Smiths City

SHOP SMARTER, **LIVE BETTER**

ANNUAL REPORT 2018

CELEBRATING 100 YEARS

EST 1918

100 YEARS OF LIVING BETTER

That's 36,500 days of helping you sit, slouch, or sleep on the sofa, and cook up a storm in the kitchen. 876,000 hours of transmitting the latest hits, greatest sporting events, and biggest blockbusters Hollywood has to offer. 52,560,000 minutes of helping you sleep through the night, and stay connected with your nearest and dearest through the day, all with New Zealand's most trusted brands. These are the moments we live for, the moments when the place you live stops being a house, and starts becoming your home.


New & Secondhand
FURNITURE
THE
CITY MARKET
H.C. SMITH
PROPRIETOR


BUILDERS SHOWROOM


Mistral


Smiths City


SPARK
PREPAID SOLD
HERE
Smiths City

About Smiths City Group

Smiths City Group (NZX.SCY) was founded in Christchurch in 1918 and has a proud tradition as one of New Zealand's oldest and largest retail chains. The company floated on the stock exchange in 1972 and operates 34 stores (including 3 clearance centres) nationwide. The group comprises Smiths City Retail, Smiths City Finance and Smiths City Commercial.

On the web: smithscity.co.nz and smithscitygroup.co.nz

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2018 PERFORMANCE

REVENUE

$215.9m

Down 5.1% as tough trading conditions persist

SAME STORE SALES

$198.6m

Down 2.7%

PRE TAX LOSS OF

$9.9m

Down on the prior year's profit of $2.0m and includes a $4.9 million provision for onerous leases

CHAIR'S REPORT

Introducing new energy and urgency into transformation

"A centenary is a remarkable achievement, but in the face of our commitment to customers, the rapidly changing retail market and ever increasing competition, it offers only a brief opportunity for pause."

Alastair Kerr
Chair and Non Executive Director

Smiths City, over the hundred years it has been in business, has grown thanks to the goodwill and loyalty of generations of customers, particularly in our heartland. They trust our brand as one that stands for value, integrity, honesty and fairness.

A centenary is a remarkable achievement, but in the face of our commitment to customers, the rapidly changing retail market and ever-increasing competition, it offers only a brief opportunity for pause.

We cannot rely only on the past loyalty to sustain us. Our challenge for now and for the company's next century is continuing to live up to our legacy and ensure that the next generation grows up holding the same values that have served us so well over our history.

Three years ago, Smiths City started a programme of transformation. However, as our financial results for the year show, we still have some work to do.

Group revenue for the 12 months to 30 April 2018 fell 5.1% to $215.9 million, from the prior year's $227.4 million. Smiths City retail sales fell 4.7% to $207.9 million from $218.2 million, while same store sales fell 2.7% to $198.6 million from $204.1 million in the prior year.

The downturn in our financial results reflected a continuation of the easing in demand and intense competition in the first half of the 2018 financial year. These challenges were impacted by store refurbishments and closures, election-year trading uncertainty and in some areas an insufficient focus on our customers.

Group profits before tax fell from $2.0 million last year to a loss of $9.9 million. The result includes a number of one-off items including: the recognition of $4.9 million of provisions for onerous leases; a $1.5 million provision related to the Employment Court's May ruling that Smiths City must recompense staff for pre-trading sales meetings; and a further $0.5 million of additional contractual provisions.

This year three new directors offering a strong mix of expertise in governance and retailing, in New Zealand, overseas and online, joined the Smiths City board.

This new board and management now believe our transformation programme has not been sufficiently focussed on delivering on our goal to help our customers to Live Better. Additionally, the pace of change has not been fast enough to meet changing market conditions.

Together with management, we are committed to injecting new energy and urgency into the transformation programme to make good on our customer promise. This year's recognition of a $4.9 million provision for onerous leases of several underperforming stores reflects our determination to take the difficult decisions.

Balance sheet and dividend

Smiths City remains well funded. As at 30 April 2018 the company had $6.2 million of cash on hand and net interest-bearing debt of $54.7 million, all of which was secured against Smith City Finance receivables and Group assets.

However, gearing as measured as net debt to total assets has risen 40.4% from 31.0% at the same time a year ago. And, in contrast to recent years, and reflecting the tough trading conditions, Smiths City has recorded cash outflows of $5.8 million in the current year.

In light of these results and the need to invest in the business, the board now believes it prudent not to declare a full-year dividend. The board will continue to review its dividend policy but at present it believes the company is unlikely to resume paying dividends in the current financial year.

Smiths City People

Smiths City recognises people are a core strategic enabler of our business. We have achieved the 100-year milestone thanks in no small measure to our people building relationships with our customers, telling our story and working hard to make it a reality.

In our next century we want our team to be proud to be working for us. We want them to feel valued by our organisation and convey that enthusiasm and excitement to our customers. Such an attitude will only strengthen the relationships that are critical to our success.

In May when the Employment Court found that we should have paid our staff for the meetings held before stores opened, it became clear we were falling short of our own values in a key area.

We are reimbursing staff and we are determined to better recognise our people. In July, as we formally marked our centenary, we set the tone for the next century and announced we would align our minimum pay rates with the living wage.

We are committed to paying our staff fairly and responsibly and at least to the level of income required to participate as an active citizen in the community. We have also given staff the opportunity to use one day of accrued sick leave each year for their well-being away from work.

$207.9m
Retail sales, down 4.7%

$5.2m
Retail segment loss

It is almost self-evident to say that a staff member who is worried about the basics will not be focussed on helping our customers to Live Better.

Going forward we will also be placing considerable effort into training, staff development and promoting a culture that is focused on the customer and celebrates honesty, fairness, integrity and timely communication.

The board recognises the significant effort of our staff over the last year and we thank them for their dedication.

Outlook

The outlook for the remainder of the year remains challenging. Trading in the first two months of the year has been volatile and the housing market, a key driver of demand, remains muted despite rising housing affordability. In addition to the intense competition we are seeing spending patterns shift from consumer durables to lower cost purchases.

Against this however we expect to benefit from the positive sentiment in the rural economy.

We are hopeful the continued roll out of our Live Better store livery to the flagship Christchurch stores, the ongoing work to build brand awareness in the Auckland market and new initiatives to improve our operations will drive a better result in the current financial year. We will provide an update on trading at the company's annual meeting in September.

Alastair Kerr
Chair

CHIEF EXECUTIVE'S REPORT

Driving improvements in the customer experience

"Challenging trading conditions exposed our weaknesses and show we need to inject new energy into the transformation programme."

Roy Campbell
Chief Executive

Smiths City aims to be a growing, profitable, and sustainable retail leader that is recognised for putting the customer at the heart of what it does.

In the 2018 financial year, as part of our transformation programme, we continued to make several important steps toward achieving that goal. We rolled out the new Live Better store livery, first with our Hastings store and just before Christmas our Auckland and Whangarei stores and refined and rationalised our product offer.

Our online channel, which we relaunched this year, is growing strongly. Internet sales in the fourth quarter are up 51% on the same period on the prior year and the rate of growth has continued to accelerate since it's launch. In the first month of the new financial year internet sales were up 80% on the prior year. The e-commerce site is demonstrating the advantage of pairing traditional retail channels with new digital channels.

We see plenty of potential to further develop the site in the coming year.

These changes follow on the closure of our appliance only stores, the rationalisation of group distribution and administration centres, stock rationalisation and refreshment, merchandising improvements, and staff changes.

However, the challenging trading conditions exposed our weaknesses and show we need to inject new energy into the programme and continue our drive towards exceeding customers' expectations.

Annual retail sales fell to $207.9 million from $218.2 million in the prior year, while we posted a trading loss in the retail business of $5.2 million. This result included costs associated with the closure of stores in Riccarton, Ngauranga Gorge and the Greymouth Clearance Centre and a change to the way the group manages the supply chain.

As we signalled in April soft demand has led to heavy discounting, often to unsustainable levels, and the expansion of interest-free credit terms to periods rarely seen in the industry. These trends were most pronounced in Christchurch and Auckland, where we operate our largest outlets and generate a significant proportion of our total sales.

Trading at our Auckland stores has also not met expectations. The stores are now benefiting from new

management and more localised marketing support. We recognise the benefits to the group of achieving a strong presence in Auckland and are intensely focussed on achieving success in the country's largest market.

We continue to review the broader store network.

This year it became apparent – despite our significant effort – a small number of stores would never generate enough to cover the lease payments let alone generate a profit. We decided it was better to immediately recognise this in the accounts rather than letting the stores dilute the positive results elsewhere in the network.

More positively, we have protected our margins and we have also worked hard at reducing our working capital to ensure every dollar employed in the business is working for shareholders. These initiatives have included changes to how we manage our relationship with suppliers. Inventories have meanwhile fallen to $30.2 million from $36.3 million at the same time a year ago.

We are focussed on driving traffic to our stores and growing our revenues. The simplicity of a retail proposition – delivering customers the right products in the right environment and at the right price – belies the complexity of the task in the face of changing tastes, intense competition, and volatile economic conditions.

Our brand and product and merchandising strategy are at the heart of meeting this challenge and it is clear we need to pick up the pace of transformation in all of these areas. While we believe the 'Live Better' brand proposition is the right one, it is clear it needs to be flexible enough to respond to local conditions.

Priorities for the year ahead and beyond include: a significant uplift in investment in the brand, technology, systems and training that will drive efficiency in the business and improve the customer experience. We will also work harder to meet customer demands in the store, online and after sale.

Finance

We continue to believe Smiths City Finance is at the heart of our efforts to build relationships with our customers. It makes desirable and significant purchases - a good bed, a washing machine or a dishwasher - affordable and easily available. The finance offer can make a real difference to our customers' lifestyles.

Finance segment

$3.4m

down 8% on the prior year

Finance revenue

$8m

down 13% on the prior year

Revenue at Smiths City Finance was down to $8.0 million in the year to the end of April, from $9.2 million in the prior year consistent with retail sales levels. Trading profits fell to $3.4 million from $3.7 million in the prior year. In the year ahead, we continue to work towards refreshing the finance company proposition including the move to the digital origination of finance applications.

Outlook

We continue to believe our strong reputation coupled with a national store network, a more compelling finance proposition and a strong online presence offer the company a unique opportunity.

If a customer comes to us seeking a bed we should also be offering them manchester and bedroom furnishings. If they come to us seeking a lounge suite we should also offer them cushions, a throw or other accessories. We need to sell a lifestyle.

In short, the challenge before us, and it is a long-term challenge, is to make the most of the traffic through our stores by leveraging our strengths and by delivering continual improvements to the customer experience. We are determined to achieve this goal, and this will see a return to growth and, over time, improved returns to our shareholders.

Roy Campbell
Chief Executive

MISSION AND STRATEGY

Smiths City's vision is to be the trusted provider of furnishing and appliances, enabling New Zealanders to Live Better every day. We are achieving this goal by adhering to our core values of customer focus, integrity professionalism, communication, and a focus on four strategic goals.

OUR VALUES ARE OUR COMPASS

WE USE THEM TO GUIDE OUR BEHAVIOUR AS WE WORK TO HELP OUR CUSTOMERS LIVE BETTER.

