



**Annual Report**  
Year Ending 30 April 2013



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# Company Directory

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## Directors and Officers

Chairman	Craig David Boyce
Deputy Chairman	John Allen Dobson
Directors	Gary Raymond Rohloff Sarah Christine Ottrey Richard Hellings
Managing Director	Richard Hellings

**Registered Office** 550 Colombo Street  
Christchurch 8011

**Bankers** ANZ National Bank of New Zealand  
PO Box 220  
Christchurch 8140

**Auditors** KPMG  
Level 3, 62 Worcester Boulevard  
PO Box 1739  
Christchurch 8140

**Share Registrars** Link Market Services Limited  
Level 16, Brookfields House  
19 Victoria Street West  
P O Box 91976  
Auckland 1142  
Telephone 093755990

## Address for Communication

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TELEPHONE	03 983 3000
FACSIMILE	03 983 3031
EMAIL	group@smithscity.co.nz
WEBSITE	www.smithscitygroup.co.nz

# Trend Statement

	2009 (\$m)	2010 (\$m)	2011 (\$m)	2012 (\$m)	2013 (\$m)
<b>GROUP FINANCIAL PERFORMANCE</b>					
<b>Operating Revenue</b>	<b>238.8</b>	<b>226.1</b>	<b>220.7</b>	<b>222.5</b>	<b>222.5</b>
Profit Before Taxation	1.0	1.6	1.9	3.9	<b>6.3</b>
Add / (Deduct) Taxation Credit / (Expense)	-	-	-	0.5	<b>(0.9)</b>
Profit After Taxation	1.0	1.6	1.9	4.4	<b>5.4</b>
Deduct Minority Interest	-	-	-	-	-
Profit After Income Tax	1.0	1.6	1.9	4.4	<b>5.4</b>
<b>GROUP FINANCIAL POSITION</b>					
<b>Assets</b>					
Total Trading Assets	86.4	84.0	80.0	74.3	<b>70.7</b>
Finance Company Assets	93.1	90.5	88.7	87.9	<b>83.5</b>
<b>Total Assets</b>	<b>179.5</b>	<b>174.5</b>	<b>168.7</b>	<b>162.2</b>	<b>154.2</b>
<b>Deduct Liabilities</b>					
Total Trading Liabilities	50.5	49.4	47.1	44.8	<b>45.0</b>
Finance Company Liabilities	83.5	79.3	75.2	74.5	<b>62.8</b>
<b>Total Liabilities</b>	<b>134.0</b>	<b>128.7</b>	<b>122.3</b>	<b>119.3</b>	<b>107.8</b>
<b>Net Group Assets</b>	<b>45.5</b>	<b>45.8</b>	<b>46.4</b>	<b>42.9</b>	<b>46.4</b>
<b>Total Trading Assets (As Above)</b>	86.4	84.0	80.0	74.3	<b>70.7</b>
<b>Net Finance Company Assets</b>					
Receivables	90.9	89.5	87.9	86.8	<b>82.7</b>
Bank	2.2	1.0	0.8	1.1	<b>0.8</b>
Deduct Borrowings	(83.5)	(79.3)	(75.2)	(74.5)	<b>(62.8)</b>
Net Investment In Finance Company	9.6	11.2	13.5	13.4	<b>20.7</b>
<b>Total Assets</b>	96.0	95.2	93.5	87.7	<b>91.4</b>
<b>Deduct Total Trading Liabilities (As Above)</b>	50.5	49.4	47.1	44.8	<b>45.0</b>
Net Group Assets With Finance Company As An Investment	45.5	45.8	46.4	42.9	<b>46.4</b>
<b>Key Ratios</b>					
Net Profit Before Tax To Operating Revenue	0.4%	0.7%	0.9%	1.7%	<b>2.8%</b>
Net Profit After Tax To Operating Revenue	0.4%	0.7%	0.9%	2.0%	<b>2.4%</b>
Net Profit After Tax To Opening Net Assets	2.2%	3.6%	4.1%	9.4%	<b>12.6%</b>
Earnings Per Share – cents	1.92	3.10	3.57	8.28	<b>10.21</b>
Shareholders' Funds To Total Assets	25.4%	26.2%	27.5%	26.4%	<b>30.0%</b>
Shareholders' Funds To Assets With Finance Company As An Investment	47.4%	48.0%	49.6%	48.9%	<b>50.8%</b>
<b>SUMMARY OF RETURNS TO SHAREHOLDERS</b>					
Net Dividend Per Share - cents	2.00(1)	2.00(2)	2.00(1)	3.50(1)	<b>3.50(1)</b>
Imputation Credits - cents	0.00	0.15	-	0.00	<b>0.00</b>
Gross Dividend Per Share - cents	2.00	2.15	2.00	3.50	<b>3.50</b>
30 April Share Price - cents	32	32	32	49	<b>59</b>
Gross Dividend Yield Based on 30 April Share Price	6.25%	6.72%	6.25%	7.14%	<b>5.93%</b>
(1) Dividend paid without imputation credits					
(2) Dividend paid partially imputed					

# Company Profile

## Corporate Structure

Smiths City Group Limited, based in Christchurch, is listed on the New Zealand Stock Exchange and has approximately 1,466 shareholders, 95.25% of whom are resident in New Zealand.

It is the parent of a number of subsidiary registered companies covering the range of business activities that the company engages in.

The Group was founded in Christchurch in 1918 and continues to occupy the same site in Colombo Street.

The Group is active in three complementary industry segments – retail, property and consumer finance. It employs approximately 636 full-time and 73 part-time staff.

## Retail

### Brands

The Group recognises the importance of customer loyalty and market share, and focuses on achieving these through providing quality brands and outstanding customer service in-store and in the customer's home.

The Group strongly supports some of New Zealand's best known brands including Fisher & Paykel, Sleepyhead, and Cavalier Bremworth, along with international brands such as L G Electronics, Beko, Haier, Samsung, Panasonic, Hewlett Packard, Acer and Electrolux.

The Group's own retail brands of Smiths City, Powerstore and L V Martin are widely recognised in the New Zealand market and in the retail industry.

### The Customer Experience

The customer experience is paramount in retail and the Group will continue to offer a 'full service' retail experience by providing quality goods, outstanding in-store service from knowledgeable sales staff, home deliveries and installation, and flexible finance options provided through the Group's own finance company.

### Lifestyle Stores – Smiths City

The Smiths City chain retails kitchen and laundry appliances, consumer electronics, indoor and outdoor furnishings, bedding, heating and flooring products for the home, and also includes sports departments in many of its stores. Smiths City is the largest and oldest brand in the Group providing approximately 75% of the Group's retail turnover.

The chain comprises 17 stores in the South Island and nine in the North Island, all trading under the Smiths City name. There are also four Clearance Centres retailing a full range of affordable new product together with used and second hand items and two high-end furniture retail stores trading in Christchurch and Queenstown under the brand Furniture Concepts.

An experienced and focused purchasing and marketing team has resulted in Smiths City having significant market share in a number of product categories identified as strategically important.

In addition to sourcing furniture from New Zealand manufacturers and distributors, the company operates a substantial import program handling in excess of 720 containers per annum through its national Distribution Centre located in Christchurch.

### Specialist Appliance Chain – Powerstore and L V Martin

The Group has operated a South Island chain of appliance only stores since 1997 trading as Powerstore. L V Martin, a Wellington based appliance chain, was acquired from the Martin family in 2004.

The appliance chain sells a full range of kitchen appliances, home entertainment and computer products specialising in well known brands including Fisher & Paykel, Samsung, L G, Panasonic, Hewlett Packard and Acer.

The chain adds scale to the Group's appliance buying and provides a point of difference to the larger format department stores, who sell similar products in the midst of other product ranges.

The appliance stores combine excellent store layout and staff with an outstanding level of product knowledge leading to a superior instore shopping experience.

The L V Martin brand is an institution in the Wellington region having been a household name over the past 75 years. Throughout its history L V Martin has built an enviable reputation for its unwavering attention to after-sales service, and they have built a strong customer base recognising the value of expert advice, trust and service.

#### *On-Line Strategy*

The use of the internet is widely recognised as a developing medium for retail and the Group regards the web as an important tool for sales growth in the future. L V Martin, Smiths City and Powerstore all have fully functioning websites retailing a full range of their respective instore products.

The Group is pleased with the progress made to date in its multi channel offering and continues to invest in this area.

#### *Appliance Servicing - Alectra*

Alectra operates from six locations across New Zealand and provides a valuable component of the 'full service retail' model. Originally a service arm of the retail stores providing repairs and installation support for kitchen appliances, Alectra has expanded into a separate business unit and added electrical wiring, gas fitting, plumbing, structural cabling and maintenance and installation of home heating products to its portfolio of services.

Alectra has built a reputation for providing professional and quality work and services a large customer base including many outside the Group's own retail network.

#### **Finance**

The finance business is divided into three parts – point-of-sale finance through secured fixed instalment or revolving credit customer accounts; the provision of unsecured personal loans to customers with a proven credit history; and a small trade finance ledger to businesses where the Group sees an opportunity to add value.

As at 30 April 2013 the consumer finance ledger value was approximately \$82.7million and borrowing against the portfolio was approximately \$62.8million. There were

approximately 64,500 active accounts at that time.

The ledger is funded through a bulk funding facility with ANZ Bank New Zealand Limited and, consequently, does not raise money from the general public.

The Group's management and day-to-day control of the consumer finance ledger gives the retail brands a point of difference in the market and contributes to the value added by the full service retail model.

#### **Property**

Prime locations and superior store presentation are critical to the success of any retail organisation.

The Group continues to place strategic importance on retaining ownership of its key Colombo Street, Christchurch site. The buildings were substantially damaged in the February 2011 earthquake. As at balance date 2013 the building had been repaired and trading commenced, albeit in a smaller footprint than pre-earthquake, in November 2011.

The Group is committed to enhancing the retail offering in this central city site and is in the process of designing an upgrade to the site including an increase in the retail footprint. The Group is also reviewing options for the Group Administration office which is, at this time, continuing to work from the Disaster Recovery premises on the outskirts of Christchurch.

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

#### **Associate Company**

The Group owns the Bauer brand of bicycles. As a key part of its distribution strategy for this brand the Group owns 30% of Adventure Brands. It is an importer and wholesaler of bicycles and fitness equipment.

#### **Appliance Buying**

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

# Chairman's Review

## Summary Of Financial Performance

The audited operating surplus after taxation for the 12 months to 30 April 2013 was \$5.4m (last year \$4.4m) – an increase of 22.7%.

Operating revenues for the 12 months remained static at \$222.5m.

	12MTHS 30.4.13 (\$m)	12MTHS 30.4.12 (\$m)	% INC/DEC
<b>TOTAL OPERATING REVENUE</b>	<b>222.5</b>	<b>222.5</b>	<b>-</b>
Profit From Operations	2.4	4.0	
Other Income	5.5	-	
Refinancing Break Costs	(1.6)	-	
Operating Surplus From Trading Share Of Profit/(Loss) Equity Accounted Investee	6.3	4.0	+57.5
	-	(0.1)	
<b>OPERATING SURPLUS BEFORE TAXATION</b>	<b>6.3</b>	<b>3.9</b>	<b>+61.5</b>
Deferred Taxation (Charge)/Credit*	(0.9)	0.5	
<b>SURPLUS AFTER TAXATION</b>	<b>5.4</b>	<b>4.4</b>	<b>+22.7</b>

\* The deferred tax charge for the current year takes into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes as well as 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 \$10.8million, hence no income tax is payable.

The Directors have declared an unimputed final dividend of 2.5cents per share (last year 2.5cents) to be paid on Friday 16 August 2013. The dividend will be paid to those shareholders on the Share Register at 5.00pm Friday 9 August 2013.

When added to the 1.0cent unimputed interim dividend paid in February 2013 this gives a full year unimputed dividend of 3.5cents (last year 3.5cents also unimputed).

Smiths City Group Limited is Christchurch based. In the two financial years following the catastrophic earthquake in Christchurch on 22 February 2011, the company has:

- Recorded a total operating surplus of \$10.3m.
- Paid 7cents to shareholders in dividends.
- Held net assets at \$46m despite an earthquake related write down on the Colombo Street property.
- Renegotiated the financing of Smithcorp Finance Limited, and
- Seen its share price rise from 49cents in April 2011 to 65cents on 28 June 2013.

The Board acknowledges that the current year result has had an overall net benefit from the impact of several "one off" items. However, given the significant additional pressures that have resulted from being in Christchurch the Board is pleased with performances and progress over the last two years.

## Trading

Overall trading conditions in the South Island remained positive although Christchurch returned to more normal trading patterns following the "replacement wave" of predominantly electrical products damaged in the earthquakes. Replacement of furniture items is expected to occur as residential repairs and rebuilds progress over the coming three years.

The North Island, however, was more difficult. In the Bay of Plenty this reflected adverse local economic conditions associated with the timber and horticultural industries.

In the lower North Island whilst Palmerston North traded well both Smiths City and L V Martin found trading conditions in the Wellington market difficult.

From a product perspective overall market conditions in the furnishings and whiteware markets were flat. Whilst the rate of decrease in selling prices of technology

products slowed, strong competition meant increasing sales was difficult.

The net impact was a flat sales performance in 2013 compared to 2012.

## Finance Company

The major highlight during the year was the successful refinancing to a tier one bank – ANZ Bank of New Zealand – of the company's finance arm Smithcorp Finance Limited.

Whilst this required an increase of approximately \$7.3million in equity and incurred one off costs of \$1.6million, the long term savings in interest, which at current business levels are anticipated to exceed \$2.5million per annum, will clearly yield substantial and sustainable benefits to the Group.

## Property

The Colombo Street, Christchurch property is a major asset to the Group and, prior to the February 2011 earthquake, housed the company's largest retail store, its administration office and five properties leased by third parties.

Having got the store up and trading in a smaller footprint in November 2011 the company has continued to work positively with its insurers.

An indemnity payment of \$5.5million was received during the year and the Board has now approved plans to complete repairs to the retail buildings on site. This will increase the available retail space to very nearly what was available pre-earthquake and will bring the building up to 100% of new building code.

Plans for the administration building – also demolished following the 2011 earthquake and currently based in temporary premises in Sockburn, Christchurch – will be finalised in 2014 after the current repairs are completed.

## Go Forward Strategy

Sales growth underpins trading margin (necessary to at least cover increases in expenses) and also underpins the results of the finance company. The Board's strategy acknowledges the need for sales growth, both from existing stores and through the addition of new stores in the North Island where the Group is currently under-

represented.

To this end the Group will:

- Seek to take advantage of the Christchurch rebuild by improving its retail and Commercial offering.
- Continue to investigate opportunities to increase sales through additional stores in the North Island and through its omni-channel retail offering.
- Continue to seek sales growth in those profitable product categories where it has existing scale and success e.g: bedding; kitchen appliances and furniture.
- Look to take advantage of the lower cost base in the finance company by expanding its operations into well targeted, low risk new markets.

