GOODALL Geoff
GOUGH Sali
GRAHAM Laurette
GRANT Daniel
GRANT Judith
GRANT Suzy
GRATTON Stefan
GRAVER Marilyn
GREDIG Barry
GREDIG Brendon
GRIFFIS Tahlia
GRIFFITHS Michael
HAGUE Matthew
HAINES Graeme
HALL Gary
HALL Ryley
HALL Stephanie
HALLINAN Scott
HAMPL Jaromir
HANNAN John
HARDING Fonda
HARGRAVES Fiona
HARPUR Sam
HARRIS Marc
HARVEY Darryn
HARVEY Jason
HARVEY-MAY Matthew
HAWES Joel
HAWKE Michael
HAZLETON Maureen
HEANEY Michelle
HEARN Stephen
HEDLEY Kyle
HELLIER Joanne
HEMI Adrian
HENDERSON Glenys
HENDERSON Yvonne
HENEY Jacinta
HERRING Dean
HESSON Philip
HEWLETT Brent
HEY John
HIGHTON Joanne
HOBBS Joshua
HOBBS Frances
HODGSON Rochelle
HOGARTH Christine
HOLLOWAY Alex
HOLM Paul
HOPKINS Mark
HORGAN Ben
HORSBURGH Kathryn
HORVATH John
HOY David
HUDSON Fred
HUFFAM Aaron
HUMPHREY Stuart
HUNT Toni
HUNTER David
HUTCHISON Keli
IELUA Lalio
JARVIS Chris
JELAS Rob
JENKINS Andrea
JENKINS Bryce
JENKINS Leeanne
JENKINS Natasha
JERVOUS-CHENERY Wayne
JOBSON Albie
JOHN Rhys
JOHNS Matthew
JOHNSON Allan
JOHNSON Dayne
JOHNSON Laureen
JOHNSON Marc
JOHNSON Shane
JOHNSTON Carolyn
JOHNSTON Derek
JOHNSTON Lois
JOHNSTON Paul
JOHNSTON Todd
JONES Cody
JONES Daniel
JONES Lindon
JOYCE Graeme
JURY Lisa
KAPOOR Raman
KAREKARE Ami
KARYSTINOS Costa
KATAE Peter
KAUI Anna
KAUR Ruby
KEREAMA Liam
KERR Gavin
KERR Rowan
KHUBLALL Emily
KIDWELL Kalala (La)
KILLEEN William
KING Russell
KIRK Melanie
KIRNER Jackie
KITTO Alex
KNEBEL Nicky
KNIGHT Fiona
KNOWLER Michael
KOIA Alison
KOOPS Kerri-anne
KRAMER Jody
KUMAR Alvin
KUMAR Sandeep
KUMAR Vivek
LAL Shaneel
LAMB Bryan
LAMB Nic
LAMB Samantha
LAMBERT Nathan
LANCASTER Vickie
LANGE Colin
LATTA Sally
LAWSON Tony
LAY Jeffrey
LECKIE Martin
LE COMTE Clint
LEARMOND Bob
LEE Annabelle
LEE Brian
LEE Sim
LESA John
LEWIS Ian
LEWIS Matthew
LEWIS Philip
LEYNES Jose
LIND Joyce
LINDSAY Mark
LINTON Kevin
LIPMAN Scott
LIPPITT Lisa
LIST Gavin
LITTLE Samantha
LLOYD Grant
LORMANS Vince
LOUGH Braiden
LOUGH David
LOUTTIT Glenda
LOW Nathan
LOWE Anthony
LUAFUTU Lino
LUFF Richard
LUND Jarell
MacASKILL Anna
MacDONALD Noel
MacDONALD Robyn
McEWAN Russell
McGEOWN James
MacKAY Rachael
MacKENZIE Michael
McCANN Quenton
McCLURE Susanne
McCONCHIE Susan
McDONALD Siusann
McDOWELL Katie
McFADDEN Bruce
McFADDEN Dayle
McFARLANE Sue
McFELIN Lyn
McINTOSH Jodie
McINTOSH Quinton
McIVOR Bronagh
McIVOR Tania
McKAY Keiran
McKINNON Neil
McLAUGHLAN Mark
McLEAN Anton
McLELLAN Taylor
McMILLAN Lance
McPARLAND Troy
McSHERRY Beth
MAKKER Suniti
MANDER Jayne
MARRIOTT Dylan
MASTER-SIMELHAY Connor
MARSTERS James
MARTIN Brett
MARTIN Fiona
MARUNUI Rangi
MASON Elliott
MATHER Emma
MATHIAS James
MATTHEWS Shane
MATTSON Rachel
MAUI Kerry
MAXTED James
MEAD Bryce
MEIKLE Judy
MELIS Karen
MICHELL Susanna
MIHAERA Barbara
MILLER Paul
MILLNS Dianne
MILNE Nicholas
MILNE Sandie
MINNEE Eugene
MIRFIN Alan
MITCHELL Elizabeth
MITCHELL Loui
MITCHELL Trish
MONTGOMERY Danielle