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

1

To be a growing, profitable, and sustainable retail leader that is recognised for putting the customer at the heart of what we do

What we achieved

- Store transformation programme continues
- Continued stock rationalisation and refreshment
- Introduced the new Live Better store livery to Hastings, Whangarei and the two Auckland stores
- Recognised onerous leases on stores that have not responded to the revitalisation programme

Focus for the year ahead

- Investment in the brand
- Improve the customer experience in the store, online and after sale.
- Regionalise the Live Better brand experience
- Exit non-performing stores
- Drive online and digital interaction
- Continue to develop logistics and the customer supply chain

2

To offer a leading and attractive finance product that enhances and secures Smiths City's relationship with its customers

What we achieved

- Streamlined transaction processing

Focus for the year ahead

- Introduce digital platform
- Introduce enhanced option plan product

3

To recognise people as a core strategic enabler

What we achieved

- Trained one fifth of our staff through workplace training in the areas most likely to deliver material improvements to the business
- Extended the training programmes to the rest of the staff.
- Continued to embed Smiths City's values in the business

Focus for the year ahead

- Introduce a well-being day for all staff
- Undertake a survey of culture in the organisation
- Continue to build a high-performance culture in the organisation
- Continue to invest in Training & Development for our team

4

To provide a strong return to our share holders

Progress against last year's goals

- Maintained gross margins despite strong competitive pressure
- Took a robust approach to balance sheet impairments to ensure value in the business is appropriately recognised
- Continued to prioritise cash flow generation

Focus for the year ahead

- Continue to improve working capital and inventory balance
- Streamline the supply chain
- Invest in technology, systems to drive efficiency

100 YEARS

Smiths City grows on the strength of its relationships with customers

From an auction room in an old brewery to a chain of stores turning over $200 million in sales and a national brand that is synonymous with value, fair play, and integrity.

Smiths City's journey over the last 100 years is one Henry Cooper Smith scarcely could have imagined when he acquired the site on Colombo Street in Christchurch's central city for his city market from the Ward & Company City Brewery in in 1918.

What is clear is that HC Smith understood the simple principle that guides Smiths City today; the value of the business is determined by the strength of its relationship with its customers and their loyalty.

The City Market, as the company was first known, was founded on HC Smiths' firm belief that Christchurch needed a grain and produce auction house. However, as more farmers congregated at the market he saw an opportunity to offer them more.

He bought land nearby, constructed sale yards from where he began selling and auctioning livestock and reconditioned farm implements.

Through the great depression, World War Two, the post-war boom, Smiths City's product range and it reach grew into an ever-broadening range of business activities. Land and estate sales, hardware, building materials, furniture and carpets; in each case HC Smith spotted an opportunity and moved quickly to exploit it.

Indeed, as HC Smith's grandson and former Smith City director Colin recalls, the company only got into selling new furniture because in the post war boom, the supply of second hand furniture, which until then had been the company's bread and butter had dried up.

"In the end they found that to keep in business it was easier to adopt selling new than it was second-hand because they just couldn't get hold of the goods after the war," Colin says.

Smiths City listed on the New Zealand stock exchange in the 70s and then in the late 80s and early 90s the company faced a reckoning. Like many of New Zealand's largest companies it expanded too fast and amid the economic downturn fell into receivership. Smiths City retreated to its heartland and released from receivership it soared with its sales breaking through $150 million at the turn of the century.

By 2003 it relisted on the NZX, first on the alternative market and then back to the main board in the following year. The company then rapidly expanded its presence in home appliance retailing. But with the rapid growth in e-commerce and the opportunities it offers for customers to compare prices, Smiths has turned to a combined offer of furniture and appliance categories where the customer experience, both instore, online and after sale can generate the customer loyalty.

In 2015 it brought the Furniture City business to gain a foothold in the important upper North Island markets. This new approach has culminated in the development of the Live Better brand and store formats. Smiths City rolled out the first of these stores in Hastings, and the new stores in Auckland and Whangarei. In July it rolled out the new look at the historic Colombo Street store.

Smiths City is looking to its next century of trading keenly aware that it's success depends on the same principles that drove its growth from the very beginning: exceeding its customers' expectations and keeping the honest kiwi values that have sustained it since its beginning.

1918	Henry Cooper Smith buys 550 Colombo Street (formerly Ward & Company City Brewery) and commenced trading as the City Market.
1920	Period of rapid growth to categories as diverse as livestock and farm implements business moving to St Asaph Street
1938	Smiths City Market incorporated
1947	New furniture business grows amid the post war boom.
1953	Smiths City Market Finance incorporated
1956	Henry Smith retires, and sons Dave and Ron take over leadership of the company
1964	Henry Cooper Smith passes away, aged 80.
1972	Smiths City Market floated as a public company.
1974	Further growth in Christchurch and begins nationwide expansion through acquisition
1980	Rapid expansion through acquisition including a majority stake in Noel Leeming Television.
1990	Smith family step away from management of the company
1991	Receivership. North Island operations and Noel Leeming sold.
1997	Buys appliance business from South Power, later rebranded Powerstore and begins appliance expansion
2000	Opens mega store in Northwood in Christchurch. Sales pass $150 million
2003	Smiths City Group listed on the NZAX
2004	Smiths City Group transfers to the NZSX
2007	Joins the appliance buying group Narta
2008	Expansion in the North Island and new regional stores in the South Island
2011	Christchurch earthquake. Flagship Colombo Street store redeveloped
2012	Launch of the online store
2015	LV Martin & Powerstore rebranded as Smiths City; Colombo Street store sold and leased back. Commences revitalisation programme
2016	Rebrands appliance-only as Smiths City; acquires Furniture City.
2017	Launches the 'Live Better' brand livery at a new store in Hastings
2018	Celebrates 100 years with announcement of decision to align to living wage to all staff.

HONOURING THE SMITH FAMILY NAME

Despite the difficult trading year, the grandchildren of Smiths City founder, Henry Cooper Smith, are proud of the family legacy.

Colin Smith, Lesley Olds and Ian Smith

Shirley Brown

Shirley Brown, Henry Cooper Smith's eldest grandchild, is still amazed to think that today's Smiths City grew out of the efforts of a family she describes as very ordinary.

Shirley is the daughter of Henry's son Ron Smith. She contrasts the birth place of Smiths City in the late 1940s with the clean lines and smart furnishings of her local store in Wairau Park on Auckland's North Shore.

"Because the Colombo Street store had been a brewery, the floor was uneven. I remember you came in off the street and you walked into the new furniture department. Down the back they had stacks of lino rolls. Out the back, where they used to sell the odd horse on Fridays, there was wheat and farm supplies; it was all very different.

"We were a pretty modest family, but I am proud of what the company has become; the way it has grown; to think that the firm is this size and that it remains New Zealand owned and operated quite amazes me," says Shirley.

Shirley, like many of her cousins, worked at the original Colombo Street store. She started as a school girl and continued until after she graduated from university with a degree in commerce. She recalls the store as the place where everybody went for everything

Colin Smith is the son of Ron's brother Dave and rose from the shop floor to be an auctioneer and for a while led the company. He says Smiths City "has always had a good name and has always stood for integrity and honesty and a good place to buy. I'm pleased that this is still true today."

He and Shirley recall their grandfather Henry Cooper Smith as a gentleman. He walked with a cane, was always smartly dressed in a suit collar and tie and always wore a button hole flower picked from the family garden. But he also had a hard-edge when it came to business.

"Grandad, he was a tough old bugger. He was a good auctioneer and he had a real way with people," says Colin.

Even after retirement, Henry would regularly come into the store, particularly on auction days to catch up with the close-knit staff and regular customers. While each of the grandchildren recalls with some nostalgia the buzz and action of the auction floor and the vast product range, they like the changes the company is making.

> "Smiths City is doing what it has to do to be a force in the marketplace and to be as competitive as it can be"
>
> **Colin Smith**

Ian Smith, Colin's brother, says: "I think what the company is doing, particularly in the new store layouts, looks great. Smiths City is doing what it has to do to be a force in the marketplace and to be as competitive as it can be."

And like their grandfather they still check in to see how the company is developing and they still shop there. Lesley, Shirley's sister, recently replaced her washing machine with a new one from Smiths City. Brother Kevin, who now lives in Australia, has less of an opportunity to shop at Smiths City, while Tony, the youngest of the four, passed away in 2006. Both were senior empoyees of the company.

To have reached the 100-year milestone is undoubtedly an achievement.

"To have a business in New Zealand, particularly in retail, last 100 years is pretty amazing," says Ian. But he takes pains to point out the success also follows years of solid support from the public, customers and loyal staff.

"As a family we're just so chuffed to be part of this story, for some of us to have worked for the company, and to have seen it grow the way it has grown over the years," he says.

BUILDING ON OUR STRENGTHS

Good old-fashioned "kiwi service" is at the heart of Smiths City's proposition

Helpful friendly staff and good service – these are the reasons customers keep coming back to Smiths City. Since October of last year, the company has been inviting all its customers to participate in a survey asking how likely they are to recommend Smiths City and why.

Despite the trading weakness, the survey shows more than eight out of every 10 people who participate in the survey are likely to promote the brand. Moreover, customers rate us ahead of the broader retail sector and our ratings have been steadily increasing since we began the survey.

We continue to target a score that ranks us the highest in the industry. We are very clear on what needs to be done to achieve that goal including: lifting the experience in store; continuing to refine our product range and finding new ways for Smiths City to strengthen its credentials for delivering value.

"Your staff members are amazing to work with I love how it is easy to tell what everything is I can always rely on the Smith City team"

Richmond store customer October 2017

"Your team in Opotiki are very helpful and obliging. So easy and friendly to deal with"

Opotiki store customer, December 2017

"Friendly helpful staff who told me all about discounts and what each product advantage was"

Kaikoura store customer, January 2018

"I liked the honest and straight forward approach of your staff. A good customer experience"

Kapiti Store customer June 2018

WHAT OUR CUSTOMERS SAY

"Your Sales Person was very very helpful, and we were able to make a deal right there and then"

Northwood Christchurch store customer, January 2018

"Your customer service on the phone is second to none, hassle free. Well done"

Mt Wellington store customer, February 2018

"Your shop is fine well laid out with good products."

Colombo Street, Christchurch store customer, April 2018

"Great service, cheerful and helpful and not too pushy. Our first trip there and will definitely return!"

Tauranga store customer, June 2018

*Source: Customer Radar

A TEAM THAT LIVES BETTER

Smith City sets out on its next 100 years determined to demonstrate its commitment to its people.

Smiths City is its people. Our success turns on the team - from those on the shop floor through to buyers in the support centre and our people in the warehouse - being focussed on a single goal: helping our customers to Live Better.

Smiths City is developing a culture where our people are proud to be working for us, where they feel valued by our organisation and where they feel they can make a real difference to our customers' lifestyles. We want our people to be enthusiastic and excited about meeting our customers' needs. It is upon these qualities that enduring relationships are founded.

Fundamental to the development of this culture is paying Smiths City people fairly for a fair day's work. Our people need to come to work knowing that they have enough to put food on the table, pay the rent and the power bill and meet their basic needs.

This year Smiths City resolved to take a position of leadership in the New Zealand retail sector and committed to aligning its pay rates with the living wage*, the level of income required for the necessities of life and to participate as an active citizen in the community.

We also took steps to make Smiths true to family-friendly spirit that led our early development with the introduction of an annual day of well-being for all our staff. The day's paid leave, which comes in addition to normal holiday entitlements and will be deducted from accrued sick leave, can be taken for whatever purpose an employee determines. It may be to attend a child's sports match or play rehearsal or, for those without family, perhaps a day hunting or engaging in another passion. We want our employees and their families to Live Better.

*Smiths City is not committing to automatically increase its pay rates in line with future estimates of the living wage. Although the company is committed to the principles of the living wage, it will review any future increases against business conditions and the company's capital requirements

Making retail a career choice

Building a sense of purpose

Smiths City wants its staff to see they have a long-term future with the business and that the company cares about their development. We want them to see retail as a profession.

Three years ago, Smiths City embarked on a journey to achieve these goals. We first reviewed and rewrote all job descriptions to ensure they encompassed all of the skills, roles, and responsibilities necessary for the company to thrive; we identified key areas for development and training and refreshed the company-wide appraisal scheme. We also began to collaborate with high-quality education providers to help Smiths City quickly make up any significant capability deficits and identify opportunities for further development.

In the last year we have put a fifth of our staff through workplace training with an emphasis on those areas most likely to deliver improvements to our financial results. We are doing the same again this year.

Meanwhile we are continuing to drive the adoption of our values, which over the long term can be a powerful force for change. It is still early days to see the results of the programmes – but we are beginning to see greater engagement with our values and increasing commitment from our staff to training and building a career with Smiths City.