## Management and Staff

On behalf of the Board of Directors I wish to acknowledge the dedicated contribution of all employees in every part of Smiths City to the Group's performance during the year. Their contributions are sincerely appreciated.

## Summary

Looking ahead retail trading remains subdued in our sector and is always highly competitive. However, having now put the earthquake behind us and given the changes we have made to our operations, in particular to the finance company, the outlook for the Group is positive.



C D BOYCE  
CHAIRMAN

# Managing Director's Review

## Market Overview

Market conditions in the year to April continued to be very competitive. Household incomes in real terms are not growing and householders are continually struggling to "balance the budget".

In the electronics category prices have continued to fall, albeit at a slower rate than previously. Whilst there has been some offset through growing markets such as tablets and smartphones, the market continued to be "market share driven" with high discounts and ever longer interest free terms the norm.

The furnishings category whilst not as volatile as the electronics market, suffers from being an easily deferrable purchase and the Department of Statistics retail figures show that the overall market continues to stagnate.

Geographically the four regions in which the company operates showed different trends.

Christchurch still awaits the post-earthquake rebuild but is definitely starting to show some signs of life.

The South Island market was our strongest region as a result of a strong rural sector.

The two North Island regions faced more difficult trading conditions as the Bay of Plenty region suffered from the drought conditions and the Wellington region from the overall contraction of spending in the public sector.

## Review of Operations

Management's key drivers for the 2013 year were:

- To get all the Christchurch retail operations back up and running.
- To maximise returns from the current retail stores. In particular, to improve returns from the lower North Island region and to improve the IT related product

offering through both the Appliance and Smiths City chains.

- To continually improve the customer experience by improving the quality and value of all product ranges sold together with improving the standard of presentation and staff service levels in store.
- To finalise a new funding arrangement/structure for Smithcorp where by funding costs would be reduced but at the same time autonomy in the company's management of its operations would be retained.
- To complete a full review of the Colombo Street property and to produce a plan that maximised retail sales from the Christchurch rebuild and maximised the efficiencies of the administration/ Group function.
- To further develop the Group omni-channel retail offering.
- To review logistics/stockholding policies within the Group, thereby improving customer service levels and improve stockturns.
- To keep costs down especially given the huge increase in insurances we had been told to expect! And got!

Whilst solid progress has been made in all areas, as you would expect some have progressed more than others.

In particular, the company did get all its Christchurch retail stores reopened; the funding arrangements for Smithcorp were finalised and the plans for the Colombo Street retail offering were completed. And the company continues to be run on the "smell of an oily rag"!!

Results in the North Island did not meet expectations. In order to improve profitability, operations in the region have been radically restructured by:

- Closing the Upper Hutt store where sales fell consistently once the Lower Hutt store opened.
- Centralising local management for L V Martin,

Smiths City and all support functions under one regional manager. This will lead to better in-store service and a much more streamlined “back end” to the business.

- Advancing plans for the opening of a new store on Kapiti Coast due to open for trading in September 2013.
- Negotiating out of the existing Porirua store and sourcing a new much higher profile Porirua store for Smiths City. This is due to open in November 2013.
- The logistics review is underway and due for completion 2014.

### **Priorities and Outlook**

The trading environment continues to change rapidly, particularly in the technology area. This applies to both the style of product we are selling and the way customers are buying.

Over the next year management does not expect to see trading conditions change significantly and, as a result, whilst the company prides itself on its commitment to providing superior service levels than its competitors it must continue to meet the promotional offers in the market.

In line with the Board’s strategy the priorities for management are:

- Continue to be aggressive in the market place, ensuring that we gain sustainable increases in market share in those products that we see as being core to our future success – consumer electronics, kitchen appliances, beds and furniture – and sustainable increases in sales levels in all towns in

which we operate.

- Get Wellington right and take advantage of the Christchurch rebuild in both the retail and commercial market sectors.
- Continue with its commitment to selling quality brands through the provision of excellent customer service at all times in all locations.
- Complete the full logistics review but at the same time continue to micro manage both stock and receivables.
- Continue the development of the omni-channel strategy.

### **People**

I have noted over many years how our staff throughout the country continue to “step up to the plate”. Their loyalty and support is appreciated and never taken for granted.

Included in this Annual Report are the names of all those staff that were part of the Group at the end of June 2013.

I would personally like to take this opportunity to thank all of them – as well as our customers, suppliers and shareholders – for their support.



**RICK HELLINGS**  
**MANAGING DIRECTOR**

# Directors' Report

## Report And Financial Statements

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 30 April 2013.

## Principal Activities

Smiths City Group Limited is a New Zealand based and operated company. It has three 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, Powerstore and L V Martin & Son brands. In addition, Alectra provides installation and after sales services to retail activities, all through Smiths City (Southern) Limited.
- Finance – the provision of finance by Smithcorp Finance Limited to support the retailing operation.
- Property – Smiths City Properties Limited owns the flagship Colombo Street retail property in central Christchurch and also takes advantage of opportunities to develop and enhance retail premises for the Group.

## Profit

The Group net profit after taxation was \$5.4.m – compared with last year's \$4.4m. Earnings per share was 10.2cents compared with 8.2cents last year.

## Shareholders' Equity

Shareholders' equity as at 30 April 2013 was \$46.4m, up on prior year \$42.9m.

## Dividend

The Directors have approved a final dividend of 2.5cents unimputed, which will be paid on 16 August 2013. Dividends paid for the year will be 3.5cents with

no imputation credits (last year 3.5cents unimputed).

## Significant Events During The Year

The details of these are explained fully in the Chairman and Managing Director's reports and Note 6 of the Financial Statements.

## Events Subsequent To Balance Date

There were no significant events subsequent to balance date.

## Attendance At Meetings

Directors attended the following meetings during the year:

	BOARD MEETINGS		AUDIT COMMITTEE	
	NO OF MEETINGS	NO ATTENDED	NO OF MEETINGS	NO ATTENDED
C D Boyce	10	10	5	5
J A Dobson	10	10	5	5
J W Holdsworth	10	2		
S C Ottrey	10	10		
G R Rohloff	10	9	5	5
R Hellings*	10	10	5	5

\*Observer at Audit Committee

The Remuneration Committee met once during the year.

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

## Remuneration And Benefits

The Board seeks independent advice before recommending to shareholders any increase in the maximum level of Directors' fees payable. The Directors' fees are currently a maximum of \$250,000 as approved at the 2005 Annual Meeting of shareholders.

The fees paid to Directors for services in their capacity as Directors during the year ended 30 April 2013 were:

	DIRECTORS' FEES	OTHER SERVICES	TOTAL REMUNERATION
<b>NON EXECUTIVE DIRECTORS</b>			
C D Boyce	75,000	-	75,000
J A Dobson	50,000	-	50,000
J W Holdsworth	11,667	-	11,667
S C Ottrey	35,000	-	35,000
G R Rohloff	40,000	-	40,000
	211,667	-	211,667
<b>EXECUTIVE DIRECTOR</b>			
Richard Hellings	-	390,000	390,000

### Share Dealings By Directors

The company received three notices of share trading from the Directors during the current year. At balance date Directors and their associates held interests in the following shares.

	BALANCE AS AT 30 APRIL 2012	PURCHASES	SALES	BALANCE AS AT 30 APRIL 2013
Craig David Boyce	3,615,039	-	666,667	2,948,372
John Allen Dobson	501,579	-	-	501,579
Richard Hellings	4,895,575	-	666,666	4,228,909

\* Mr J W Holdsworth did not seek re-election at the 2012 Annual Meeting on 28 August 2012. Prior to his retirement Mr Holdsworth sold 666,666 shares.

\* After balance date Mr Hellings gifted 60,000 shares to a member of his family.

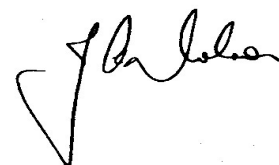
### Further Information

For information on Disclosure of Interest by Directors, Use of Company Information and Insurances refer to the Governance Report on pages 53-56.

Dated 27 June 2013



**C D BOYCE**  
CHAIRMAN



**J A DOBSON**  
DEPUTY CHAIRMAN

# Financial Information

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# Smiths City Group Limited

## Income Statement

### For The Year Ended 30 April 2013

	NOTE	GROUP 2013 (\$m)	2012 (\$m)	PARENT 2013 (\$m)	2012 (\$m)
<b>Revenue</b>	8	<b>222.5</b>	222.5	<b>0.7</b>	0.4
<b>Trading Profit</b>	9	<b>3.8</b>	5.4	<b>(0.5)</b>	(1.0)
Other Income	10	<b>5.5</b>	-	<b>1.4</b>	1.5
Refinancing Break Costs	11	<b>(1.6)</b>	-	-	-
Group Interest Paid – Excluding Smithcorp	11	<b>(1.4)</b>	(1.4)	-	-
<b>Results From Operating Activities</b>		<b>6.3</b>	4.0	<b>0.9</b>	0.5
Share Of Profit Of Equity Accounted Investee	19	-	(0.1)	-	-
<b>Profit Before Taxation</b>		<b>6.3</b>	3.9	<b>0.9</b>	0.5
Deferred Taxation	12	<b>(0.9)</b>	0.5	-	-
<b>Profit For The Year</b>		<b>5.4</b>	4.4	<b>0.9</b>	0.5
<b>Earnings Per Share For Profit Attributable To Equity Holders:</b>					
Basic and Diluted Earnings Per Share (cents)	25	10.2	8.3		

## Statement Of Comprehensive Income

### For The Year Ended 30 April 2013

	NOTE	GROUP 2013 (\$m)	2012 (\$m)	PARENT 2013 (\$m)	2012 (\$m)
<b>Profit For The Year</b>		<b>5.4</b>	4.4	<b>0.9</b>	0.5
<b>Other Comprehensive Income</b>					
Revaluation Of Land And Buildings		-	(6.9)	-	-
Cash Flow Hedges – Fair Value Gains/(Losses) Taken To Cash Flow Hedge Reserve	23	<b>(0.1)</b>	0.3	-	-
Deferred Tax Impact of Cash Flow Hedges	20	-	(0.1)	-	-
<b>Total Comprehensive Income For The Period Attributable To Members Of The Company</b>		<b>5.3</b>	(2.3)	<b>0.9</b>	0.5

# Statement Of Changes In Equity

## For The Year Ended 30 April 2013

	SHARE CAPITAL (\$m)	REVALUATION RESERVES (\$m)	HEDGING RESERVES (\$m)	OTHER RESERVES (\$m)	RETAINED EARNINGS (\$m)	TOTAL EQUITY (\$m)
<b>GROUP</b>						
<b>Balance 1 May 2011</b>	10.7	9.2	(0.7)	0.1	27.1	46.4
Profit For The Year	-	-	-	-	4.4	4.4
Cash Flow Hedges – Fair Value Gains/ (Losses) Taken To Cash Flow Hedge Reserve	-	-	0.3	-	-	0.3
Deferred Tax Impact of Cash Flow Hedges	-	-	-	-	(0.1)	(0.1)
Revaluation Of Property	-	(6.9)	-	-	-	(6.9)
<b>Total Comprehensive Income For Period</b>	-	(6.9)	0.3	-	4.3	(2.3)
Subtotal	10.7	2.3	(0.4)	0.1	31.4	44.1
Share Repurchase	-	-	-	-	(0.1)	(0.1)
Dividends Paid	-	-	-	-	(1.1)	(1.1)
<b>Balance 30 April 2012</b>	<b>10.7</b>	<b>2.3</b>	<b>(0.4)</b>	<b>0.1</b>	<b>30.2</b>	<b>42.9</b>
Profit For The Year	-	-	-	-	5.4	5.4
Cash Flow Hedges – Fair Value Gains/ (Losses) Taken To Cash Flow Hedge Reserve	-	-	(0.1)	-	-	(0.1)
Deferred Tax Impact of Cash Flow Hedges	-	-	-	-	-	-
Revaluation Of Property	-	-	-	-	-	-
<b>Total Comprehensive Income For Period</b>	-	-	(0.1)	-	5.4	5.3
Subtotal	10.7	2.3	(0.5)	0.1	35.6	48.2
Share Repurchase	-	-	-	-	-	-
Dividends Paid	-	-	-	-	(1.8)	(1.8)
<b>Balance 30 April 2013</b>	<b>10.7</b>	<b>2.3</b>	<b>(0.5)</b>	<b>0.1</b>	<b>33.8</b>	<b>46.4</b>
<b>PARENT</b>						
<b>Balance 1 May 2011</b>	10.7	-	-	-	9.7	20.4
Profit For The Year	-	-	-	-	0.4	0.4
Share Repurchase	-	-	-	-	(0.1)	(0.1)
Dividends Paid	-	-	-	-	(1.1)	(1.1)
<b>Balance 30 April 2012</b>	<b>10.7</b>	-	-	-	<b>8.9</b>	<b>19.6</b>
Profit For The Year	-	-	-	-	0.9	0.9
Share Repurchase	-	-	-	-	-	-
Dividends Paid	-	-	-	-	(1.8)	(1.8)
<b>Balance 30 April 2013</b>	<b>10.7</b>	-	-	-	<b>8.0</b>	<b>18.7</b>

# Statement Of Financial Position

## As At 30 April 2013

	NOTE	GROUP		PARENT	
		2013 (\$m)	2012 (\$m)	2013 (\$m)	2012 (\$m)
<b>CURRENT ASSETS</b>					
Cash And Cash Equivalents	13	0.6	2.2	0.1	2.2
Smithcorp Finance Cash And Cash Equivalents	13	0.8	1.1	-	-
Trade And Other Receivables	14	9.1	8.1	5.7	2.0
Smithcorp Finance Receivables – Current Portion	16	50.2	52.2	-	-
Inventories	15	39.0	39.9	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>99.7</b>	<b>103.5</b>	<b>5.8</b>	<b>4.2</b>
<b>NON CURRENT ASSETS</b>					
Smithcorp Finance Receivables - Term Portion	16	32.5	34.6	-	-
Property, Plant And Equipment	17	16.3	16.8	-	-
Intangible Assets	18	1.9	2.5	-	-
Investments Including Equity Accounted Investees	19	0.5	0.6	0.1	0.1
Investments In Subsidiaries		-	-	15.7	15.7
Deferred Taxation	20	3.3	4.2	-	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>54.5</b>	<b>58.7</b>	<b>15.8</b>	<b>15.8</b>
<b>TOTAL ASSETS</b>		<b>154.2</b>	<b>162.2</b>	<b>21.6</b>	<b>20.0</b>
<b>CURRENT LIABILITIES</b>					
Bank Overdraft	13	-	-	-	-
Trade And Other Payables Including Derivatives	21	22.6	25.5	0.1	0.2
Secured Borrowings	22	12.3	9.6	2.8	0.2
<b>TOTAL CURRENT LIABILITIES</b>		<b>34.9</b>	<b>35.1</b>	<b>2.9</b>	<b>0.4</b>
<b>SMITHCORP FINANCE NON CURRENT BORROWINGS</b>					
	22	62.8	74.5	-	-
<b>NON CURRENT LIABILITIES</b>					
Secured Borrowings	22	10.1	9.7	-	-
<b>TOTAL LIABILITIES</b>		<b>107.8</b>	<b>119.3</b>	<b>2.9</b>	<b>0.4</b>
<b>NET ASSETS</b>		<b>46.4</b>	<b>42.9</b>	<b>18.7</b>	<b>19.6</b>
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	23	10.7	10.7	10.7	10.7
Revaluation Reserve	23	2.3	2.3	-	-
Other Reserves	23	(0.4)	(0.3)	-	-
Retained Earnings	23	33.8	30.2	8.0	8.9
<b>TOTAL EQUITY</b>		<b>46.4</b>	<b>42.9</b>	<b>18.7</b>	<b>19.6</b>
<b>Net Tangible Assets Per Share (cents)</b>		<b>82.42cents</b>	<b>76.66cents</b>		