MOORE David
MOORE Jessica
MOORE Shane
MORGAN Kevin
MORRIS Adam
MURDOCH Caleb
MURDOCH Kevin
NEILSON Michael
NEILSON Patrick
NEPATA Paki
NEWBERY Kerry
NEWBY Paul
NEWMAN Deborah
NEWMAN Nikita
NEWTH Alan
NGATAI Raewyn
NICHOLSON Fran
NICOLSON Grace
NOSSITER Gwendolin
NUDD Simon
O'CARROLL Kay
O'CARROLL Mark
O'CONNOR James
O'CONNOR Rose
OFFICER Gillian
OGDEN David
O'HALLORAN Nicola
OLIVER Faye
O'NEAL Rodney
OPETAIA Scott
OPETAIA Tania
ORPIN Joanna
PALENSKI Natalie
PANIRAU Phyllis
PARISH Andrew
PARKER Kyle
PATEL Vimal
PAYN Megan
PEDOFSKY Anthony
PEETI Sharon
PERRY Liam
PETRIE Robin
PHAN David
PHILLIPS Sally
PITCHER Brian
POHATU Lee-Sandra
PORT Heather
PRIDDY Judith
PROUDFOOT Simon
RAJA Hussain
RADFORD Grant
RAIKAR Sanjeev
RANA Prateek
RANKIN Philip
RATCLIFFE Chris
RAWIRI Stephanie
REID Andrew
REID Andy
REID Wayne
REVELL Sean
RIACH Sharyn
RICE Lance
RICKARD Joanne
RIINI John
RIVERS Linda
ROBBIE Jared
ROBERTSON Craig
ROBISON Wendy
RODGERS Mark
ROGERS Kaye
ROLLESTON Darryl
ROMANYTCHEV Alex
RON Rosa
ROSE Kathleen
ROSS Norman
ROSSITER Jason
ROSWELL Anton
RUMBAL Maggie
RUSSELL Michael
RUTHERFORD Heather
SAINI Nikhil
SATHIYANATHAN Praveena
SAVENIJE Michael
SAYERS Jamie
SCHOLES Sophie
SEDDON Lynne
SEDDON Rhys
SEERDEN Mark
SENEVIRATNE Tyrone
SHARLAND Garry
SHARMA Tarun
SHARP Craig
SHAW Tayla
SHEARMAN Rian
SHEARY Robert
SHERER Katherine
SIDHU Harjot
SINGH Bikram
SINGH Davender
SINGH Gagandeep
SINGH Rahul
SINGH Sandeep
SINGH Tejpal
SKINNER Damien
SMITH Dean
SMITH Joshua
SMITH Margaret
SMITH Michael
SMITH Nathan
SMITH Peter
SMITH Will
SMITH Zoe
SOLOFUTI Alatua
SOLOMON Tau
SPENCER Neil
STEEL Mark
STEWART Mathew
STOTT Chris
STUART Janet
SULLIVAN Sarah
SULLIVAN Sharon
SENSSON-GREEN Sonja
SWORD Tom
SYME Andrea
Reginald
SZIGETVARY-URLICH Stefan
TA'ALA Cheyenne
TAHAPEEHI Tete
TAIPARI Hayley
TAKITIMU Michaela
TANG Alan
TANGIITI Teri
TAURIMA Dean
TAWHI-AMOPIU Kyrah
TAYLOR Jason
TAYLOR Jason
TAYLOR Rachael
TE MIHA Tanginoa
TE RUPE Nan
TEBAY Russell
TE-EVALE Suli
THOMSON Murray
THORBURN Adam
THORESEN Tracey
THORNE Jessica
TINDALL Gregg
TILLY Warwick
TODD James
TONKIN Paul
TONKIN Victor
TOPP Julie
TRAINOR Paul
TREMAIN Gemma
TROCHON Stefan
TURCHIE Craig
TWEEDDALE Beverley
VAIKVEE Davin
VALE Kimberley
VAN DER AA Kim
VAN DER LEM Martin
VAN ROOY Logan
VEERAPUTHARAN Vick
VENDT Sarah
WAHAPANGO Hemi
WAITAIKI Carl
WAITE Alan
WALKER Ross
WALTERS John
WARD Chris
WARD Jack
WARDS Claire
WATTON Nathaniel
WATTS Ankit
WEBER Connor
WELLS Carl
WHILES-HUMPHREYS Steve
WHITE Jan
WHITE Merlita
WICKS Susan
WIHAPI Laura
WILKES Rachael
WILLETTS Jacob
WILLIAMS Shane
WILLIAMS Simon
WILLIAMSON Ngaire
WILLIS Nola
WILSON Anna-Marie
WILSON Daniel
WILSON Owen
WILSON Tony
WINEERA Melanie
WINTER Paula
WOOD Sharon
WOOD Stephen
WORSLEY Anthony
WRIGHT Valerie
WROBLEWSKI Krysztof
WYLIE Hayden
WYLLIE Paul
YEE Gordon
YOUNG Aaron
YOUNG Peter
YOUNG Pru

STORE LOCATIONS