Training partnerships

Smiths City training programmes represent a partnership between staff, the service industry training organisation Service IQ and the company. We chose Service IQ to deliver New Zealand Qualifications Authority recognised courses as part of our bid to become an employer of choice. Our staff are motivated to participate because they know they are gaining skills that have relevance and are valued beyond Smiths City. Alongside this Smiths City is looking to implement internal training to standardise the customer experience.

HELPING OUR COMMUNITIES TO LIVE BETTER

Smiths City helps the communities we serve to Live Better. Particularly focussed on families and children in need. In the 2018 financial year we contributed more than $70,000 to a broad range of national and local projects.

cure kids

Cure Kids is the largest funder of child health research outside the government sector. Since Cure Kids was established by Rotary in 1971 as the Child Health Research Foundation, it has helped save and improve the lives of thousands of kids in New Zealand and around the world.

"Our partnership with Smiths City plays a critical role in making measurable differences to the current and future generations of children and their communities,"

FRANCES BENGE CEO

What we did this year:

Smiths City, its staff and customers raised over $29,000 for Cure Kids in the last year. This included cash donations and the collection of customer donations to Cure Kids through the store network. As we opened stores carrying the new Live Better brand format in Auckland and Whangarei we auctioned products and donated the proceeds to the charity.

To find out more: **curekids.org.nz**

THE BURWOOD SPINAL UNIT

The Burwood Spinal Unit provides services for people with spinal cord impairment resulting from accident, illness or hereditary causes. It provides comprehensive, interdisciplinary assessment, treatment and rehabilitation for people who live throughout the South Island and the lower half of the North Island.

"To be able to stay onsite and close to the spinal unit to support loved ones or have treatment is a huge help for family and patients during a stressful time. With the support of Smiths City, we have been able to make the units as homely and inviting as possible,"

SALLY NICHOLAS Group Operations Manager, Older Persons Health and Rehabilitation

What we did this year:

We helped furnish and provide appliances for Burwood Spinal Unit's Tapper accommodation facilities, which reopened following earthquake repairs in June 2017. The units provide lodging for patients' families and outpatients who normally live outside Christchurch.

To find out more: **cdhb.health.nz/Hospitals-Services/Specialist-Care/Spinal-Unit**

Managing our impact on the environment

Smiths City is committed to restricting its practices to those that minimise environmental and social impacts. We actively identify practices where any effects on the environment can be reduced. We also assist with recycling second-hand goods through our 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.

The Hall family (from left) Pat, Bonnie, Frieda and Jane from Wellington have spent over 150 nights in Ronald McDonald House in Christchurch

KidsCan
Supporting Disadvantaged Kiwi Kids

KidsCan is helping Kiwi kids living in hardship reach their full potential and create brighter futures. The charity provides more than 718 primary, intermediate and high school children in lower decile schools with food, clothing and health and hygiene items so they can get into the classroom and have an equal opportunity to learn and thrive. KidsCan does this because it believes that education equals opportunity, and all children, regardless of their social and economic background should have an equal chance.

"KidsCan simply wouldn't exist without the generosity of caring Kiwis, sponsors and donors like Smiths City who give generously to ensure children in need in New Zealand get to school in a position to learn."

JULIE CHAPMAN Founder and CEO

What we did this year.

Smiths City staff this year elected to forgo a Christmas gift in favour of a donation of $5,500 to a worthy charity. The staff settled on KidsCan because they wanted to support one that operated throughout New Zealand and reached into the communities where Smiths City operates.

To find out more: **kidscan.org.nz**

Ronald McDonald House South Island

Ronald McDonald House South Island provides free accommodation to over 700 families each year who must travel to Christchurch or Invercargill for their child's medical treatment. By removing the stresses of everyday life, they ensure families can focus on what matters most – their child.

"Since the Christchurch House first opened in 2003, Smiths City has walked hand-in-hand with our team to provide ongoing support. From monetary donations through to special gifts for Mother's Day and Father's Day, we simply couldn't do what we do without supporters like Smiths City,"

MANDY KENNEDY CEO

What we did this year:

We provided furniture and appliances for accommodation units, helping to create an environment that is truly welcoming and provides respite from the hospital.

To find out more: **rmhsi.org.nz**

OTHER ORGANISATIONS WE SUPPORTED:

- **citymission.org.nz**
- **heartkids.org.nz**
- **maiahealth.org.nz**

COMPANY PROFILE

Smiths City is one of New Zealand's most trusted brands. We've been providing great customer service, a huge range of quality products and affordable finance plans for a century. The company is listed on the NZX and employs 514 people (as at 30 April 2018).

Smithscity.co.nz

Our online channel is central to sales growth and the future of the business. It enables customers to engage and transact with Smiths City in any way they wish. It enhances the customer experience and provides new opportunities for our customers to find solutions to live better.

Smiths City Finance

Consumer finance is an integral part of our service model. It allows us to strengthen our relationships with our customers and better anticipate their needs. It is also a key enabler of the 'live better' proposition as it makes higher-value furniture and appliances more accessible. Smiths City Finance 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.

Our brands

A core strength of the group is our product offering. We are proud to represent many of New Zealand's best-known brands in-store and online, including Sleepyhead and Fisher & Paykel, 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 Coastwood and Woodpeckers.

SMITHS CITY SNAPSHOT

Established
1918

34
Stores

514
Employees^

$215.9m
Annual Revenue

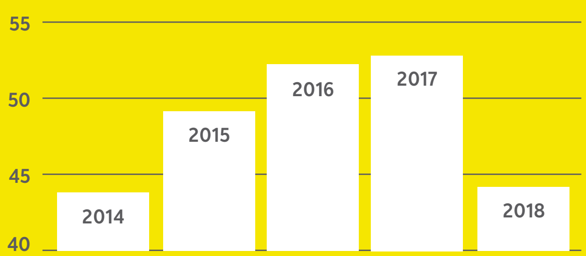
^as at 30April 2018

TREND STATEMENT

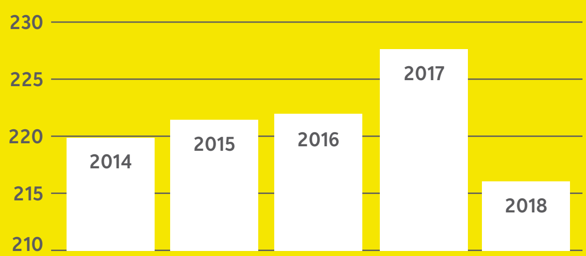
GROUP FINANCIAL PERFORMANCE	2014 ($m)	2015 ($m)	2016 ($m)	2017* ($m)	2018 ($m)
Operating Revenue	220.0	221.4	221.9	227.4	215.9
Profit Before Taxation	4.7	8.7	3.1	2.0	(9.9)
Add / (Deduct) Taxation Credit / (Expense)	(0.6)	(1.1)	2.5	0.4	2.7
Profit After Income Tax	4.1	7.6	5.6	2.4	(7.2)
GROUP FINANCIAL POSITION					
Assets					
Total Trading Assets	78.7	80.0	67.8	66.5	66.5
Finance Company Assets	73.0	69.9	68.5	66.7	69.0
Total Assets	151.7	149.9	136.3	133.2	135.5
Deduct Liabilities					
Total Trading Liabilities	48.4	43.3	27.8	27.0	30.3
Finance Company Liabilities	60.3	57.4	56.2	53.3	60.9
Total Liabilities	108.7	100.7	84.0	80.3	91.2
Net Group Assets	43.0	49.2	52.3	52.9	44.3
Total Trading Assets (As Above)	78.7	80.0	67.8	66.5	66.5
Net Finance Company Assets					
Receivables	72.0	68.7	66.6	63.1	68.2
Bank	1.0	1.2	1.9	3.6	0.8
Deduct Borrowings	(60.3)	(57.4)	(56.2)	(53.3)	(60.9)
Net Investment In Finance Company	12.7	12.5	12.3	13.4	8.1
Total Assets	91.4	92.5	80.1	79.9	74.6
Deduct Total Trading Liabilities (As Above)	48.4	43.3	27.8	27.0	30.3
Net Group Assets With Finance Company As An Investment	43.0	49.2	52.3	52.9	44.3
Key Ratios					
Net Profit Before Tax To Operating Revenue	2.1%	3.9%	1.4%	0.9%	(4.6%)
Net Profit After Tax To Operating Revenue	1.9%	3.4%	2.5%	1.1%	(3.3%)
Net Profit After Tax To Opening Net Assets	10.1%	17.7%	11.4%	4.6%	(13.6%)
Earnings Per Share – cents	7.7	14.4	10.6	4.5	(13.6)
Shareholders' Funds To Total Assets	28.3%	32.8%	38.4%	39.7%	32.7%
Shareholders' Funds To Assets With Finance Company As An Investment	47.0%	52.2%	65.3%	66.2%	59.4%
SUMMARY OF RETURNS TO SHAREHOLDERS					
Net Dividend Per Share - cents	3.50(1)	3.50(1)	3.50(1)	3.50	1.00
Imputation Credits - cents	0.00	0.00	0.00	1.36	0.39
Gross Dividend Per Share - cents	3.50	3.50	3.50	4.86	1.39
30 April Share Price - cents	56	56	50	71	45
Gross Dividend Yield Based on 30 April Share Price	6.25%	6.25%	7.00%	6.85%	3.09%

(1) Dividend paid without imputation credits

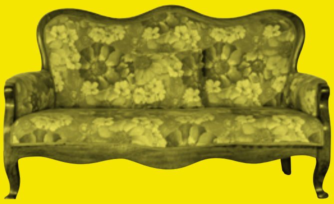
NET GROUP ASSETS $m



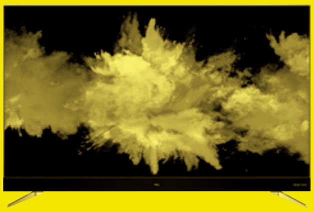
OPERATING REVENUE $m



*Refer to Note 28 for further information in respect of the restatement in 2017



CELEBRATING 100 YEARS OF MAKING YOUR HOUSE A HOME



• 1918

DIRECTOR PROFILES

Alastair Gibson Kerr MA (HONS)

Chair
Member - Audit & Risk Committee

Alastair Kerr joined the Board in December 2017. Alastair is a professional independent director and has held many senior executive roles internationally with organisations such as Marks and Spencer, Mothercare, Virgin, The Body Shop, L'Oreal and Williams Sonoma Inc. in a career spanning 35 years.

He is currently Chair of Murphy Group, the UK based construction company. In New Zealand he Chairs Cognition Education Limited, VetSouth Limited, and is on the Board of Paper Plus Limited.

Tony Donald Allison B COM, BA, CA, CMINSTD

Independent Non-Executive Director
Chair – Audit & Risk Committee

Tony Allison joined the Board in June 2016. Tony is currently the Chief Executive for Night'n Day Foodstores Limited and serves on multiple boards, including Delta Utility Services Limited and Dunedin International Airport Limited. Tony is a Chartered Accountant and a Chartered Member of the Institute of Directors.

His executive career includes senior positions in large accounting and legal firms along with a major construction and development company.

Benjamin John Powles LLB, BA

Independent Non-Executive Director
Member – Audit & Risk Committee

Ben Powles joined the Board in December 2017. He started his career with one of New Zealand's largest law firms, before making the switch to high growth technology companies, and his executive career includes senior management roles in the telecommunications, finance and energy industries.

Ben is now CEO of one of Australasia's most successful home-grown online retailers, World Front / Fishpond.

Antony David Karp B.BUS (HONS), MAICD

Independent Non-Executive Director
Member – Audit & Risk Committee

Tony Karp joined the Board in June 2018. Tony is a corporate adviser to a number of listed and private retail and property companies in Australia, including Woolworths Group, Scentre Group and Metcash.

Tony began his career in the property industry, working with Jones Lang LaSalle in Australia and Asia before moving to funds management, where he ran BT Hotel Group on behalf of Bankers Trust.

Most recently, Tony was the CFO at ASX listed Speciality Fashion Group.