<b>ANALYSIS SMITHCORP FINANCE ASSETS</b>					
Smithcorp Finance Cash And Cash Equivalents	13	0.8	1.1	-	-
Smithcorp Finance Receivables – Current Portion	16	50.2	52.2	-	-
Smithcorp Finance Receivables – Term Portion	16	32.5	34.6	-	-
<b>TOTAL SMITHCORP FINANCE ASSETS</b>		<b>83.5</b>	<b>87.9</b>	<b>-</b>	<b>-</b>
Smithcorp Finance Borrowings	22	(62.8)	(74.5)	-	-
<b>Investment in Finance Company</b>		<b>20.7</b>	<b>13.4</b>	<b>-</b>	<b>-</b>

# Statement Of Cash Flows

## For The Year Ended 30 April 2013

	NOTE	GROUP 2013 (\$m)	2012 (\$m)	PARENT 2013 (\$m)	2012 (\$m)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
CASH WAS PROVIDED FROM:					
Receipts From Customers		203.5	206.4	-	-
Insurance Receipts		1.1	12.2	-	-
Interest Received – Smithcorp Finance		6.8	6.5	-	-
Interest Received – Other		0.1	0.1	0.7	0.4
Receipt Of Dividend		0.1	-	1.6	1.5
Total Cash Flows From Operating Activities		211.6	225.2	2.3	1.9
CASH WAS APPLIED TO:					
Payments To Suppliers And Employees		(202.5)	(214.0)	(1.6)	(1.2)
Interest Paid – Smithcorp Finance		(7.0)	(5.9)	-	-
Interest Paid - Bank And Other		(1.4)	(1.4)	-	-
Total Cash Flows Applied To Operating Activities		(210.9)	(221.3)	(1.6)	(1.2)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		<b>0.7</b>	<b>3.9</b>	<b>0.7</b>	<b>0.7</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
CASH WAS PROVIDED FROM:					
Insurance Receipts for Property		5.5	-	-	-
Repayment Of Advances From Customers		4.1	1.1	-	-
Total Cash Flows From Investing Activities		9.6	1.1	-	-
CASH WAS APPLIED TO:					
Purchase Of Property, Plant And Equipment		(1.7)	(1.0)	-	-
Total Cash Flows Applied to Investing Activities		(1.7)	(1.0)	-	-
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b>7.9</b>	<b>0.1</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
CASH WAS PROVIDED FROM:					
Receipt Of Loan To Fund Working Capital		3.0	-	2.6	1.9
Total Cash Flows From Financing Activities		3.0	-	2.6	1.9
CASH WAS APPLIED TO:					
Inter Company Advances		-	-	(3.6)	-
Repay Advances To Fund Finance Receivables		(4.4)	(0.7)	-	-
Increase In Equity In Finance Company		(7.3)	-	-	-
Repay Borrowings		-	(1.7)	-	(1.3)
Share Repurchase		-	(0.1)	-	(0.1)
Dividends Paid		(1.8)	(1.1)	(1.8)	(1.1)
Total Cash Flows Applied To Financing Activities		(13.5)	(3.6)	(5.4)	(2.5)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		<b>(10.5)</b>	<b>(3.6)</b>	<b>(2.8)</b>	<b>(0.6)</b>
Net Inflow/(Outflow) In Cash And Cash Equivalents Held		(1.9)	0.4	(2.1)	0.1
Cash And Cash Equivalents At Beginning Of Period	13	3.3	2.9	2.2	2.1
Cash And Cash Equivalents At End Of Period	13	1.4	3.3	0.1	2.2

# Statement Of Cash Flows continued

## For The Year Ended 30 April 2013

	NOTE	GROUP		PARENT	
		2013 (\$m)	2012 (\$m)	2013 (\$m)	2012 (\$m)
<b>RECONCILIATION OF NET PROFIT WITH CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit Per Accounts After Earnings From Associate		<b>6.3</b>	3.9	<b>0.9</b>	0.4
Less Insurance Receipts For Property Reflected In Investing Activities		<b>(5.5)</b>	-	-	-
Less Share Of Losses From Associate		-	0.1	-	-
Plus Dividend Received From Associate		<b>0.1</b>	-	<b>0.1</b>	-
Add Depreciation; Amortisation And Impairment		<b>2.8</b>	2.3	-	-
		<b>3.7</b>	6.3	<b>1.0</b>	0.4
Add/(Deduct) Movements In Working Capital					
Add Decrease (Deduct Increase) Receivables		<b>(1.0)</b>	1.6	<b>(0.2)</b>	0.1
Add Decrease (Deduct Increase) Inventories		<b>0.9</b>	(3.7)	-	-
Add Increase (Deduct Decrease) Accounts Payable And Provisions		<b>(2.9)</b>	(0.3)	<b>(0.1)</b>	0.2
Movements In Working Capital		<b>(3.0)</b>	(2.4)	<b>(0.3)</b>	0.3
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		<b>0.7</b>	<b>3.9</b>	<b>0.7</b>	<b>0.7</b>

# 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 issuer in terms of the Financial Reporting Act 1993.

Financial statements for the company (separate financial statements) and consolidated financial statements are presented. The consolidated financial statements of Smiths City Group Limited as at 30 April 2013 comprise the company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

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. In addition the Group also develops and owns retail property.

## 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 26 June 2013.

### b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- I. Derivative financial instruments are measured at fair value.
- II. Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.
- III. Land and buildings are measured at fair value less subsequent depreciation for buildings.

The methods used to determine fair values are discussed further in Note 5.

### c) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$) which is the functional currency of the Group and the company. 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:

- Smithcorp Finance receivables are initially recognised at fair value in accordance with accounting policy

3d(i). The fair value of Smithcorp Finance receivables takes into account anticipated future income for all finance receivables made on deferred interest terms whilst also estimating the cost of instalment credit receivables made on deferred interest terms. Instalment credit receivables expected to have a non interest bearing period are discounted to their net present value using an appropriate market discount rate. Note 26 details the market interest rate applied as well as the sensitivity of carrying amounts to changes in this market interest rate. This discount rate is continually reviewed by the Directors. As part of the calculation the probability that contracts will enter an extended interest bearing period is assessed based on historical data. The carrying value of finance receivables is disclosed in Note 16.

- Approximately the next two years budgeted profits are considered in the calculation of the deferred tax asset to be recognised on the basis it is probable that future taxable profits will be available against which they can be utilised. Further information in respect of the carrying value of the deferred taxation asset is disclosed in Note 20.
- The impairment testing of property, plant and equipment and intangible assets requires management's assessment of the existence of the indicators of impairment at each reporting date and where the indicators exist, management determines the recoverable amount of the asset. In the case of impairment testing of indefinite life intangible assets, impairment testing procedures involves the use of management cash flow projections and key assumptions as described in Note 18.
- The valuation of land and buildings is described in Note 17.
- 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 26.

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.

#### e) **Segment Reporting**

An operating segment is a component of an entity that engages in business activities which earns revenue and incurs expenses and for which the chief operating decision maker (CODM) reviews the operating results on a regular basis and makes decisions on resource allocation. The Group has determined its CODM to be the Managing Director on the basis that it is him who determines the allocation of resources to segments and assess their performance.

The reportable operating segments of the Group have been determined based on the components of the Group that the 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 is organised into three reportable segments, namely retail, the financing of retail sales, and property, reflecting the different sectors solely in New Zealand, within which the Group operates. The corporate structure of the Group also reflects these segments.

### 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. Investments in subsidiaries are valued at cost in the Parent.

### **ii) Associates (Equity Accounted Investees)**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). Associates are stated at cost in the Parent company's financial statements.

### **iii) 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.

### **iv) Business Combinations**

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the company's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

When the Group acquires a minority interest of an investment that is already controlled, the excess or deficit between the fair value of consideration paid and the fair value of the assets and liabilities acquired is recognised as a movement in equity.

## **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) Impairment**

The carrying amounts of the Group's property, plant and equipment, intangible assets, investments in equity accounted associates 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.

For Smithcorp Finance 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.

#### **d) 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 derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date – i.e: the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

##### **i) Non Derivative Financial Instruments**

Non derivative financial instruments comprise Smithcorp Finance 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.

###### *Smithcorp Finance Receivables*

Subsequent to initial recognition, Smithcorp Finance 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.

###### *Trade and Other Receivables*

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

###### *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.

###### *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.

###### *Trade and Other Payables*

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.

**ii) Derivative Financial Instruments**

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

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

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

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

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

**e) Property, Plant and Equipment**

**i) Recognition and Measurement**

Land and Buildings are shown at fair value less subsequent depreciation for buildings. Fair value is determined by external independent valuers.

Other classes of 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. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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:

» Buildings	1% straight line
» 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.

## **f) Intangible Assets**

### **i) Indefinite Life Intangible Assets**

Indefinite Life Intangible Assets comprising purchased brands and trade names are initially measured at cost. Cost being the purchase price of the brands and trade names. On an annual basis, the recoverable amount of the brand is determined based on value in use calculations specific to the cash generating units associated with that brand.

### **ii) Definite Life Intangible Assets**

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

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

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

Customer databases	20 years
Computer software applications	5 years
Development costs	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 and an appropriate portion of directly attributable costs.

## **g) Leased Assets**

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.

## **h) Inventories**

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.

## **i) Employee Benefits**

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

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.

**j) Provisions**

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.

**k) Warranties**

A provision for warranties is recognised when the underlying products or services are sold. A provision has been recorded for service on unexpired warranties based on a set percentage of the retail value of appliances sold and for annual and long term service contracts spread over the length of the warranty or service contract.

**l) Revenue**

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

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

**m) Finance Income**

Finance income comprises income on Smithcorp Finance receivables, interest income on funds invested, dividend income, foreign currency gains and gains on hedging instruments that are recognised in the income statement.

*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.

*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.

**n) Finance Expenses**

Finance expenses comprise interest expense on borrowings, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables) and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

**o) Government Grants**

Government assistance relating to amounts retained to encourage retention of employees. Grants are deducted from the expenses they are intended to compensate.

**p) Income Tax Expense**

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.

**q) 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.

**r) 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.

**s) 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.

**t) New Accounting Policies**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2012, as described in those annual financial statements.

**u) New Standards and Interpretations Not Yet Adopted**

The Group has considered and elected not to early adopt any standards which have been issued but are not yet effective.

The Group will adopt the standards on their effective dates. This is not expected to have a material impact on the Group's Financial Statements.

#### 4) Statements Of Cash Flows

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

- Cash comprises cash and bank balances including Smithcorp Finance.
- 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 Smithcorp Finance.
- 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.

#### 5) Determination Of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### a) 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.

##### b) 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.

##### c) Smithcorp Finance Receivables

The fair value of Smithcorp Finance receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

##### d) Borrowings

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

##### e) Derivatives

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.

## 6) Impacts Of The Canterbury Earthquakes

### Introduction

The purposes of this note are to disclose the Group's estimates of the:

- material impacts of the earthquake on the financial performance and financial position of the Group.
- significant areas of estimation uncertainty.
- contingent insurance assets that exist at balance date.

The operations and performance of the company and Group were adversely affected by a magnitude 6.3 earthquake on 22 February 2011.

### Material Impacts

The Colombo Street and Moorhouse Avenue properties suffered significant damage.

The Colombo Street property is owned by the Group.

Subsequently Smiths City has repaired the Colombo Street store to enable it to reopen in a reduced capacity on 22 November 2011.

The Group has two key insurance policies relevant to the recent earthquakes as follows:

- **Material Damage** – this is a full replacement policy and covers the Group's properties and operating assets. Material Damage claims associated with operating assets damaged as a result of the February 2011 and June 2011 earthquakes have been settled with the Group's Insurers. There was no claim in respect of the 23 December 2011 earthquake. Smiths City has not recognised any write-down of the affected inventory, on the basis that it has been sold to the insurer at cost price and, therefore, was valued at the lower of cost and net realisable value. In order to protect its brand the Group purchased any stock of saleable quality from the Insurer. After costs of disposal the sale of this stock resulted in margins consistent with normal trading being achieved for the product sets concerned. During the year ended 30 April 2013, Smiths City received \$0.1m of insurance payments in relation to damaged Inventory and Plant (2012 \$3.1m). At 30 April 2013 all damaged stock has been disposed of and insurance proceeds received.

There was extensive damage to the Colombo Street property as a result of the February 2011 earthquake. Subsequently Smiths City has repaired the store to enable it to reopen on a smaller footprint on 22 November 2011. The total costs of these repairs claimed under the Material Damage Policy were \$2.5m and these have also been paid by the Insurer. Of this amount \$2.3m was claimed and paid during the year ended 30 April 2012.

As a result of the planning for Stage 2 it became clear the company would not be rebuilding to an equivalent area to that which was in place prior to the earthquake. In particular, the previous first floor, which served as the Group Central Administration function is not intended to be rebuilt as part of Stage 2. However, the Board is considering options for the Central Administration function on the site. Secondly, both the grass verge and car parking area at the front of Dundas Street would remain and the retail space of the site reduced accordingly.

Having established this, the company then lodged a claim with the insurer for the indemnity value of those areas of the building it did not intend to rebuild. The insurer then commissioned an assessment of these floor areas and value by a registered valuer. Following this an interim payment release to the company of \$5.5m on these areas of property was made.

The company commissioned a geotech report to assess the status of the ground to determine whether Stage 2 was able to take place. This report indicated Stage 2 is able to be undertaken and also provided several options for building foundations as part of a repair and rebuild for Stage 2 to proceed and meet current building requirements.

Draft plans for Stage 2 have been prepared by the company. These include increasing the retail space of the property by utilising the despatch area which was part of the existing building footprint. Costs for this project are not fully covered by insurance. Planning regarding these areas are still being finalised, however, it is nevertheless the company's intention to remain on the site and reintegrate the Group central administration function at some point.

- **Business Interruption** – lost revenues and additional costs are claimable if they arise as a consequence of damage to the Group's insured assets. The purpose of Business Interruption Insurance is to put the Group in the same position as if an insurance event (February 2011 earthquake) had not occurred and normal trading conditions applied.

The Colombo Street and Moorhouse Avenue properties were covered by Business Interruption Insurance for 24 and 18 months respectively. Payment for Business Interruption has been received up to and including the end of these respective branches indemnity periods.