EXECUTIVE MANAGEMENT PROFILES

Roy Campbell MBA, DIP. BUS.MKTG

Chief Executive

Roy joined Smiths City in May 2015, bringing to the Group 30+ years experience and expertise in change management within large, multi-site retail, wholesale and FMCG operations.

Having worked across markets in New Zealand, UK, Eastern Europe and the USA, Roy has an extensive history of achieving tangible financial and operational results through the successful restructuring of organisations. He provides clear strategic direction in the planning and delivering of effective implementation strategies resulting in improved ROIs.

Celia Mearns BBS, CA

Chief Financial Officer

Celia joined Smiths City Group in November 2017. She is an experienced Senior Executive with over 13 years in the retail industry, and 10 years in professional advisory and wine industry roles.

Celia is a member of the Chartered Accountants of Australia and New Zealand, the Institute of Directors, and has held Finance, Supply Chain and Directorship roles.

Tony Kingston

General Manager, Merchandise

Tony joined Smiths City in April 2018. With over 20 years' experience in retail, Tony has held senior merchandise roles within iconic retailers such as The Warehouse Group, Farmers, Sleepyhead, Retravision and Dick Smith Electronics.

Trained in motivational, collaborative and flexible leadership, Tony is passionate about making a difference for both our customers and team members, with a proven track record of delivering results over and above expectations.

Peter Dickie MBA, B Com, B Arts

General Manager, Marketing

Pete joined Smiths City in January 2016. Pete is a qualified, successful and highly regarded professional marketer who has over 20 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.

Valerie Wright BA Bus.Psych

Group Human Resources Manager

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.

Adam Doocey BSC (Mathematics, Computer Science)

Chief Information Officer

Adam joined Smiths City Group in June 2017. He is a senior IS leader with 20+ years' experience gained across New Zealand businesses and government departments.

Prior to joining Smiths City Group, Adam spent over 10 years specialising in Retail Systems, during which time he led a variety of teams servicing several well-known New Zealand brands. Prior to this, Adam spent several years leading software development teams in the Logistics industry. Adam is highly skilled in leading teams through organisational change and delivering operational efficiency.

Dean Smith

General Manager, Logistics

Dean has worked with Smiths City Group for the past 21 years, with a retail career that spans almost 30 years. Over this time Dean has consistently developed and progressed within the logistics area toward his current senior leadership management position and responsibilities.

Dean has a broad range of valuable experience, from his time in retail sales to store management roles within the apparel industry, to his career with logistics for the Group.

John Mander B Com, CA

General Manager Smiths City Finance

John joined the Group in June 2017 to lead Smiths City Finance, bringing over 30 years experience in finance and accounting roles, specialising in financial services.

A Chartered Accountant and initially trained in a Big Four firm, John has performed finance roles as a senior executive in a listed company, followed by over 15 years in consumer financial services, including leading the development of a successful consumer finance business as Chief Executive.

CORPORATE GOVERNANCE

The Board is committed to conducting the company's business ethically and in accordance with high standards of corporate governance. The primary purpose of the Board is the survival and wellbeing of the company; and to build long term shareholder value with due regard to other stakeholder interests.

It does this guiding strategic direction and focusing on issues critical for its successful executive.

This governance statement outlines the company's main corporate governance practices as at 30 April 2018.

Compliance

The ordinary shares of the Smiths City Group Limited (the "Group" or "company") are listed on the New Zealand Stock Exchange ("NZX"). The company seeks to follow the best-practice recommendations for listed companies to the extent that it is appropriate to the size and nature of the Group's operations.

The company considers its governance practices largely complied with the NZX Corporate Governance Code (the Code) for the year ended 30 April 2018, however with the refreshed Board now in place, there are a number of recommendations from the Code under review for further disclosure or being refreshed in the coming year.

These recommendations are:

- Making all relevant information available on the Group website
- Ensuring up to date charters are in place, with up to date written agreements with Directors and formal performance review processes in place
- Development of formal policies for diversity and takeover procedures
- Further detailed CEO remuneration disclosure (other than as already disclosed in the annual report)
- Further disclosure on Health and Safety Risks, performance and management

The structure of this section of the Annual Report reflects the NZX Corporate Governance Code Principles.

PRINCIPLE 1 – ETHICAL STANDARDS

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering those standards throughout the company.

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 Code and its recommendations. A Code of Ethics is in place for the Group's Directors and employees.

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 Financial Markets Conduct Act 2013 (FMCA)).

The procedure (which is also subject to the requirements of the Financial Markets Conduct Act 2013 (FMCA)) 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.

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.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

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 T D Allison, A G Kerr, B J Powles and A D Karp 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.

Director Training

The Group provides relevant training opportunities for the Directors as required.

Gender Composition of Directors and Officers

A breakdown of gender composition of Directors and Officers as at April 2018 is shown below:

	Female	Male
Directors – as at 30.4.18	1	5
Officers*	2	6

* An Officer is defined as the members of the senior management team, who report either directly to the Board or to the Chief Executive.

While the Group does not have a formal diversity policy, it works towards appropriate balance and diversity within its Board and executive.

PRINCIPLE 3 – BOARD COMMITTEES

The Board should use committees where this would enhance its effectiveness in key areas, while still retaining Board responsibility.

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, and management attend the Committee meetings by invitation.

Audit Committee;

Chairman; T D Allison
Members; B J Powles, A D Karp, A G Kerr

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.

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 (retired 25.5.18)	10	10	4	4
J A Dobson (retired 21.8.17)	10	4	4	1
G R Rohloff (retired 26.4.18)	10	10	4	3
S M Henderson (retired 30.6.18)	10	9	4	4
T D Allison	10	10	4	4
A G Kerr	10	3	4	1
• Appointed to Board 19.12.17				
• To Audit Committee 16.3.18				
• To Chairman 1.6.18				
B J Powles	10	3	n/a	n/a
• Appointed to Board 19.12.17				

The Remuneration Committee met during the year – in conjunction with Board meetings.
The Nomination Committee met during the year – in conjunction with Board meetings.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board should demand integrity in financial reporting and in the timeliness and balance of corporate disclosures.

Financial Reporting

The Audit Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements, and disclosure of any material exposure to key risks including environmental, economic and social sustainability risks.

It reviews half yearly and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of external and internal audit.

Timely and Balanced Disclosure

The Group considers that shareholders and the investment market generally should be promptly informed of all major business events that influence the company and to ensure compliance with NZX Continuous Disclosure requirements.

The Board is responsible for making decisions on what should be disclosed publicly, and has a continuous disclosure policy.

The Group aims to manage its businesses in a way that will produce positive outcomes for all stakeholders including the public, customers, team members, suppliers and shareholders.

The Group monitors progress in business sustainability as it seeks to actively improve the social and environmental characteristics of the business. This is a goal to which the Group is strategically committed and which it incorporates in its day to day operations.

PRINCIPLE 5 – REMUNERATION

The remuneration of Directors and executives should be transparent, fair and reasonable.

Remuneration and Benefits

The Board seeks independent advice before recommending to shareholders any increase in the maximum level of Directors' fees payable.

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 2018 were:

	Annual Directors' Fees	Other Services	Total Remuneration Paid
INDEPENDENT NON EXECUTIVE DIRECTORS			
C D Boyce (retired 25.5.18)	90,000	-	90,000
J A Dobson (retired 21.8.17)	68,500	-	22,833
G R Rohloff (retired 26.4.18)	53,500	-	53,500
S M Henderson (retired 30.6.18)	53,500	3,000	56,500
T D Allison • Appointed to Audit Committee 16.6.17 • To Audit Chair 29.9.17	68,500	-	63,082
A G Kerr • Appointed to Board 19.12.17 • To Audit Committee 16.3.18 • To Chairman 1.6.18	53,500	-	21,067
B J Powles • Appointed to Board 19.12.17	48,500	-	20,208
		3,000	327,190*

*Total paid exceeded cap due to overlap of handover periods between directors commencing and retiring

Director fees are set based on relative responsibilities and time required.

Executive remuneration is disclosed in the annual report in terms of overall salary.

PRINCIPLE 6 – RISK MANAGEMENT

Directors should have a sound understanding of the key risks faced by the business. The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.

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, 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.

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.

PRINCIPLE 7 – AUDITORS

The Board should ensure the quality and independence of the external audit process.

Approach to Audit Governance

The independence of the external auditor is of particular importance to shareholders and the Board. The Audit Committee is responsible for overseeing the external audit of the company. Accordingly, it monitors developments in the areas of audit and threats to audit independence, to ensure its policies and practices are consistent with emerging best practice in these areas.

The Board has adopted a policy on audit independence, the key elements of which are:

- The external auditor must remain independent of the company at all times and comply with the New Zealand Institute of Chartered Accountants (NZICA) Code of Ethics;
- The external auditor must monitor its independence and report to the Board that it has remained independent;
- Guidelines in relation to the provision of non audit services by the external auditor in order that the provision of such services does not impair the external auditors independence or objectivity;
- The audit firm may be permitted to provide non audit services that are not considered to be in conflict with the preservation of the independence of the auditor subject to the approval of the company's Audit Committee in accordance with its charter; and
- The Audit Committee must approve significant permissible non audit work assignments that are awarded to an external auditor.

Internal audit functions include review of key transactions within the Group, and Finance Company procedures.

In addition various internal monitoring is in place around items of control such as identification of suspicious activity including potential Money Laundering transactions.

Engagement of the External Auditor

The Group's external auditor is KPMG. KPMG was appointed by shareholders at the 2017 Annual Meeting in accordance with the provisions of the Companies Act 1993 (Act).

Attendance at the Annual Meeting

KPMG, as auditor of the 2018 financial statements, has been invited to attend this year's annual meeting and will be available to answer questions about the conduct of the audit, preparation and content of the auditors' report, accounting policies adopted by Smiths City Group Limited and the independence of the auditor in relation to the conduct of the audit.

PRINCIPLE 8 – SHAREHOLDER RELATIONS

The Board should foster constructive relationships with shareholders that encourage them to engage with the company.

The company values its dialogue with institutional and private investors and is committed to giving all shareholders comprehensive timely and equal access to information about its activities.

The Board aims to ensure that shareholders are informed of all information necessary to assess the Board's performance. They do so through a communication strategy which includes:

- Periodic and continuous disclosure to NZX;
- Half yearly and annual reports;
- The annual shareholders' meeting and any other meetings called to obtain approval for Board actions as appropriate; and
- The company's website.

In accordance with the New Zealand Companies Act and NZX Listing Rules, the company is no longer required to automatically mail a hard copy of its half yearly or annual reports to shareholders.

The Board has moved to electronic reporting. Even though interim and annual reports are available electronically, shareholders can request a hard copy of the report to be mailed to them free of charge.

The Notice of Meeting is circulated at least 28 days before the meeting and is also posted on the company's website.

Shareholders are provided with notes on all the resolutions proposed through the notice of meeting each year. Directors and the company's external auditor are available to answer shareholder questions. The Board encourages full participation of shareholders to ensure a high level of accountability and identification with the company's strategies and goals.

FINANCIAL RESULTS

Independent Auditor's Report

To the shareholders of Smiths City Group Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Smiths City Group Limited (the company) and its subsidiaries (the group) on pages 38 to 70:

i. present fairly in all material respects the Group's financial position as at 30 April 2018 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 April 2018;

— the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to agreed upon procedures in relation to the finance company and bank transactions. 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.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $440,000 determined with reference to a benchmark of Group revenue. In our view this represents a more stable measure of Group performance.

We agreed with the Audit Committee that we would report to them all audit differences in excess of $22,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Retail store network – measurement of provisions ($6.4million – refer to note 16)	
During the period a provision has been recognised relating to the onerous leases on underperforming stores. The subjective nature of onerous lease provisions make this a key audit matter due to judgemental assumptions including future store profitability, contractual lease terms and the ability to generate sub-lease income. In addition following the Employment Court judgement received on 8 May 2018 as outlined in note 27 the Group recognised a provision for the estimated costs to satisfy the judgement. This provision includes a number of key assumptions including the number of staff attending meetings, the impact of the unpaid meetings on those employees at or near the minimum wage, and the consequent impact on Holiday Pay.	Our audit procedures included: — Assessment of actual and forecast performance by store, to challenge the identification of stores included within the provision calculation. — Examination of lease agreements for identified stores included in the provision calculation to assess the accuracy of lease assumptions within the calculation and determine the cost to exit those stores. — Challenge of managements key assumptions in the calculation of the onerous lease provision and found the assumptions to be within a reasonable range, specifically: - Forecasted future trading and profitability; - Expected sublease income; - Allocation of rebate income; and - Discount rate applied. — Examination of the Employment Court ruling to identify the requirements and determining factors for inclusion in the provision calculation. No material differences noted. — Challenge of managements key assumptions in the calculation of the Employment Court provision and found the assumptions to be within a reasonable range, specifically: - The identification of staff attending store meetings; - Number of staff identification as being on or near minimum wage; and - Impact of Holiday Pay and KiwiSaver.
Inventory management – Impact on the carrying value of inventory ($30.2million – refer to note 11)	
The Group sells a large number of different products and product categories, with varying margins. The Group's strategy continues to focus on both the level and mix of inventory on hand. The potential impact of this strategy on the carrying value of inventory is	Our audit procedures included: — For a sample of inventory products comparing the actual sales price subsequent to year end, to the weighted average cost of the item (being the method of costing used by the Group). This identified no instances where the inventory net realisable value was materially less than cost, which were not considered within the provision.

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The key audit matter	How the matter was addressed in our audit
considered a key audit matter due to the significance of inventory value to the Group's operating performance and continued heavy competition in the retail market. The possible impairment of inventory is inherently subjective due to the changes in product mix with varying margins, intense market competition and lower than expected trading performance in the current year. Additionally, inventory includes electronics which are subject to increased risk surrounding the future recoverability due to technology advances in future products.	— Challenging the methodology applied to calculate the provision for inventory impairment. No significant exceptions were identified in checking, on a sample basis, items on the stock listing against sales during FY18 for items with a negative margin. — Comparing the listing of inventory items to sales transactions during the year to identify inventory items with no recent sales history. This did not identify inventory items that required additional provisioning. — Assessing the level of inventory provisions at year end and found them to be comparable to actual losses recognised during the current and historical years.
Consumer finance offering - Impact on the carrying value of finance receivables ($68.2million – refer to note 12)	
The finance offering remains a strategic product of the Group in the extension of the retail transaction with customers. The carrying value of the Group's finance receivables is subject to complexities inherent in determining the amount recognised: — a number of different finance arrangements are employed, including some with interest free and deferred payment periods which may be offered to facilitate retail sales; — when a finance receivable agreement is entered into management are required to make an assessment of whether the interest rate terms of the agreement represent market rates. To the extent that the interest rate is lower than the market rate, the carrying value of the finance receivable is reduced to reflect this; and — assessment of the estimated future cash receipts through the expected life of the finance receivables, to calculate the provision for non-collectability.	Our audit procedures included: — Evaluating the standard terms and conditions of the finance agreements found that the recognition of finance receivables reflects these terms and conditions. — Evaluating procedures and controls at the origination of finance receivables found that sufficient information is being captured on the borrower and also that credit checks are being performed. — Comparing market interest rates for similar finance receivables to assess the requirement for any adjustment to carrying value on initial recognition. No adjustment was required as the interest rate on finance receivables was reflective of the market rate for comparable products. — Comparing the current year's aging profile of overdue finance receivables against prior years to ensure that the credit quality had not significantly deteriorated. Then comparing the level historical loss rates on finance receivables against the current year impairment provision. We also obtained the aging profile of finance receivables subsequent to year end and considered if there were any indicators of deterioration. We did not identify any material issues or exceptions from our procedures. — Evaluating management's methodology and assumptions associated with interest recognition on finance receivables with interest free periods did not identify any material adjustments.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman and Chief Executive's review, company profile and disclosures relating to corporate governance. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, 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;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Peter Taylor.

For and on behalf of

KPMG

KPMG
Christchurch

29 June 2018

SMITHS CITY GROUP LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2018

	NOTE	2018 ($m)	2017 ($m)
Revenue	5	**215.9**	227.4
Trading Profit	4, 6	**(9.9)**	2.0
Profit Before Taxation	4	**(9.9)**	2.0
Taxation	8	**2.7**	0.4
Profit For The Year		**(7.2)**	2.4
Earnings Per Share For Profit Attributable To Equity Holders:			
Basic and Diluted Earnings Per Share (cents)	20	**(13.6)**	**4.5**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2018

	NOTE	2018 ($m)	2017 ($m)
Profit For The Year		**(7.2)**	2.4
Other Comprehensive Income			
Items That May Be Reclassified Subsequently to Profit or Loss			
Cash Flow Hedges – Fair Value Gains/(Losses) Taken To Cash Flow Hedge Reserve	18	**0.7**	0.7
Cash Flow Hedges – Deferred Tax	15	**(0.2)**	(0.2)
Total Other Comprehensive Income		**0.5**	0.5
Total Comprehensive Income For The Period Attributable To Members Of The Company		**(6.7)**	2.9

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2018

	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 2016	10.7	-	(1.4)	0.1	42.9	52.3	-	52.3
Prior Period Adjustment*	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Adjusted Balance 1 May 2016	**10.7**	**-**	**(1.4)**	**0.1**	**42.4**	**51.8**	**-**	**51.8**
Profit For The Year	-	-	-	-	**2.4**	**2.4**	-	**2.4**
Cash Flow Hedges – Fair Value Gains/ (Losses) Taken To Cash Flow Hedge Reserve	-	-	**0.7**	-	-	**0.7**	-	**0.7**
Cash Flow Hedges – Deferred Tax	-	-	**(0.2)**	-	-	**(0.2)**	-	**(0.2)**
Total Comprehensive Income For Period	-	-	**0.5**	-	**2.4**	**2.9**	-	**2.9**
Subtotal	**10.7**	-	**(0.9)**	**0.1**	**44.8**	**54.7**	-	**54.7**
Dividends Paid	-	-	-	-	**(1.8)**	**(1.8)**	-	**(1.8)**
Balance 30 April 2017	**10.7**	-	**(0.9)**	**0.1**	**43.0**	**52.9**	-	**52.9**
Profit For The Year	-	-	-	-	**(7.2)**	**(7.2)**	-	**(7.2)**
Cash Flow Hedges – Fair Value Gains/ (Losses) Taken To Cash Flow Hedge Reserve	-	-	**0.7**	-	-	**0.7**	-	**0.7**
Cash Flow Hedges – Deferred Tax	-	-	**(0.2)**	-	-	**(0.2)**	-	**(0.2)**
Total Comprehensive Income For Period	-	-	**0.5**	-	**(7.2)**	**(6.7)**	-	**(6.7)**
Subtotal	**10.7**	-	**(0.4)**	**0.1**	**35.8**	**46.2**	-	**46.2**
Dividends Paid	-	-	-	-	**(1.9)**	**(1.9)**	-	**(1.9)**
Balance 30 April 2018	**10.7**	-	**(0.4)**	**0.1**	**33.9**	**44.3**	-	**44.3**

**Refer to Note 28 for further information in respect of the restatement in 2017.*

STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2018

	NOTE	2018 ($m)	2017* ($m)
Cash And Cash Equivalents	9	**6.2**	12.0
Trade And Other Receivables	10	**14.3**	10.1
Inventories	11	**30.2**	36.3
Finance Business Receivables	12	**68.2**	63.1
Property, Plant And Equipment	13	**6.8**	4.3
Intangible Assets	14	**2.1**	2.3
Deferred Taxation	15	**7.7**	5.1
TOTAL ASSETS		**135.5**	133.2
Trade And Other Payables Including Derivatives*	16	**30.3**	27.0
Finance Business Borrowings	17	**60.9**	53.3
TOTAL LIABILITIES		**91.2**	80.3
NET ASSETS		**44.3**	52.9
SHAREHOLDERS' FUNDS			
Share Capital	18	**10.7**	10.7
Other Reserves	18	**(0.3)**	(0.8)
Retained Earnings		**33.9**	43.0
TOTAL EQUITY		**44.3**	52.9
Net Tangible Assets Per Share (cents)		**80 cents**	96 cents

**Refer to Note 28 for further information in respect of the restatement in 2017.*

Dated 28 June 2018

A G KERR
CHAIRMAN

T D ALLISON
AUDIT COMMITTEE CHAIRMAN

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 APRIL 2018

	NOTE	2018 ($m)	2017 ($m)
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Receipts From Customers		**198.8**	211.9
Interest Received – Finance Business		**4.8**	5.8
Interest Received – Other		**0.1**	0.2
Total Cash Flows From Operating Activities		**203.7**	217.9
CASH WAS APPLIED TO:			
Payments To Suppliers And Employees		**(201.4)**	(207.3)
Income Tax Paid		**(0.6)**	(0.2)
Interest Paid – Finance Business		**(3.0)**	(3.4)
Interest Paid – Bank And Other		**(0.1)**	(0.2)
Total Cash Flows Applied To Operating Activities		**(205.1)**	(211.1)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**(1.4)**	6.8
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH WAS PROVIDED FROM:			
Repayment Of Advances From Customers		**-**	3.6
Total Cash Flows From Investing Activities		**-**	3.6
CASH WAS APPLIED TO:			
Advances to Customers		**(5.1)**	-
Purchase Of Property, Plant And Equipment		**(5.0)**	(2.4)
Total Cash Flows Applied to Investing Activities		**(10.1)**	(2.4)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**(10.1)**	1.2
CASH FLOWS FROM FINANCING ACTIVITIES			
CASH WAS APPLIED TO/RECEIVED FROM:			
Bank Loans		**7.6**	(2.9)
Dividends Paid	19	**(1.9)**	(1.8)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**5.7**	(4.7)
Net Inflow/(Outflow) In Cash And Cash Equivalents Held		**(5.8)**	3.3
Cash And Cash Equivalents At Beginning Of Period	9	**12.0**	8.7
Cash And Cash Equivalents At End Of Period	9	**6.2**	12.0

STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2018

	NOTE	2018 ($m)	2017 ($m)
RECONCILIATION OF NET PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Taxation		**(9.9)**	2.0
Add Depreciation; Amortisation And Impairment	13, 14	**2.7**	1.8
		(7.2)	3.8
Add/(Deduct) Movements In Working Capital			
Add Decrease (Deduct Increase) Receivables		**(4.2)**	(0.5)
Add Decrease (Deduct Increase) Inventories		**6.1**	4.1
Add Increase (Deduct Decrease) Accounts Payable And Provisions		**3.9**	(0.6)
Movements In Working Capital		**5.8**	3.0
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**(1.4)**	6.8

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 2018 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 28 June 2018.

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 21).

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 12.
- 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 21.
- 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.
- 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 11.
- Onerous contracts are recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, as disclosed in Note 16.
- A provision for Back Pay relating to an Employment Court ruling made after balance date on the 8 May 2018 has been recognised in the year to 30 April 2018 and disclosed in Note 16. The calculation for back pay is due to be completed by 8 August 2018 and has not been completed at balance date. An estimate based on the available data and the stage of completion of the calculation has been made and included in the financial statements.
- Further information about the assumptions made in measuring fair values is included in Note 21

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.

i) Non Derivative Financial Instruments

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 2017, 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 2017 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.

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.

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 company does not expect the standard to have a material impact on the financial statements.

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.