During the year ended 30 April 2013, Smiths City received \$0.8m (2012 \$5.4m) relating to the gross margin of these closed stores. Offsetting this the fixed costs relating to these closed stores continued throughout the period of business interruption. These amounts having been recognised within Trading Profit.

In addition a total of \$1.1m have been added to the costs of the repairs to Colombo Street as part of Stage 1 claimed under the Business Interruption Policy and these have also been paid by the Insurer. Of this amount \$0.1m was claimed and paid during the year ended 30 April 2013 (2012 \$1.0m).

#### **Other**

Excesses for earthquakes which were increased following the earthquakes continue to be calculated on a percentage of the total site value rather than as a percentage of the actual claim value. Effectively the company still has a greater exposure in the event of an earthquake. In the case of the Colombo Street, Christchurch, site the excess is \$3.5m.

## **7) Segment Information**

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

More information on finance income is included in Note 8 and finance costs in Note 11. Furthermore information on finance receivables is included in Note 16 and finance receivables borrowings in Note 22. Note 26 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 PROFIT (LOSS) (\$m)
<b>YEAR ENDED 30 APRIL 2012</b>				
Retail Activities	211.2	1.5	212.7	1.7
Finance Activities	11.3	-	11.3	1.8
Property Activities	-	1.5	1.5	0.5
Total For Reportable Segments	222.5	3.0	225.5	4.0
Shares Of Profit Of Equity Accounted Investee	-	-	-	(0.1)
<b>Total Before Taxation</b>	<b>222.5</b>	<b>3.0</b>	<b>225.5</b>	<b>3.9</b>
<b>YEAR ENDED 30 APRIL 2013</b>				
Retail Activities (See Note 1 below)	<b>211.2</b>	<b>1.4</b>	<b>212.6</b>	<b>0.3*</b>
Finance Activities (See Note 2 below)	<b>11.3</b>	<b>-</b>	<b>11.3</b>	<b>0.4*</b>
Property Activities (See Note 3 below)	<b>5.5</b>	<b>1.1</b>	<b>6.6</b>	<b>5.6*</b>
Total For Reportable Segments	<b>228.0</b>	<b>2.5</b>	<b>230.5</b>	<b>6.3</b>
Shares Of Profit Of Equity Accounted Investee	-	-	-	-
<b>Total Before Taxation</b>	<b>228.0</b>	<b>2.5</b>	<b>230.5</b>	<b>6.3</b>

**\* Note 1**

Result is after impairment provision of \$0.5m for the L V Martin brand. See Note 18.

**\* Note 2**

Result is after the penalty payment (\$1.4m) and other costs associated with the exit from the Fisher & Paykel Finance Limited facility totalling \$1.6m. See Notes 11 and 22.

**\* Note 3**

Result is after interim payment release for the Colombo Street property of \$5.5m. See Notes 6 and 10.

## Other Segment Information

	RETAIL ACTIVITIES (\$m)	FINANCE ACTIVITIES (\$m)	PROPERTY ACTIVITIES (\$m)	TOTAL (\$m)
<b>YEAR ENDED 30 APRIL 2012</b>				
Assets	60.2	87.9	14.0	162.1
Liabilities	(32.1)	(74.5)	(12.7)	(119.3)
Equity	(28.1)	(13.4)	(1.3)	(42.8)
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	1.0	0.2	-	1.2
Depreciation, Amortisation And Impairment	(2.1)	(0.2)	(0.1)	(2.4)
Interest Expense	(0.5)	(5.9)	(0.9)	(7.3)
Interest Revenue	0.1	10.7	-	10.8
<b>YEAR ENDED 30 APRIL 2013</b>				
Assets	<b>56.8</b>	<b>83.5</b>	<b>13.9</b>	<b>154.2</b>
Liabilities	<b>(32.7)</b>	<b>(62.8)</b>	<b>(12.3)</b>	<b>(107.8)</b>
Equity	<b>(24.1)</b>	<b>(20.7)</b>	<b>(1.6)</b>	<b>(46.4)</b>
Acquisitions Of Property, Plant, Equipment, Intangibles And Investments	<b>1.6</b>	<b>0.1</b>	<b>-</b>	<b>1.7</b>
Depreciation, Amortisation And Impairment	<b>(2.8)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(3.0)</b>
Interest Expense	<b>(0.6)</b>	<b>(7.0)</b>	<b>(0.8)</b>	<b>(8.4)</b>
Interest Revenue	<b>0.1</b>	<b>10.6</b>	<b>-</b>	<b>10.7</b>

## 8) Revenue

	GROUP		PARENT	
	2013 (\$m)	2012 (\$m)	2013 (\$m)	2012 (\$m)
Retail Sales	211.2	211.2	-	-
Interest Income On Smithcorp Finance Receivables Measured At Amortised Cost	11.3	11.3	-	-
Interest Income Inter Group	-	-	0.7	0.4
	<b>222.5</b>	<b>222.5</b>	<b>0.7</b>	<b>0.4</b>

## 9) Expenses By Nature

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

Purchases Net Of Rebates	(148.4)	(152.4)	-	-
Movement In Inventory	(0.9)	3.7	-	-
Operating Lease Rental Expense Movement In Inventory	(11.8)	(13.1)	-	-
Employee Benefits	(32.9)	(33.6)	(0.7)	(1.1)
Auditors' Remuneration - For Audit Services	(0.1)	(0.1)	-	-
Directors' Fees	(0.2)	(0.2)	(0.2)	(0.2)

## 10) Other Income

Insurance Payment Received On Property	5.5	-	-	-
Dividend From Subsidiaries	-	-	1.4	1.5
	<b>5.5</b>	-	<b>1.4</b>	<b>1.5</b>

## 11) Interest Expense

Interest Expense On Smithcorp Finance Borrowings Included In Trading Profit	(5.6)	(5.9)	-	-
Contractual Break Fee to Fisher & Paykel Finance Limited To Exit Loan Facility	(1.4)	-	-	-
Other Costs Of Refinancing Smithcorp Borrowings	(0.2)	-	-	-
Interest Expense On Bank Borrowings On Property And Retail Activities	(1.4)	(1.4)	-	-

## 12) Income Tax Expense

### a) Income Tax Expense

Current Tax	-	-	-	-
Deferred Tax (Charge) Credit	(0.9)	0.5	-	-
Total Income Tax (Charge) Credit	<b>(0.9)</b>	<b>0.5</b>	<b>-</b>	<b>-</b>

**b) Reconciliation Of Income Tax Expense To Tax Rate Applicable To Profits**

	GROUP		PARENT	
	2013 (\$m)	2012 (\$m)	2013 (\$m)	2012 (\$m)
Profit Before Income Tax Expense	<b>6.3</b>	3.9	<b>0.9</b>	0.5
Tax at the Rate Of 28% (2012 28%)	<b>(1.8)</b>	(1.1)	<b>(0.2)</b>	(0.1)
Tax Effect Of Amounts Which Are Either Deductible Or Taxable In Calculating Taxable Income				
- Tax Exempt Income	<b>1.2</b>	-	<b>0.4</b>	0.5
- Expenses Not Deductible For Tax	<b>(0.3)</b>	(0.5)	-	-
Recognition Of Tax Losses	-	2.1	<b>(0.2)</b>	(0.4)
Total Income Tax (Expense) Credit	<b>(0.9)</b>	0.5	-	-

**c) Imputation Credits**

There are no imputation credits available to equity holders of the company either through the Parent company or any of its subsidiaries.

**13) Cash And Cash Equivalents**

The effective interest rates on call and short term deposits in 2013 was 3.1% (2012 2.5%-3.2%). The amounts on deposit are at call (2012 at call).

Refer Note 22 for details of the effective interest rate on the Bank overdraft together with security provided.

**14) Trade And Other Receivables**

Trade Receivables	<b>4.6</b>	5.0	-	-
Impairment Allowances	<b>(0.1)</b>	(0.1)	-	-
Net Trade Receivables	<b>4.5</b>	4.9	-	-
Other Receivables	<b>4.6</b>	2.8	<b>0.3</b>	0.1
Insurance Proceeds Receivable	-	0.4	-	-
Inter Company Receivables	-	-	<b>5.4</b>	1.9
<b>Total Current Receivables</b>	<b>9.1</b>	<b>8.1</b>	<b>5.7</b>	<b>2.0</b>

**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 26 for information on the credit risk associated with the trade receivables.

**15) Inventories**

Finished Goods	<b>39.9</b>	41.0	-	-
Write-down To Net Realisable Value	<b>(0.9)</b>	(1.1)	-	-
<b>Net Inventories</b>	<b>39.0</b>	<b>39.9</b>	-	-

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 \$3.1m (2012 \$3.7m).

## 16) Smithcorp Finance Receivables

	2013			2012		
	FIXED INSTALMENT (\$m)	REVOLVING CREDIT (\$m)	TOTAL (\$m)	FIXED INSTALMENT (\$m)	REVOLVING CREDIT (\$m)	TOTAL (\$m)
Gross Finance Receivables	<b>96.2</b>	<b>20.1</b>	<b>116.3</b>	104.3	18.7	123.0
Gross Finance Receivables Due From Adventure Brands Limited see notes 19 and 27	-	<b>0.9</b>	<b>0.9</b>	-	1.0	1.0
Provision For Unearned Income	<b>(33.1)</b>	-	<b>(33.1)</b>	(35.8)	-	(35.8)
	<b>63.1</b>	<b>21.0</b>	<b>84.1</b>	<b>68.5</b>	<b>19.7</b>	<b>88.2</b>
Less Impairment Allowances	<b>(0.9)</b>	<b>(0.5)</b>	<b>(1.4)</b>	(0.8)	(0.6)	(1.4)
	<b>62.2</b>	<b>20.5</b>	<b>82.7</b>	<b>67.7</b>	<b>19.1</b>	<b>86.8</b>
ANALYSIS						
Current Portion	<b>42.6</b>	<b>7.6</b>	<b>50.2</b>	44.7	7.5	52.2
Term Portion	<b>19.6</b>	<b>12.9</b>	<b>32.5</b>	23.0	11.6	34.6
	<b>62.2</b>	<b>20.5</b>	<b>82.7</b>	<b>67.7</b>	<b>19.1</b>	<b>86.8</b>

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

	2013		2012	
	FIXED INSTALMENT %	REVOLVING CREDIT %	FIXED INSTALMENT %	REVOLVING CREDIT %
North Island	<b>22.6</b>	<b>27.8</b>	20.8	33.3
South Island	<b>77.4</b>	<b>72.2</b>	79.2	66.7
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Refer to Note 26 for information on the credit risk associated with Smithcorp Finance receivables. A further breakdown of current and non current receivables is given as part of the liquidity risk disclosure. Additional provisioning as a result of the Canterbury Earthquakes totalling \$0.1m (2012 \$0.1m) has been made.

The gross finance receivable due from related parties comprises the amount due from Adventure Brands Limited under a revolving credit facility. The effective interest rate is 5.4% (2012 5.58%) and the facility is secured over the inventory and certain debtors of Adventure Brands Limited.

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

The interest rate charged to customers on fixed instalment and flexible credit agreements varies. For those customers paying their accounts within the promotional term no interest is charged. However, for those customers whose accounts become interest bearing the rate charged is up to 23.95% per annum (2012 23.95%).

The finance receivables relate to products sold on deferred payment terms. There are no unguaranteed residual values accruing to the benefit of the Group.

## 17) Property, Plant & Equipment

	LAND & BUILDINGS	LEASEHOLD IMPROVEMENTS	OFFICE & COMPUTER EQUIPMENT	TOTAL
	(\$m)	(\$m)	(\$m)	(\$m)
<b>GROUP</b>				
<b>Cost or Valuation</b>				
Balance 1 May 2011	20.5	8.8	19.4	48.7
Additions	-	0.4	0.7	1.1
Reclassifications from Investment Property	0.9	-	-	0.9
<b>Balance 30 April 2012</b>	<b>21.4</b>	<b>9.2</b>	<b>20.1</b>	<b>50.7</b>
Balance 1 May 2012	21.4	9.2	20.1	50.7
Additions	-	0.1	1.2	1.3
Disposals	-	(0.5)	-	(0.5)
<b>Balance 30 April 2013</b>	<b>21.4</b>	<b>8.8</b>	<b>21.3</b>	<b>51.5</b>
<b>Depreciation and Impairment Costs</b>				
Balance 1 May 2011	(0.3)	(7.5)	(17.2)	(25.0)
Depreciation For The Year	(0.1)	(0.5)	(1.0)	(1.6)
Impairment Provision – Earthquake	(7.0)	-	(0.3)	(7.3)
<b>Balance 30 April 2012</b>	<b>(7.4)</b>	<b>(8.0)</b>	<b>(18.5)</b>	<b>(33.9)</b>
Balance 1 May 2012	(7.4)	(8.0)	(18.5)	(33.9)
Depreciation For The Year	(0.1)	(0.4)	(1.3)	(1.8)
Disposals	-	0.5	-	0.5
<b>Balance 30 April 2013</b>	<b>(7.5)</b>	<b>(7.9)</b>	<b>(19.8)</b>	<b>(35.2)</b>
<b>Carrying Amounts</b>				
At 1 May 2011	20.2	1.3	2.2	23.7
<b>At 30 April 2012</b>	<b>14.0</b>	<b>1.2</b>	<b>1.6</b>	<b>16.8</b>
At 1 May 2012	14.0	1.2	1.6	16.8
<b>At 30 April 2013</b>	<b>13.9</b>	<b>0.9</b>	<b>1.5</b>	<b>16.3</b>

Land and buildings are included in the financial statements at 30 April 2013 at independent valuation dated 22 June 2012 prepared by Colliers Valuation.

The net book value of land and buildings would have been \$11.4m (2012 \$11.5m) if the depreciated original cost model had been applied. Details of property, plant and equipment pledged as security is referred to in Note 22.

## 18) Intangible Assets

	PURCHASED BRANDS	CUSTOMER DATABASES	SOFTWARE INCL DEVELOPMENT COSTS	TOTAL
	(\$m)	(\$m)	(\$m)	(\$m)
<b>Cost</b>				
Balance 1 May 2011	0.8	1.1	3.4	5.3
Additions	-	-	-	-
Additions Internally Developed	-	-	0.2	0.2
<b>Balance 30 April 2012</b>	<b>0.8</b>	<b>1.1</b>	<b>3.6</b>	<b>5.5</b>
Balance 1 May 2012	0.8	1.1	3.6	5.5
Additions	-	-	0.3	0.3
Additions Internally Developed	-	-	0.2	0.2
<b>Balance 30 April 2013</b>	<b>0.8</b>	<b>1.1</b>	<b>4.1</b>	<b>6.0</b>

	PURCHASED BRANDS (\$m)	CUSTOMER DATABASES (\$m)	SOFTWARE INCL DEVELOPMENT COSTS (\$m)	TOTAL (\$m)
<b>Amortisation and Impairment Costs</b>				
Balance 1 May 2011	-	(0.4)	(1.8)	(2.2)
Amortisation For The Year	-	(0.1)	(0.7)	(0.8)
<b>Balance 30 April 2012</b>	<b>-</b>	<b>(0.5)</b>	<b>(2.5)</b>	<b>(3.0)</b>
Balance 1 May 2012	-	(0.5)	(2.5)	(3.0)
Impairment	(0.5)	-	-	(0.5)
Amortisation For The Year	-	(0.1)	(0.5)	(0.6)
<b>Balance 30 April 2013</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>(3.0)</b>	<b>(4.1)</b>
<b>Carrying Amounts</b>				
At 1 May 2011	0.8	0.7	1.6	3.1
<b>At 30 April 2012</b>	<b>0.8</b>	<b>0.6</b>	<b>1.1</b>	<b>2.5</b>
At 1 May 2012	0.8	0.6	1.1	2.5
<b>At 30 April 2013</b>	<b>0.3</b>	<b>0.5</b>	<b>1.1</b>	<b>1.9</b>

The L V Martin brand of \$0.3m (2012 \$0.8m) is regarded by the Directors as having an indefinite useful life as there is no foreseeable limit to the period over which the brand is expected to generate net cash flow for the Group.