4. 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 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 5 and finance costs in Note 7. Furthermore information on finance receivables is included in Note 12 and finance receivables borrowings in Note 17. Note 21 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 2017				
Retail Activities	218.2	-	218.2	0.7
Finance Business	9.2	-	9.2	3.7
Property Activities	-	-	-	(0.2)
Parent Company	-	-	-	(0.8)
Total Reportable Segments	227.4	-	227.4	3.4
Abnormal Items*	-	-	-	(1.4)
Profit Before Taxation	-	-	-	2.0
YEAR ENDED 30 APRIL 2018				
Retail Activities	**207.9**	**-**	**207.9**	**(5.2)**
Finance Business	**8.0**	**-**	**8.0**	**3.4**
Property Activities	**-**	**-**	**-**	**(0.1)**
Parent Company	**-**	**-**	**-**	**(1.1)**
Total Reportable Segments	**215.9**	**-**	**215.9**	**(3.0)**
Abnormal Items*	**-**	**-**	**-**	**(6.9)**
Profit Before Taxation	**-**	**-**	**-**	**(9.9)**

**Abnormal items relate to the provision for onerous leases, Employment Court Ruling, and provisions for contracts. In 2017 the abnormal costs are associated with store closures; employee restructuring; and 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 2017				
Assets (including Bank Balances)	66.5	66.7	-	133.2
Liabilities	(27.0)	(53.3)	-	(80.3)
Equity	(39.5)	(13.4)	-	(52.9)
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	(2.4)	-	-	(2.4)
Disposals of Property, Plant And Equipment	-	-	-	-
Depreciation, Amortisation And Impairment	(1.8)	-	-	(1.8)
Interest Expense	(0.2)	(3.4)	-	(3.6)
Interest Revenue	0.2	9.2	-	9.4
YEAR ENDED 30 APRIL 2018				
Assets (Including Bank Balances)	**59.1**	**76.4**	**-**	**135.5**
Liabilities	**(23.3)**	**(67.9)**	**-**	**(91.2)**
Equity	**(25.1)**	**(19.2)**	**-**	**(44.3)**
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	**(5.0)**	**-**	**-**	**(5.0)**
Disposals of Property, Plant And Equipment	**-**	**-**	**-**	**-**
Depreciation, Amortisation And Impairment	**(2.7)**	**-**	**-**	**(2.7)**
Interest Expense	**(0.1)**	**(3.0)**	**-**	**(3.1)**
Interest Revenue	**0.1**	**8.0**	**-**	**8.1**

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. The Group has determined that the CODM is the Chief Executive Officer in conjunction with the Board of Directors.

5. REVENUE

	2018 ($m)	2017 ($m)
Retail Sales *	**207.9**	218.2
Interest Income On Finance Business Receivables Measured At Amortised Cost	**8.0**	9.2
	215.9	227.4

**Includes sales of Adventure Brands of $nil (2017 $0.2m).*

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.

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.

6. EXPENSES BY NATURE

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

	2018 ($m)	2017 ($m)
Purchases Net Of Rebates	**149.5**	150.6
Operating Lease Rental Expense	**17.2**	16.3
Employee Benefits	**30.6**	33.0
Marketing Expenses	**5.9**	6.2
Utilities Expenses	**2.3**	2.3
Insurance Expenses	**1.1**	1.2
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.

7. INTEREST EXPENSE

	2018 ($m)	2017 ($m)
Included in Trading Profit		
Interest Expense On Finance Business Borrowings	**3.0**	3.4
Interest Expense On Bank Borrowings On Property And Retail Activities	**0.1**	0.2

ACCOUNTING POLICY – INTEREST EXPENSE

Finance expenses comprise interest expense on borrowings, 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 5.

8.INCOME TAX EXPENSE

a)	**Income Tax Expense**		
	Current Tax	**-**	-
	Deferred Tax (Charge)/Credit*	**2.7**	0.4
	Total Deferred Tax (Charge)/Credit	**2.7**	0.4
b)	**Reconciliation Of Tax Expense To Tax Rate Applicable To Profits**		
	Profit Before Income Tax Expense	**(9.9)**	2.0
	Tax at the Rate Of 28% (2017 28%)	**2.8**	(0.6)
	- Benefit From Tax Loss Offset	**-**	-
	Movement In Deferred Taxation Temporary Differences	**(0.1)**	1.0
	Total Income Tax (Expense)/Credit	**2.7**	0.4
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 $7.1m, 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.

9. CASH AND CASH EQUIVALENTS

The effective interest rates on call and short term deposits in 2018 was 1.75% (2017 1.75%). The amounts on deposit are at call (2017 at call).

Refer Note 17 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.

10. TRADE AND OTHER RECEIVABLES

	2018 ($m)	2017 ($m)
Trade Receivables	**7.0**	4.2
Impairment Allowances	**(0.1)**	(0.1)
Net Trade Receivables	**6.9**	4.1
Other Receivables	**7.4**	6.0
Total Receivables	**14.3**	10.1

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 21 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.

11. INVENTORIES

	2018 ($m)	2017 ($m)
Finished Goods	**31.5**	37.2
Write-down To Net Realisable Value	**(1.3)**	(0.9)
Net Inventories	**30.2**	36.3

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 $2.9m (2017 $6.4m).

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.

12. FINANCE BUSINESS RECEIVABLES

	2018			2017		
	FIXED INSTALMENT ($m)	**REVOLVING CREDIT ($m)**	**TOTAL ($m)**	FIXED INSTALMENT ($m)	REVOLVING CREDIT ($m)	TOTAL ($m)
Gross Finance Receivables	59.3	21.1	80.4	58.6	20.6	79.2
Provision For Unearned Income	(11.3)	-	(11.3)	(14.9)	-	(14.9)
	48.0	21.1	69.1	43.7	20.6	64.3
Less Impairment Allowances	(0.6)	(0.3)	(0.9)	(0.7)	(0.5)	(1.2)
	47.4	20.8	68.2	43.0	20.1	63.1
ANALYSIS						
Current Portion	25.2	7.5	32.7	28.6	7.5	36.1
Term Portion	22.2	13.3	35.5	14.4	12.6	27.0
	47.4	20.8	68.2	43.0	20.1	63.1

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

	2018		2017	
	FIXED INSTALMENT %	**REVOLVING CREDIT %**	FIXED INSTALMENT %	REVOLVING CREDIT %
North Island	**25.9**	**27.6**	25.6	26.8
South Island	**74.1**	**72.4**	74.4	73.2
	100.0	**100.0**	100.0	100.0

Refer to Note 21 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 include 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 (2017 23.95%). Note that for contracts written since July 2016 interest is charged on the outstanding balance at the end of the promotional term. This has resulted in a reduction in unearned income compared to prior years. 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.

13. PROPERTY, PLANT & EQUIPMENT

	LEASEHOLD IMPROVEMENTS ($m)	OFFICE & COMPUTER EQUIPMENT ($m)	TOTAL ($m)
Cost or Valuation			
Balance 1 May 2016	9.7	23.7	33.4
Additions	0.9	0.9	1.8
Disposals	-	(0.1)	(0.1)
Balance 30 April 2017	10.6	24.5	35.1
Balance 1 May 2017	**10.6**	**24.5**	**35.1**
Additions	**2.3**	**1.9**	**4.2**
Disposals	**(0.5)**	**(0.4)**	**(0.9)**
Balance 30 April 2018	**12.4**	**26.0**	**38.4**
Depreciation and Impairment Costs			
Balance 1 May 2016	(8.7)	(21.1)	(29.8)
Depreciation For The Year	-	(1.1)	(1.1)
Disposals	-	0.1	0.1
Balance 30 April 2017	(8.7)	(22.1)	(30.8)
Balance 1 May 2017	**(8.7)**	**(22.1)**	**(30.8)**
Depreciation For The Year	**(0.3)**	**(1.2)**	**(1.5)**
Disposals	**0.2**	**0.5**	**0.7**
Balance 30 April 2018	**(8.8)**	**(22.8)**	**(31.6)**
Carrying Amounts			
At 1 May 2016	1.0	2.6	3.6
At 30 April 2017	1.9	2.4	4.3
At 1 May 2017	**1.9**	**2.4**	**4.3**
At 30 April 2018	**3.6**	**3.2**	**6.8**

Details of property, plant and equipment pledged as security is referred to in Note 17

i) Recognition and Measurement

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.

ii) 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.

iii) 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.

14. INTANGIBLE ASSETS

	PURCHASED BRANDS & CUSTOMER DATABASES ($m)	SOFTWARE INCL DEVELOPMENT COSTS ($m)	TOTAL ($m)
Cost			
Balance 1 May 2016	2.3	5.7	8.0
Additions	-	-	-
Additions Internally Developed	-	0.6	0.6
Balance 30 April 2017	2.3	6.3	8.6
Balance 1 May 2017	**2.3**	**6.3**	**8.6**
Additions	**-**	**-**	**-**
Additions Internally Developed	**-**	**0.7**	**0.7**
Balance 30 April 2018	**2.3**	**7.0**	**9.3**
Amortisation and Impairment Costs			
Balance 1 May 2016	(1.4)	(4.2)	(5.6)
Impairment	-	-	-
Amortisation For The Year	(0.2)	(0.5)	(0.7)
Balance 30 April 2017	(1.6)	(4.7)	(6.3)
Balance 1 May 2017	**(1.6)**	**(4.7)**	**(6.3)**
Impairment	**-**	**-**	**-**
Amortisation For The Year	**(0.2)**	**(0.7)**	**(0.9)**
Balance 30 April 2018	**(1.8)**	**(5.4)**	**(7.2)**
Carrying Amounts			
At 1 May 2016	0.9	1.5	2.4
At 30 April 2017	0.7	1.6	2.3
At 1 May 2017	**0.7**	**1.6**	**2.3**
At 30 April 2018	**0.5**	**1.6**	**2.1**

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.

i) 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 follows:

- Purchased Brands — 5 - 20 years
- Customer databases — 5 - 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.

15. DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised Deferred Tax Assets

In 2018 all tax losses are expected to be utilised on the basis that the Group is expected to continue to make profits in future years and the Group is a going concern. Prior to 2018 some deferred tax assets were not recognised in respect of the unutilised tax losses.

	2018 ($m)	2017 ($m)
Unutilised Tax Losses	-	1.4
Unrecognised Deferred Tax Assets	-	0.4

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**	
	2018 ($m)	2017 ($m)	**2018 ($m)**	2017 ($m)	**2018 ($m)**	2017 ($m)
Property, Plant And Equipment	**0.2**	0.1	-	-	**0.2**	0.1
Inventory	**1.3**	1.0	-	-	**1.3**	1.0
Receivables	**1.3**	1.5	-	-	**1.3**	1.5
Derivatives	**0.1**	0.3	-	-	**0.1**	0.3
Provisions	**2.9**	1.0	-	-	**2.9**	1.0
Tax Losses	**1.9**	1.2	-	-	**1.9**	1.2
	7.7	5.1	-	-	**7.7**	5.1

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 2016 ($m)	MOVEMENT ($m)	BALANCE 30 April 2017 ($m)	**MOVEMENT ($m)**	**BALANCE 30 April 2018 ($m)**
Property, Plant And Equipment	0.2	(0.1)	0.1	**0.1**	**0.2**
Inventory	1.0	-	1.0	**0.3**	**1.3**
Receivables	1.2	0.3	1.5	**(0.2)**	**1.3**
Derivatives	0.5	(0.2)	0.3	**(0.2)**	**0.1**
Provisions	1.0	-	1.0	**1.9**	**2.9**
Tax Losses	1.0	0.2	1.2	**0.7**	**1.9**
	4.9	0.2	5.1	**2.6**	**7.7**

The movement in deferred tax on derivatives $0.2m (2017 $0.2m) has been recognised in other comprehensive income.

The Group has tax losses of $7.1m (2017 $5.7m) 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.

16. TRADE AND OTHER PAYABLES

	2018 ($m)	2017 ($m)
Trade Payable Due To Related Parties	**-**	0.2
Other Trade Payables	**17.1**	18.6
Derivatives	**0.2**	0.8
Provision for Onerous Leases	**4.9**	-
Provision for Employee Back Pay (Employment Court Ruling)	**1.5**	-
Non Trade Payables And Accrued Expenses	**6.6**	7.4
	30.3	27.0

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 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.

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 for an onerous lease is recognised when the Group retains a lease obligation after vacating a property before the expiry of the lease term, or where the Group has determined that a location is unlikely to return an economic benefit in excess of the cost of the lease over its remaining term, having had regard for the desirability of the location for retail operations, the ability to sub lease, and the optimal trading prospects.

A provision has been recognised for the Employment Court ruling made subsequent to balance date on the 8 May 2018, relating to back pay of employee pre-work meetings. The provision is an estimate based on the information available at the time of reporting, which was not complete. The final calculation of the obligation is expected to be completed by 8 August 2018.

17. 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 21. Fair value is equal to carrying value.

	2018	2017
	($m)	($m)
Secured Finance Business Loans*	60.9	53.3
TOTAL INTEREST BEARING LIABILITIES	60.9	53.3

** See note (ii) below regarding amendment of facility expiry to 21 June 2020.*

Terms And Debt Repayment Schedule

Terms and conditions of outstanding loans were as follows:

	NOMINAL INTEREST RATE	TERM	FACILITY	CARRYING AMOUNT 2018	FACILITY	CARRYING AMOUNT 2017
			($m)	($m)	($m)	($m)
Senior Secured Facility	30 Day BKBM plus 1.54%	see note (i) below	65.0	60.9	65.0	53.3
Secured Bank Overdraft	BBR plus 0.1%	See note (i) below	2.0	-	2.0	-
Total Interest Bearing Liabilities			**67.0**	**60.9**	**67.0**	**53.3**

Total Interest Bearing Liabilities

i) The Senior Secured Facility and Secured Bank Overdraft are provided by ASB bank under a combined Senior Facility Agreement secured firstly by way of fixed and floating charge over both the Finance Business Receivables and, secondly, over all other assets of the Group. The facility is subject to various covenants including a capital ratio.

ii) Prior to balance date the Group requested an extension to the facility from the original expiry date of February 2019 for a further two years. The request was made in accordance with the facility agreement, which allows for the borrower to request an extension of up to one year. On 30 April the bank confirmed the extension on current terms and conditions subject to normal credit review. On 18 May the Group received confirmation from the ASB that the amendment to the facility has been agreed. The expiry date of the existing facility has been accordingly amended to 21 June 2020.

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.

18. CAPITAL AND RESERVES

Share Capital

At balance date the Group and Parent had issued and paid up capital of $10.7m (2017 $10.7m). The number of shares issued is 52,688,153 (2017 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.

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 21 for details of foreign currency and interest rate hedging instruments.

Other Reserves

These relate to realised capital profits on disposal of assets.

19. DIVIDENDS

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

	Cents Per Share		Total Paid	
	2018	2017	**2018 ($m)**	2017 ($m)
Interim For Year Ending 30 April 2018	**1.0**		**0.5**	
Final For Year Ending 30 April 2017	**2.5**		**1.4**	
Interim For Year Ending 30 April 2017		1.0		0.5
Final For Year Ending 30 April 2016		2.5		1.3
	3.5	3.5	**1.9**	1.8

The Directors have determined that a final dividend for the year will not be paid to ensure the cashflow is directed to the investment in the Group and in light of the current year result.

20. EARNINGS PER SHARE

The calculation of basic earnings per share at 30 April 2018 was based on the profit after tax attributable to ordinary shareholders of ($7.2m) (2017 $2.4m) and an average number of ordinary shares outstanding of 52,688,153 (2017 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.

21. 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 45% 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%.

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 2018 ($m)	**IMPAIRMENT 2018 ($m)**	GROSS RECEIVABLE 2017 ($m)	IMPAIRMENT 2017 ($m)
Not Past Due	**6.0**	**-**	3.3	-
Past Due 1-30 Days	**0.5**	**-**	0.6	-
Past Due 31-60 Days	**0.2**	**-**	0.2	-
Past Due Over 61 Days	**0.3**	**(0.1)**	0.1	(0.1)
	7.0	**(0.1)**	4.2	(0.1)

ANALYSIS				
Other Receivables Including Monthly Account Customers	**7.0**	**(0.1)**	4.2	(0.1)

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

	2018			2017		
	ACCOUNT BALANCE %	ACCOUNT BALANCE ($m)	IMPAIRMENT ($m)	ACCOUNT BALANCE %	ACCOUNT BALANCE ($m)	IMPAIRMENT ($m)
Current	**89.6**	43.0	-	90.2	39.4	-
1 Month Overdue	**4.6**	2.2	-	4.1	1.8	-
2 Month Overdue	**1.7**	0.8	-	1.5	0.6	-
3 Month Overdue	**0.6**	0.3	-	0.6	0.3	-
Over 3 Month Overdue	**3.5**	1.7	(0.6)	3.6	1.6	(0.7)
	100.0	48.0	(0.6)	100.0	43.7	(0.7)

Revolving Credit Receivables

	2018			2017		
	ACCOUNT BALANCE %	**ACCOUNT BALANCE ($m)**	**IMPAIRMENT ($m)**	ACCOUNT BALANCE %	ACCOUNT BALANCE ($m)	IMPAIRMENT ($m)
Current	**75.8**	**16.0**	**-**	73.9	15.2	-
1 Month Overdue	**16.1**	**3.4**	**-**	17.8	3.7	-
2 Month Overdue	**3.8**	**0.8**	**-**	4.2	0.9	-
3 Month Overdue	**1.0**	**0.2**	**-**	1.0	0.2	-
Over 3 Month Overdue	**3.3**	**0.7**	**(0.3)**	3.1	0.6	(0.5)
	100.0	**21.1**	**(0.3)**	100.0	20.6	(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

	2018				2017			
	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)
Impaired Assets Provision								
Opening Balance	**0.1**	**0.7**	**0.5**	**1.3**	0.1	0.8	0.5	1.4
Movement In Provision For Impairment	**-**	**(0.1)**	**(0.2)**	**(0.3)**	-	(0.1)	-	(0.1)
Closing Balance	**0.1**	**0.6**	**0.3**	**1.0**	0.1	0.7	0.5	1.3
Impaired Asset Expense								
Impairment Charges On Uncollectable Accounts	**-**	**-**	**0.3**	**0.3**	-	0.3	0.2	0.5
Recoveries From Accounts Previously Written Off	**-**	**(0.1)**	**-**	**(0.1)**	-	(0.1)	-	(0.1)
Impaired Assets Charge Included In Store And Distribution Expenses	**-**	**(0.1)**	**0.3**	**0.2**	-	0.2	0.2	0.4

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)
2018						
Non Derivative Assets						
Cash And Cash Equivalents	**6.2**	**6.2**	**6.2**	**-**	**-**	**-**
Trade And Other Receivables	**14.3**	**14.3**	**14.3**	**-**	**-**	**-**
Fixed Instalment Receivables	**47.4**	**59.9**	**17.2**	**15.9**	**21.7**	**5.1**
Revolving Credit Receivables *	**20.8**	**61.5**	**3.6**	**3.4**	**6.2**	**48.3**
Total Non Derivative Assets	**88.7**	**141.9**	**41.3**	**19.3**	**27.9**	**53.4**

** Note based on minimum repayment profile of these receivables.*

2018						
Non Derivative Liabilities						
Finance Business Borrowings**	**(60.9)**	**(63.1)**	**(1.3)**	**(61.8)**	**-**	**-**
Trade And Other Payables	**(30.3)**	**(30.3)**	**(30.3)**	**-**	**-**	**-**
Total Non Derivative Liabilities	**(91.2)**	**(93.4)**	**(31.6)**	**(61.8)**	**-**	**-**
Interest Rate Swaps – Out Flow	**(0.2)**	**(0.2)**	**(0.2)**	**-**	**-**	**-**
Forward Exchange Contracts – Out Flow	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**(2.7)**	**48.3**	**9.5**	**(42.5)**	**27.9**	**53.4**

*** See note 17 regarding borrowings and the consequent amendment to the expiry of the facility*

	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)
2017						
Non Derivative Assets						
Cash And Cash Equivalents	12.0	12.0	12.0	-	-	-
Trade And Other Receivables	10.1	10.1	10.1	-	-	-
Fixed Instalment Receivables	43.0	61.6	17.0	16.0	21.6	7.0
Revolving Credit Receivables *	20.1	62.0	3.5	3.3	6.3	48.9
Total Non Derivative Assets	85.2	145.7	42.6	19.3	27.9	55.9

** Note based on minimum repayment profile of these receivables.*

	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)
2017						
Non Derivative Liabilities						
Finance Business Borrowings	(53.3)	(57.4)	(1.1)	(1.1)	(55.2)	-
Trade And Other Payables	(27.0)	(27.0)	(27.0)	-	-	-
Total Non Derivative Liabilities	(80.3)	(84.4)	(28.1)	(1.1)	(55.2)	-
Interest Rate Swaps – Out Flow	(0.8)	(0.8)	(0.1)	(0.1)	(0.6)	-
Forward Exchange Contracts – Out Flow	0.1	0.1	0.1	-	-	-
TOTAL	4.2	60.6	14.5	18.1	(27.9)	55.9

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 2018					
Fixed Instalment Receivables	**47.4**	**13.7**	**11.5**	**15.6**	**6.6**
GROUP 2017					
Fixed Instalment Receivables	43.0	12.0	16.5	12.4	2.1

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 2018	AVERAGE EXCHANGE RATE 2017	FOREIGN CURRENCY 2018 ($m)	FOREIGN CURRENCY 2017 ($m)	CONTRACT VALUE 2018 ($m)	CONTRACT VALUE 2017 ($m)	FAIR VALUE 2018 ($m)	FAIR VALUE 2017 ($m)
Outstanding Contracts								
Buy US Dollars								
Less Than 3 Months	**0.71**	0.69	**0.6**	1.1	**0.8**	1.6	**-**	-
3-6 Months	**0.71**	0.71	**0.7**	0.8	**0.9**	1.1	**-**	(0.1)
6-12 Months	**0.70**	0.70	**0.5**	0.9	**0.8**	1.3	**-**	-
							-	(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 2018	AVERAGE CONTRACT FIXED INTEREST RATE 2017	NOTIONAL PRINCIPAL AMOUNT 2018 ($m)	NOTIONAL PRINCIPAL AMOUNT 2017 ($m)	FAIR VALUE 2018 ($m)	FAIR VALUE 2017 ($m)
Outstanding Contracts						
Variable Rate For Fixed Contracts						
Less Than 1 Year	**4.74%**	4.58%	**20.2**	23.3	**(0.2)**	(0.2)
1-2 Years	**-**	4.71%	**-**	20.8	**-**	(0.6)
More Than 2 Years	**2.49%**	0.0%	**6.0**	-	**-**	-
			26.2	44.1	**(0.2)**	(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:

GROUP 2018	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	**1.75%**	**6.2**	**-**	**-**	**-**	**-**	**6.2**
Trade And Other Receivables		**-**	**-**	**-**	**-**	**14.3**	**14.3**
Revolving Credit Receivables	**23.95%**	**20.8**	**-**	**-**	**-**	**-**	**20.8**
		27.0	**-**	**-**	**-**	**14.3**	**41.3**
Financial Liabilities							
Trade, Other Payables And Provisions		**-**	**-**	**-**	**-**	**(30.3)**	**(30.3)**
Finance Business Borrowings	**BKBM plus 1.54%**	**(60.9)**	**-**	**-**	**-**	**-**	**(60.9)**
Effect Of Interest Rate Derivatives		**6.1**	**(0.1)**	**-**	**(6.0)**	**-**	**-**
TOTAL		**(27.8)**	**(0.1)**	**-**	**(6.0)**	**(16.0)**	**(49.9)**

GROUP 2017							
Financial Assets							
Cash And Cash Equivalents	1.75%	12.0	-	-	-	-	12.0
Trade And Other Receivables		-	-	-	-	10.1	10.1
Revolving Credit Receivables	23.95%	20.1	-	-	-	-	20.1
		32.1	-	-	-	10.1	42.2
Financial Liabilities							
Trade, Other Payables And Provisions		-	-	-	-	(26.4)	(26.4)
Finance Business Borrowings	BBR plus 2%	(53.3)	-	-	-	-	(53.3)
Effect Of Interest Rate Derivatives		24.0	(3.2)	(20.8)	-	-	-
TOTAL		2.8	(3.2)	(20.8)	-	(16.3)	(37.5)

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 17 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 45% 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 2.5% to 4.75% (2017 2.9% to 4.75%). At 30 April 2018 the Group had interest rate swaps with a notional contract amount of $26.2m (2017 $44.1m) including Finance Business of $26.2m (2017 $44.1m). The Group classifies interest rate swaps as cash flow hedges.