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.

#### Impairment Tests For Indefinite Life Brands

On an annual basis, the recoverable amount of the L V Martin brand is determined based on value in use calculations specific to the cash generating units associated with that brand. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five year period. Cash flows beyond the five year period are extrapolated by way of a terminal value calculation using five year cash flow and a range of discount rates. There were no impairment losses incurred in respect of brands. The key assumptions used for the value in use calculations are as follows:

Revenue Growth Rate 2%	(2012 2%)
Pre Tax Discount Rate 13-15%	(2012 range of 13-15%)

The growth rates adopted are consistent with internal forecasts and budgets. The discount rate reflects the specific risks relating to the cash flow being discounted. As a result an impairment charge of \$0.5m was recognised in the financial statements.

## 19) Investments Including Equity Accounted Investee

### a) Adventure Brands Limited

Summary financial information for Adventure Brands Limited, the company's equity accounted investee, not adjusted for the percentage ownership held by the Group:

	OWNERSHIP (\$m)	TOTAL ASSETS (\$m)	TOTAL LIABILITIES (\$m)	REVENUE (\$m)	PROFIT/(LOSS) FOR EQUITY ACCOUNTING PURPOSES (\$m)	PROFIT/(LOSS) FOR EQUITY ACCOUNTING PURPOSES (\$m)
2012	30%	5.2	3.0	4.4	(0.1)	0.6
<b>2013</b>	<b>30%</b>	<b>4.5</b>	<b>2.6</b>	<b>4.8</b>	<b>-</b>	<b>0.5</b>

The carrying value in the Parent company financial statements is the cost of this investment which was reduced during the year by a dividend received from this associate.

Smiths City Group Limited also earns royalties of \$0.05m (2012 \$0.06m) on sales of Bauer bicycles in New Zealand from Adventure Brands Limited and Australia from a third party distributor. The Bauer brand itself is owned by Smiths City Group Limited and is distributed by Adventure Brands Limited to selected retailers in New Zealand including Smiths City.

#### b) Other Investments

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. 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 2013 (2012 \$0.4m). The amount owing to the Group at balance date was \$0.1m (2012 \$0.2m).

## 20) Deferred Tax Assets And Liabilities

### Unrecognised Deferred Tax Assets

A deferred tax asset has not been recognised in respect of the following unutilised tax losses on the basis that, as referred to in Note 2 d) these exceed approximately two years budgeted profits.

	GROUP		PARENT	
	2013 (\$m)	2012 (\$m)	2013 (\$m)	2012 (\$m)
Unutilised Tax Losses	2.7	4.2	8.7	10.0
Unrecognised Deferred Tax Assets	0.8	1.2	2.4	2.8

### Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributed to the following:

	ASSETS		LIABILITIES		NET	
	2013 (\$m)	2012 (\$m)	2013 (\$m)	2012 (\$m)	2013 (\$m)	2012 (\$m)
Property, Plant And Equipment	-	-	(1.6)	(1.0)	(1.6)	(1.0)
Inventory	1.1	1.1	-	-	1.1	1.1
Receivables	0.6	0.5	-	-	0.6	0.5
Derivatives	0.1	0.1	-	-	0.1	0.1
Provisions	0.9	1.4	-	-	0.9	1.4
Tax Losses	2.2	2.1	-	-	2.2	2.1
	4.9	5.2	(1.6)	(1.0)	3.3	4.2

During the period 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, approximately the next two years budgeted profits are considered appropriate on the basis it is probable that future taxable profits will be available against which they can be utilised.

### Movement In Temporary Differences During The Year

	BALANCE 30 April 2011 (\$m)	MOVEMENT (\$m)	BALANCE 30 April 2012 (\$m)	MOVEMENT (\$m)	BALANCE 30 April 2013 (\$m)
Property, Plant And Equipment	(0.5)	(0.5)	(1.0)	<b>(0.6)</b>	<b>(1.6)</b>
Inventory	0.8	0.3	1.1	-	<b>1.1</b>
Receivables	0.4	0.1	0.5	<b>0.1</b>	<b>0.6</b>
Derivatives	0.2	(0.1)	0.1	-	<b>0.1</b>
Provisions	1.2	0.2	1.4	<b>(0.5)</b>	<b>0.9</b>
Tax Losses	1.7	0.4	2.1	<b>0.1</b>	<b>2.2</b>
	<b>3.8</b>	<b>0.4</b>	<b>4.2</b>	<b>(0.9)</b>	<b>3.3</b>

The movement in deferred tax on derivatives \$0.1m has been recognised in other comprehensive income.

The Group has tax losses of \$11.2m (2012 \$11.8m) 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.

### 21) Trade And Other Payables

	GROUP		PARENT	
	2013 (\$m)	2012 (\$m)	2013 (\$m)	2012 (\$m)
Trade Payable Due To Related Parties	<b>0.3</b>	0.1	-	-
Other Trade Payables	<b>14.9</b>	17.3	<b>0.1</b>	0.2
Derivatives	<b>0.4</b>	0.3	-	-
Non Trade Payables And Accrued Expenses	<b>6.8</b>	6.0	-	-
Earthquake Related Accruals	<b>0.2</b>	1.8	-	-
	<b>22.6</b>	25.5	<b>0.1</b>	0.2

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

### 22) 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 26.

	GROUP		PARENT	
	2013 (\$m)	2012 (\$m)	2013 (\$m)	2012 (\$m)
NON CURRENT LIABILITIES				
Secured Smithcorp Loans	<b>62.8</b>	74.5	-	-
Secured Bank Loans	<b>10.1</b>	9.7	-	-
CURRENT LIABILITIES				
Bank Overdraft	-	-	-	-
Secured Bank Loans	<b>12.3</b>	9.6	<b>2.8</b>	0.2
<b>TOTAL INTEREST BEARING LIABILITIES</b>	<b>85.2</b>	<b>93.8</b>	<b>2.8</b>	<b>0.2</b>

#### Terms And Debt Repayment Schedule

Terms and conditions of outstanding loans were as follows:

	NOMINAL INTEREST RATE	TERM	FACILITY (\$m)	CARRYING AMOUNT 2013 (\$m)	FACILITY (\$m)	CARRYING AMOUNT 2012 (\$m)
Secured Fisher & Paykel Finance Limited Loan (i)	Amortising Swap Rate plus 6.9%	see note (i) below	Nil	Nil	90	73.3
Secured Fisher & Paykel Finance Limited Loan	BBR plus 2.5%	see note (i) below	Nil	Nil	5	1.2
Senior Revolving Secured Facility	30 Day BBR plus 3%	see note (ii) below	75.0	62.8	-	-
Secured Bank Loan	BKBM plus 1.3%	See note (iii) below	14.1	12.3	14.1	9.6
Secured Bank Loan	BBR plus 2.6%	see note (iv) below	12.0	10.1	12.7	9.7
Secured Bank Overdraft	10.50%	See note (iii) below	2.0	-	2.0	-
<b>Total Interest Bearing Liabilities</b>			<b>103.1</b>	<b>85.2</b>	<b>123.8</b>	<b>93.8</b>

#### PARENT

Secured Bank Loan	BBR plus 2.6%	see note (iii) below	3.5	2.8	3.5	0.2
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#### Total Interest Bearing Liabilities

- i. Both Fisher & Paykel Finance Limited facilities were repaid on 17 April 2013.
- ii. The senior revolving secured facility is secured by way of fixed and floating charge over Smithcorp Finance Receivables. The loan is subject to various covenants including a capital ratio. The facility is for a period of three years.
- iii. The secured bank loans and bank overdraft are secured by a fixed and floating charge over all the Group's assets. The loans are also subject to various covenants and capital ratios. The current portion of secured bank loans are subject to review annually.
- iv. The \$10.1m loan is secured by way of mortgage over the Group's Colombo Street property. The company repaid \$2.1m of this loan on 1 May 2013. This facility expires on 31 May 2014.
- v. There are cross guarantees between the Parent company and all subsidiaries for the senior revolving secured facility and secured bank loans.

## 23) Capital And Reserves

### Share Capital

At balance date the Group and Parent had issued and paid up capital of \$10.7m (2012 \$10.7m). The number of shares issued is 52,688,153 (2012 52,692,309). 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 26 for details of foreign currency and interest rate hedging instruments.

### Revaluation Reserve

The revaluation reserve relates to the revaluation of property, plant and equipment. Refer also Note 17.

### Other Reserves

These relate to realised capital profits on disposal of assets.

## 24) Dividends

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

	Cents Per Share		Total Paid	
	2013	2012	2013	2012
Interim For Year Ending 30 April 2013	1.0	-	0.5	-
Final For Year Ending 30 April 2012	2.5	-	1.3	-
Interim For Year Ending 30 April 2012	-	1.0	-	0.5
Final For Year Ending 30 April 2011	-	1.0	-	0.6
	3.5	2.0	1.8	1.1

All dividends were unimputed.

On 26 June 2013 the Directors resolved to pay a dividend of 2.5cents per share on Friday 16 August 2013 (2012 2.5cents).

## 25) Earnings Per Share

The calculation of basic earnings per share at 30 April 2013 was based on the profit attributable to ordinary shareholders of \$5.4m (2012 \$4.4m) and an average number of ordinary shares outstanding of 52,690,231 (2012 52,758,453). Basic earnings per share is the same as dilutive earnings per share as there are no ordinary shares outstanding that have any dilutive potential.

## 26) 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 Managing Director, Chief Financial Officer or in some cases, Divisional 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.

<b>Credit Risk Category</b>		<b>Description</b>
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 external audits of finance receivables are to be 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 apart from Adventure Brands Limited which is referred to in Note 16. There are no other 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 its 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.

## Interest Rate Risk

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

Interest rate exposure on Smithcorp Finance Limited 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 Smithcorp Finance Limited.

## 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 no 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 2013 (\$m)	IMPAIRMENT 2013 (\$m)	GROSS RECEIVABLE 2012 (\$m)	IMPAIRMENT 2012 (\$m)
Not Past Due	3.5	-	3.8	-
Past Due 0-30 Days	0.4	-	0.6	-
Past Due 31-60 Days	0.1	-	0.1	-
Past Due Over 61 Days	0.6	(0.1)	0.5	(0.1)
	<b>4.6</b>	<b>(0.1)</b>	<b>5.0</b>	<b>(0.1)</b>
ANALYSIS				
Trade Receivables – Trades Based Customers	0.9	-	0.9	-
Other Receivables Including Monthly Account Customers	3.7	(0.1)	4.1	(0.1)
	<b>4.6</b>	<b>(0.1)</b>	<b>5.0</b>	<b>(0.1)</b>

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

	ACCOUNT BALANCE %	2013 ACCOUNT BALANCE (\$m)	IMPAIRMENT (\$m)	ACCOUNT BALANCE %	2012 ACCOUNT BALANCE (\$m)	IMPAIRMENT (\$m)
Current	91.1	57.5	-	91.1	62.4	-
1 Month Overdue	3.3	2.1	-	3.6	2.5	-
2 Month Overdue	1.6	0.9	-	1.7	1.1	-
3 Month Overdue	0.6	0.4	-	0.6	0.4	-
Over 3 Month Overdue	3.4	2.2	(0.9)	3.0	2.1	(0.8)
	<b>100.0</b>	<b>63.1</b>	<b>(0.9)</b>	<b>100.0</b>	<b>68.5</b>	<b>(0.8)</b>

The Impairment amount includes \$0.1m (2012 \$0.2m) made as a result of the Christchurch earthquakes for which the risk of default has increased.

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

	ACCOUNT BALANCE %	2013 ACCOUNT BALANCE (\$m)	IMPAIRMENT (\$m)	ACCOUNT BALANCE %	2012 ACCOUNT BALANCE (\$m)	IMPAIRMENT (\$m)
Current	73.2	14.7	-	70.8	13.2	-
1 Month Overdue	15.7	3.1	-	16.6	3.1	-
2 Month Overdue	5.0	1.0	-	5.7	1.1	-
3 Month Overdue	1.9	0.4	-	2.0	0.4	-
Over 3 Month Overdue	4.2	0.9	(0.5)	4.9	0.9	(0.5)
	<b>100.0</b>	<b>20.1</b>	<b>(0.5)</b>	<b>100.0</b>	<b>18.7</b>	<b>(0.5)</b>

In summary, revolving credit receivables are determined to be impaired as follows:

	2013 (\$m)	2012 (\$m)
Revolving Credit Receivables	20.1	18.6
Collective Impairment	(0.5)	(0.5)
Revolving Credit Receivables Net	19.6	18.1

### 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

	2013				2012			
	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)
<b>Impaired Assets Provision</b>								
Opening Balance	0.1	0.8	0.5	1.4	0.1	0.8	0.4	1.3
Movement In Provision For Impairment	-	-	-	-	-	-	0.1	0.1
<b>Closing Balance</b>	<b>0.1</b>	<b>0.8</b>	<b>0.5</b>	<b>1.4</b>	<b>0.1</b>	<b>0.8</b>	<b>0.5</b>	<b>1.4</b>
<b>Impaired Asset Expense</b>								
Impairment Charges On Uncollectable Accounts	-	0.4	0.3	0.7	-	0.4	0.2	0.6
Recoveries From Accounts Previously Written Off	-	(0.1)	-	(0.1)	-	(0.1)	-	(0.1)
<b>Impaired Assets Charge Included In Store And Distribution Expenses</b>	<b>-</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>	<b>-</b>	<b>0.3</b>	<b>0.2</b>	<b>0.5</b>