The net fair value of swaps at 30 April 2018 was $0.2m (2017 $0.8m) comprising assets of $nil (2017 $nil) and liabilities of $0.2m (2017 $0.8m).

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 2018 was $nil (2017 $0.1m) comprising assets of $nil (2017 $nil) and liabilities of $nil (2017 $0.1m). The exchange rate used to calculate the fair value of forward exchange contracts at 30 April 2018 was US$0.7079 (2017 US$0.6880).

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 2018.

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:

	2018	2017
Derivatives Held For Risk Management	**2.5% - 4.75%**	2.9% - 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 2018

	Level 1	**Level 2**	**Level 3**	**Total**
Other Investments, Including Derivatives				
Interest Rate Swaps Used For Hedging	**-**	**-**	**-**	**-**
Other Investments, Including Derivatives	**-**	**-**	**-**	**-**
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	**-**	**-**	**-**	**-**
Trade and Other Payables:				
Forward Exchange Contracts Used For Hedging	**-**	**-**	**-**	**-**
Interest Rate Swaps Used For Hedging	**-**	**0.2**	**-**	**0.2**
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	**-**	**0.2**	**-**	**0.2**

30 April 2017

	Level 1	**Level 2**	**Level 3**	**Total**
Other Investments, Including Derivatives				
Forward Exchange Contract Used For Hedging	-	-	-	-
Other Investments, Including Derivatives	-	-	-	-
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	-	-	-	-
Trade and Other Payables:				
Forward Exchange Contract Used For Hedging	-	0.1	-	0.1
Interest Rate Swaps Used For Hedging	-	0.8	-	0.8
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	-	0.9	-	0.9

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:

1) 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:

	2018	**2018**	2017	2017
	Impact On Profit Or Loss +1% ($m)	**Impact On Equity -1% ($m)**	Impact On Profit Or Loss +1% ($m)	Impact On Equity -1% ($m)
Derivatives	**0.3**	**(0.3)**	0.2	(0.2)

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.

2) 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:

	2018	**2018**	2017	2017
	Impact On Profit Or Loss +1% ($m)	**Impact On Equity -1% ($m)**	Impact On Profit Or Loss +1% ($m)	Impact On Equity -1% ($m)
Cash And Cash Equivalents	**0.1**	**(0.1)**	0.1	(0.1)
Finance Receivables Borrowings	**(0.6)**	**0.6**	(0.5)	0.5

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 re-measurement 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.

22. RELATED PARTY TRANSACTIONS

Note 23 identifies all material trading companies within the Group. Also presented below the Group has an investment in an appliance buying group by way of shares held.

Information Technology Services
The company has an existing contract with Datacom Group Limited of which Mr C Boyce (retired 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 $1.51m (2017 $1.37m). The amount owing to Datacom Group Limited at balance date was $0.1m (2017 $0.2m).

Laybuy Sales Financing
During 2018 the company entered into a contract with Laybuy Holdings Limited, providing financing services to customers for goods purchased. Mr Gary Rohloff (retired director of Smiths City Group) was a director and shareholder of Laybuy Holdings Limited.

Commission paid to Laybuy Holdings Limited was $0.02m from sales of $0.4m. The amount owed to Laybuy Holdings Limited for commission at year end was $nil and the amount owed to Smiths City Group by Laybuy Holdings Limited at year end was $nil.

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 2018 (2017 $0.3m). The amount owing to the Group at balance date was $0.04m (2017 $0.4m).

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2018 ($m)	2017 ($m)
Employee Benefits	**2.1**	1.8
Employee Restructuring Costs	**0.1**	0.1
	2.2	1.9

23. 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 2018 are as follows:

- Smiths City (Southern) Limited – retail
- Smiths City Properties Limited – property
- Smiths City Finance Limited – finance

Directors of the above subsidiaries are also Directors of Smiths City Group Limited.

All other subsidiaries (non-trading) have Mr A Kerr (Smiths City Group Chairman) as their sole director, except for Adventure Brands Limited. The Directorship of Adventure Brands Limited includes Mr R Campbell.

24. OPERATING LEASES

Non cancellable operating lease rentals are payable as follows:

	2018 ($m)	2017 ($m)
Less Than 1 Year	**12.7**	13.9
Between 1-5 Years	**29.0**	34.3
More Than 5 Years	**9.6**	10.7
	51.3	58.9

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. 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.

25. CAPITAL COMMITMENTS

The value of capital commitments at 30 April 2018 was $nil (2017 $nil).

26. CONTINGENT LIABILITIES

The value of contingent liabilities at 30 April 2018 was $nil (2017 $nil).

27. EVENTS SUBSEQUENT TO BALANCE DATE

The Directors have determined that a final dividend for the year will not be paid to ensure the cashflow is directed to the investment in the Group and in light of the current year result.

In 2016 an improvement notice was issued by the Labour Inspectorate to Smiths City concerning payment of pre work meetings. This notice was challenged and successfully defended at that time. The Labour Inspectorate subsequently appealed and a hearing was held in December 2017.

On 8 May 2018 the Employment Court decision was released overturning the original decision and demanding that the meetings be paid. The payment required back pay extending back 6 years from the date of the improvement notice and includes also the period between the original improvement notice date and the present time.

The calculation is complex in terms of data retrieval, review of staff contracted hours. The Group must complete the calculation by 8 August 2018. As at the date of signing, the Group has not completed the prior year calculation with data retrieval underway.

28. RESTATEMENT OF PRIOR PERIOD

2018

During the 2018 year the Group reviewed its holiday pay provision and established that Alternative Leave had not been included in full. In accordance with NZIAS8 this was treated as a prior period adjustment. The amount of the restatement for alternative leave is $0.6m. The restatement of the deferred tax asset on the provision for Alternative leave was $0.1m.

The net effect of this is recorded as a reduction in opening equity at 1 May 2016 of $0.5m.

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 2018.

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 / Loss

The Group net loss after taxation was ($7.2m) – compared with last year's profit of $2.4m. Earnings per share was (13.6cents) cents compared with 4.5cents last year.

Financial Statements

The financial statements for the Parent and Group for the year ended 30 April 2018 are shown on pages 38 to 70 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 Chair's Report and the audited financial statements.

Shareholders' Equity

Shareholders' equity as at 30 April 2018 was $44.3m, prior year $52.9m.

Dividend

The Directors have determined that a final dividend for the year will not be paid to ensure the cash flow is directed to the investment in the Group and in light of the current year result.

Significant Events During The Year

The details of these are explained fully in the Chair's Report.

Events Subsequent To Balance Date

Significant events subsequent to balance date are detailed under Note 27.

Remuneration to Auditors

The fee for the audit of the Group and subsidiaries paid to KPMG was $85,000 (2017 $84,000).

Fees paid to the auditors for other services provided amounted to $22,400 (2017 $24,100).

Share Dealings By Directors

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

	Balance 30.4.17	**Purchases**	**Sales**	**Balance 30.4.18**
C D Boyce – retired (25.5.18)	1,668,372	-	-	1,668,372
J A Dobson – retired (21.8.17)	251,579	-	-	251,579
S M Henderson – retired (30.6.18)	33,000	-	-	33,000

DISCLOSURES OF INTEREST

Directors Of Related Companies Including Subsidiaries

Alastair Gibson Kerr, Tony Donald Allison, Benjamin John Powles and Antony David Karp 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

Alastair Gibson Kerr is a Director 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

Alastair Gibson Kerr and Roy James Campbell (CEO) are Directors of Adventure Brands Limited.

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 2018.

A G KERR

- Vet South Limited
- Cognition Education Limited
- Multi Serve Holdings Group Limited
- Paper Plus NZ Limited
- Gilmorehill Consulting Limited (UK)
- Drilton Limited (UK)
- J Murphy & Sons Limited (UK)
- Scottish Leather Group Limited (UK)

T D ALLISON

- Dunedin International Airport Limited
- Delta Utilities Limited
- AA Cleaners (Otago) Limited
- Night 'n Day Foodstores Limited
- Lane Group Limited
- Two Four Holdings Limited
- RFC Limited

B J POWLES

- Fishpond Limited

A D KARP

- Woolworths Group Limited (Australia)

Further Information

For information on Use of Company Information and Insurances refer to the Corporate Governance Report on pages 26 to 31.

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	6
110,000-120,000	5
120,000-130,000	2
130,000-140,000	1
140,000-150,000	1
150,000-160,000	2
170,000-180,000	3
200,000-210,000	1
350,000-360,000	1
580,000-590,000	1
	23

Substantial Security Holders

The following are Substantial Security Holders as at 28 June 2018 as defined by the Financial Markets Conduct Act 2013 (refer also to details of Largest Registered Holders of Equity Securities on page 74 for further information):

Substantial Security Holder - over 5%	**Number Of Securities**
Donald M Campbell/Custodial Services Limited	10,374,143
Utilico Investments Limited/ NZ Central Securities Depository Limited	7,781,249
Mercantile Investment Company/Sandon Capital Pty Limited/One Managed	5,278,552
Investment Funds	5,251,637

Distribution Of Registered Holders Of Equity Securities As At 28 June 2018

Ranges	Number of holders	Number of securities	%
1-1,000	222	154,919	0.29
1,001-5,000	482	1,268,019	2.41
5,001-10,000	180	1,448,273	2.75
10,001-50,000	216	5,013,990	9.52
50,001-100,000	39	2,877,020	5.46
100,001 and above	43	41,925,932	79.57
	1,182	**52,688,153**	**100.00**

Distribution Of Registered Holders Of Equity Securities As At 28 June 2018

Country	Investors	Number of securities	%
New Zealand	1,144	41,478,158	78.72
Australia	22	10,982,817	20.84
United Kingdom	7	112,258	0.21
United States	4	106,120	0.20
Austria	1	1000	0.00
France	1	800	0.00
Hong Kong	1	2,000	0.01
Oman	1	4,000	0.02
Switzerland	1	1,000	0.00
	1,182	**52,688,153**	**100.00**

20 Largest Registered Holders Of Equity Securities As At 28 June 2018

Holder name	Balance	%
Custodial Services Limited	10,374,143	19.69
New Zealand Central Securities Depository Limited	7,781,249	14.77
One Managed Investment Funds	5,278,552	10.02
One Managed Investment Funds	5,251,637	9.97
Ace Finance Limited	2,601,000	4.94
Extra Strength Number 164 Limited	1,668,372	3.17
Forsyth Barr Custodians Limited	1,330,669	2.53
Garry John Cooper	890,874	1.69
Errol Douglas George Scott	600,000	1.14
Russell Dillon Horlor	550,000	1.04
Gordon Henry Boyle	351,087	0.67
John Kenneth Woodhall & Jocelyn Dawn Woodhall	300,000	0.57
John Terence Andrews	290,000	0.55
Lindsay Morton Walter	275,000	0.52
Alan Dallas Bean	267,690	0.51
Prime Projects Limited	250,000	0.47
Philip Robert Briggs	216,503	0.41
Te Iwi Carving Limited	200,000	0.38
Fapp Securities Limited	199,875	0.38
Philip Maurice Carter	181,120	0.34
TOTAL FOR 20 LARGEST	**38,857,771**	**73.76**

COMPANY DIRECTORY

DIRECTORS AND OFFICERS

Chair

Alastair Gibson Kerr

Directors

Tony Donald Allison
Benjamin John Powles
Antony David Karp

Chief Executive Officer

Roy James Campbell

REGISTERED OFFICE

261 Opawa Road
Hillsborough
Christchurch 8022

BANKERS

ASB Bank Limited
ASB House
Level 2, 166 Cashel Street
P O Box 13650
Christchurch 8140

AUDITORS

KPMG
Level 5, 79 Cashel Street
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
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