## 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)
<b>GROUP 2013</b>						
<b>Non Derivative Assets</b>						
Cash And Cash Equivalents	1.4	1.4	1.4	-	-	-
Trade And Other Receivables	9.1	9.1	9.1	-	-	-
Fixed Instalment Receivables	62.1	96.3	24.2	23.4	35.1	13.6
Revolving Credit Receivables*	19.6	59.9	3.5	3.3	6.1	47.0
Related Party Receivables	1.0	1.0	1.0	-	-	-
<b>Total Non Derivative Assets</b>	<b>93.2</b>	<b>167.7</b>	<b>39.2</b>	<b>26.7</b>	<b>41.2</b>	<b>60.6</b>
* Note based on minimum repayment profile of these receivables.						
<b>GROUP 2013</b>						
<b>Non Derivative Liabilities</b>						
Bank Overdrafts	-	-	-	-	-	-
Secured Bank Loans	(22.3)	(23.5)	(2.7)	(0.5)	(20.3)	-
Smithcorp Finance – Finance Receivables	(62.8)	(65.7)	(27.9)	(18.0)	(14.9)	(4.9)
Trade And Other Payables	(22.6)	(22.6)	(22.6)	-	-	-
<b>Total Non Derivative Liabilities</b>	<b>(107.7)</b>	<b>(111.8)</b>	<b>(53.2)</b>	<b>(18.5)</b>	<b>(35.2)</b>	<b>(4.9)</b>
Interest Rate Swaps – Out Flow	(0.1)	(0.1)	-	-	(0.1)	-
Forward Exchange Contracts – Out Flow	(0.3)	(0.3)	(0.2)	(0.1)	-	-
<b>TOTAL</b>	<b>(14.9)</b>	<b>55.5</b>	<b>(14.2)</b>	<b>8.1</b>	<b>5.9</b>	<b>55.7</b>

	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)
<b>GROUP 2012</b>						
<b>Non Derivative Assets</b>						
Cash And Cash Equivalents	3.3	3.3	3.3	-	-	-
Trade And Other Receivables	8.1	8.1	8.1	-	-	-
Fixed Instalment Receivables	67.7	103.0	25.2	24.6	36.8	16.4
Revolving Credit Receivables	18.1	55.6	3.3	3.1	5.6	43.6
Related Party Receivables	1.0	1.2	0.7	0.3	0.2	-
<b>Total Non Derivative Assets</b>	<b>98.2</b>	<b>171.2</b>	<b>40.6</b>	<b>28.0</b>	<b>42.6</b>	<b>60.0</b>
<b>Non Derivative Liabilities</b>						
Bank Overdrafts	-	-	-	-	-	-
Secured Bank Loans	(19.3)	(20.5)	(0.8)	(0.9)	(18.8)	-
Smithcorp Finance – Liabilities Against Finance Receivables	(73.3)	(79.0)	(40.9)	(26.7)	(11.4)	-
Smithcorp Finance – Liabilities Against Related Party Receivables	(1.3)	(1.3)	-	-	(1.3)	-
Trade And Other Payables	(25.5)	(25.5)	(25.5)	-	-	-
<b>Total Non Derivative Liabilities</b>	<b>(119.4)</b>	<b>(126.3)</b>	<b>(67.2)</b>	<b>(27.6)</b>	<b>(31.5)</b>	<b>-</b>
Interest Rate Swaps – Out Flow	(0.1)	(0.1)	(0.1)	-	-	-
Forward Exchange Contracts – Out Flow	(0.2)	(0.2)	(0.1)	(0.1)	-	-
<b>TOTAL</b>	<b>(21.5)</b>	<b>44.6</b>	<b>(26.8)</b>	<b>0.3</b>	<b>11.1</b>	<b>60.0</b>

The residual contractual maturities of Parent financial assets and liabilities are six months or less with the exception of secured loans which are between one and two years.

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)
<b>GROUP 2013</b>					
Fixed Instalment Receivables	<b>62.1</b>	<b>29.5</b>	<b>13.3</b>	<b>14.4</b>	<b>4.9</b>
<b>GROUP 2012</b>					
Fixed Instalment Receivables	67.7	28.6	16.0	16.9	6.2

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 2013	AVERAGE EXCHANGE RATE 2012	FOREIGN CURRENCY 2013 (\$m)	FOREIGN CURRENCY 2012 (\$m)	CONTRACT VALUE 2013 (\$m)	CONTRACT VALUE 2012 (\$m)	FAIR VALUE 2013 (\$m)	FAIR VALUE 2012 (\$m)
<b>Outstanding Contracts</b>								
Buy US Dollars								
Less Than 3 Months	<b>0.80</b>	0.80	<b>2.0</b>	1.4	<b>2.5</b>	1.8	<b>(0.15)</b>	(0.05)
3-6 Months	<b>0.80</b>	0.78	<b>1.6</b>	1.1	<b>1.9</b>	1.4	<b>(0.10)</b>	(0.06)
6-12 Months	<b>0.81</b>	0.77	<b>1.6</b>	1.5	<b>1.9</b>	1.9	<b>(0.10)</b>	(0.10)
							<b>(0.35)</b>	(0.21)

The Group has no significantly unhedged foreign currency exposures.

None of the above financial instruments relate to the parent entity. 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 2013	AVERAGE CONTRACT FIXED INTEREST RATE 2012	NOTIONAL PRINCIPAL AMOUNT 2013 (\$m)	NOTIONAL PRINCIPAL AMOUNT 2012 (\$m)	FAIR VALUE 2013 (\$m)	FAIR VALUE 2012 (\$m)
<b>Outstanding Contracts</b>						
Variable Rate For Fixed Contracts						
Less Than 1 Year	<b>2.95%</b>	3.76%	<b>7.7</b>	8.2	-	(0.10)
1-2 Years	<b>2.94%</b>	3.04%	<b>12.0</b>	7.7	<b>(0.10)</b>	(0.02)
More Than 2 Years	<b>2.92%</b>	-	<b>49.5</b>	-	-	-
			<b>69.2</b>	15.9	<b>(0.10)</b>	(0.12)

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.

	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)
<b>GROUP 2013</b>							
<b>Financial Assets</b>							
Cash And Cash Equivalents	3.1%	1.4	-	-	-	-	1.4
Trade And Other Receivables		-	-	-	-	9.1	9.1
Fixed Instalment Receivables	16.95- 23.95%	29.5	13.3	14.4	4.9	-	62.1
Revolving Credit Receivables	23.95%	19.6	-	-	-	-	19.6
Related Party Receivables	BBR plus 2.75%	0.9	-	-	-	-	0.9
		51.4	13.3	14.4	4.9	9.1	93.1
<b>Financial Liabilities</b>							
Bank Overdraft	10.50%	-	-	-	-	-	-
Trade, Other Payables And Provisions	-	-	-	-	-	(25.5)	(25.5)
Fixed Instalment And Revolving Credit Receivables Borrowings	BBR plus 5.21%	(62.8)	-	-	-	-	(62.8)
Secured Loans	BKBM plus 1.3-2.6%	(2.2)	(10.0)	(10.1)	-	-	(22.3)
Effect Of Interest Rate Derivatives		69.2	(30.9)	(20.0)	(18.3)	-	-
		4.2	(40.9)	(30.1)	(18.3)	(25.5)	(110.6)
<b>TOTAL</b>		<b>55.6</b>	<b>(27.6)</b>	<b>(15.7)</b>	<b>(13.4)</b>	<b>(16.4)</b>	<b>(17.5)</b>

\* Derivatives of \$8,200 extend to 12 months.

<b>GROUP 2012</b>							
<b>Financial Assets</b>							
Cash And Cash Equivalents	2.5-3.2%	3.3	-	-	-	-	3.3
Trade And Other Receivables	-	-	-	-	-	8.1	8.1
Fixed Instalment Receivables	16.95- 23.95%	26.2	18.4	16.9	6.2	-	67.7
Revolving Credit Receivables	23.95%	18.1	-	-	-	-	18.1
Related Party Receivables	BBR Plus 2.75%	1.0	-	-	-	-	1.0
		48.6	18.4	16.9	6.2	8.1	98.2
<b>Financial Liabilities</b>							
Bank Overdraft	10.50%	-	-	-	-	-	-
Trade, Other Payables And Provisions	-	-	-	-	-	(25.4)	(25.4)
Related Party Receivables Borrowings	BBR Plus 2.5%	(1.3)	-	-	-	-	(1.3)
Fixed Instalment And Revolving Credit Receivables Borrowings	BBR Plus 5.1%	(38.0)	(24.7)	(10.6)	-	-	(73.3)
Secured Loans	BKBM Plus 2.6%	(6.6)	(3.0)	(9.7)	-	-	(19.3)
Effect Of Interest Rate Derivatives		8.2	8.2*	7.7	-	-	24.1
		(37.7)	(19.5)	(12.6)	-	(25.4)	(95.2)
<b>TOTAL</b>		<b>10.9</b>	<b>(1.1)</b>	<b>4.3</b>	<b>6.2</b>	<b>(17.3)</b>	<b>3.0</b>

\* Derivatives of \$8,200 extend to 12 months.

The Parent's financial instruments have contractual repricing within six months or are non interest bearing.

### **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 22 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 Smithcorp Finance Limited (or core debt) shall be fixed forward on a rolling 12 months basis for a minimum of 50% of total exposure and up to a maximum of 100%.

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

Interest rate swaps have been entered into to achieve an appropriate mix of exposure within the Group's policy. The swaps mature over the next four years and have fixed swap rates ranging from 2.9% to 3.18% (2012 2.95% to 4.71%). At 30 April 2013 the Group had interest rate swaps with a notional contract amount of \$69.2m including Smithcorp Finance Limited of \$49.5m (2012 \$15.90m). The Group classifies interest rate swaps as cash flow hedges.

Note that there were no interest rate hedges for Smithcorp Finance Limited in 2012.

The net fair value of swaps at 30 April 2013 was \$0.07m (2012 \$0.121m) comprising assets of \$nil (2012 \$nil) and liabilities of \$0.07m (2012 \$0.121m). The interest rate used to calculate the fair value of swaps at 30 April 2013 is 2.9% to 3.18%.

#### **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 2013 was \$0.3m (2012 \$0.2m) comprising assets of \$nil (2012 \$nil) and liabilities of \$0.3m (2012 \$0.2m). The exchange rate used to calculate the fair value of forward exchange contracts at 30 April 2013 was US\$0.8552 (2012 US\$0.8218).

#### **Accounting Classifications And Fair Values**

The table below sets out the Group's classification of each class of financial assets and their fair values. Note that

the only instruments designated at fair value are the derivatives. 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 financial year.

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:

	GROUP	
	2013	2012
Derivatives Held For Risk Management	2.95-3.18%	2.95% - 4.71%
Finance Receivables	12%	12%

### 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:

	GROUP		GROUP		PARENT		PARENT	
	2013	2013	2012	2012	2013	2013	2012	2012
	Impact On Profit Or Loss +1% (\$m)	Impact On Equity -1% (\$m)	Impact On Profit Or Loss +1% (\$m)	Impact On Equity -1% (\$m)	Impact On Profit Or Loss +1% (\$m)	Impact On Equity -1% (\$m)	Impact On Profit Or Loss +1% (\$m)	Impact On Equity -1% (\$m)
Finance Receivables	<b>(0.63)</b>	<b>0.63</b>	(0.85)	0.85	-	-	-	-
Derivatives	<b>(0.7)</b>	<b>0.7</b>	(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:

	GROUP		GROUP		PARENT		PARENT	
	2013 Impact On Profit Or Loss +1% (\$m)	2013 Impact On Equity -1% (\$m)	2012 Impact On Profit Or Loss +1% (\$m)	2012 Impact On Equity -1% (\$m)	2013 Impact On Profit Or Loss +1% (\$m)	2013 Impact On Equity -1% (\$m)	2012 Impact On Profit Or Loss +1% (\$m)	2012 Impact On Equity -1% (\$m)
Cash And Cash Equivalents	-	-	0.03	(0.03)	<b>0.02</b>	<b>(0.02)</b>	0.02	(0.02)
Related Party Receivables	<b>0.01</b>	<b>(0.01)</b>	0.01	(0.01)	-	-	-	-
Bank Overdraft	-	-	-	-	-	-	-	-
Related Party Receivables Borrowings	-	-	(0.01)	0.01	-	-	-	-
Finance Receivables Borrowings	<b>(0.63)</b>	<b>0.63</b>	(0.73)	0.73	-	-	-	-
Secured Loans	<b>(0.22)</b>	<b>0.22</b>	(0.19)	0.19	<b>(0.02)</b>	<b>0.02</b>	-	-

- 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.

## 27) Related Party Transactions

Note 28 identifies all companies within the Group, Note 19 identifies the associate company and the investment in an appliance buying group of which the Group is a shareholder. All of these companies are related parties to the Parent. Other than as identified below, there are no other related parties with whom material transactions have taken place.

### RENTAL INCOME

During the year Smiths City Properties Limited received rental income of \$1.1m (2012 \$1.5m) from Smiths City (Southern) Limited, a fellow subsidiary company of the parent. This rental transaction is conducted on an arms length basis.

### MANAGEMENT CONTRACT (GROUP AND PARENT)

Smiths City Group Limited entered into a management contract dated 1 November 2011 with Retail Management Services 2000 Limited to provide the services of Richard Hellings as Managing Director for a three year period to 31 October 2014 with an annual retainer of \$0.4m from 1 November 2011 plus an estimated annual incentive based on profit plus the use of a motor vehicle and annual health premiums with an estimated cost of \$0.02 per annum. This contract was based on independent expert advice.

### INFORMATION TECHNOLOGY SERVICES

The company has an existing contract dating from 1 November 2009 with Datacom Group Limited of which Craig Boyce (Chairman of Smiths City Group Limited), is Chairman, and John Holdsworth, formerly a Director and a shareholder, has a beneficial ownership to provide information technology outsourcing services for the computer hardware and software facilities of the company. This contract was approved at the last Annual Meeting for a period of three years. The transactions with Datacom Group Limited are completed on a commercial arms length basis within the Managing Director's delegated powers. Purchases for the year were \$1.1m (2012 \$0.8m). The amount

owing to Datacom Group Limited at balance date was \$0.2m (2012 \$0.1m).

#### **ADVENTURE BRANDS**

The Group has a 30% holding in Adventure Brands Limited through a subsidiary. Purchases for the year were \$1.3m (2012 \$1.4m). The amount owing at year end was \$0.1m (2012 \$0.1m). At balance date the Group had advanced \$1.09m to Adventure Brands Limited (2012 \$1.04m). The advance is a revolving credit facility entered into on an arms length basis at a weighted average interest rate of 5.40% per annum and is secured over stock funded by the facility and certain debtors of Adventure Brands Limited.

#### **NARTA NZ LIMITED**

Refer Note 19.

#### **KEY MANAGEMENT PERSONNEL COMPENSATION**

Key management personnel compensation including Directors comprised short term employee benefits of \$1.8m (2012 \$2.1m).

### **28) 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 2013 are as follows:

#### **TRADING**

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

All Directors of Smiths City Group Limited are also Directors of the Trading subsidiaries. Messrs C D Boyce and R Hellings are also Directors of any Non Trading subsidiaries except for Mr Hellings who is not a Director of Smiths City Staff Share Plan Trustee Limited. The Directors of L V Martin & Son Limited are Messrs C D Boyce and R Hellings.

### **29) Operating Leases**

Non cancellable operating lease rentals are payable as follows:

	<b>GROUP</b>		<b>PARENT</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>(\$m)</b>	(\$m)	<b>(\$m)</b>	(\$m)
Less Than 1 Year	<b>11.3</b>	12.9	-	-
Between 1-5 Years	<b>16.6</b>	25.3	-	-
More Than 5 Years	<b>0.5</b>	2.0	-	-
	<b>28.4</b>	<b>40.2</b>	-	-

The Group leases the majority of its stores under operating leases. The leases typically run for between two to nine years with options to renew the leases after that date. Note, however, that there are a number of property leases

due for renewal within the next 12 months. 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.

Smiths City Group Limited has also guaranteed the operating leases on certain properties.

### **30) Capital Commitments**

The value of capital commitments at 30 April 2013 was \$0.4m (2012 \$0.04m). The Group previously indicated it intends to complete the repair of the Colombo Street property. Stage 1 has been completed and the store was reopened in November 2011. This property is fully insured. Stage 2 of the project, the first part of which is to complete the repairs, has commenced.

However, the costs of extending the retail floor space into the previous despatch areas on the Colombo Street property are not being covered under the company's Insurance Policy. The estimated cost of this part of the project is \$3.4m. The Group has not contractually committed to this work.

The Group has entered into an Agreement to Lease a property of Kapiti Coast airport for an initial term of five years which commences in July 2013. The initial cost of store fit out is estimated to be \$0.2m.

The Group is negotiating to lease a property in Porirua to commence early 2014. The initial cost of store fitout on the basis it proceeds is \$0.2million.

### **31) Contingent Liabilities**

The Group has contingent liabilities of \$nil at 30 April 2013 (2012 \$nil). As at 30 April 2013 the Parent company has guaranteed \$0.4m of borrowings by Adventure Brands Limited from The National Bank of New Zealand Limited (2012 \$0.4).

### **32) Events Subsequent To Balance Date**

On 26 June 2013 the Directors resolved to pay a dividend of 2.5cents per share on Friday 16 August 2013 (2012 2.5cents).



## Independent auditor's report

### **To the shareholders of Smiths City Group Limited**

#### **Report on the company and group financial statements**

We have audited the accompanying financial statements of Smiths City Group Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 12 to 50. The financial statements comprise the statements of financial position as at 30 April 2013, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

#### ***Directors' responsibility for the company and group financial statements***

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

#### ***Auditor's responsibility***

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

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

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

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



### *Opinion*

In our opinion the financial statements on pages 12 to 50:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company and the group as at 30 April 2013 and of the financial performance and cash flows of the company and the group for the year then ended.

### **Report on other legal and regulatory requirements**

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Smiths City Group Limited as far as appears from our examination of those records.

A handwritten signature of the KPMG firm, written in dark ink, appearing as 'KPMG.' with a period at the end.

26 June 2013  
Christchurch

# Governance Report

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

## Role Of The Board Of Directors

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

- Commercial Performance and Strategy Development
- Financial and Dividend Policies
- Identification and Control of Business Risks
- Internal Control Systems
- Compliance with Relevant Law including Taxation Legislation
- Business Plans and Budgets
- Delegations of Authority
- Identification and Control of Business Opportunities
- Integrity of Management Information Systems
- Reports to Shareholders

The Board has delegated day to day management of the company to the Managing Director and other executives of the company. Operational and administrative policies relative to the company's business are in place and the company has an internal audit system for monitoring the company's operational policies and practices.

The Chairman and Managing Director determine the agenda for Board meetings. On a monthly basis, the Board receives operational reports summarizing the company's activities including 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.

## Board Composition

The Board comprises five Directors including the Chairman and the Managing Director of the Group.

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 five Directors, being Non-Executive Chairman, the Managing Director 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.

For the year ending 30 April 2013 the Board met ten times.

## Independent Directors

The New Zealand Stock Exchange has determined that a component of good governance is the identification of independent directors. The Board has resolved that

J A Dobson, S C Ottrey and G R Rohloff are defined as independent.

## Group Management Structure

The Group's organisation structure is focused on its three main activities: trading; the provision of consumer finance and the maintenance and development of its property assets. This delivers an organisation that is focused on all the key activities of the company.

## Risk Identification And Management

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

- *Operational Risks:* risks associated with the company's normal business operations, including normal day to day exposures relating to customers, stores, employees, systems suppliers 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 company's control, 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 take advantage of the risk.

## Committees

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

direct reports to further delegate.

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

### **Audit Committee;**

Chairman; J A Dobson

Members; C D Boyce and G R Rohloff

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. The Committee met, without management, with the external auditors once during the year. In addition, the auditors are also able to 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 Committee met five times during the year under review.

### **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 Managing Director and senior executives.

## **INDEMNITIES AND INSURANCE**

The company has effected Directors' and Officers'

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

## **Disclosures Of Interest**

### **DIRECTORS OF RELATED COMPANIES INCLUDING SUBSIDIARIES**

Craig David Boyce, John Allen Dobson, Sarah Christine Ottrey, Gary Raymond Rohloff and Richard Hellings are Directors of the following companies:

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

Craig David Boyce and Richard Hellings are Directors of the following companies:

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

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

- Smiths City Staff Share Plan Trustee Limited

### **DISCLOSURES OF INTEREST**

Directors have disclosed the following interests as directors, trustees, members or employees of companies or other entities which may have material dealings with

the company from time to time.

### **C D BOYCE (Chairman)**

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

### **J A DOBSON (Deputy Chairman)**

- Anderson Lloyd
- Rural Transport Limited
- Wilson Bulk Transport
- J A Dobson Limited
- New Zealand Express Transport 2006 Limited
- Craigpine Timber Limited

### **R HELLINGS**

- Retail Management Services 2000 Limited
- Adventure Brands Limited
- Ferrymead Park Limited (Honorary Chairman)
- NARTA NZ Limited

### **S C OTTREY**

- EBOS Group Limited
- Blue Sky Meats Limited
- Sarah Ottrey Marketing Limited
- Comvita Limited
- Whitestone Cheese Limited
- Inland Revenue Risk Assurance Advisory Committee

### **G R ROHLOFF**

- Number One Shoes Limited
- Hellaby Holdings

## Gender Composition of Directors and Officers

A breakdown of gender composition of Directors and Officers as at April 2013 is shown below:

	FEMALE	MALE
Directors	1	4
Officers*	1	4

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

The company does not have a formal Diversity policy.

## Share Trading Protocol

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

The procedure requires employees to obtain the written consent of a Director, or in the case of a Director,

of the Chairman of the Board, prior to trading in the company's shares. Generally, this consent will only be given in respect of trading in the 60 day period following the announcement of the company's half year and annual results.

## Communication With Shareholders

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

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

## Use Of Company Information

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

# Company Information

## Executive Employees Remuneration

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

REMUNERATION	NUMBER OF EMPLOYEES	REMUNERATION	NUMBER OF EMPLOYEES
\$100,000-\$109,999	5	\$150,000-\$159,999	1
\$110,000-\$119,999	2	\$180,000-\$189,999	1
\$120,000-\$129,999	2	\$230,000-\$239,000	1
\$130,000-\$139,999	2	\$260,000-\$269,999	1
\$140,000-\$149,999	1	<b>TOTAL</b>	<b>16</b>

## Substantial Security Holders

The following are Substantial Security Holders as at 28 June 2013 as defined by the Securities Markets Act 1988:

Substantial Security Holder	Number Of Voting Securities With Beneficial Interest	Number Of Voting Securities With No Beneficial Interest	Date of Notice
Douglas Carrick Belton	9,953,273	-	10 October 2012
Donald M Campbell	6,268,273	-	11 February 2013
Richard Hellings	4,166,409	2,500	25 July 2012
Craig David Boyce	2,948,372	-	25 July 2012
John William Holdsworth	2,665,617	881,993	28 September 2012

## Distribution Of Registered Holders Of Equity Securities As At 28 June 2013

RANGES	NUMBER OF HOLDERS	NUMBER OF SECURITIES	%
1-1,000	263	184,398	0.35
1,001-5,000	641	1,691,484	3.21
5,001-10,000	220	1,752,168	3.33
10,001-50,000	254	5,841,769	11.09
50,001-100,000	37	2,585,036	4.91
100,001 and above	51	40,633,298	77.12
	1,466	52,688,153	100.00

## Distribution Of Registered Holders Of Equity Securities As At 28 June 2013

COUNTRY	INVESTORS	NUMBER OF SECURITIES	%
New Zealand	1,423	50,185,573	95.25
Australia	24	338,326	0.64
Cook Islands	1	53,750	0.10
France	1	800	0.00
United Kingdom	9	57,949	0.11
Hong Kong	1	2,000	0.00
Thailand	1	20,000	0.04
United States	6	2,029,755	3.85
	1,466	52,688,153	100.00

## 20 Largest Registered Holders Of Equity Securities As At 28 June 2013

HOLDER NAME	BALANCE	%
Superannuation & Mutual Savings Limited	4,714,446	8.95
Custodial Services Limited	4,620,379	8.77
Douglas Carrick Belton	4,218,827	8.01
Retail Management Services 2000 Limited	4,111,409	7.80
Extra Strength Number 164 Limited	2,948,372	5.60
John William Holdsworth	2,665,617	5.06
Guaranty Finance Investors Llc	2,000,000	3.80
Ace Finance Limited	1,842,600	3.50
NZ Central Securities Depository Limited	1,200,407	2.28
Garrett Smythe Limited	1,087,000	2.06
Joan Edith Belton	1,020,000	1.94
Forsyth Barr Custodians Limited	1,002,500	1.90
Forsyth Barr Custodians Limited	923,137	1.75
Merrill Inez Holdsworth	881,993	1.67
I R Smith & J M Smith & Shana Trust Limited	530,620	1.01
Gordon Henry Boyle	520,087	0.99
J A Dobson & P S Dobson & J R Thomson & N S Anderson	501,579	0.95
Russell Dillon Horlor	350,000	0.66
Paradise Finance Limited	320,000	0.61
John Kenneth Woodhall & Jocelyn Dawn Woodhall	300,000	0.57
<b>TOTAL FOR 20 LARGEST</b>	<b>35,758,973</b>	<b>67.87</b>

### Environment

The Group is committed to only utilising practices which will minimise environmental and social impact. It has embarked on a policy of actively identifying practices where the impact on the environment can be reduced.

The Group recycles materials extracted from washing machines and refrigerators, collects and properly disposes of refrigerant gases and recycles packaging cartons and printer cartridges. The Group also assists with recycling second hand goods through the operation of its chain of clearance centres.

The Group supports the Product Stewardship Scheme as the most effective system to achieve removal of wastes created by televisions from landfill and achieving recycling wherever possible of such wastes.

An example of where the company employs best practice in regard to the environment is that during the year the Group participated in the Ministry for the Environment's "Take Back Program" to encourage the recycling of unwanted televisions and, with a recycling partner, collected 10,000 televisions.

The Group has sought and received assurances from its suppliers that furniture products imported from overseas are manufactured from timbers grown in sustainable forests and not rain forests. Smiths City is a member of the New

Zealand Imported Tropical Timber Group. Members are committed to purchase wooden furniture produced only from renewable and sustainable timber.

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

### Community Support

Being involved in the Community is seen as very important to the Group. For example the company allocates free of charge the Managing Director's time in overseeing the Ferrymead Heritage Park Limited – a Christchurch based historical park incorporating a childrens' education program, a tourist park and multiple heritage building and asset maintenance programs – management company.

In addition the Group are Gold Sponsors of both the IHC and Ronald McDonald House in Canterbury and is a major sponsor of the Santa Parade in Christchurch.

The Group extensively supports charitable organisations in its many locations by involvement in fund raising activities such as raffles and lotteries. Much of this effort is put into raising funds in conjunction with the Group's retail and media partners.

During the year the Group also continued to make donations in cash or product in support of local charities. Total expenditure for donations and sponsorship was \$0.048m (2012 \$0.071m).

# Our people who were part of the Smiths City Group of companies 30 June 2013

ABERHART Neville	COFFEY Mike	GOFFIN Lynda	KNIGHT Fiona	MIHAERE Rosa	ROLSTON Paul	TONKIN Victor
ACKLEY Simon	COFFEY Sandra	GOODDARE Stephanie	KNOWLER Michael	MILDENHALL Barry	ROMANYTCHEV Alexander	TOPP Julie
ADAMS Angela	COGGER-MACE Jade	GOODWIN Phillip	KOIA Alison	MILLAR Brendon	ROPER Stephen	TORRANCE Adam
ADAMS Nathan	COKER Bob	GORDON Lester	KUMAR Shinal	MILLER Stefan	ROSE Kathleen	TOZER Patrick
ADAMSON Nyrena	CONNOR Sara	GORT Doug	KUMAR Vivek	MILLNS Dianne	ROSS Norman	TRAINOR Paul
ADIE Shaun	COOK Ralph	GRANGER Antony	LAMB Bryan	MILLS Daniel	ROWAN Paul	TREMAIN Gemma
AGNEW Cato	COOKE Corey	GRANT Daniel	LAMB Justene	MILNE Nicholas	RUŠTUN Cecelia	TROCHON Stefan
AITCHESON Ross	COOPER Michael	GRANT Judith	LAMB Nic	MILNE Nicole	RUSSELL Anthony	TSAO Daniel
ALEXANDER Jessica	COSTA Marco	GRAVER Marilyn	LAMB Tyler	MILNE Sandie	RUTHERFORD Heather	TUNLEY Daniel
ALLAN Grant	COSTER Scott	GREDIG Barry	LAMBERT Nathan	MINNIE Eugene	RUTTEN Zachary	TURCHIE Craig
ALLAN Tony	CRAGGS Kay	GRIFFITHS Michael	LANCASTER Vickie	MIRFIN Alan	RYDER Keith	TURNER Lorraine
ALLEN Diane	CRAIG Christine	GRIGOR Tracy	LANGDON Jason	MITCHELL Trish	SATHIYANATHAN Abi	TURTON Kayla
ALLPRESS James	CRAIG Hannah	GUNNING Andrew	LANGE Colin	MOORE Daniel	SATHIYANATHAN Praveena	TWIST Michelle
ALMOND Annette	CRAIG Lee	HAGUE Matthew	LASEI Stephen	MOORE Shane	SAVAGE Hamish	USOALI Linda
ALMOND Hula	CRAIG Sheila	HAILES Melissa	LATIMER Brett	MORGAN Kevin	SAVIDAN Pamela	VAIKVEE Davin
ALSOP-COLEMAN Krystal	CRAIGIE Murray	HALL Debra	LAUDER Brydie	MORGAN Shane	SAYERS Jamie	VALDEZ Connie
AMOROA Bronson	CRANSTOUN Orlana	HALL Gary	LAURENT Robert	MORISON Danika	SAZANOV Vasily	VALE Kimberley
AMOS Garry	CRAVEN Rebecca	HALLAM Angela	LAW John	MORRIS Adam	SCRAGG Rod	VAN DER AA Kim
AMYES Keith	CREED Michael	HALLIGAN Andrew	LAWSON Tony	MOYNIHAN Paul	SEDDON Lynne	VAN DER LEM Martin
ANDERSON Doug	CRIGHTON Lance	HAMILTON Alicia	LAY Jeffrey	MUIR Dianne	SEDDON Rhys	VAN DER MEYS Rochelle
ANDERSON Garry	CROSS Daisy	HAMMOND Ben	LEAF Darrel	MUNRO Marcus	SELBY Darren	VAN ROOY Logan
ANDERSON Janelle	CROTON Barry	HAMPL Jaromir	LECKIE Martin	MURCH Ryan	SENEVIRATNE Tyrone	VEERAPUTHARAN Vick
ANDERSON Matthew	CUMBERLAND Jill	HANGIU Ionut	LE COMTE Clint	MURDOCH Kevin	SEREPISOS Jayson	VOLP Colin
ANDERSON Rick	CUMMINGS Samantha	HANSEN Dennis	LE CORRE Leanna	MURRAY Warren	SEWAK Mukesh	WADE Casey
ANDREWS Genna	CUNNINGHAM Ian	HANSEN Stanley	LEARMOND Bob	MYRTON Scott	SHAYTEK Roger	WAITAIKI Carl
ANDREWS Kelly	CURTIS Karen	HARGRAVES Fiona	LEE Brian	NAIDU Karasen	SHARLAND Garry	WAITE Alan
ANDREWS Shona	CURTIS Kerri	HARKNESS Pauline	LEE Sim	NAIDU Shonit	SHARP Craig	WALKER Garry
ANTROBUS Cameron	DALY Brian	HARKPUR Thomas	LEMIN Brian	NAICKER Rima	SHARRATT Craig	WALKER Raewyn
APERI Hine	DALY Margaret	HARRIS Esther	LESA Faomoemoe	NAKAROTI Kulaiyosi	SHAW Brendon	WALKER Ross
ARMSTRONG Brian	DALY Tony	HARTSTONGE Trevor	LESLIE Tess	NALLY Terence	SHAW Renae	WALL Jason
ASHTON Christopher	DARLING Kellie	HARVEY Jason	LEWIS Amy	NAND Dineshwar	SHEARY Robert	WALTON Robert
ASHWORTH Graham	DAVESCOVICH-BUTCHER Lynne	HARVEY Paul	LEWIS Matthew	NEWBERY Taylor	SHEFFORD Warren	WARD Judi
ATTWELL Rebecca	DAVETI Simone	HARVEY-MAY Matthew	LEWIS Philip	NEWBY Paul	SHREVE Karan	WATSON Andrew
AUSTIN John	DAVIDSON Chris	HASLEMORE Karen	LEWIS Richard	NEWTH Alan	SHORE Suzanne	WATTON Jamie
AYERS Sarah-Lee	DAVIDSON Tim	HAWES Joel	LIENERT Andrew	NICHOLSON Fran	SHORTLEY Kirsten	WEEKLY Peter
BAHRAINWALA Husein	DAVIES Lynn	HAWKE Greg	LIND Joyce	NICHOLSON Sasha	SICE Paul	WEIR Karen
BAILEY Bernadette	DAVIS Terence	HAWKE Michael	LINDSAY Mark	NIVEN Lorraine	SIDON Darrell	WEIR Susan
BAILEY Lisa	DAWES Brent	HEANEY Michelle	LINDSAY Rachel	NOSSITER Gwendolin	SINCOCK Martin	WENHAM Jo-Anne
BAKER Elijah	DAWSON Curtis	HEARN Stephen	LINTON Kevin	NUDD Simon	SINGH Gagandeep (Sonny)	WESTWOOD Wendy
BAKER Pip	DELANY Joanne	HELLIER Joanne	LIPMAN Scott	O'CARROLL Kay	SINGH Ramul	WHAITIRI Michael
BALFOUR Craig	DELIS Terry	HELLINGS Rick	LIST Gavin	O'CARROLL Mark	SINGH Tejpal	WHILES-CLARRY Stephen
BALFOUR Troy	DELPORT Travis	HENDERSON Glenys	LORICO Emilio	O'CONNOR Brent	SKELTON Karen	WHITAKER Pat
BARDELL Warren	DELVERS Michael	HENDERSON James	LLOYD Grant	O'CONNOR Kerry	SKILES Stefan	WHITE Jan
BARNAO Barney	DHAWAN Prince	HENDERSON Yvonne	LOCKIE Hadyn	O'CONNOR Rose	SKINNER Damien	WHITE Mark
BARNES Michael	DHOLA Pankaj	HENKEMAN Anthea	LOGAN Sam	OFFICER Gillian	SMALL David	WHITE Maru
BATCHELOR Jessie	DICKIE Adam	HERBERT Samuel	LOOTSMA Coos	OGDEN David	SMART David	WHITE Merlita
BATELY Graham	DICKIE Peter	HESSON Philip	LORMANS Vince	O'HALLORAN Nicola	SMITH Benjamin	WHITEHOUSE Stephen
BECKLEY Grant	DID-DELL Philip	HEWISON Richard	LOUGH Brian	OLIVER Faye	SMITH Dean	WHITESIDE Michael
BEECHER Nigel	DID-DELL Tim	HEWLETT Brent	LOUGH David	OLSON Nichola	SMITH Doug	WHITLEY Tracy
BENSEMANN Christine	DOELEMANN Hans	HEY John	LOUTTIT Glenda	O'NEAL Rodney	SMITH Ian	WHITTAKER Sam
BERG Brent	DOMB Murray	HIBBS Bradley	LOW Nathan	O'NEILL David	SMITH Jonathon	WILD Paul
BERRY Timothy	DONALDSON Diana	HICKMAN Brent	LOWE Anthony	OPETAIA Tania	SMITH Kelly	WILKES Rachael
BEST Rick	DONGHI Toni	HIGHTON Joanne	LUAFUTU Lino	ORANJE Josh	SMITH Margaret	WILLARD Kerry
BETHAM Rodney	DORRANCE Aleks	HILL Michael	LUCAS Casey	LUCAS Casey	ORMANDY Tony	WILLIAMS Lowell
BEULINK Campbell	DOUGHERTY Mike	HINES Deanne	LUCAS Chris	ORPIN Joanna	SMITH Nathan	WILLIAMS Stuart
BEYNON David	DUDLEY Dawn	HO Daniel	HO Daniel	O'ROURKE Jeff	SMITH Peter	WILLIAMS Shane
BEZUIDENHOUT Robert	DUMBAR Brittany	HODGSON Rochelle	MacASKILL Anna	PAINE Garry	SOLOFOTI Alatu	WILLIAMS Vaughn
BEZUIDENHOUT Ryan	DUNCAN Adrienne	HOFELICH Elaine	MacDONALD Noel	PALATICHIE Pat	SOLDOMON Tau	WILLIS Darcie
BHOGAL Ranaag	EARLY Joshua	HOGARTH Christine	McDOWELL Katie	PALENSKI Natalie	SOPER Alison	WILLIS Nola
BIDDINGTON Blair	EASTBROOK Alistair	HOLM Paul	McKAY Ken	PALMER Bruce	SOUBRIAMAN Kartik	WILLUMSEN Sven
BILLING Andrew	EDINGTON John	HOLMES Susan	McKAY Rachael	PANIRAU Phyllis	STANBRIDGE Ben	WILSON Daniel
BLACK Kenneth	EDWARDS Alistar	HOLST James	McCANN Quenton	PANKHURST Sharon	STANTON Craig	WILSON Owen
BLACKWELL Simon	EDWARDS Robert	HOOD Marcus	McCONCHIE Susan	PARISH Andrew	STEPHENS Madison	WILSON Tony
BLAIR Jude	EGGERS Cory	HORSCHROFT Michael	McDERMOTT Tony	PARK Mitzi	STEVENS Jennifer	WINDERS Jonathon
BLYTH Mark	EISEN Jordana	HUFFAM Aaron	McDONALD Susann	PARKER Kyle	STEWART Jim	WINEERA Melanie
BONIFACE Glenda	ELLIS Jodie	HUGHES Alisha	McFADDEN Bruce	PARKS Keith	STEWART Jody	WOOD Sharon
BOUMA-HIGGINS Daniel	ELLIS John	HUGHES Brendan	McFADDEN Dwayne	PARSONS Gavin	STEWART Mathew	WOOD Stephen
BOYCE Craig	ELLIS Laura	HUIA Simon	McFARLANE Sue	PAYNE Holly	STEWART-SMITH Michael	WORSLEY Anthony
BOYCE Maree	ELLIS Mike	HUMPHREY Lynne	McFELIN Lyn	PAYN Megan	STICKLE Nicole	WRIGHT James
BRADLEY Roger	ELVY Hayley	HUMPHREY Stuart	McGRATH Sean	PEARCE Megan	STOTHERS JAYE	WYBIE Hayden
BRADLEY Steve	EMERSON Deanna	HUNT Toni	McGREGOR Tia	PEPPING Jason	STOWELL Megan	WROBLEWSKI Krysztof
BREACH Bonnie	ENSOR Pauline	HUNT Victoria	McHUGH Andrew	PETRIE Robin	STUART Janet	WYLLIE Paul
BRIGGS Christopher	ERICKSEN Rebecca	HUNTER David	McINTOSH Jodie	PHILLIPS Sally	PHILLIPS Rebecca	YOUNG Ashley
BRIGGS Jamie	ESSELMONT Denise	HUTA Michael	McINTOSH Hilary	PHILLIPS Sarah	STUBBINGS Phoebe	YOUNG Peter
BROOK Shane	EUNSON Glen	HUTCHISON Roy	McINTYRE Allen	PICKETT Mark	SULLIVAN Jennifer	YOUNG Thomas
BROUGH Jimmy	EWAN Emily	HVID Wayne	McKAY Laura	PORT Heather	SULLIVAN Sarah	YOUNG Tony
BROWN Heather	FAIRBAIN Glen	IELUA Lailo	McKINLAY Madeleine	POWLEY Mark	SULLIVAN Sharon	ZAYTVA Olga
BROWNE Stefan	FAIRHURST Chelsea	JARVIS Chris	McKINNON Neil	PRESTON Jason	SUTTON Paul	
BUCKLEY Graeme	FALWASSER Paul	JENKINS Andrea	McLAUGHLAN Mark	PRICE Jacinda	SYMONS Reginald	
BUCKNALL Phillip	FANOLUA Brandon	JENKINS Bryce	MCLEAN Ann-Marie	PRIDDY Judith	ZIGETVARY-URLICH Stefan	
BURDON Barbara	FEARN Richard	JENKINS Leeanne	MCLEARY Carmen	PROUDFOOT Samuel	TA'ALA Cheyenne	
BURGESS Matthew	FEATHERS Glenys	JENKINS Ray	McLENNAN Lauren	PROUDFOOT Simon	TAHAPEEHI Tete	
BURNEY Kate	FENEMOR-SMITH Amy	JOBSON Albie	McMEEKIN Peter	PROUDFOOT Tegan	TAKITIMU Michaela	
BURROWS Kerry	FENG Hank	JOBSON Peter	McMILLAN Denise	RADFORD Grant	TANG Alan	
BURTON Ann	FENTON Damon	JOHN Rhys	McMILLAN Lance	RAMSAY Bronwyn	TANGITTI Teri	
BUTLER John	FETHERSTON Maria	JOHNSON Allan	McNEUR Drew	RAMSAY Jacinta	TAURIMA Dean	
BYRNE Leigh	FIELD Warren	JOHNSON Kristine	MAKKER Suniti	RANA Prateek	TAUTU Jordan	
BYRNE Mandy	FIFITA Leroy	JOHNSON Laureen	MALIN Rodney	RANA Tane	TAYLOR Barbara	
CAIRNS Kevin	FINCH Simon	JOHNSON Shane	MALONEY Aaron	RAPAN'A Sonny	TAYLOR James	
CALDEIRO Ian	FITZGERALD Sheryl	JOHNSTON Derek	MANAWATU Waata	RAITT Jeremy	TAYLOR Jason	
CALLISTER Carolyn	FLEMING Nigel	JOHNSTON Lois	MANDER Jayne	RATCLIFFE Chris	TAYLOR Jason	
CARLAW Lisa	FORSTER Marie	JOHNSTON Paul	MANNING Michelle	RAWIRI Daniels	TAYLOR Rachael	
CARREL Teresa	FOSTER Jean	JONES Lee	MANSON Charmaine	RAWSON-SMETS Cohen	TE MAU TeAngiAngi	
CARSON Aaron	FOSTER Leslie	JONES Lindon	MANSON Sheryl	REDLEY Jack	TE HAUPI Robert	
CARSTON Paul	FRASER Elizabeth	JOPE Kerrin	MARKLAND Paul	REEVES Teresa	TE RUPE Nan	
CARVELL Nicole	FRASER John	JORDAN Gavin	MARSHALL Vicki	REID Andrew	TEBAY Russell	
CASKIE Sandra	FREW Shane	JOYCE Graeme	MARSTERS James	REID Andy	TE-EVALI Suli	
CATTERMOLE Wal	FRY Pam	KAPOOR Raman	MARTIN Brett	REID Murray	TE-EVALI Paul	
CHAIPANIT Ning	FULTON Grant	KARYSTINOS Konstantinos	MARTIN Fiona	REID Phillip	THOMPSON Kelly	
CHALLIS Karl	GALLAGHER Michael	KATAE Peter	MASON Elliott	REID Wayne	THOMSEN Christine	
CHALLIS Ryan	GALT Jared	KATAE Riki	MATANGI Sarah	REKITTKE Robert	THOMSON Jean	
CHALMERS Linzi	GALT John	KAUJ Anna	MATTHEWS Shane	RHOADES Tim	THOMSON Murray	
CHEN Pearl	GANNON Shayna	KEMP Denise	MATTSON Rachel	RHOADES Tony	THORESEN Tracey	
CHERITON Paul	GARDNER April	KENT Brendan	MATZENBACHER Bernardo	RHOADES Karl	THORMAN Gary	
CHING Marcia	GARDNER Lynley	KENNEDY Michael	MAXTED James	RICE Lance	TINDALL Gregg	
CHISHOLM Murray	GARDNER Mury	KERR Gavin	MAY Hayden	RIINI John	TIETVELD Joanne	
CHISHOLM Richard	GAULT Sarah	KERR Rowan	MEAD Donald	ROBERTS Barbara	RIINI John	
CHONG Pau Fang (Sharon)	GIBBINS Robert	KHADEER Abdul	MEAD Donald	ROBERTSON Craig	RIVERS Linda	
CHRISTIAN Marcus	GIBLIN James	KILLEEN William	MEIKLE Judy	ROBISON Wendy	ROBERTS Barbara	
CHRISTIANSEN Stephen	GILCHRIST David	KING Justin	MELVILLE Jade	ROGERS Lorraine	ROHAN Michael	
CLARK Jim	GILL Ann-Marie	KIRK Melanie	MEXTED Peter			
CLAXTON Jeremy	GILLARD Zenara	KIRNER Jackie				
CLEVERLEY Lynne	GLUE Susan					

# Store Locations 2013

